

RESEARCH

NATIONAL DELINQUENCY SURVEY

FOURTH QUARTER 2009, DATA AS OF December 31, 2009

SPECIAL SUMMARY EDITION

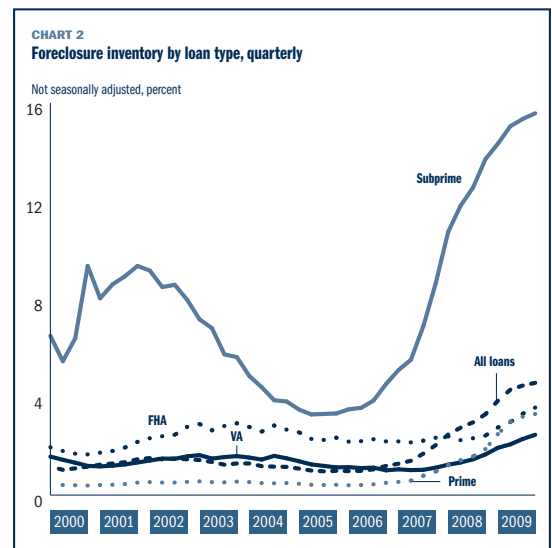
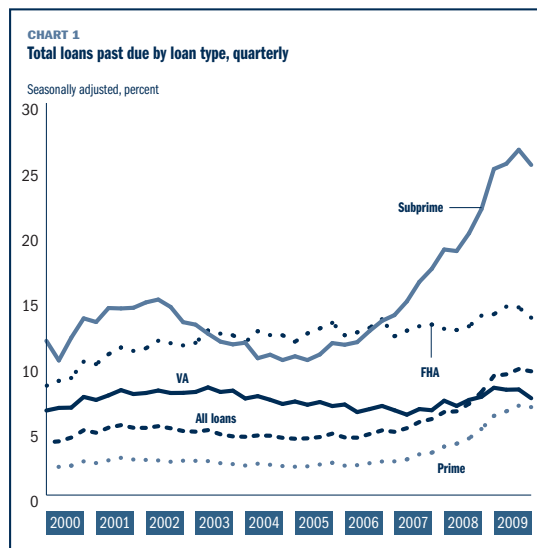
Delinquencies, Foreclosure Starts Fall in Latest MBA National Delinquency Survey

Beginning of the End?

The delinquency rate for mortgage loans on one-to four-unit residential properties fell to a seasonally adjusted rate of 9.47 percent of all loans outstanding as of the end of the fourth quarter of 2009, down 17 basis points from the third quarter of 2009 and up 159 basis points from one year ago, according to the Mortgage Bankers Association's (MBA) National Delinquency Survey. The non-seasonally adjusted delinquency rate increased 50 basis points from 9.94 percent in the third quarter of 2009 to 10.44 percent this quarter.

The delinquency rate includes loans that are at least one payment past due but does not include loans in the process of foreclosure. The percentage of loans in the foreclosure process at the end of the fourth quarter was 4.58 percent, an increase of 11 basis points from the third quarter of 2009 and 128 basis points from one year ago. The combined percentage of loans in foreclosure or at least one payment past due was 15.02 percent on a non-seasonally adjusted basis, the highest ever recorded in the MBA delinquency survey.

The percentage of loans on which foreclosure actions were started during the third quarter was 1.20 percent, down 22 basis points from last quarter and up 12 basis points from one year ago.



The percentages of loans 90 days or more past due and loans in foreclosure set new record highs. The percentage of loans 30 days past due is still below the record set in the second quarter of 1985.

Beginning of the End?

“We are likely seeing the beginning of the end of the unprecedented wave of mortgage delinquencies and foreclosures that started with the subprime defaults in early 2007, continued with the meltdown of the California and Florida housing markets due to overbuilding and the weak loan underwriting that supported that overbuilding, and culminated with a recession that saw 8.5 million people lose their jobs,” said Jay Brinkmann, MBA’s chief economist.

