



Mortgage Delinquencies in Ohio: Are Loan Modifications Stemming the Tide?

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Data and methods

Lender Processing Services (LPS) ~ 60% of the residential mortgage market (securitized and portfolio)

Top 10 residential mortgage servicers

Analysis includes first lien loans originated between 2003 and September 2010

Seriously delinquent 60 or more days delinquent

Algorithm provided by researchers at Atlanta and Boston Feds used to identify changes in the terms of loans (flags for possible modifications). Thanks! 

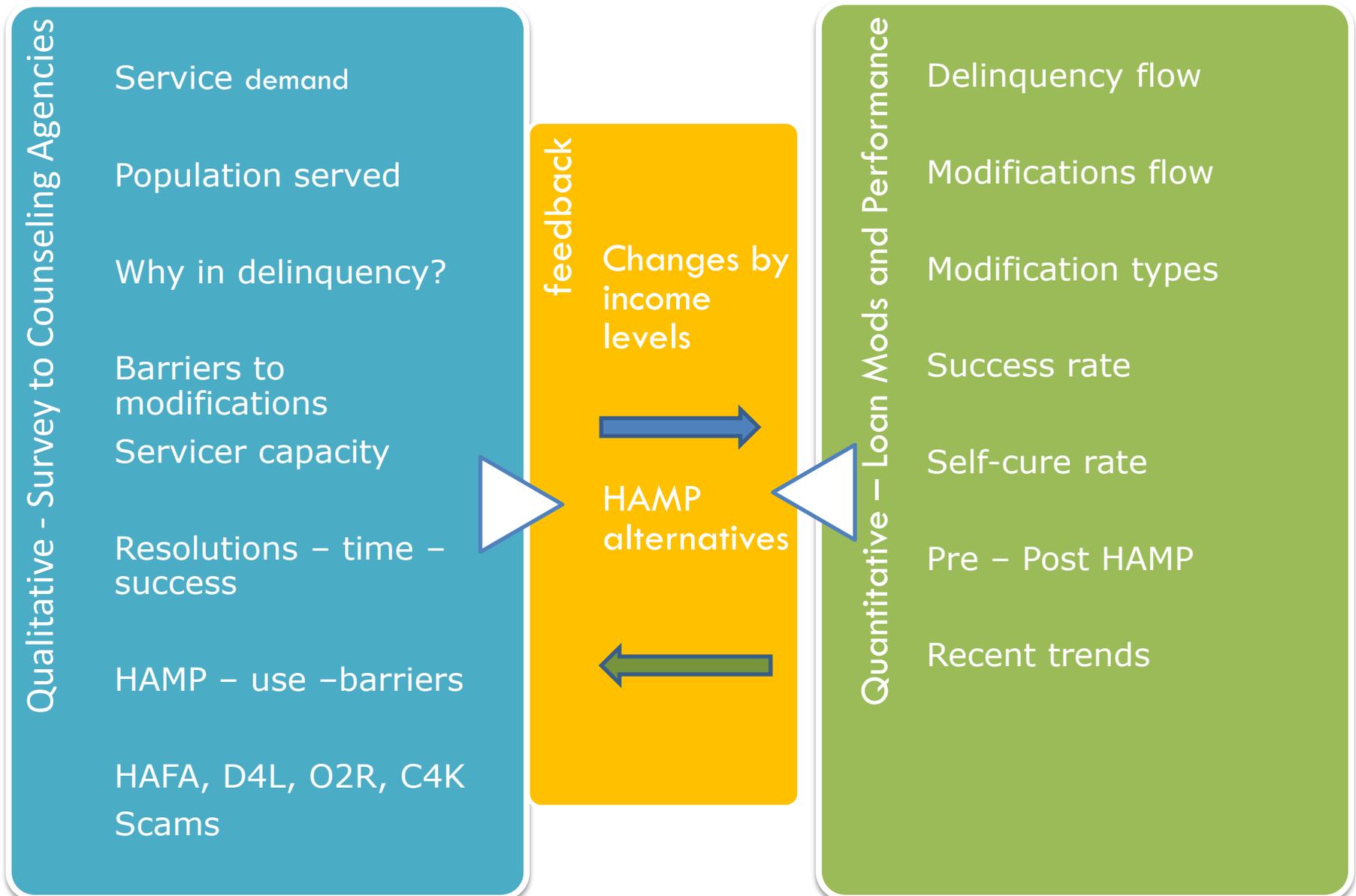
Pre-HAMP - May 2008-April 2009

Post-HAMP- May 2009-January 2010

Updates February 2010- September 2010

Results from survey of 14 housing counseling agencies in 4th district

Two complementary methods of analysis



Targeted Outreach Survey

Motivation for developing survey

- Better understand challenges with loan modifications
- Internal demands for timely anecdotal information
- Complement to on-going quantitative analysis

Survey design and strategy

- Online survey with a mix of close-and open-ended questions
- 14 of 24 housing counselors responded to online survey
- Representing Greater Cincinnati/Northern KY, Greater Cleveland, Dayton, OH, Pittsburgh area and Erie, PA.
- Administer 2-3 times in 2011

Targeted Outreach Survey

What we learned.....

