

# OCC Mortgage Metrics Report

Disclosure of National Bank Mortgage Loan Data

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Fourth Quarter 2016

Office of the Comptroller of the Currency  
Washington, D.C.

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## **About Mortgage Metrics**

The Office of the Comptroller of the Currency (OCC) collects data on first-lien residential mortgage loans serviced by seven national banks with large mortgage-servicing portfolios.<sup>1</sup> The *OCC Mortgage Metrics Report* is published quarterly to promote broader understanding of mortgage portfolio performance and modification activity in the federal banking system, support supervision of regulated institutions, and fulfill section 104 of the Helping Families Save Their Homes Act of 2009 (codified at 12 USC 1715z-25), as amended by section 1493(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

- This report presents performance data for the fourth quarter of 2016.
- The data in this report reflect a portion of first-lien residential mortgages in the country. The characteristics of the loans included here may differ from the overall population. The loans included are not a statistically representative, random sample.
- The loans include those owned by the reporting banks, as well as loans that the banks service for others as a fee-based business.
- This report covers the performance of first-lien home mortgages in the portfolios of reporting banks. It excludes junior liens, Home Equity Lines of Credit (HELOCs), and Home Equity Conversion Mortgages (reverse mortgages) because of their unique performance characteristics.
- The OCC continually reviews the format and content of this report to ensure it supports supervisory needs and provides meaningful data. As a result of this process, the following two changes were made, beginning with the report for the third quarter of 2016:
  - Original FICO credit score had been used previously to describe borrower credit risk characteristics. The OCC does not endorse or require the use of any particular proprietary or vendor-provided credit scoring model for credit risk management or other reporting purposes. Therefore, servicers now submit data for Prime, Alt-A, Subprime, and Other mortgages, as displayed in figures 3 and 4 on page 6, using their internal credit scoring system.
  - First lien mortgages for the purchase of homes had previously been included in the report and continue to be included. The report now also includes first-lien, closed-end home equity loans.
- The OCC also instituted changes to its data collection method beginning with the third quarter of 2016. Banks now submit aggregate data directly to the OCC rather than loan level data to a third-party aggregator. This new process resulted in some variances from previous quarters. The OCC expects reporting banks to have addressed these processing issues in the fourth quarter of 2016 and reflected any adjustments in the year end 2016 data.

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<sup>1</sup> The seven national banks are Bank of America, Citibank, HSBC, JPMorgan Chase, PNC, U.S. Bank, and Wells Fargo. Data through the fourth quarter of 2015 include CIT/OneWest.

## **Executive Summary**

### ***Overall Mortgage Portfolio and Performance***

- As of December 31, 2016, the reporting banks serviced approximately 19.8 million first-lien mortgage loans with \$3.45 trillion in unpaid principal balances (see figures 1 and 2). This \$3.45 trillion was 35 percent of all residential mortgage debt outstanding in the United States.<sup>2</sup>
- The overall performance of mortgages this quarter continues to improve from a year earlier. The percentage of mortgages that were current and performing at the end of the fourth quarter of 2016 was 94.7 percent, compared with 94.1 percent a year earlier (see figure 6).
- Servicers initiate foreclosure actions at defined stages of loan delinquency. Foreclosure actions progress to sale of the property only if servicers and borrowers cannot arrange a permanent loss mitigation action, modification, home sale, or alternate workout solution. Servicers initiated 45,495 new foreclosures in the fourth quarter of 2016, a decrease of 5.1 percent from the previous quarter and 28.2 percent from a year earlier (see figure 7). Home forfeiture actions during the quarter—completed foreclosure sales, short sales, and deed-in-lieu-of-foreclosure actions—decreased 32.3 percent from a year earlier, to 25,818 (see figure 8).

### ***Number and Type of Modifications Completed and Impact on Payment Amount***

Servicers completed 32,312 modifications during the fourth quarter of 2016, a 9.3 percent decrease from the prior quarter's modifications of 35,642.

- Of these 32,312 modifications, 30,162, or 93.3 percent were “combination modifications”—modifications that included multiple actions affecting affordability and sustainability of the loan, such as an interest rate reduction and a term extension. Of the remaining 2,150, 1,996 loan modifications received a single action and 154 modifications were not assigned a modification type (see table 1).
- Among the 30,162 combination modifications completed during the quarter, 90.5 percent included capitalization of delinquent interest and fees, 81.5 percent included an interest rate reduction or freeze, 90.1 percent included a term extension, 6.1 percent included principal reduction, and 11.7 percent included principal deferral (see table 2).
- Of these 32,312 modifications completed during the quarter, 28,859, or 89.3 percent, reduced the loan's pre-modification monthly payment (see table 3).