“The continued and sizable drop in the 30-day delinquency rate is a concrete sign that the end may be in sight. We normally see a large spike in short-term mortgage delinquencies at the end of the year due to heating bills, Christmas expenditures and other seasonal factors. Not only did we not see that spike but the 30-day delinquencies actually fell by 16 basis points from 3.79 percent to 3.63 percent. Only three times before in the history of the MBA survey has the non-seasonally adjusted 30-day delinquency rate dropped between the third and fourth quarter and never by this magnitude. If the normal seasonal patterns hold for the first quarter, we should see an even steeper drop in the end of March data.

“This drop is important because 30-day delinquencies have historically been a leading indicator of serious delinquencies and foreclosures. With fewer new loans going bad, the pool of seriously delinquent loans and foreclosures will eventually begin to shrink once the rate at which these problems are resolved exceeds the rate at which new problems come in. It also gives us growing confidence that the size of the problem now is about as bad as it will get.

“The other apparent good sign is a drop in the rate of new foreclosures started. This drop may be temporary, however, because we continue to see large increases in loans 90 days or more past due.

“Typically, 30-day delinquencies account for the largest share of all delinquencies. That is no longer the case. Loans 90 days or more past due now account for half of all delinquencies, the highest share in the history of the MBA survey and double the share only two years ago. If we include loans already in foreclosure in those totals, seriously delinquent loans are now 64 percent of all noncurrent loans.

“Despite the drop in short-term delinquencies, foreclosure rates could continue to climb, however, based on the ability of borrowers 90 days or more delinquent to solve their problems. A sizable number of the loans in the 90+ day delinquent bucket are in loan modification programs. They are carried as delinquent until borrowers demonstrate they will make the payments agreed to in the plans.

“Florida continues to be the worst state in terms of delinquencies with 26 percent of Florida mortgages one payment or more past due as of December 31st. 20.4 percent of Florida mortgages are 90 days or more past due or already in the process of foreclosure. Nevada is the second worst state with 24.7 percent of its mortgages one payment or more past due and 19 percent 90 days or more past due or in foreclosure.

“The pattern of mortgage delinquencies now very much follows the pattern of unemployment. Just as short-term delinquencies have fallen during the latter part of 2009, first-time claims for unemployment insurance have declined by about a third since their peak in March 2009. Just as long-term delinquencies now dominate total mortgage delinquencies, long-term unemployment now dominates the total unemployment number. People who have been unemployed for six months or more now constitute over 40 percent of the total unemployed, the highest share in the history of the unemployment survey. In addition, over the last several months we have seen a large number of people simply drop out of the work force, many who are discouraged about being able to find work. Until the issue of this large segment of long-term unemployed is resolved, many of the longer-term mortgage delinquencies will remain a problem with a strong likelihood of turning into foreclosures,” Brinkmann said.

Change from Last Quarter (Third Quarter of 2009)

The delinquency rate decreased 11 basis points for prime loans (from 6.84 percent to 6.73 percent), 116 basis points for subprime loans (from 26.42 percent to 25.26 percent), 79 basis points for FHA loans (from 14.36 percent to 13.57 percent) and 67 basis points for VA loans (from 8.08 percent to 7.41 percent).

The non-seasonally adjusted percentage of loans in the foreclosure process increased 11 basis points for prime loans (from 3.20 percent to 3.31 percent) and increased 23 basis points for subprime loans (from 15.35 percent to 15.58 percent). FHA loans saw a 25 basis point increase in the percent of loans in foreclosure (from 3.32 percent to 3.57 percent), while the rate for VA loans increased 17 basis points (from 2.29 percent to 2.46 percent).

The non-seasonally adjusted foreclosure starts rate in the fourth quarter was 1.20 percent, a decrease of 22 basis points from the third quarter of 2009 rate of 1.42 percent. By loan type, the foreclosure starts rate decreased 28 basis points for prime loans (from 1.14 percent to 0.86 percent), 10 basis points for subprime loans (from 3.76 percent to 3.66 percent), three basis points for FHA loans (from 1.31 percent to 1.28 percent) and six basis points for VA loans (from 0.87 percent to 0.81 percent).

