# Federal Housing Finance Agency

# Foreclosure Prevention Report
# First Quarter 2009

## Disclosure and Analysis of Fannie Mae and Freddie Mac Mortgage Loan Data

# Contents

## Summary

Mortgage delinquencies continued to increase with the prolonged downturn in the economy however foreclosure prevention activity increased and more importantly, the nature of foreclosure prevention actions[1] is changing in light of extended hardship situations and to assist more borrowers. Loan modification volumes reflect modifications from the Streamlined Modification Program initiated in November 2008 but not from the Home Affordable Modification program announced in March 2009, which was still in development.

### Mortgage Performance

- Mortgage delinquencies continued to increase. Approximately 173,700 more loans became 60 days or more delinquent in the first quarter of 2009. Loans 60-plus-days delinquent increased 19 percent during the first quarter to 1.1 million.

- One in 10 nonprime loans was 60-plus-days delinquent at the end of March 2009 compared with three in 100 prime loans. Nonprime loans accounted for 16 percent of the total 30.4 million first-lien residential mortgages owned or guaranteed by the Enterprises.

### Foreclosure Prevention Actions

- Completed actions to prevent foreclosure rose substantially in the first quarter to approximately 86,600, an increase of 20 percent over the prior quarter and more than double the volume in the same period of the previous year.

- Home retention actions—actions that result in a borrower retaining their home—accounted for 90 percent of these actions completed during the first quarter, which is consistent with the proportions of foreclosure prevention actions completed over the past year. The remaining 10 percent of actions were nonforeclosure home forfeiture actions, such as short sales and deeds in lieu of foreclosure.

### Loan Modifications

With increasing numbers of borrowers experiencing long-term hardship such as curtailment or loss of income, the Enterprises have intensified focus on more suitable foreclosure prevention alternatives which address that type of hardship. Loan modifications allow servicers to reduce borrowers' payments of principal and interest by modifying the terms of the loan. Modification often is more successful in addressing long term hardships than repayment plans or delinquency advances, which increase borrowers' payments.

[1] Foreclosure prevention actions include loan modifications, repayment plans, forbearance plans, charge-offs in lieu of foreclosure, delinquency advances, short sales and deeds in lieu of foreclosure.

- Loan modifications experienced the strongest growth of foreclosure prevention actions during the first quarter as the Enterprises intensified their efforts. Completed loan modifications increased by 57 percent over the prior quarter to 37,300 and more than doubled compared to the first quarter of 2008.

- Loan modifications accounted for 43 percent of all completed foreclosure prevention actions in the first quarter of 2009, up from 33 percent in the prior quarter.

- The vast majority of loan modifications completed during the first quarter involved both term extensions and rate reductions. Recent loan modification efforts have focused on lowering borrowers' monthly payments, and half of loan modifications completed in the first quarter of 2009 resulted in borrowers' payments decreasing by 20 percent or more, compared to only 2 percent in the first quarter of 2008. This development reflects growing success at both Enterprises in directing servicers to explore all available options for loan modification with delinquent borrowers.

**Foreclosures**

- Foreclosure starts increased substantially in the first quarter, up by 63 percent over the prior quarter to 243,800, reflecting increases in the number of delinquencies and transitions to later stage delinquency. The increase in the number of foreclosure starts on prime borrowers versus for nonprime borrowers reveals the impact of the deteriorating economy on borrowers who were previously considered higher credit quality. Foreclosure starts on prime borrowers in the first quarter of 2009 were 2.6 times higher than in the same period of 2008. Foreclosure starts on nonprime borrowers were nearly double the number in the same quarter of 2008.

- Despite the Enterprises' temporary suspension of foreclosure sales on owner-occupied properties for most of the first quarter of 2009, completed foreclosure sales and third-party sales during the quarter increased by 17 percent over the prior quarter to 41,800.

## Introduction

This Federal Housing Finance Agency (FHFA) *Foreclosure Prevention Report* for the first quarter of 2009 presents key performance data on first-lien residential mortgages serviced on behalf of the Federal National Mortgage Association, or **Fannie Mae**, and the Federal Home Loan Mortgage Corporation, or **Freddie Mac**, by more than 3,000 servicers. Fannie Mae and Freddie Mac are referred to in this report as "the Enterprises."

This is the fifth quarterly report completed by FHFA. This report presents and analyzes trends in mortgage delinquencies and in the level of assistance offered to borrowers in danger of foreclosure.

### Mortgage Portfolio Size and Composition

The Enterprises' aggregate mortgage portfolio decreased by approximately 183,400 loans or 0.6 percent compared to the fourth quarter of 2008 as a result of loan liquidations outpacing new purchases and issuances.

**Enterprises' Mortgage Portfolio Characteristics**

| | 31-Dec-08 | 31-Mar-09 |
|---|---|---|
| Number of loans serviced (thousands) | 30,536 | 30,353 |
| Prime | 25,657 | 25,578 |
| Nonprime | 4,879 | 4,775 |
| Loans Serviced (billions) | $4,557 | $4,508 |
| Original Weighted Average Credit Score | 724 | 725 |
| Original Weighted Average Loan-to-Value | 72% | 71% |
| Current Weighted Average Loan-to-Value | 71% | 74% |

The number of both prime and nonprime first-lien residential mortgages decreased, however nonprime mortgages decreased by a higher percentage than prime mortgages. The decrease in the number of nonprime loans reflects actions taken by both Enterprises to increase the credit quality of new business and continues a trend seen over the past year. The Federal Housing Administration and Veterans Administration (FHA/VA) are guaranteeing an increasing share of nonprime loan originations.

## Making Home Affordable Program

### Home Affordable Refinance Program (HARP)

- Announced March 3, 2009.
- Allows existing Enterprise borrowers with current payment histories to refinance and reduce their monthly mortgage payments at loan-to-value ratios up to 105 percent without new mortgage insurance.

### Home Affordable Modification Program (HAMP)

- Announced March 3, 2009.
- Allows a borrower's payment to be reduced to an affordable amount through an interest rate reduction (down to 2 percent), a term extension (up to 480 months), principal forbearance, or principal forgiveness. Incentives are being offered to borrowers, servicers, and investors for program participation and a successful payment history.