...from multiple-choice questions

- Demand for servicing increasing or significantly increasing
- Reasons for delinquency - **#1 Job Loss/Reduced Income**
- Most reported working with servicer to be extremely difficult or difficult

...from open-ended questions

- Counselors facing multiple barriers working with servicers
- Shifts in clients seeking assistance
- Long delays for servicer review and decisions – “Over half of our families have been waiting for a review of modification offer for over 6 months.”

Targeted Outreach Survey

Revisiting and revising survey

Need to know more about counseling agencies

- Will gather information in next round
- Number of clients served, geographic coverage, staffing

Will replace open-ended questions re: population served

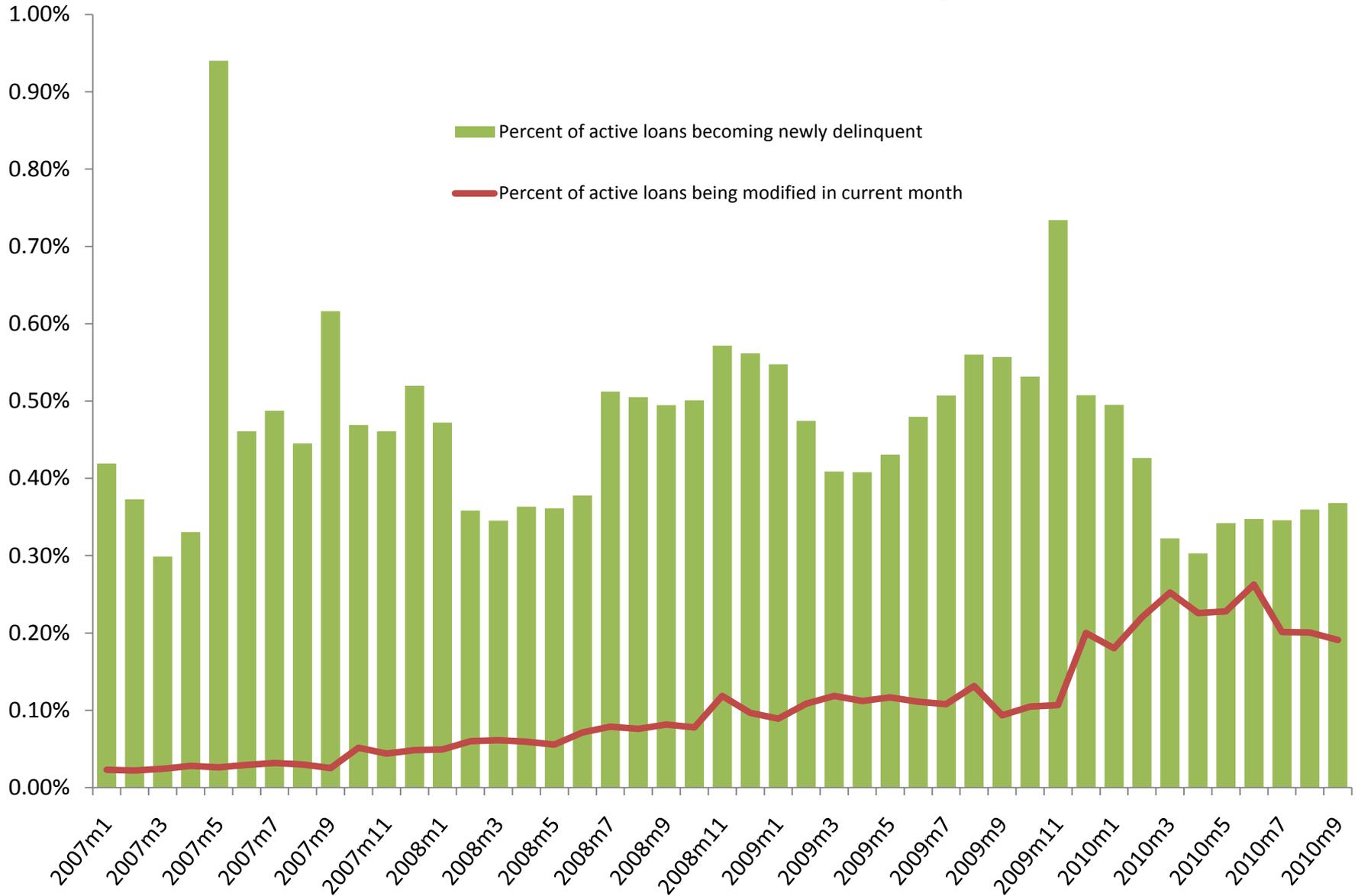
- First round helped set categories for future round
- Next rounds will allow for adjustments