### ***Modified Loan Performance***

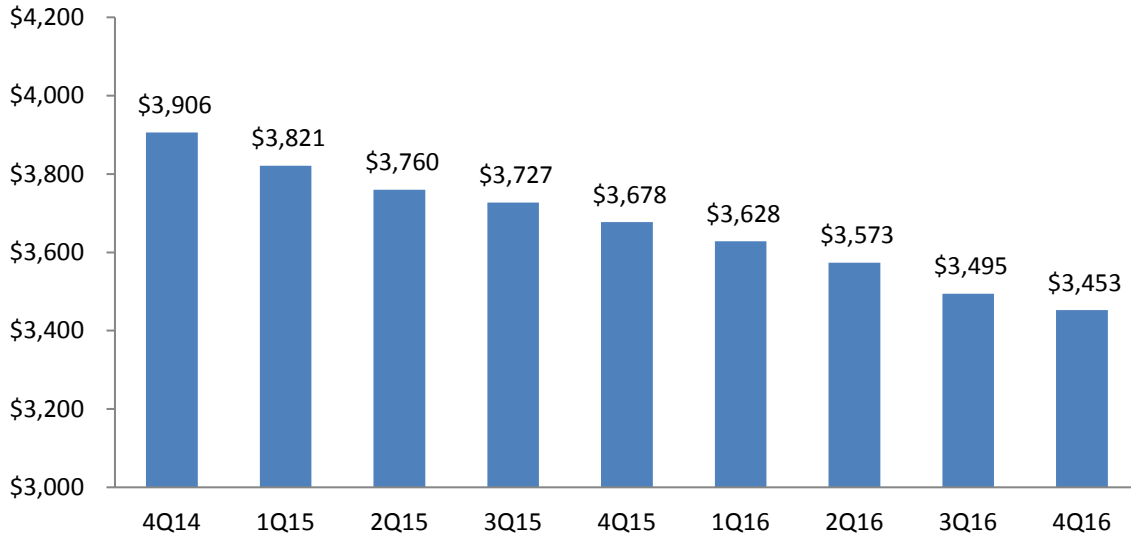
The second quarter of 2016 is the first quarter for which all loans modified during that quarter could have aged at least six months by December 31, 2016. Among modifications that were completed during the second quarter of 2016, servicers reported that 3,644, or 10.5 percent of the 34,604 modifications completed during the second quarter of 2016, were 60 or more days past due or in the process of foreclosure at the end of the month that they became six months old (see table 4).

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<sup>2</sup> Residential mortgage debt is determined using the quarterly Federal Reserve Statistical Release, Z.1 Financial Accounts of the United States, Table L.218 Home Mortgages, Household Sector liabilities. These data are available after March 9, 2017. The third quarter 2016 statistic was 36 percent.

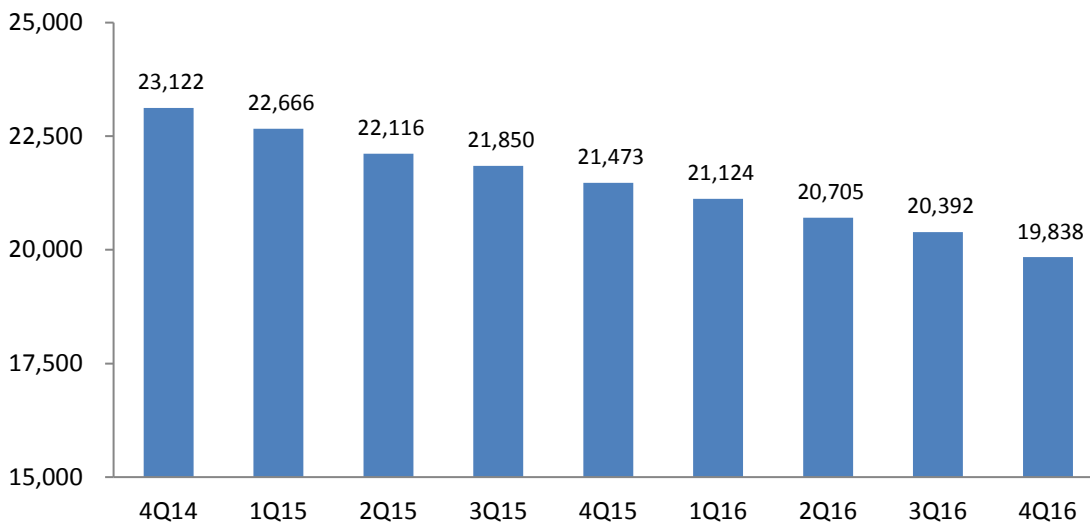
**Figure 1. Total Serviced Mortgage Portfolio—Outstanding Principal in \$ Billions**

Figure 1 reports the outstanding principal balance of reported loans and shows the declining amount of unpaid balance from the fourth quarter of 2014 through the fourth quarter of 2016.