### Second Mortgage Modification with a First Mortgage Modification

- Announced April 28, 2009.
- Requires the second mortgage to be modified when the first mortgage has been modified under the program. About 50 percent of all at-risk mortgages have second liens, and 15 percent have more than one additional mortgage.

### Short Sales/Deeds in Lieu

- Announced May 14, 2009.
- Allows a borrower who fails to qualify for an affordable modified payment to avoid foreclosure by selling his/her home or deeding the property to the servicer prior to a completed foreclosure sale.

### Roles—Fannie Mae and Freddie Mac

- The Enterprises are participating in the program for the loans that they own or guarantee, and as administrators on behalf of the U.S. Treasury Department for all other loan modifications under this program.
- Fannie Mae—the administrator of the modification program—is working on guidance to seller/servicers to address loans owned by Fannie Mae and Freddie Mac and those owned by investors in private-label securities.
- Freddie Mac has an audit and compliance role with the modification program. Freddie Mac is reviewing servicers' compliance with the program guidelines and ensuring that noncompliance is reported and handled.

## Making Home Affordable Program—Status Update

As of June 15, 2009, 15 of the largest servicers representing roughly 75 percent of first mortgages nationwide had signed agreements to participate in the modification program. The agreement requires that servicers review every potentially eligible borrower who inquires about program consideration. Servicers have been directed to suspend foreclosure on owner-occupied properties until a borrower's eligibility for the Home Affordable Modification program has been verified.

# Key Findings

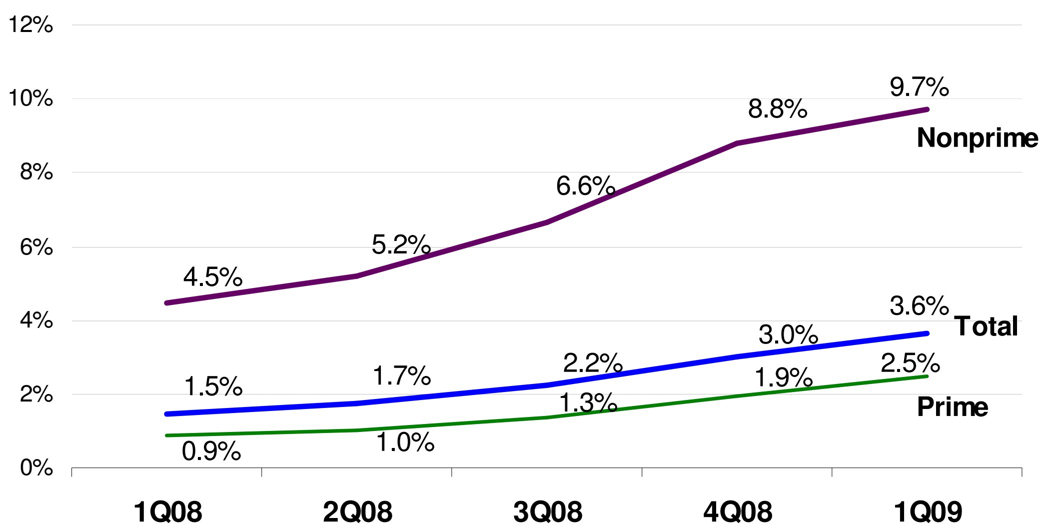
### Mortgage Performance

Mortgage delinquencies continued to increase during the first quarter as the weak economy persisted. The number of loans in all stages of delinquency increased. However prime loans had larger increases in delinquency volumes and delinquency rates, a trend associated with the weak economy, particularly rising unemployment rates, impacting borrowers who previously had good credit.

Approximately 173,700 more loans became 60-plus-days delinquent in the first quarter of 2009. Loans 60-plus-days delinquent increased by 19 percent in the first quarter to 1.1 million.

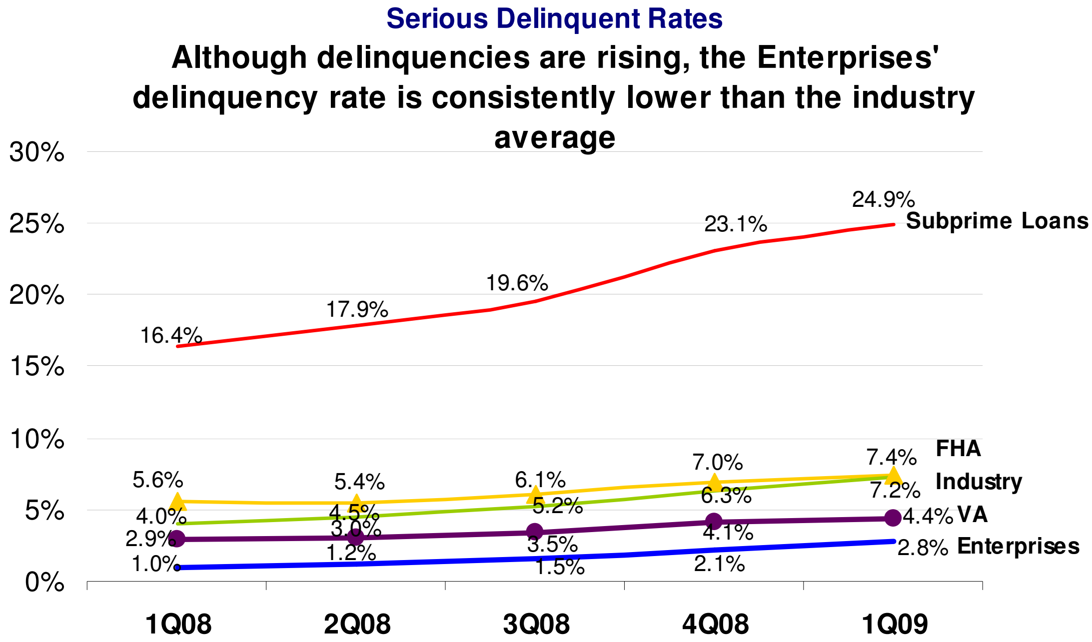
Credit scores at origination are a measure for predicting the likelihood that a borrower would become delinquent in the future. Consistent with expectations, loans with lower credit scores at origination had a higher delinquency rate than loans with higher credit scores at origination. At the end of March 2009, one in 10 nonprime loans (9.7%) was 60-plus-days delinquent compared with three in 100 (2.5%) prime loans.