Clarify confusing or cumbersome questions e.g. alternatives to modifications

Increase geographic coverage

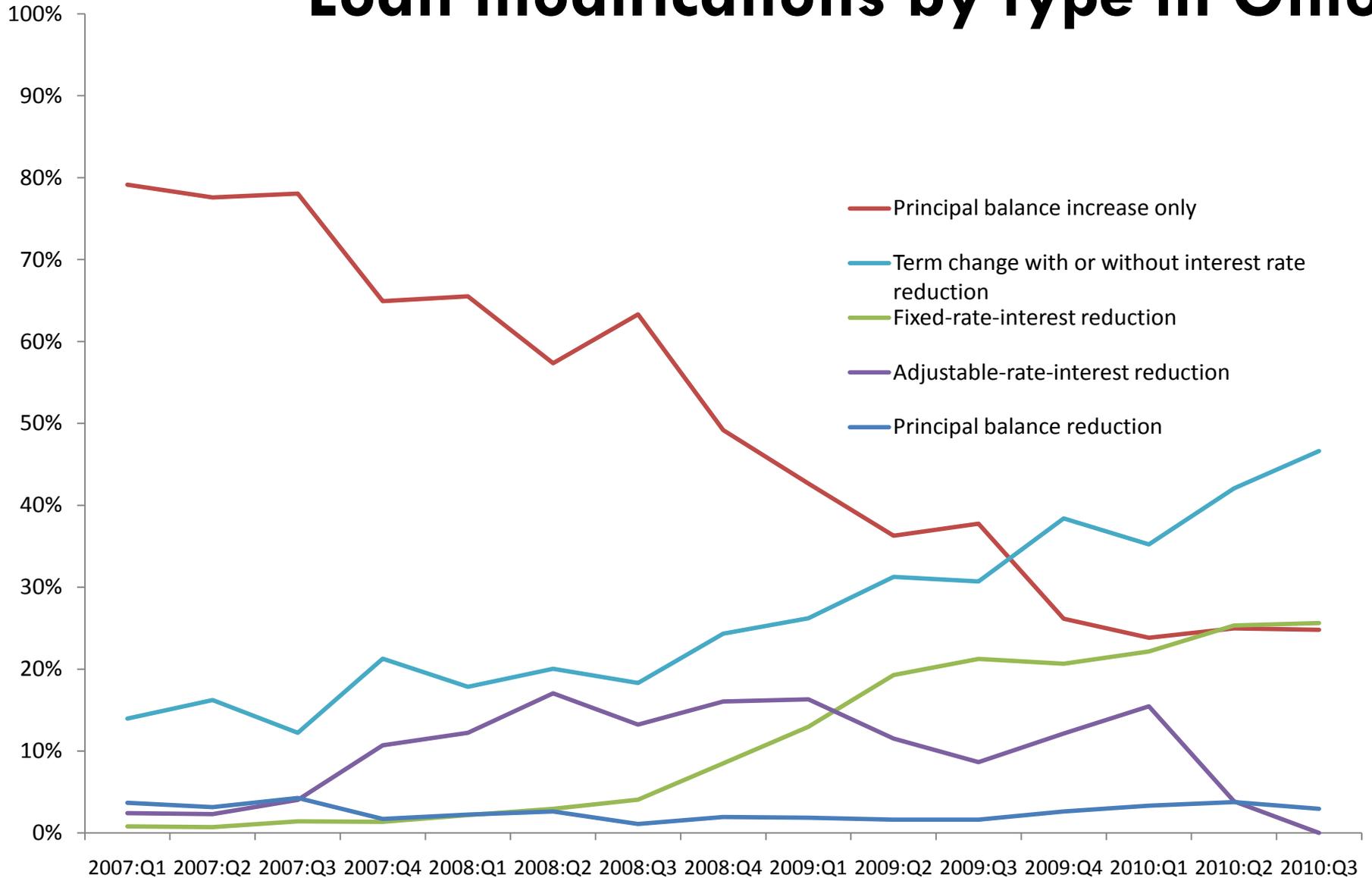
- Additional markets including Columbus, OH, Lexington, KY