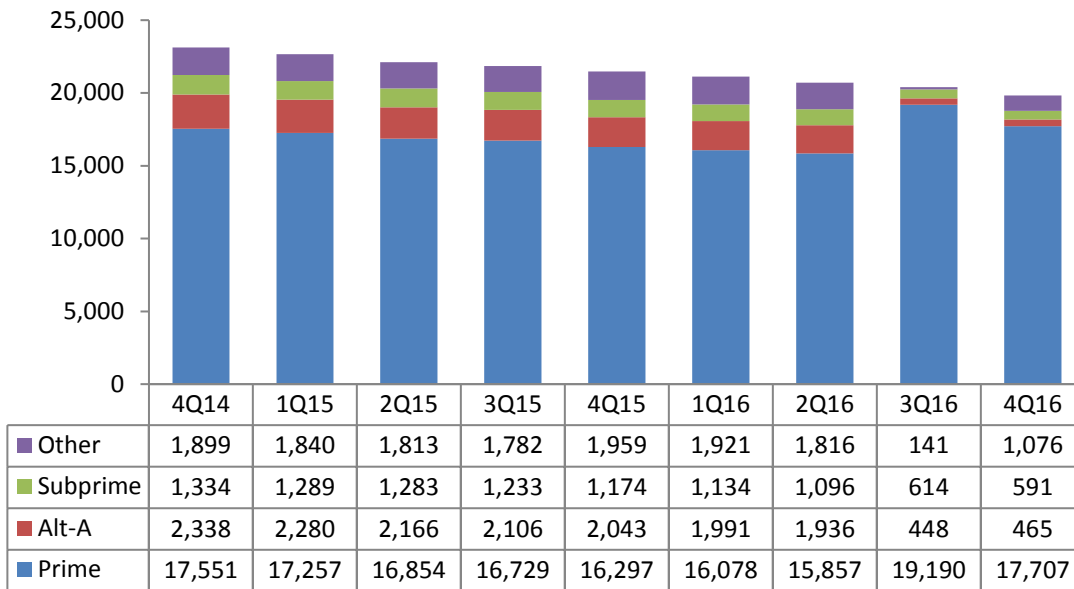
**Figure 2. Total Serviced Mortgage Portfolio—Number of Loans in Thousands**

Figure 2 reports the number of first-lien residential mortgages serviced by the seven reporting banks and illustrates the decline in their servicing portfolios from the fourth quarter of 2014 through the fourth quarter of 2016.



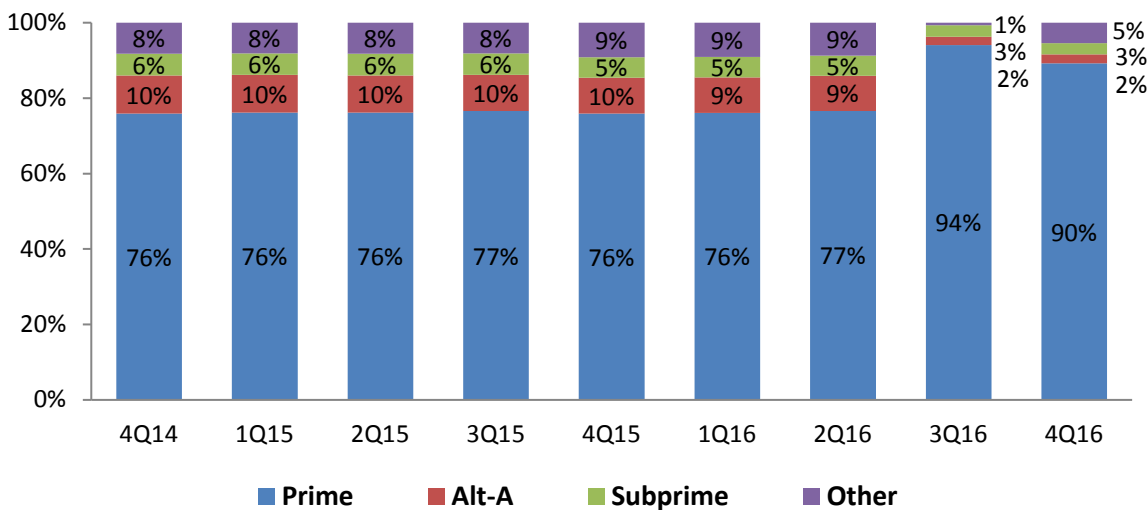
**Figure 3. Composition—Loans in Thousands by Borrower Risk Category**

Figure 3 shows the number of loans in each risk category from the fourth quarter of 2014 through the fourth quarter of 2016.<sup>3</sup>