**60-plus-days Delinquency Rates**
**Delinquency rates continued to rise...**




Serious delinquent mortgages (90-plus-days delinquent or in the process of bankruptcy or foreclosure) also increased during the first quarter of 2009. The serious delinquent rate rose to 2.8 percent at the end of the first quarter of 2009 from 2.1 percent in the prior quarter and nearly tripled compared to the first quarter of 2008.

Although the Enterprises' delinquencies continued to increase during the first quarter of 2009, the rate is consistently lower than the industry average. As of March 31, 2009, the percentage of Enterprises' mortgage loans that were seriously delinquent was 2.8 percent, compared with 4.4 percent for VA loans, 7.4 percent for FHA loans, and 7.2 percent for the industry average and 24.9 percent for subprime loans.




Source: Fannie Mae and Freddie Mac; National Delinquency Survey from Mortgage Bankers Association - First Quarter 2009

The population at greatest risk of high foreclosure rates is that of borrowers whose loans are not subject to the Enterprises' contractual requirements. These loans are often bundled in private-label securities and represent the highest numbers of serious delinquencies.

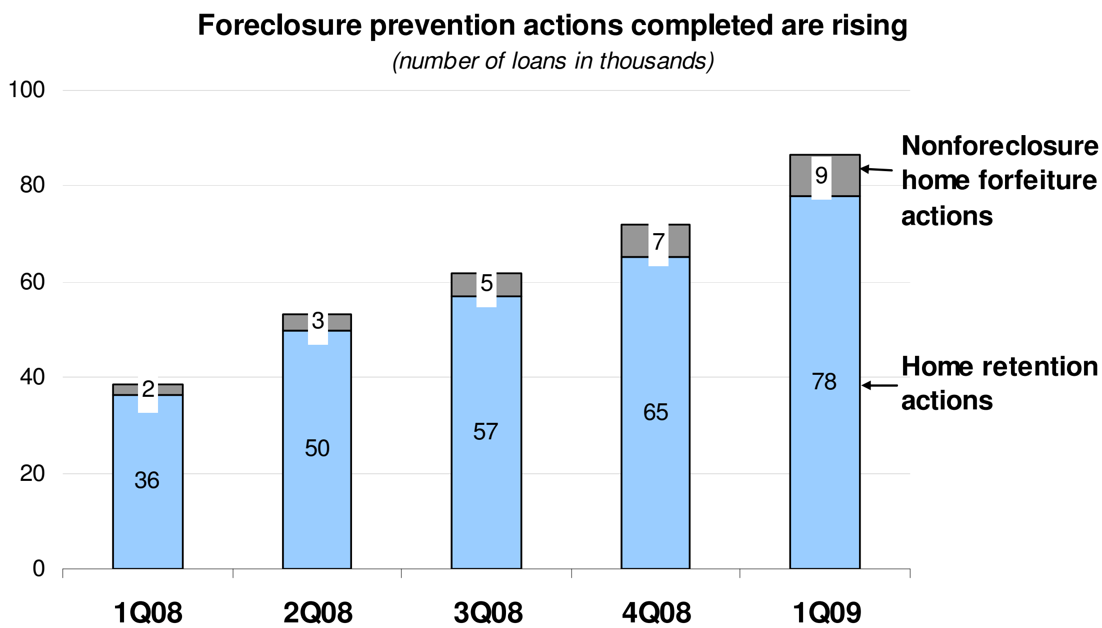
| *As of 3/31/09 Numbers of loans (millions)* | Mortgages | Percent of Total | Serious Delinquent Mortgages | Percent of Total |
|---|---|---|---|---|
| Enterprises | 30 | 56% | 851 | 22% |
| Ginnie Mae/FHA | 6 | 12% | 410 | 10% |
| Private Label | 7 | 13% | 1,663 | 42% |
| Banks & Thrifts | 8 | 15% | 507 | 13% |
| Other | 3 | 5% | 515 | 13% |
| Total | 55 | 100% | 3,946 | 100% |

The Enterprises are working to assist more of the borrowers whose loans they own or guarantee and they have worked with other industry participants to identify barriers to broad adoption of the Making Home Affordable programs by the private-label securities community. FHFA also is working to remove barriers to broader acceptance of the modification program, including developing and testing a net present value model for first mortgage modifications that meets the requirements of most private-label securities pooling and servicing agreements.

**Foreclosure Prevention Actions Completed**

Completed actions to prevent foreclosures rose substantially in the first quarter of 2009. Approximately 86,600 of these actions were completed in the first quarter, an increase of 20 percent over the prior quarter and more than double the volume in the first quarter of 2008.

Actions that allow borrowers to retain their homes—repayment plans, forbearance plans, charge-offs in lieu of foreclosure, delinquency advances and loan modifications—accounted for 90 percent of completed foreclosure prevention actions, consistent with the proportions of these actions over the past year. Foreclosure prevention actions that result in borrowers forfeiting their homes are short sales and deeds in lieu of foreclosure. Volumes of both types of foreclosure prevention actions increased in the first quarter.