The seriously delinquent rate, the non-seasonally adjusted percentage of loans that are 90 days or more delinquent, or in the process of foreclosure, was up from both last quarter and from last year. This measure is designed to account for inter-company differences on when a loan enters the foreclosure process.

Compared with last quarter, the non-seasonally adjusted seriously delinquent rate increased for all loan types. The rate increased 75 basis points for prime loans (from 6.26 percent to 7.01 percent), 188 basis points for subprime loans (from 28.68 percent to 30.56 percent), 75 basis points for FHA loans (from 8.67 percent to 9.42 percent) and 36 basis points for VA loans (from 5.06 percent to 5.42 percent).

Change from Last Year (Fourth Quarter of 2008)

The seasonally adjusted delinquency rate increased 167 basis points for prime loans and 338 basis points for subprime loans, but decreased 16 basis points for FHA loans and 11 basis points for VA loans.

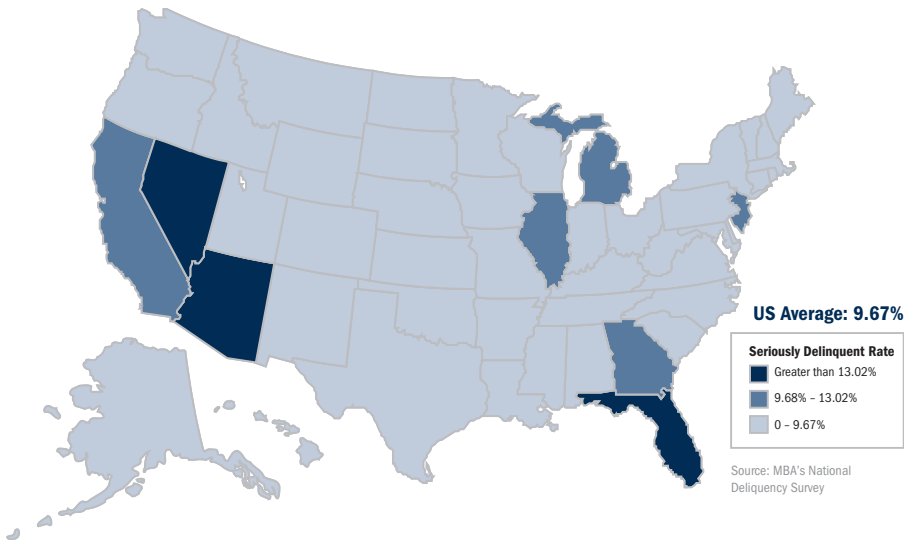
The percent of loans that were in the foreclosure process increased 143 basis points for prime loans, 187 basis points for subprime loans, 114 basis points for FHA loans and 80 basis points for VA loans.

The foreclosure starts rate increased 12 basis points overall, 18 basis points for prime loans, 33 basis points for FHA loans and 16 basis points for VA loans. The starts rate decreased 30 basis points for subprime loans.

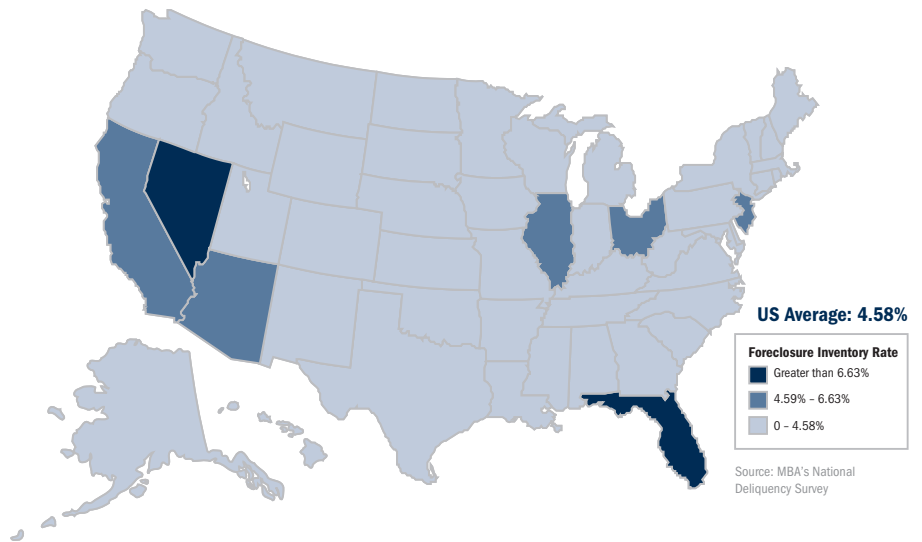
The seriously delinquent rate increased 327 basis points for prime loans, 745 basis points for subprime loans, 244 basis points for FHA loans and 130 basis points for VA loans.