**Figure 4. Composition—Percentage of Mortgages by Borrower Risk Category**

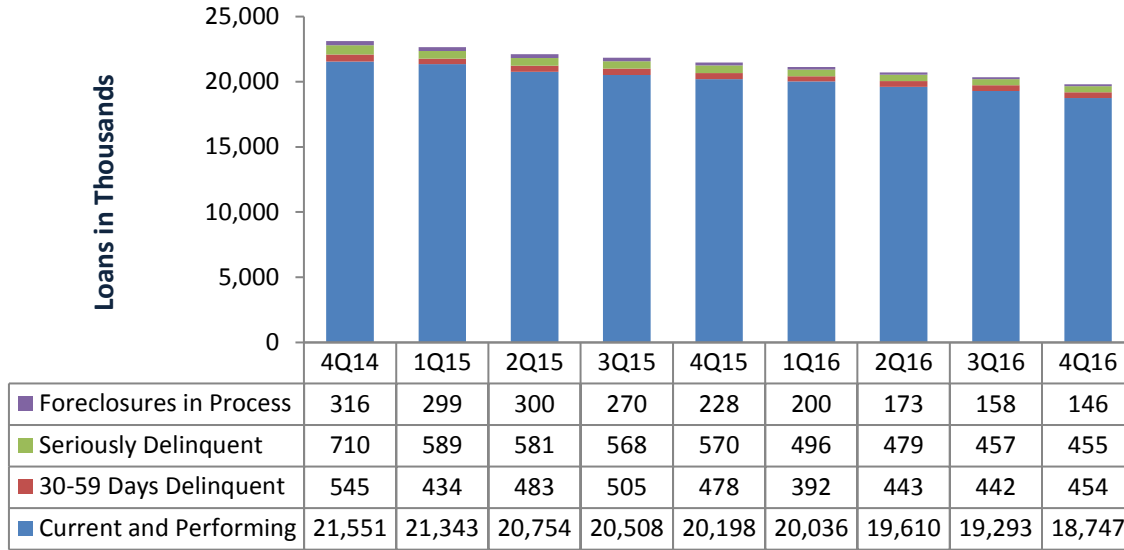
Figure 4 reports the percentage of loans in each risk category and shows that composition had remained relatively stable from the fourth quarter of 2014 through the second quarter of 2016. The fourth quarter of 2016 is the second consecutive quarter that banks have reported risk categories based on their internal credit scoring systems. The seven reporting banks are continuing to align their internal credit scoring metrics to the four risk categories in this report.



<sup>3</sup> In the third quarter of 2016, the borrower risk categories were adjusted to reflect the banks' internal credit scoring for Prime, Alt-A, or Subprime borrowers. The new definitions are incorporated in Appendix A.

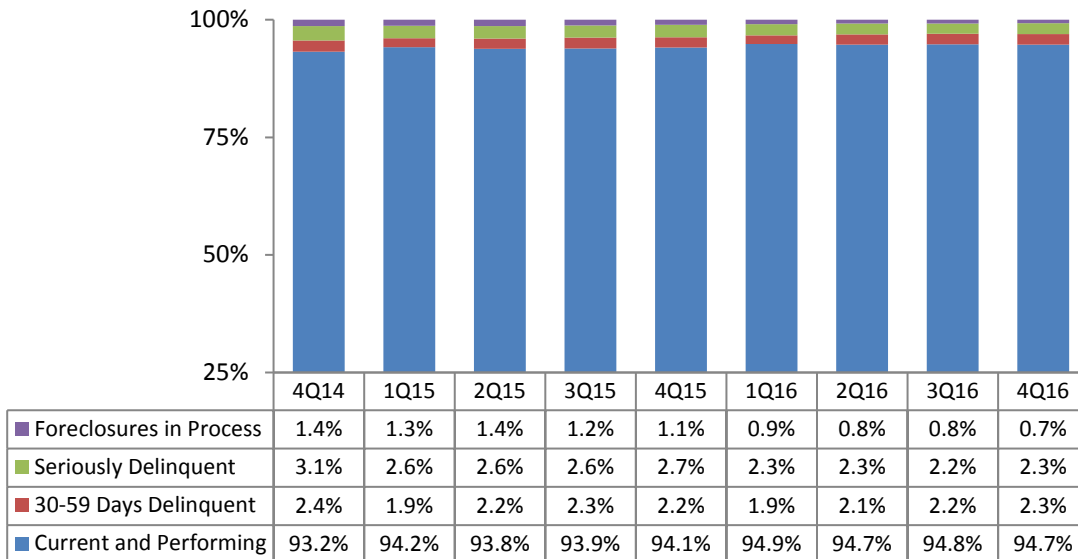
**Figure 5. Number of Loans in Delinquency and Foreclosures in Process**

Figure 5 provides the quarterly number of loans in each category of delinquency from the fourth quarter of 2014 through the fourth quarter of 2016.



