



## **Federal Housing Finance Agency**

# **Federal Property Managers Report No.3**

February 12, 2009

**Streamlined Loan Modification Report**

In 2008, I submitted to your attention the details of our streamlined loan modification program (SMP) and FHFA's *Plan to Maximize Assistance for Homeowners and Minimize Foreclosures*. Both Fannie Mae and Freddie Mac rolled-out the SMP on December 15th as scheduled. The SMP targets seriously delinquent borrowers and creates "affordable" monthly mortgage payments of no more than 38 percent of the household's monthly income. Through this program, Fannie Mae and Freddie Mac have a greater ability to quickly and efficiently create sustainable monthly mortgage payments for troubled borrowers. Potentially hundreds of thousands more struggling borrowers will be able to stay in their homes at an affordable monthly mortgage payment. The Enterprises' servicers have received hundreds of thousands of calls. The Enterprises' have sent approximately 90,000 solicitations related to the SMP to homeowners since the program was implemented. The numbers of finalized SMP modifications to date are small. It's too early to predict the success of this current program, but we are continuing to evaluate options to improve it.

**New Fannie Mae and Freddie Mac Activities**

Since our last report, Fannie Mae announced that it will extend its suspension of evictions from Fannie Mae-owned single-family properties through February 28, 2009. The suspension applies to all single-family properties including owner-occupied properties that have been foreclosed upon as well as foreclosed properties occupied by renters. Fannie Mae began implementing its National Real Estate Owned (REO) Rental Policy that allows qualified renters in Fannie Mae-owned foreclosed properties to stay in their homes. The new policy applies to renters occupying any type of single-family foreclosed properties at the time Fannie Mae acquires the property. Eligible renters will be offered a new month-to-month lease with Fannie Mae or financial assistance for their transition to new housing should they choose to vacate the property. The properties must meet state laws and local code requirements for a rental property.

Freddie Mac also announced it will extend its suspension of evictions triggered by foreclosures on single family properties with Freddie Mac-owned mortgages through February 28, 2009. Freddie Mac is simultaneously launching a new strategy to offer leases to qualified owner-occupants and tenants' so they can rent the properties on a month-to-month basis after foreclosure. Under the REO Rental Option, leases will be offered to current renters on a month-to-month basis at market rents or the rent amount they were paying prior to foreclosure, whichever is less. The rent for former owner-occupants will be the market rent, which will be determined by the property management firm Freddie Mac contracted to manage the program. Freddie Mac is piloting a new workout strategy for high risk loans designed to keep more at-risk borrowers in their homes by employing third party servicers that specialize in servicing Alt A and other types of higher risk mortgages. Under the new pilot, a selected portfolio of higher risk mortgages that are at least 60 days delinquent will be given to a specialty servicer for intensive attention using the full range of Freddie Mac workout opportunities, including the SMP developed with the FHFA, Fannie Mae and the HOPE Now Alliance.

**FHFA Activities**

As the housing GSEs are the largest holders of private label mortgage-backed securities (\$255 billion), FHFA has been working with their trustees, servicers and investors to be more aggressive in modifying the loans in those securities, including adopting SMP. The American

Bankers Association recently responded to FHFA in a February 6th letter on behalf of their trustees' committee that they support modifications as a better alternative in many cases than foreclosure as they said "attempting to reduce preventable foreclosures can be in the best interest of all of the parties to the RMBS transaction, particularly given that increasing numbers of foreclosures drive down property values, which, in turn, diminishes the value of RMBS collateral!"

### **Foreclosure Prevention Report**

In accordance with the reporting requirements of Section 110(b)(5), please find attached our FHFA monthly *Foreclosure Prevention Report*, which reports on loan modifications and foreclosure activities of the Enterprises as of November 30, 2008. FHFA also publishes a quarterly report with detailed analysis. The most recent quarterly report, dated September 30, 2008, is posted to our website at [www.fhfa.gov](http://www.fhfa.gov). The FHFA *Foreclosure Prevention Reports* summarize data provided by Fannie Mae and Freddie Mac and gives a comprehensive view of their efforts to assist borrowers through forbearance, payment plans, and loan modification, and other alternatives to foreclosure such as short sales and deeds-in-lieu. The reports cover 30.7 million mortgages and focus on the delinquencies, loss mitigation actions, and foreclosure data reported by more than 3,000 approved servicers.