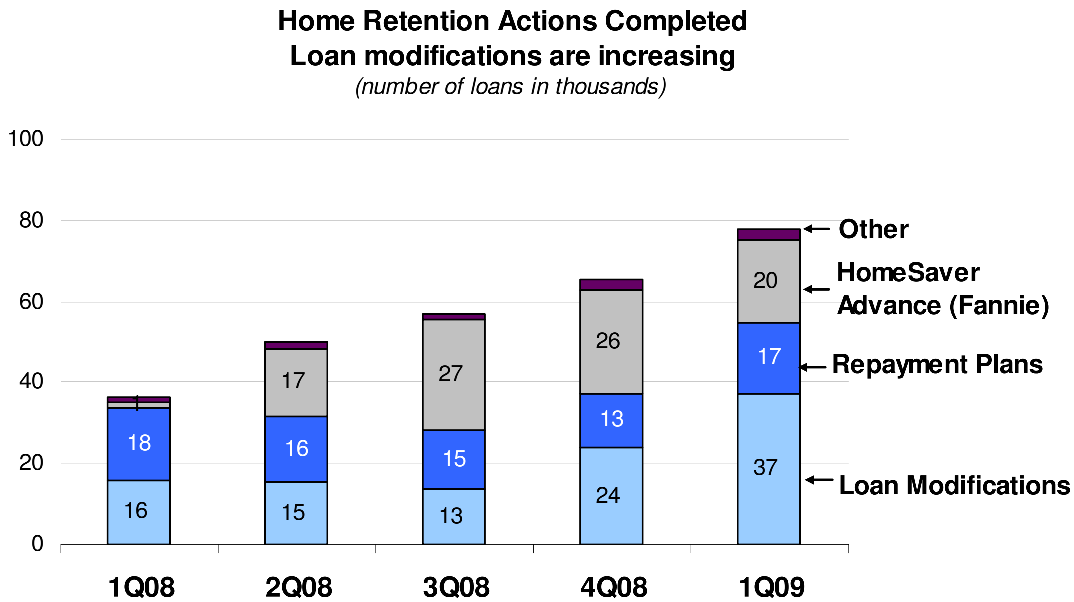



**Home Retention Actions Completed**

As the Enterprises directed servicers to ramp up foreclosure prevention activity, volumes of all categories of home retention actions except delinquency advances increased during the quarter.

Completed repayment plans in the first quarter of 2009 increased by 30 percent over the fourth quarter of 2008 to 17,300. The increase in repayment plan volumes is partly seasonal, driven by income from individual tax filings, which allowed some delinquent borrowers to successfully complete initiated repayment plans. However starting in late 2008, the

Enterprises began working to help borrowers earlier. Reaching borrowers earlier improves the likelihood that repayment plans will be successful because the borrower has less overdue money to repay.




Other consists of forbearance plan and charge-offs in lieu

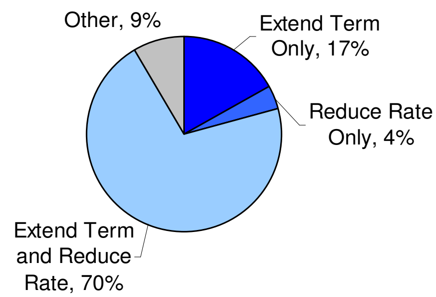
Completed loan modifications increased 57 percent over the prior quarter to 37,300 and more than doubled compared to the first quarter of 2008, making this the category of foreclosure prevention actions to show the most growth. With increasing numbers of borrowers experiencing long-term hardship such as curtailment or loss of income, the Enterprises have intensified focus on more suitable foreclosure prevention alternatives which address that type of hardship. Loan modifications allow servicers to reduce borrowers' payments of principal and interest by modifying the terms of the loan. Modification often is more successful in addressing long-term hardship than repayment plans or delinquency advances, which increase borrowers' payments.

The volume of delinquency advances from Fannie Mae's HomeSaver Advance (HSA) funding program declined. The HSA program advances new, unsecured loans to cure past due amounts to delinquent borrowers who are able to make future scheduled payments but unable to pay past due amounts. For the first six months, the note does not accrue interest and requires no payments. Fannie Mae is deemphasizing the HSA program – which is more applicable to temporary hardships – and focusing on increasing loan modifications.

## Loan Modifications Completed

The vast majority of loan modifications completed during the first quarter involved both term extensions and rate reductions. This development reflects growing success at both Enterprises in directing servicers to explore all options for loan modification with delinquent borrowers.

**Loan Modifications by Type - 1Q09**
**The bulk of loan modifications involve both rate reductions and term extensions**




The traditional loan modification approach of capitalization and reinstatement modifications that allowed borrowers to bring loans current by amortizing past amounts over the remaining life of a loan changed in late 2008 to address mortgage delinquencies caused by income losses or excessive debt.

The historical approach to loan modifications usually increased a borrower's mortgage payments, which is not a viable solution under such circumstances and would not likely improve the performance of the loan.

In late 2008, the Enterprises' started to direct servicers to explore the full breadth of available loan modification options with delinquent borrowers, with an emphasis on lowering borrower monthly payments. Under delegated authority by the Enterprises, servicers are able to extend the term of the loan and reduce interest rates down to 2 percent.

**Enterprise Loan Modification Programs Overview**

***Standard loan modifications***

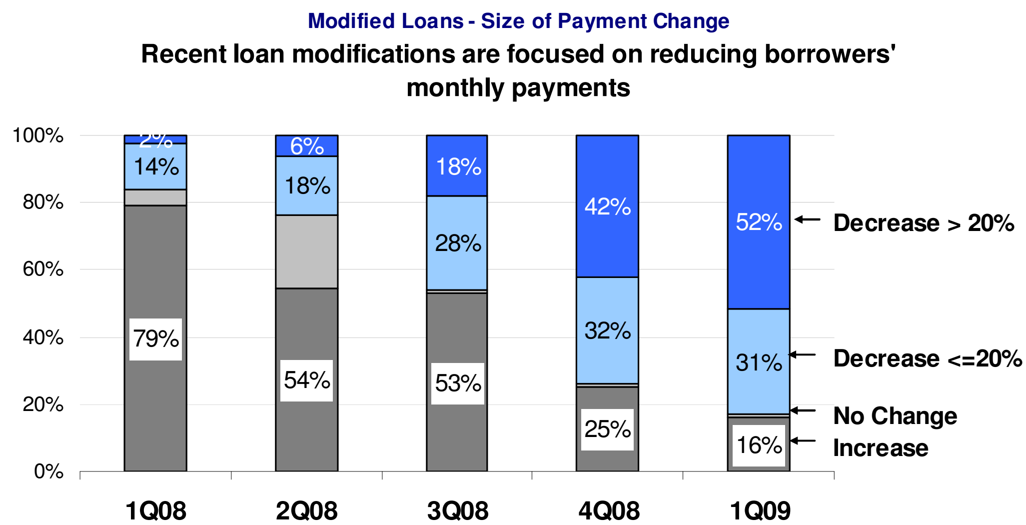
- In place since the 1980s.
- Requires the borrower to submit a personal budget, hardship statement and verification of income. The servicer gets an updated credit report. The borrower's ability to pay is based on residual cash-flow.
- Customized to the borrower's situation, this approach requires extensive communication and is labor intensive.