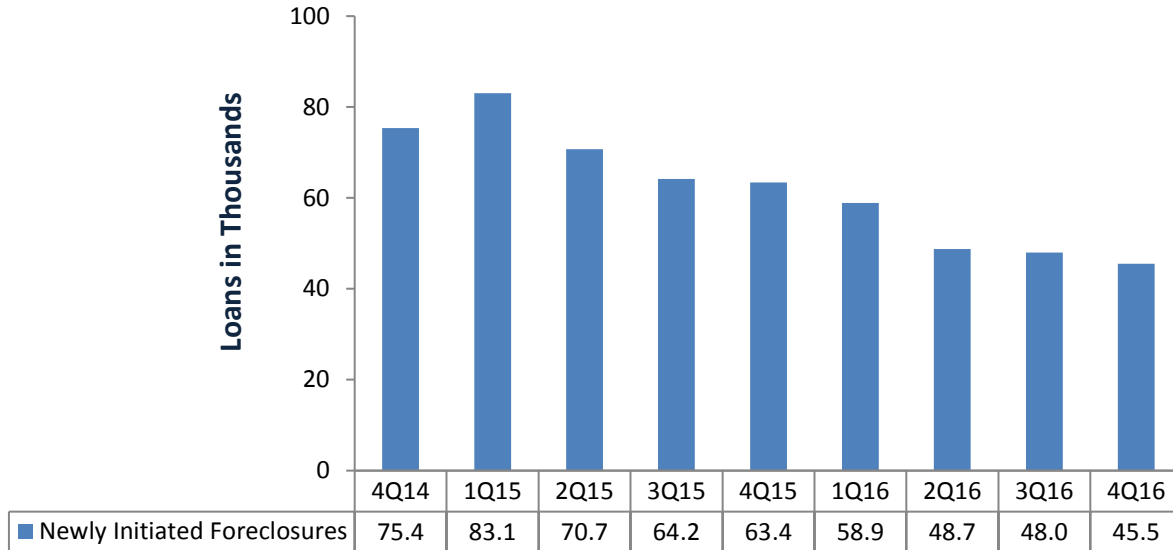
**Figure 6. Percentage of Loans Current and Performing and in Delinquency**

Figure 6 provides the quarterly percentage of mortgages in each category of delinquency from the fourth quarter of 2014 through the fourth quarter of 2016. Data show the concentration of seriously delinquent loans has stabilized and foreclosures in process continue to decline.



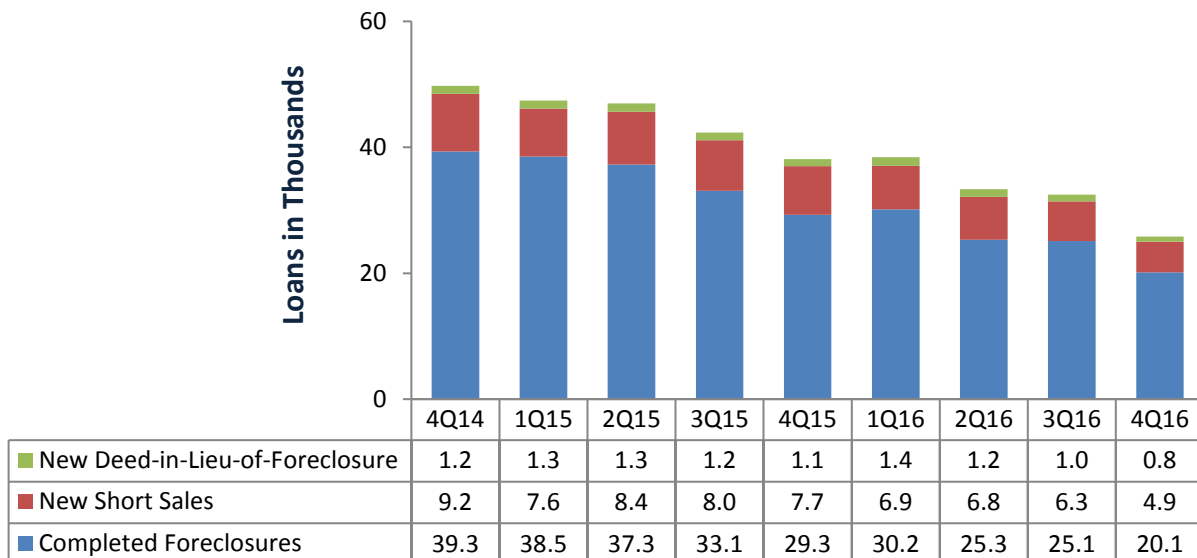
**Figure 7. Newly Initiated Foreclosures—Loans in Thousands**

Figure 7 reports the number of new foreclosure actions initiated quarterly from the fourth quarter of 2014 through the fourth quarter of 2016. Data show a steady decline in newly initiated foreclosures since first quarter 2015.



**Figure 8. Completed Foreclosures and Other Home Forfeiture Actions—Loans in Thousands**

Figure 8 shows the number of foreclosure and other home forfeiture actions completed quarterly from the fourth quarter of 2014 through the fourth quarter of 2016. Data show a declining trend in completed foreclosures and other home forfeiture actions.