The attached November 30, 2008 *Monthly Foreclosure Prevention Report* indicates that of the Enterprises' 30.6 million residential mortgages:

- The loan modifications for October and November, which were the first two full months of the conservatorship, had increased by 50 percent from the previous two months. These data reflect the increased commitment of the GSEs and their servicers to help borrowers in trouble modify their loans to keep them in their homes.
- Loans 60+ days delinquent (including those in bankruptcy and foreclosure) as a percent of all loans increased from 1.46 percent as of March 31, 1.73 percent as of June 30, and 2.21 percent as of September 30 to 2.39 for October and 2.73 percent for November.
- Loans 90+ days delinquent (including those in bankruptcy and foreclosure) as a percent of all loans increased from 1.00 percent as of March 31, 1.73 percent, 1.19 percent as of June 30, 2.21 percent, and 1.52 percent as of September 30 to 1.67 percent for October and 1.88 percent for November.
- Loans for which foreclosure was started as a percent of loans 60+ days delinquent declined from 8.29 for the first quarter, 7.81 percent for the second quarter, and 7.20 percent for the third quarter to 6.44 percent for October 2008 and 5.25% for November 2008.
- Loans for which foreclosure was completed as a percent of loans 60+ days delinquent decreased from 2.41 percent for the first quarter, 2.55 percent for the second quarter, and 2.56 percent for the quarter to 2.33 percent for October and 1.73 percent for November.

- Modifications completed increased from a monthly average of 2,883 for 2007, 5,218 for the first quarter, and 5,129 for the second quarter and 4,497 for the third quarter to 5,600 for October and 8,291 for November. Compared to the monthly average of 4,948 for the first nine months of 2008, October modifications increased by 13.2 percent and November by 67.6 percent.
- The loss mitigation ratio for November was 61.7 percent – the highest since June which was reported at 64.8 percent. The year-to-date loss mitigation ratio is 55.2 percent. The loss mitigation ratio is calculated at the total mitigation activities (payment plans, delinquency advances, loan modifications, short sales, deeds in lieu, assumptions, and charge-offs) divided by the total of loss mitigation activities plus foreclosures completed and third-party sales. This ratio allows for comparison of loss mitigation performance over time – irrespective of delinquency rates.

**FHFA Foreclosure Prevention Report  
January through November 2008**

	2007 Aver/Mo	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	2008 YTD Aver/Mo
<b>Number of Loans (at period end)</b>													
Total		30,135,490	30,367,051	30,408,771	30,483,080	30,661,811	30,619,891	30,623,407	30,650,194	30,744,135	30,634,428	30,586,564	30,537,711
Prime		24,952,459	25,153,692	25,217,229	25,307,364	25,498,551	25,498,297	25,533,099	25,581,750	25,700,544	25,680,402	25,666,584	25,435,452
Nonprime		5,183,031	5,213,359	5,191,542	5,175,716	5,163,260	5,121,594	5,090,308	5,068,444	5,043,591	4,954,026	4,919,980	5,102,259
<b>60 Days+ Delinquency (at period end)</b>													
Total		431,310	433,61	444,902	470,139	497,316	528,764	565,91	621,061	678,47	730,971	834,83	567,02
Prime		193,930	203,06	214,262	228,667	245,311	263,699	284,49	313,496	345,37	379,785	438,63	282,79
Nonprime		237,380	230,544	230,640	241,472	252,005	265,065	281,421	307,565	333,098	351,186	396,201	284,23
<b>60 Days+ Delinquency (percent of total loans)</b>													
Total		1.43%	1.43%	1.46%	1.54%	1.62%	1.73%	1.85%	2.03%	2.21%	2.39%	2.73%	1.86%
Prime		0.78%	0.81%	0.85%	0.90%	0.96%	1.03%	1.11%	1.23%	1.34%	1.48%	1.71%	1.11%
Nonprime		4.58%	4.42%	4.44%	4.67%	4.88%	5.18%	5.53%	6.07%	6.60%	7.09%	8.05%	5.57%
<b>90 Days+ Delinquency (percent of total loans)</b>													
Total		0.92%	0.95%	1.00%	1.05%	1.12%	1.19%	1.27%	1.38%	1.52%	1.67%	1.88%	1.27%
<b>Foreclosure Starts</b>													
Total	22,545	32,583	39,980	35,957	39,031	37,887	39,925	47,770	44,170	40,969	47,086	43,827	40,835
Prime	10,604	16,096	21,832	20,021	21,965	21,579	22,374	27,998	25,082	22,495	26,808	25,456	22,882
Nonprime	11,942	16,487	18,148	15,936	17,066	16,308	17,551	19,772	19,088	18,474	20,278	18,371	17,953
<b>Completed Foreclosure Sales</b>													
Total	6,408	10,571	10,317	10,645	11,916	13,305	12,964	16,364	15,528	15,605	17,008	14,408	13,512
Prime	3,226	5,786	5,623	5,797	6,715	7,514	7,626	9,929	9,242	9,394	10,226	8,769	7,875
Nonprime	3,182	4,785	4,694	4,848	5,201	5,791	5,338	6,435	6,286	6,211	6,782	5,639	5,637
<b>Completed Foreclosure Sales (Percentage of Starts)</b>													
Total	28.4%	32.4%	25.8%	29.6%	30.5%	35.1%	32.5%	34.3%	35.2%	38.1%	36.1%	32.9%	33.1%
Prime	30.4%	35.9%	25.8%	29.0%	30.6%	34.8%	34.1%	35.5%	36.8%	41.8%	38.1%	34.4%	34.4%
Nonprime	26.6%	29.0%	25.9%	30.4%	30.5%	35.5%	30.4%	32.5%	32.9%	33.6%	33.4%	30.7%	31.4%
<b>Completed Foreclosure Sales (Percentage of Starts with a 6-month lag)</b>													
Total	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	50.2%	38.8%	43.4%	43.6%	38.0%
Prime	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	61.7%	42.3%	46.9%	46.6%	40.6%
Nonprime	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	39.0%	34.6%	39.0%	39.7%	34.3%
<b>HomeSaver Advance (Fannie Mae Only)</b>													
Total	n/a	0	11	1233	2,052	2,881	11,725	10,599	7,914	8,764	6,800	9,692	5,606
Prime	n/a	0	3	343	545	856	4,459	4,285	2,747	3,134	1,998	3,113	1,953
Nonprime	n/a	0	8	890	1,507	2,025	7,266	6,314	5,167	5,630	4,802	6,579	3,653