***Streamlined Modification Program***

- Implemented December 2008.
- 90,000 letters (solicitations or modification offers) were mailed to a targeted population of borrowers who had missed three or more payments.
- Early results showed some program guidelines should be changed to open it to more people and allow setting more affordable payments. The program was retired April 30, 2009.

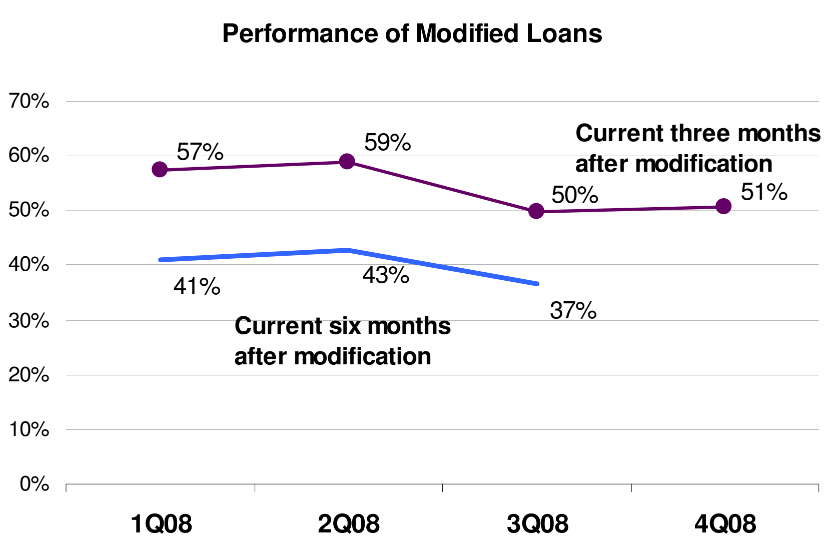
***Home Affordable Modification Program***

- Fannie Mae and Freddie Mac officially began participating in the program for loans they own or guarantee on April 1, 2009.
- They act as the Treasury Department's administrators for all other loan modifications under this program.




Loan modifications in each successive quarter over the past year have resulted in a greater proportion of loans with higher reductions in monthly payments. Eighty-three percent of loan modifications completed in the first quarter of 2009 resulted in borrowers' payments decreasing, compared to only 16 percent in the first quarter of 2008. This trend reflects the Enterprises' renewed focus on making payments more manageable for borrowers. Consequently, all other things being equal, loans modified in more recent quarters would be expected to perform better than loans modified in prior quarters. It is too early to determine whether re-defaults rate will fall.

The percentage of loans current three months after modification was at least 50 percent during 2008. However, the percentage of loans current six months after modification was below 50 percent and fell to 37 percent in the most recent quarter.

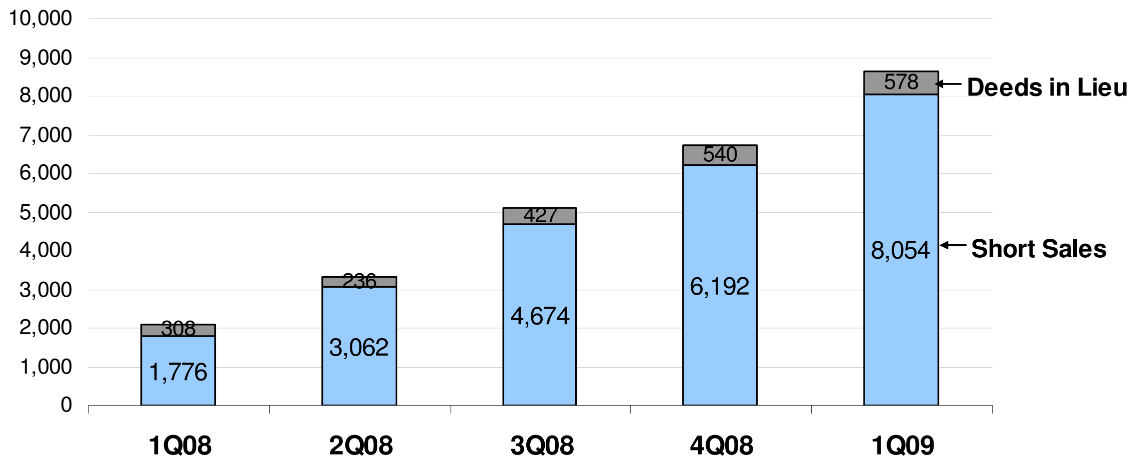


The Home Affordable Modification program (HAMP) was in development during the first quarter of 2009, so no HAMP results are reported. Modifications under the HAMP require a three-month trial period for the borrower to demonstrate the ability and willingness to make the new payment. Modifications under this program will be reported after the trial period is completed.

## Nonforeclosure Home Forfeiture Actions Completed

Nonforeclosure home forfeiture actions (short sales and deeds in lieu of foreclosure) completed during the first quarter of 2009 were 28 percent higher than the prior quarter at 8,600. Short sales accounted for 93 percent of the nonforeclosure home forfeiture actions completed during the quarter.

