



Help for Distressed Borrowers

February 7, 2008 Status Report

The mortgage lending industry is engaged in an historic effort to assist distressed borrowers. Lenders want to avoid foreclosures whenever possible, and government and private-sector efforts to work with borrowers to avoid foreclosure are starting to take hold.

Positive outcomes are increasing.

Three different snapshots within the last six months all reveal that the mortgage industry's efforts to help distressed borrowers are increasing dramatically and beginning to pay off:

1. **HOPE NOW's**ⁱ snapshot of the entire mortgage industry as of the fourth quarter of 2007ⁱⁱ reveals that servicers are rapidly increasing their efforts to assist borrowers in trouble – modifying subprime loans during the fourth quarter at double the rate of the third quarter. Repayment plans and loan modifications were put in place for 869,000 homeowners in the second half of 2007, including 545,000 subprime borrowers who entered into 395,000 repayment plans and 150,000 loan modifications. During the same period, 283,000 foreclosure sales were completed. Based on 1,446,000 average monthly delinquencies of 60 days or more past due during the second half of 2007, 45.3 percent received a formal repayment plan, 14.8 percent received a modification and 19.7 percent resulted in a completed foreclosure sale.
2. **MBA's** snapshot of the entire mortgage industry during the third quarter of 2007ⁱⁱⁱ reveals that repayment plans and loan modifications were put in place for nearly a quarter of a million borrowers (236,275.) Importantly, this number far exceeded the 148,785 instances in which foreclosure proceedings were begun for comparable borrowers^{iv}.
3. **Moody's Investor Service's** snapshot of the subprime industry as of mid-September 2007^v reveals that almost one in four (23.6 percent) seriously delinquent subprime loans^{vi} had been modified or were on a workout plan. Loan modification activity alone on all resetting subprime loans, including those that were current, had tripled^{vii} since their mid-July 2007 snapshot. The report also noted that servicers were putting more systems and staff into place to handle the large volume of resetting loans.^{viii}

An improved process has been put into place

HOPE NOW is focused on reaching out to borrowers who may have or expect to have difficulty making their mortgage payments and offering them viable options for avoiding foreclosure. Recognizing that the single largest barrier to helping consumers is the low contact rate servicers have with borrowers, HOPE NOW servicers have mailed more than 700,000 letters to non-responsive delinquent borrowers alerting them to the servicer's loss mitigation telephone number and the toll free HOPE Hotline (1-888-995-HOPE.) This direct mail effort on the HOPE NOW letterhead is in addition to the thousands of letters and telephone contact efforts by individual servicers to their own customers. These letters generate good responses: more than 16 percent of borrowers responded to the first mailing by contacting their servicer, compared with the normal response rate of 2-3 percent.

HOPE NOW is tracking and measuring outcomes and will shortly begin to measure trends in delinquencies and resolution outcomes, e.g. reinstatement, workout (repayment plans, modifications, short sales, deed in lieu, partial claims) and foreclosure. Importantly, the measures they are developing will be available for both the national and state aggregate levels. Ultimately, they expect to be able to deliver systematic information at the national and state level that will help measure what servicers are doing to resolve difficult situations and to assist homeowners.

ⁱ HOPE NOW is a broad-based collaboration among credit and homeownership counselors, lenders, investors, mortgage market participants and trade associations designed to help distressed borrowers more effectively and to minimize foreclosures. HOPE NOW was launched by the mortgage industry, with the assistance of the Department of Treasury and Department of Housing and Urban Development.

ⁱⁱ HOPE NOW surveyed fourteen of the largest servicers responsible for more than 33.3 million home loans or about 62 percent of both prime and subprime loans outstanding nationwide as of September 2007.

ⁱⁱⁱ MBA surveyed mortgage servicers covering about 33 million mortgages or approximately 62 percent of all loans outstanding.

^{iv} "Comparable borrowers" excludes investor/speculators, borrowers who could not be located or would not respond to mortgage servicers and borrowers who had already failed to perform under a plan or modification already in place.

^v Moody's surveyed twelve servicers representing roughly 60% of the total U.S. subprime servicing market to determine loan modification and other loss mitigation activities for loans whose interest rates reset in the first eight months of 2007.

^{vi} Over 60 days delinquent.

^{vii} "Through the end of September, on average, 3.5% of loans that reset in the first eight months of 2007 had been modified versus our August survey that had found only about 1%." Moody's Investors Service, US Subprime Market Update: November 2007. Pg. 2.

^{viii} "[M]any servicers are still in the process of expanding their loss mitigation staff and systems to handle the large influx of resetting loans. In many cases, reset and modification strategies and procedures are still being established." Moody's Investors Service, US Subprime Market Update: November 2007. Pg. 2.