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	2007 Aver/Mo	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	2008 YTD Aver/Mo	
<b>Borrower Workout Plans (Repayment Plans Initiated + Modifications Plans Completed)</b>														
Total	52,188	28,912	24,696	25,803	25,808	24,622	31,400	30,35	33,957	34,955	35,082	34,579	30,015	
Prime	16,976	10,263	9,106	9,498	9,775	9,431	12,03	12,012	13,648	13,848	14,209	14,098	11,629	
Nonprime	35,212	18,649	15,590	16,305	16,033	15,191	19,369	18,339	20,309	21,107	20,873	20,481	18,386	
<b>Formal Repayment Plans Initiated</b>														
Total	17,585	24,683	18,809	20,264	21,837	19,945	24,661	26,082	29,506	30,183	29,482	26,288	24,704	
Prime	6,061	8,946	7,244	7,696	8,571	7,786	10,022	10,506	12,094	12,120	12,197	11,235	9,856	
Nonprime	11,524	15,737	11,565	12,568	13,266	12,159	14,639	15,576	17,412	18,063	17,285	15,053	14,848	
<b>Modifications Completed</b>														
Total	34,603	4,229	5,887	5,539	3,971	4,677	6,739	4,269	4,451	4,772	5,600	8,291	5,311	
Prime	10,915	1,317	1,862	1,802	1,204	1,645	2,009	1,506	1,554	1,728	2,012	2,863	1,773	
Nonprime	23,688	2,912	4,025	3,737	2,767	3,032	4,730	2,763	2,897	3,044	3,588	5,428	3,538	
<b>Modifications by Type (EESA Section 110)</b>														
Interest Rate Reduction	NR	NR	NR	NR	NR	NR	NR	NR	NR	NR	NR	3,269	6,151	9,420
Reduction in Loan Principal	NR	NR	NR	NR	NR	NR	NR	NR	NR	NR	NR	-	-	-
Other	NR	NR	NR	NR	NR	NR	NR	NR	NR	NR	NR	2,331	2,140	4,471
<b>Modifications as a Percent of Workout Plans</b>														
Total	66.3%	14.6%	23.8%	21.5%	15.4%	19.0%	21.5%	14.1%	13.1%	13.7%	16.0%	24.0%	17.7%	
Prime	64.3%	12.8%	20.4%	19.0%	12.3%	17.4%	16.7%	12.5%	11.4%	12.5%	14.2%	20.3%	15.2%	
Nonprime	67.3%	15.6%	25.8%	22.9%	17.3%	20.0%	24.4%	15.1%	14.3%	14.4%	17.2%	26.5%	19.2%	
<b>Borrower Workout Plans (Repayment Plans Initiated + Modifications Completed) as a Percent of Completed Foreclosure Sales</b>														
Total	814%	274%	239%	242%	217%	185%	242%	185%	219%	224%	206%	240%	222%	
Prime	526%	177%	162%	164%	146%	126%	158%	121%	148%	147%	139%	161%	148%	
Nonprime	1107%	390%	332%	336%	308%	262%	363%	285%	323%	340%	308%	363%	326%	
<b>Short Sales Completed</b>														
Total	335	516	556	704	850	1,056	1,156	1,492	1,465	1,717	2,103	1,828	1,222	
Prime	172	303	341	425	525	677	754	1,000	1,033	1,200	1,489	1,323	825	
Nonprime	163	213	215	279	325	379	402	492	432	517	614	505	398	
<b>Deeds-in-Lieu Completed</b>														
Total	69	102	84	122	107	62	67	118	138	171	156	150	116	
Prime	48	62	61	93	82	42	44	80	114	118	123	113	85	
Nonprime	21	40	23	29	25	20	23	38	24	53	33	37	31	