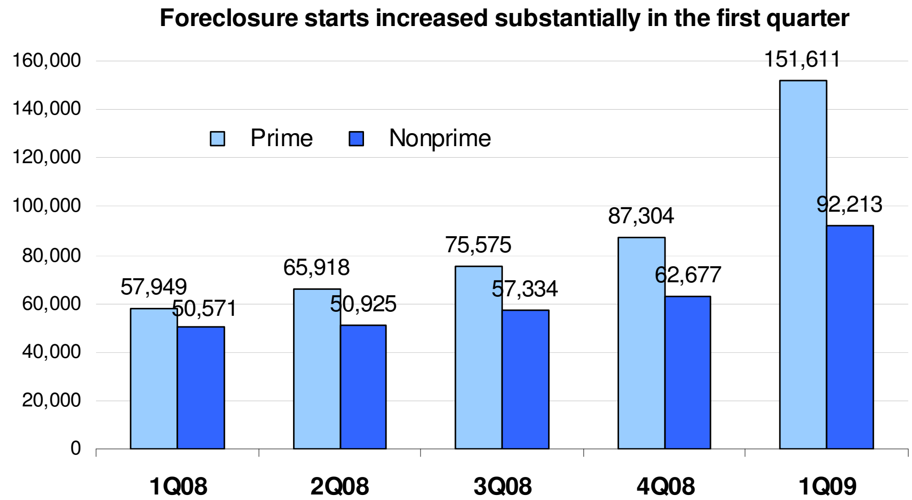
**Nonforeclosure home forfeiture actions continue to rise with majority of completed actions involving short sales**




## Foreclosures

### *New Foreclosures Initiated*

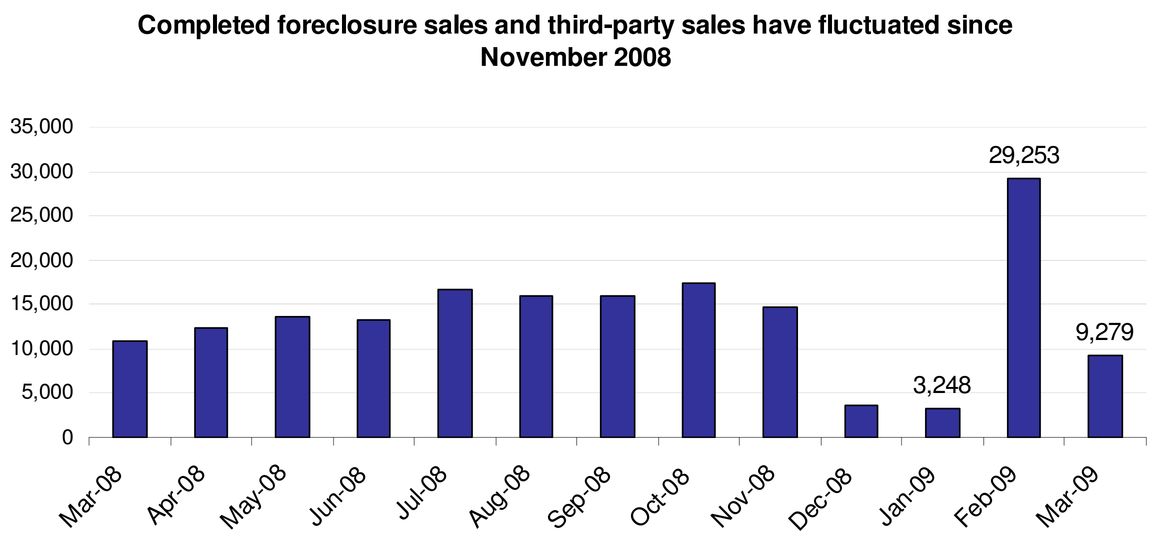
Foreclosure starts increased by 63 percent in the first quarter over the prior quarter to 243,800, reflecting increases in the number of delinquencies and transitions to later stage delinquency. The number of foreclosure starts on prime borrowers increased more than for nonprime borrowers, revealing the impact of the deteriorating economy on borrowers who were previously considered higher credit quality. At 151,600, foreclosure starts on prime borrowers in the first quarter of 2009 were 2.6 times higher than in the same period of 2008. Foreclosure starts on nonprime borrowers, at 92,200, were nearly double the number in the same quarter of 2008




The most frequently cited cause of default was curtailment of income (36 percent). The next four most frequently cited reasons were excessive obligations (19 percent), unemployment (8 percent), illness of the principal mortgagor or a family member (6 percent), or marital difficulties (3 percent).

### *Foreclosures Completed*

Completed foreclosure sales and third-party sales in the first quarter increased by 17 percent over the prior quarter to 41,800. The Enterprises temporarily suspended foreclosure sales on owner-occupied properties from November 26, 2008 through January 31, 2009 and during the last two weeks of February 2009. The suspension reduced completed foreclosure sales in December 2008 and January 2009. However completed foreclosure sales surged in February when the moratorium on foreclosures was lifted during the first half of February. The moratorium ended on March 6, 2009.



In March, servicers were directed to suspend foreclosure on owner-occupied properties until borrowers' eligibility for the Home Affordable Modification Program had been verified, so the number of foreclosures was less than monthly volumes prior to the moratorium. Vacant and non-owner-occupied properties were allowed to proceed to foreclosure.

## 1 - Mortgage Performance *(at period end)*

| *(# of loans in thousands)* | 1Q08 | 2Q08 | 3Q08 | 4Q08 | 1Q09 |
|---|---|---|---|---|---|
| **Total Loans Serviced** | 30,190 | 30,459 | 30,626 | 30,536 | 30,353 |
| Prime | 25,036 | 25,369 | 25,608 | 25,657 | 25,578 |
| Nonprime | 5,153 | 5,090 | 5,018 | 4,879 | 4,775 |
| **Total Delinquent Loans** | | | | | 1,715 |
| Prime | | | | | 952 |
| Nonprime | | | | | 763 |
| **30 - 59 Days Delinquent** | | | | | 615 |
| Prime | | | | | 316 |
| Nonprime | | | | | 299 |
| **60 - 89 Days Delinquent** | | | | | 254 |
| Prime | | | | | 137 |
| Nonprime | | | | | 117 |
| **60-plus-days Delinquent** | 445 | 529 | 678 | 926 | 1,100 |
| Prime | 214 | 264 | 345 | 497 | 636 |
| Nonprime | 231 | 265 | 333 | 429 | 464 |