State, area and census region	Number of loans serviced	All loans						
		Percent of loans with installments past due				Percent of loans in foreclosure		
		Total past due	30 days	60 days	90 days or more	Inventory at end of quarter	Started during quarter	Seriously Delinquent (90+ FC Inv)
Connecticut	521,251	9.36	3.44	1.63	4.29	3.77	0.95	8.06
Maine	139,689	9.44	3.94	1.60	3.90	4.41	0.92	8.31
Massachusetts	816,574	9.73	3.35	1.49	4.89	3.39	0.79	8.28
New Hampshire	196,279	9.03	3.58	1.57	3.87	2.51	0.94	6.38
Rhode Island	137,316	11.09	3.82	1.85	5.41	3.97	1.15	9.38
Vermont	69,230	6.09	2.76	1.04	2.29	2.49	0.61	4.78
New England	1,880,339	9.50	3.45	1.56	4.49	3.49	0.88	7.98
New Jersey	1,263,930	9.58	3.42	1.57	4.59	5.82	1.13	10.41
New York	2,022,602	9.51	3.43	1.55	4.52	4.21	0.79	8.73
Pennsylvania	1,552,186	9.72	4.08	1.73	3.92	2.81	0.69	6.73
Mid Atlantic	4,838,718	9.59	3.63	1.61	4.35	4.18	0.85	8.53
Illinois	1,713,377	11.08	3.66	1.81	5.61	5.62	1.35	11.23
Indiana	836,668	11.73	4.62	1.95	5.17	4.34	1.28	9.51
Michigan	1,378,069	12.99	4.28	2.14	6.57	4.56	1.50	11.13
Ohio	1,467,588	11.02	4.25	1.87	4.91	4.72	1.21	9.63
Wisconsin	596,893	7.96	2.90	1.35	3.70	3.78	0.97	7.48
East North Central	5,992,595	11.29	4.01	1.88	5.41	4.79	1.30	10.20
Iowa	343,833	7.31	3.09	1.31	2.91	2.79	0.75	5.70
Kansas	329,362	7.86	3.42	1.39	3.05	2.28	0.77	5.33
Minnesota	884,656	7.31	2.60	1.24	3.47	3.43	0.96	6.90
Missouri	858,761	9.72	3.91	1.73	4.08	2.10	0.85	6.18
Nebraska	208,679	6.64	2.99	1.26	2.39	2.00	0.74	4.39
North Dakota	59,266	4.00	2.00	0.67	1.33	1.13	0.37	2.46
South Dakota	80,453	4.72	2.11	0.83	1.78	1.76	0.50	3.54
West North Central	2,765,010	7.93	3.17	1.40	3.36	2.59	0.83	5.95
Delaware	161,542	9.02	3.51	1.60	3.92	3.42	0.86	7.34
District of Columbia	95,217	8.02	2.95	1.39	3.68	2.91	0.81	6.59
Florida	3,433,574	12.66	3.67	2.01	6.99	13.44	2.41	20.43
Georgia	1,654,728	13.53	4.89	2.36	6.28	3.57	1.36	9.85
Maryland	1,061,819	10.87	3.73	1.79	5.36	3.86	0.99	9.22
North Carolina	1,401,014	10.19	4.15	1.78	4.26	2.16	0.81	6.42
South Carolina	657,692	10.46	4.28	1.82	4.36	3.40	0.95	7.76
Virginia	1,411,468	8.08	3.05	1.39	3.64	2.13	0.77	5.77
West Virginia	133,454	10.71	4.88	1.97	3.86	2.21	0.81	6.07