**Table 1. Number of Mortgage Modification Actions**  
Implemented in the Fourth Quarter of 2016

States	Capitalization	Rate Reduction or Freeze	Term Extension	Principal Reductions	Principal Deferral	Combination	Not Reported	Total Modifications
Total - All States	580	142	933	57	284	30,162	154	32,312
Alabama	9	-	12	-	3	493	2	519
Alaska	1	-	1	-	-	40	-	42
Arizona	10	1	19	-	6	524	4	564
Arkansas	6	1	7	-	1	237	-	252
California	63	33	80	16	64	2,397	25	2,678
Colorado	6	4	12	-	4	353	3	382
Connecticut	7	3	14	-	4	454	1	483
Delaware	3	1	4	-	4	184	1	197
District of Columbia	4	1	1	-	1	61	1	69
Florida	54	9	48	12	19	2,039	19	2,200
Georgia	37	12	45	3	9	1,318	8	1,432
Hawaii	2	-	2	-	-	60	-	64
Idaho	2	-	6	-	-	101	-	109
Illinois	16	4	34	4	12	1,692	10	1,772
Indiana	6	-	8	-	1	719	4	738
Iowa	4	-	6	1	1	188	-	200
Kansas	1	-	8	-	3	178	-	190
Kentucky	12	-	9	1	-	316	1	339
Louisiana	15	3	19	-	6	561	-	604
Maine	5	1	3	-	2	84	1	96
Maryland	25	5	51	4	13	1,140	6	1,244
Massachusetts	8	5	23	2	4	500	4	546
Michigan	10	2	9	1	4	640	4	670
Minnesota	11	3	16	-	6	556	1	593
Mississippi	7	1	4	-	6	237	-	255
Missouri	12	2	14	-	8	514	3	553
Montana	3	-	3	-	-	80	-	86
Nebraska	-	-	4	-	1	153	-	158
Nevada	7	2	11	1	3	285	3	312
New Hampshire	3	-	4	-	1	95	3	106
New Jersey	18	7	56	2	4	1,459	4	1,550
New Mexico	6	1	3	-	1	173	-	184
New York	27	5	79	4	14	1,948	7	2,084
North Carolina	29	4	39	-	8	1,120	5	1,205
North Dakota	-	-	-	-	-	19	-	19
Ohio	16	3	17	-	5	1,235	7	1,283
Oklahoma	4	-	9	-	1	297	-	311
Oregon	4	3	7	-	3	271	2	290
Pennsylvania	21	7	40	1	17	1,433	5	1,524
Rhode Island	1	-	5	-	-	100	2	108
South Carolina	8	1	9	1	6	559	3	587
South Dakota	1	-	1	-	-	41	-	43
Tennessee	8	-	22	2	5	591	1	629
Texas	46	9	89	-	13	2,566	5	2,728
Utah	4	-	10	-	1	225	2	242
Vermont	-	-	1	-	-	46	-	47
Virginia	19	6	37	1	6	808	4	881
Washington	11	1	24	-	5	514	2	557
West Virginia	1	-	-	-	2	93	-	96
Wisconsin	5	2	8	1	6	432	1	455
Wyoming	2	-	-	-	1	23	-	26
Other	-	-	-	-	-	10	-	10

**Table 2. Number of Modification Actions in Combination Actions**  
Implemented in the Fourth Quarter of 2016

States	Capitalization	Rate Reduction or Freeze	Term Extension	Principal Reduction	Principal Deferral	Total Combination Modifications
Total - All States	27,285	24,571	27,163	1,826	3,538	30,162
Alabama	452	396	460	27	26	493
Alaska	27	39	35	1	2	40
Arizona	477	418	478	17	46	524
Arkansas	220	202	206	4	14	237
California	2,158	1,900	1,943	247	397	2,397
Colorado	313	262	323	5	22	353
Connecticut	408	366	410	48	71	454
Delaware	170	152	168	9	16	184
District of Columbia	57	50	53	6	8	61
Florida	1,901	1,676	1,728	248	406	2,039
Georgia	1,180	1,090	1,204	65	116	1,318
Hawaii	56	43	45	4	10	60
Idaho	94	79	92	2	8	101
Illinois	1,539	1,430	1,545	145	370	1,692
Indiana	677	608	680	22	52	719
Iowa	174	146	178	3	15	188
Kansas	166	142	168	-	4	178
Kentucky	291	250	292	7	24	316
Louisiana	517	466	494	20	37	561
Maine	76	64	71	5	13	84
Maryland	1,009	932	1,015	84	141	1,140
Massachusetts	444	398	456	28	60	500
Michigan	583	524	572	42	53	640
Minnesota	514	443	518	11	52	556
Mississippi	217	205	212	12	15	237
Missouri	482	434	479	34	37	514
Montana	70	45	73	2	3	80
Nebraska	142	124	146	1	6	153
Nevada	250	228	245	28	41	285
New Hampshire	87	65	86	3	9	95
New Jersey	1,299	1,166	1,348	161	298	1,459
New Mexico	153	149	161	6	9	173
New York	1,747	1,598	1,752	177	325	1,948
North Carolina	1,006	877	1,027	25	68	1,120
North Dakota	16	14	19	-	-	19
Ohio	1,138	1,058	1,134	40	122	1,235
Oklahoma	272	248	271	8	20	297
Oregon	252	207	235	13	26	271
Pennsylvania	1,289	1,144	1,311	83	175	1,433
Rhode Island	89	79	94	9	17	100
South Carolina	522	449	498	24	43	559
South Dakota	35	32	40	-	1	41
Tennessee	539	504	525	22	52	591
Texas	2,218	2,184	2,423	41	107	2,566
Utah	200	162	213	4	4	225
Vermont	42	35	40	1	2	46
Virginia	724	639	723	37	79	808
Washington	478	403	469	14	45	514
West Virginia	88	73	82	2	3	93
Wisconsin	397	351	392	29	65	432
Wyoming	21	14	22	-	3	23
Other	9	8	9	-	-	10