## Percent of Total Loans Serviced

| | 1Q08 | 2Q08 | 3Q08 | 4Q08 | 1Q09 |
|---|---|---|---|---|---|
| **Total Delinquent Loans** | | | | | **5.65%** |
| Prime | | | | | 3.72% |
| Nonprime | | | | | 15.98% |
| **30 - 59 Days Delinquent** | | | | | **2.03%** |
| Prime | | | | | 1.24% |
| Nonprime | | | | | 6.27% |
| **60 - 89 Days Delinquent** | | | | | **0.84%** |
| Prime | | | | | 0.54% |
| Nonprime | | | | | 2.46% |
| **60-plus-days Delinquent** | **1.47%** | **1.74%** | **2.22%** | **3.03%** | **3.62%** |
| Prime | 0.86% | 1.04% | 1.35% | 1.94% | 2.48% |
| Nonprime | 4.48% | 5.21% | 6.64% | 8.79% | 9.71% |
| **Serious Delinquency Rate** | 0.99% | 1.18% | 1.52% | 2.14% | 2.80% |
| **In Bankruptcy** | | | | | 0.29% |

## 2 - Foreclosure Prevention Actions *(# of loans)*

| | 1Q08 | 2Q08 | 3Q08 | 4Q08 | 1Q09 |
|---|---|---|---|---|---|
| **Starts** | | | | | |
| Repayment Plans | 63,756 | 66,443 | 85,771 | 84,876 | 100,917 |
| Forbearance Plans | | | | | 49,369 |
| **Completed** | | | | | |
| Repayment Plans | 18,148 | 16,393 | 14,710 | 13,309 | 17,336 |
| Forbearance Plans | 1,198 | 1,279 | 1,099 | 2,116 | 2,576 |
| Charge-offs in Lieu | 168 | 156 | 202 | 273 | 288 |
| HomeSaver Advance *(Fannie)* | 1,244 | 16,658 | 27,277 | 25,788 | 20,431 |
| Loan Modifications | 15,655 | 15,387 | 13,488 | 23,777 | 37,328 |
| **Home Retention Actions** | **36,413** | **49,873** | **56,776** | **65,263** | **77,959** |
| Short Sales | 1,776 | 3,062 | 4,674 | 6,192 | 8,054 |
| Deeds in Lieu | 308 | 236 | 427 | 540 | 578 |
| **Nonforeclosure - Home Forfeiture Actions** | **2,084** | **3,298** | **5,101** | **6,732** | **8,632** |
| **Total Foreclosure Prevention Actions** | **38,497** | **53,171** | **61,877** | **71,995** | **86,591** |
| **Percent of Total Foreclosure Prevention Actions** | | | | | |
| Repayment Plans | 47% | 31% | 24% | 18% | 20% |
| Forbearance Plans | 3% | 2% | 2% | 3% | 3% |
| Charge-offs in Lieu | 0% | 0% | 0% | 0% | 0% |
| HomeSaver Advance *(Fannie)* | 3% | 31% | 44% | 36% | 24% |
| Loan Modifications | 41% | 29% | 22% | 33% | 43% |
| **Home Retention Actions** | **95%** | **94%** | **92%** | **91%** | **90%** |
| Short Sales | 5% | 6% | 8% | 9% | 9% |
| Deeds in Lieu | 1% | 0% | 1% | 1% | 1% |
| **Nonforeclosure - Home Forfeiture Actions** | **5%** | **6%** | **8%** | **9%** | **10%** |

## 3 - Loan Modifications

| | 1Q08 | 2Q08 | 3Q08 | 4Q08 | 1Q09 |
|---|---|---|---|---|---|
| **Principal and Interest Change** *(# of loans)** | | | | | |
| Increase | 11,923 | 8,295 | 7,049 | 5,351 | 5,324 |
| No Change | 691 | 3,369 | 120 | 292 | 318 |
| Decrease <=20% | 2,105 | 2,679 | 3,649 | 6,815 | 10,540 |
| Decrease > 20% | 360 | 910 | 2,407 | 9,019 | 17,347 |
| **Type of Modifications** *(# of loans)* | | | | | |
| Extend Term Only | | | | | 6,265 |
| Reduce Rate Only | | | | | 1,474 |
| Extend Term and Reduce Rate | | | | | 26,236 |
| Other | | | | | 3,353 |
| **Principal and Interest Change** (%) | | | | | |
| Increase | 79% | 54% | 53% | 25% | 16% |
| No Change | 5% | 22% | 1% | 1% | 1% |
| Decrease <= 20% | 14% | 18% | 28% | 32% | 31% |
| Decrease > 20 | 2% | 6% | 18% | 42% | 52% |
| **Type of Modifications** *(%)* | | | | | |
| Extend Term Only | | | | | 17% |
| Reduce Rate Only | | | | | 4% |
| Extend Term and Reduce Rate | | | | | 70% |
| Other | | | | | 9% |

* Total number of modified loans reported in this table may not tie to the number of modified loans shown in section 2 of the appendix due to timing differences in reporting systems.

## 4 - Home Forfeiture Actions by Risk Category *(# of loans)*

| | 1Q08 | 2Q08 | 3Q08 | 4Q08 | 1Q09 |
|---|---|---|---|---|---|
| **Short Sales** | 1,776 | 3,062 | 4,674 | 6,192 | 8,054 |
| **Deeds in Lieu** | 308 | 236 | 427 | 540 | 578 |
| **Nonforeclosure Home Forfeiture Actions *** | **2,084** | **3,298** | **5,101** | **6,732** | **8,632** |
| **Third-party Sales** | 1,939 | 2,052 | 2,170 | 1,571 | 1,771 |
| Prime | 1,124 | 1,235 | 1,266 | 928 | 1,138 |
| Nonprime | 815 | 817 | 904 | 643 | 633 |
| **Foreclosure Sales** | **30,613** | **37,161** | **46,375** | **34,021** | **40,009** |
| Prime | 16,651 | 21,206 | 27,887 | 20,609 | 25,354 |
| Nonprime | 13,962 | 15,955 | 18,488 | 13,412 | 14,655 |
| **Third-party & Foreclosure Sales** | **32,552** | **39,213** | **48,545** | **35,592** | **41,780** |
| Prime | 17,775 | 22,441 | 29,153 | 21,537 | 26,492 |
| Nonprime | 14,777 | 16,772 | 19,392 | 14,055 | 15,288 |
| **Foreclosure Starts** | **108,520** | **116,843** | **132,909** | **149,981** | **243,824** |
| Prime | 57,949 | 65,918 | 75,575 | 87,304 | 151,611 |
| Nonprime | 50,571 | 50,925 | 57,334 | 62,677 | 92,213 |

| **Top Five Reasons for Default** | |
|---|---|
| Curtailment of Income | 36% |
| Excessive obligations | 19% |
| Unemployment | 8% |
| Illness of principal mortgagor or family member | 6% |
| Marital Difficulties | 3% |