South Atlantic	10,010,508	11.35	3.90	1.90	5.55	6.55	1.47	12.10
Alabama	595,620	11.45	4.85	1.99	4.61	2.18	0.89	6.79
Kentucky	430,995	9.76	4.26	1.75	3.75	3.28	0.97	7.03
Mississippi	250,978	14.69	5.98	2.58	6.13	2.97	1.05	9.10
Tennessee	854,273	11.31	4.55	1.98	4.77	2.34	0.94	7.11
East South Central	2,131,866	11.43	4.74	2.01	4.68	2.56	0.95	7.24
Arkansas	308,617	9.35	4.19	1.61	3.56	2.01	0.82	5.57
Louisiana	472,302	11.48	4.95	2.03	4.50	3.19	0.91	7.69
Oklahoma	423,993	8.62	3.91	1.57	3.14	2.84	0.86	5.98
Texas	3,084,633	10.30	4.43	1.90	3.97	2.00	0.78	5.97
West South Central	4,289,545	10.20	4.42	1.86	3.92	2.22	0.81	6.14
Arizona	1,158,133	12.55	3.41	2.01	7.13	6.07	2.18	13.20
Colorado	999,493	6.91	2.64	1.21	3.06	2.81	0.92	5.87
Idaho	263,741	7.99	3.09	1.39	3.51	3.66	1.25	7.17
Montana	134,450	5.56	2.39	1.00	2.16	1.84	0.65	4.00
Nevada	543,596	14.92	3.41	2.24	9.28	9.76	3.04	19.04
New Mexico	252,965	8.27	3.54	1.45	3.29	2.99	0.76	6.28
Utah	435,432	8.64	3.20	1.54	3.90	3.30	1.19	7.20
Wyoming	70,400	5.84	2.67	1.04	2.13	1.55	0.58	3.68
Mountain	3,858,210	10.02	3.12	1.65	5.25	4.84	1.62	10.09
Alaska	94,115	4.75	2.21	0.91	1.63	1.37	0.46	3.00
California	5,778,503	11.34	2.78	1.63	6.93	5.56	1.34	12.49
Hawaii	165,970	7.34	2.37	1.26	3.71	4.54	1.09	8.25
Oregon	627,956	6.88	2.40	1.18	3.31	2.98	0.99	6.29
Washington	1,187,110	7.65	2.44	1.17	4.04	2.10	0.49	6.14
Pacific	7,853,654	10.27	2.68	1.51	6.07	4.76	1.17	10.83
Puerto Rico	35,754	13.52	5.43	2.42	5.66	3.26	0.78	8.92
Northeast	6,719,057	9.57	3.58	1.60	4.39	3.99	0.86	8.38
North Central	8,757,605	10.23	3.74	1.72	4.76	4.10	1.15	8.86
South	16,431,919	11.06	4.15	1.90	5.01	4.90	1.23	9.91
West	11,711,864	10.19	2.83	1.55	5.80	4.78	1.32	10.58
United States	44,426,246	10.44	3.63	1.73	5.09	4.58	1.20	9.67
Northeast (SA)	6,719,057	8.65	3.19	1.42	4.03	—	0.82	—
North Central (SA)	8,757,605	9.31	3.39	1.55	4.37	—	1.09	—
South (SA)	16,431,919	10.02	3.83	1.68	4.52	—	1.15	—
West (SA)	11,711,864	9.21	2.55	1.40	5.27	—	1.31	—
United States (SA)	44,426,246	9.47	3.31	1.54	4.62	—	1.14	—

MAP 1: Seriously Delinquent Rate by State for Q4, 2009



MAP 2: Foreclosure Inventory Rate by State for Q4, 2009



MAP 3: Foreclosure Starts Rate by State for Q4, 2009