**Table 3. Changes in Monthly Principal and Interest Payments by State**  
 Modifications Implemented in the Fourth Quarter of 2016

States	Decreased by 20% or More	Decreased by 10% to Less Than 20%	Decreased by Less Than 10%	Unchanged	Increased	Not Reported	Total Modifications
Total - All States	16,288	7,048	5,523	309	2,990	154	32,312
Alabama	271	108	88	5	44	3	519
Alaska	18	11	10	-	3	-	42
Arizona	289	127	110	5	30	3	564
Arkansas	105	55	56	2	34	-	252
California	1,449	625	373	45	175	11	2,678
Colorado	185	108	63	4	22	-	382
Connecticut	278	87	74	3	40	1	483
Delaware	84	45	30	3	32	3	197
District of Columbia	27	22	12	2	5	1	69
Florida	1,126	460	326	29	251	8	2,200
Georgia	685	315	282	8	139	2	1,432
Hawaii	30	10	15	-	9	-	64
Idaho	50	36	11	1	11	-	109
Illinois	1,036	315	252	11	151	7	1,772
Indiana	345	162	167	5	58	1	738
Iowa	80	48	46	1	25	-	200
Kansas	94	40	31	3	22	-	190
Kentucky	152	79	66	3	36	3	339
Louisiana	287	135	112	7	63	-	604
Maine	32	17	26	2	18	1	96
Maryland	566	276	256	14	129	3	1,244
Massachusetts	253	133	87	3	67	3	546
Michigan	377	137	102	7	44	3	670
Minnesota	297	135	104	8	49	-	593
Mississippi	126	53	46	4	26	-	255
Missouri	291	97	110	11	43	2	553
Montana	42	18	14	1	11	-	86
Nebraska	75	42	26	-	15	-	158
Nevada	166	65	48	3	27	3	312
New Hampshire	45	27	24	1	8	1	106
New Jersey	820	312	240	5	160	13	1,550
New Mexico	84	46	39	1	13	1	184
New York	1,016	467	334	21	241	5	2,084
North Carolina	578	288	222	10	94	13	1,205
North Dakota	9	5	5	-	-	-	19
Ohio	678	225	225	4	136	15	1,283
Oklahoma	145	64	57	2	43	-	311
Oregon	139	65	50	4	32	-	290
Pennsylvania	778	338	236	16	120	36	1,524
Rhode Island	53	21	20	-	13	1	108
South Carolina	266	140	98	7	75	1	587
South Dakota	15	13	9	1	5	-	43
Tennessee	294	152	125	7	51	-	629
Texas	1,407	587	488	18	225	3	2,728
Utah	119	61	41	1	19	1	242
Vermont	16	15	10	-	6	-	47
Virginia	445	215	150	7	62	2	881
Washington	254	133	107	4	58	1	557
West Virginia	43	20	24	2	6	1	96
Wisconsin	251	84	72	7	39	2	455
Wyoming	8	8	4	1	5	-	26
Other	9	1	-	-	-	-	10

<b>Table 4. Number of Re-Defaults for Loans Modified Six Months Previously</b>							
Modified Loans 60 or More Days Delinquent After Six Months by Changes in Principal and Interest Payments							
States	Decreased by 20% or More	Decreased by 10% to Less Than 20%	Decreased by Less Than 10%	Unchanged	Increased	Not Reported	Total Re-Defaults
Total - All States	1,236	817	821	32	719	19	3,644
Alabama	23	11	10	-	14	-	58
Alaska	-	1	2	1	1	-	5
Arizona	29	11	13	-	11	-	64
Arkansas	8	8	8	-	7	-	31
California	63	56	54	2	28	-	203
Colorado	19	11	7	1	7	-	45
Connecticut	20	18	12	-	19	-	69
Delaware	9	4	14	-	9	1	37
District of Columbia	2	3	2	1	1	-	9
Florida	74	57	41	1	52	2	227
Georgia	51	29	38	-	35	1	154
Hawaii	1	4	1	-	1	-	7
Idaho	1	4	1	-	1	-	7
Illinois	86	39	35	1	26	1	188
Indiana	26	21	21	1	26	-	95
Iowa	9	10	11	-	10	-	40
Kansas	10	8	6	-	8	-	32
Kentucky	10	7	6	-	5	-	28
Louisiana	21	19	10	-	18	-	68
Maine	2	3	3	-	4	-	12
Maryland	53	19	33	2	33	-	140
Massachusetts	18	11	12	1	13	1	56
Michigan	25	19	21	-	14	1	80
Minnesota	24	16	17	1	13	-	71
Mississippi	11	6	7	-	8	-	32
Missouri	36	16	16	2	17	-	87
Montana	3	2	-	-	4	-	9
Nebraska	10	4	1	1	8	-	24
Nevada	13	8	5	-	4	-	30
New Hampshire	3	1	1	1	3	-	9
New Jersey	47	39	35	-	31	1	153
New Mexico	8	9	6	-	3	-	26
New York	62	35	35	3	45	2	182
North Carolina	62	42	45	1	27	1	178
North Dakota	1	1	-	-	-	-	2
Ohio	65	39	49	1	37	1	192
Oklahoma	26	9	8	-	8	-	51
Oregon	6	8	3	-	6	-	23
Pennsylvania	71	50	46	3	25	5	200
Rhode Island	10	4	1	-	1	-	16
South Carolina	23	19	17	1	16	-	76
South Dakota	2	-	1	-	2	-	5
Tennessee	28	15	19	1	20	1	84
Texas	100	59	74	4	49	1	287
Utah	4	6	6	-	12	-	28
Vermont	1	2	-	-	-	-	3
Virginia	27	34	34	1	17	-	113
Washington	12	10	10	-	10	-	42
West Virginia	5	3	4	-	2	-	14
Wisconsin	16	5	18	1	7	-	47
Wyoming	-	2	2	-	-	-	4
Other	-	-	-	-	1	-	1