* Short sales and deeds in lieu of foreclosure completed

## Glossary

*Data and definitions in this report have been revised relative to prior versions of the report. FHFA continues to work with the Enterprises to improve the comparability of reported data.*

### Section 1: Mortgage Performance

**Total Loans Serviced -** Total conventional active book of business, excluding loans that were liquidated during the month.
**FICO Score -** A standard measure of consumer credit risk developed by the Fair Isaac Corporation.
**Prime Loan -** A mortgage with a FICO score at origination greater than or equal to 660.
**Nonprime Loan -** A mortgage with either a FICO score at origination of less than 660 or with no FICO score at origination.
**Current and Performing -** loans that are making timely payments and are 0 months delinquent as of the reporting month.
**Total Delinquent Loans -** Loans that are at least one payment past due, i.e., total servicing *minus* current and performing.
**30-59 Days Delinquent -** Includes loans that are only one payment delinquent.
**60-89 Days Delinquent -** Includes loans that are only two payments delinquent.
**60-plus-days Delinquent -** Loans that are two or more payments delinquent, including loans in relief, in the process of foreclosure, or in the process of bankruptcy, i.e., total servicing *minus* current and performing, and 30 to 59 days delinquent loans. Our calculation may exclude loans in bankruptcy process that are less than 60 days delinquent.
**90-plus-days Delinquent (Serious Delinquent) -** Loans three or more payments delinquent, including loans in relief, or in the process of foreclosure and bankruptcy.
**In Bankruptcy -** Loans in the process of bankruptcy; includes all delinquency status.

### Section 2: Completed Foreclosure Prevention Actions

**Home Retention Actions -** Repayment plans, forbearance plans, charge-offs in lieu of foreclosure, Home Saver Advances, and loan modifications. Home retention actions allow borrowers to retain ownership/occupancy of their homes while attempting to return loans to current and performing status.
**Repayment Plans -** An agreement between the servicer and a borrower that gives the borrower a defined period of time to reinstate the mortgage by paying normal regular payments plus an additional agreed upon amount in repayment of the delinquency.
**Forbearance Plans -** An agreement between the servicer and the borrower (or estate) to reduce or suspend monthly payments for a defined period of time. At the end of the forbearance, the borrower is required to bring the account current or to enter into another loss mitigation action, such as a payment plan or a loan modification.
**Charge-offs in Lieu of Foreclosure -** A delinquent loan for which collection efforts or legal actions against the borrower are agreed to be not in the Enterprises' best interests (because of reduced property value, a low outstanding mortgage balance, or presence of certain environmental hazards). The servicer charges off the mortgage debt rather than completing foreclosure and taking the property title. The borrower retains the property. The unpaid mortgage balance becomes a lien on the borrower's property, which must be satisfied when the borrower transfers ownership.
**Home Saver Advance (Fannie Mae) -** An unsecured personal loan to a qualified borrower to cure his or her payment defaults under a mortgage loan the Enterprises own or guarantee. The borrower must be able to resume regular monthly payments on his or her mortgage.
**Loan Modifications -** Number of modified, renegotiated, or restructured loans, regardless of performance-to-date under the plan during the month. Terms of the contract between the borrower and the lender are altered with the aim of curing the delinquency (30 days or more past due).
**Nonforeclosure Home Forfeiture Actions-** Short sales and deeds in lieu of foreclosure. These actions require borrowers to give up their homes. Although homes are forfeited, foreclosure alternatives generally have less adverse impact on borrowers and their credit reports than foreclosure.
**Short Sales -** A short sale (also called a preforeclosure sale) is the sale of a mortgaged property at a price that nets less than the total amount due on the mortgage (e.g., the sum of the unpaid principal balance, accrued interest, advanced escrows, late fees, and delinquency charges.) The servicer and borrower negotiate payment of the difference between the net sales price and the total amount due on the mortgage.
**Deed(s) in Lieu of Foreclosure -** A loan for which the borrower voluntarily conveys the property to the lender to avoid a foreclosure proceeding.

### Section 3: Loan Modifications

**Increase -** Principal and interest after modification is higher than before the modification.
**No Increase -** Original principal and interest is unchanged after the modifications.
**Decrease <=20% -** Original principal and interest is decreased by 20 percent or less after modification.
**Decrease >20% -** Original principal and interest is decreased by more than 20 percent after modification.
**Extend Term Only -** Remaining term of the loan is longer after modification.
**Reduce Rate Only -** Loan's rate is lower after modification.
**Extend Term and Reduce Rate -** Loan's rate reduced and term extended.
**Extend Term, Rate Reduction, and Forbear Principal -** Modification includes term extension, rate reduction, and forbearance of principal.
**Other -** A modification that does not fit in any of the above categories. The majority of these loans are capitalized modifications.

### Section 4: Third-party Sales and Foreclosures

**Third-party Sales -** A third party entity purchases the property at the foreclosure sale/auction above the initial bid set forth by Fannie Mae or Freddie Mac.
**Foreclosure Starts -** The total number of loans referred to an attorney to initiate the legal process of foreclosure during the month. These are loans measured as not being in foreclosure in the previous month but referred to foreclosure in the current month.
**Foreclosure Sales -** The number of loans that went to foreclosure (sheriff's) sale during the month.