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	<b>2007 Aver/Mo</b>	<b>Jan-08</b>	<b>Feb-08</b>	<b>Mar-08</b>	<b>Apr-08</b>	<b>May-08</b>	<b>Jun-08</b>	<b>Jul-08</b>	<b>Aug-08</b>	<b>Sep-08</b>	<b>Oct-08</b>	<b>Nov-08</b>	<b>2008 YTD Aver/Mo</b>
<b>Charge-Offs in Lieu of Foreclosure Completed</b>													
Total	40	56	42	70	41	49	66	73	57	72	96	75	63
Prime	14	24	11	28	16	20	27	34	25	28	38	32	26
Nonprime	26	32	31	42	25	29	39	39	32	44	58	43	38
<b>Total Loss Mitigation Actions Completed (# of Loans)</b>													
Payment Plans Completed	4,531	5,024	6,777	6,314	5,595	5,504	5,294	4,897	4,720	5,093	4,927	4,147	5,299
HomeSaver Advance (Fannie Mae Only)	-	-	11	1,233	2,052	2,881	11,72	10,59	7,914	8,764	6,800	9,692	5,606
Loan Modifications Completed	2,884	4,229	5,887	5,539	3,971	4,677	6,739	4,269	4,451	4,772	5,600	8,291	5,311
Short Sales Completed Deeds-in-	335	516	556	704	850	1,056	1,156	1,492	1,465	1,717	2,103	1,828	1,222
Lieu Completed Assumptions	69	102	84	122	107	62	67	118	138	171	156	150	116
Completed	-	-	-	-	-	-	-	-	-	-	-	-	-
Charge-offs in Lieu of Foreclosure Completed	40	56	42	70	41	49	66	73	57	72	96	75	63
<b>Total</b>	<b>7,858</b>	<b>9,927</b>	<b>13,357</b>	<b>13,982</b>	<b>12,616</b>	<b>14,229</b>	<b>25,047</b>	<b>21,448</b>	<b>18,745</b>	<b>20,589</b>	<b>19,682</b>	<b>24,183</b>	<b>17,619</b>
<b>Foreclosure Sales Completed</b>													
Foreclosure Sales Completed	6,408	10,571	10,317	10,645	11,916	13,305	12,964	16,364	15,528	15,605	17,008	14,408	13,512
Third Party Sales	42	687	652	592	711	672	660	726	725	1,953	773	577	793
<b>Total</b>	<b>6,450</b>	<b>11,258</b>	<b>10,969</b>	<b>11,237</b>	<b>12,627</b>	<b>13,977</b>	<b>13,624</b>	<b>17,090</b>	<b>16,253</b>	<b>17,558</b>	<b>17,781</b>	<b>14,985</b>	<b>14,305</b>
<b>Total Loss Mitigation Actions, Foreclosure Sales, and Third Party Sales</b>													
Total Loss Mitigation Actions, Foreclosure Sales, and Third Party Sales	14,309	21,185	24,326	25,219	25,243	28,206	38,671	38,538	34,998	38,147	37,462	39,168	31,924
<b>Loss Mitigation Performance Ratio</b>	<b>54.9%</b>	<b>46.9%</b>	<b>54.9%</b>	<b>55.4%</b>	<b>50.0%</b>	<b>50.4%</b>	<b>64.8%</b>	<b>55.7%</b>	<b>53.6%</b>	<b>54.0%</b>	<b>52.5%</b>	<b>61.7%</b>	<b>55.2%</b>