## **Appendix A—Definitions and Method**

The *OCC Mortgage Metrics Report* relies on reporting elements and conventions standard in the residential mortgage industry.

- **Alt-A** - Mortgages to prime quality borrowers but do not satisfy the criteria for conforming or jumbo loan programs. For example, these loans may lack high loan-to-value mortgage insurance, have minimal documentation, or be secured by collateral other than the borrower's primary residence. Alt-A mortgages are based on the borrower's credit conditions at origination.
- **Capitalization** - Actions that increase the unpaid principal balance of the loan by the amount of any delinquent payments and fees.
- **Combination modifications** - Modifications that include more than one type of modification action. Most modifications generally require changes to more than one term of a loan to bring a loan current and reduce monthly payments to an amount that is affordable and sustainable.
- **Foreclosures in process** - Mortgages for which servicers have begun formal foreclosure proceedings but have not yet completed the foreclosure process. The foreclosure process varies by state. Many foreclosures in process never result in the loss of borrowers' homes because servicers simultaneously pursue other loss mitigation actions, and borrowers may return their mortgages to current and performing status.
- **Interest rate reductions and freezes** - Actions that reduce or freeze the contractual interest rate of the loan that was in effect prior to the modification action.
- **Loan modifications** - Actions that contractually change the terms of mortgages with respect to interest rates, maturity, principal, or other terms of the loan.
- **Other** - Mortgages in the portfolio that could not be classified by the bank as Prime, Alt-A, or Subprime. Other mortgages are based on the borrower's credit conditions at origination.
- **Prime** - Mortgages to borrowers underwritten as part of a conforming or jumbo loan program. Typically these borrowers are eligible for standard loan programs and pricing. For example, borrowers typically have mortgage insurance when the loan-to-value exceeds 80 percent of the collateral property value. Prime mortgages are based on the borrower's credit conditions at origination.
- **Principal deferral modifications** - Modifications that remove a portion of the unpaid principal from the amount used to calculate monthly principal and interest payments for a set period. The deferred amount becomes due at the end of the loan term.
- **Principal reduction modifications** - Modifications that permanently reduce the unpaid principal owed on a mortgage.
- **Re-default** - For purposes of this report, a loan is defined as in re-default if it was 60 or more days past due as of the end of the month at which the modification was six months old. For example, a loan that was modified as of January 1, 2016, would be defined as in re-default if it was 60 or more days past due or 30 or more days past due and in the process of foreclosure as of its July 31, 2016, reporting date.

- **Seriously delinquent loans** - Mortgages that are 60 or more days past due, and all mortgages held by bankrupt borrowers whose payments are 30 or more days past due.
- **Subprime** - Mortgages to borrowers that display a range of credit risk characteristics that may include a weakened credit history, reduced repayment capacity, or incomplete credit history. A weakened credit history may include prior delinquencies, judgments, bankruptcies, or foreclosures on the credit report at the time of underwriting. Subprime mortgages are based on the borrower's credit conditions at origination.
- **Term extensions** - Actions that delay the final maturity date of the loan that was in effect prior to the modification action.

Loan delinquencies are reported using the Mortgage Bankers Association convention that a loan is past due when a scheduled payment has not been made by the due date of the following scheduled payment. The statistics are based on the number of loans, unless stated otherwise.

Percentages are rounded to one decimal place unless the result is less than 0.1 percent, which is rounded to two decimal places. The report uses whole numbers when approximating. Values in tables may not total 100 percent because of rounding.

Results are not seasonally adjusted.