Newly delinquent loans and loans being modified in Ohio



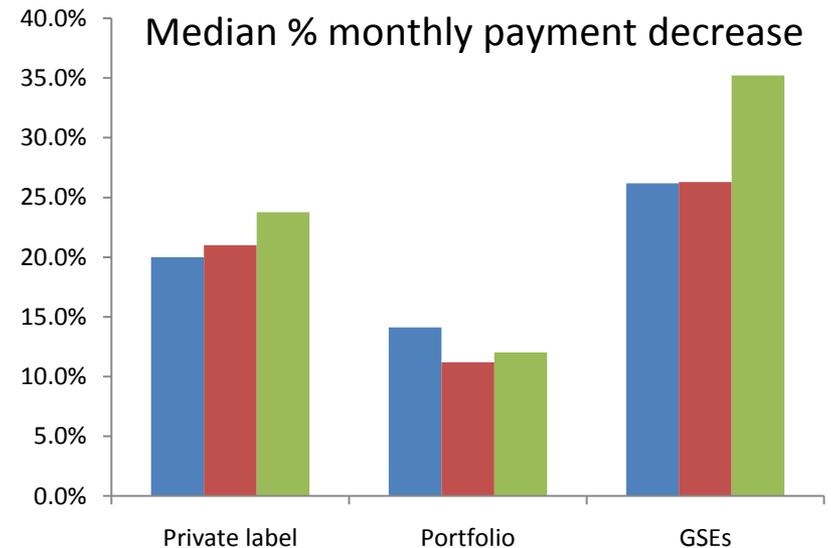
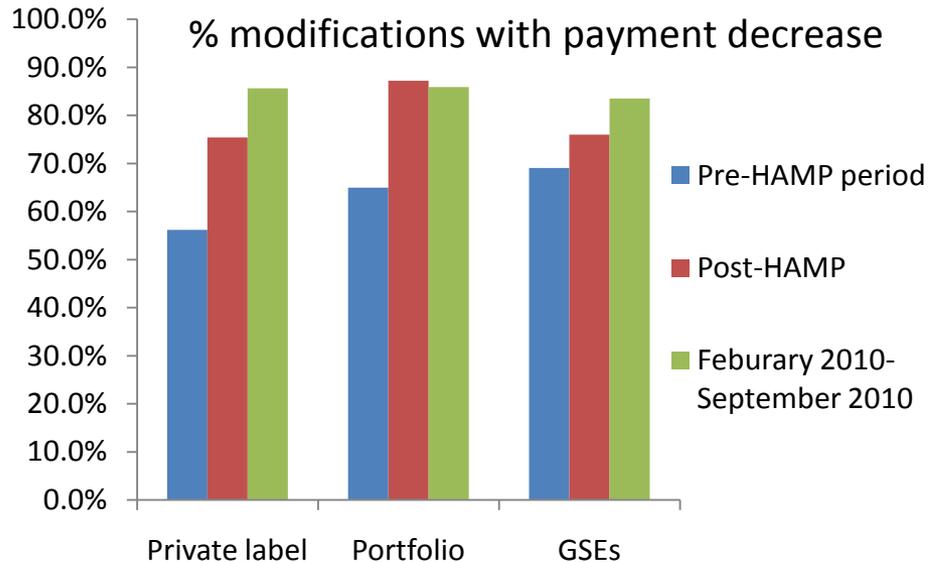
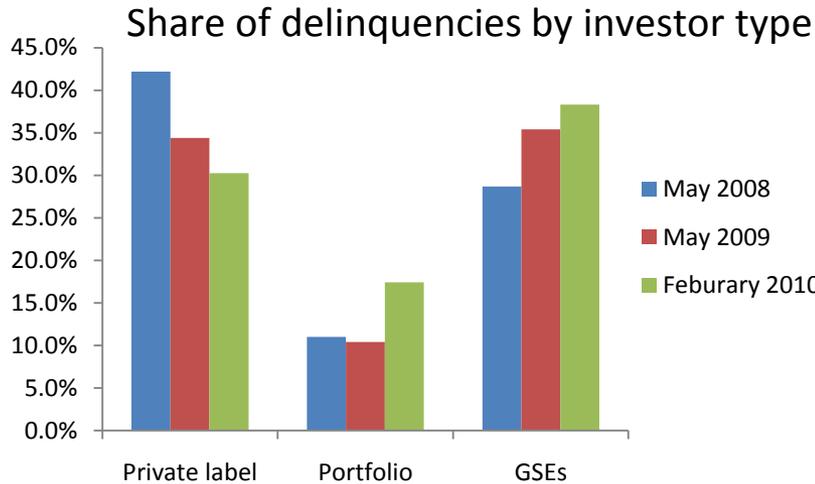
Source: Calculations based on loan modification flagging algorithm on LPS data.

Loan modifications by type in Ohio



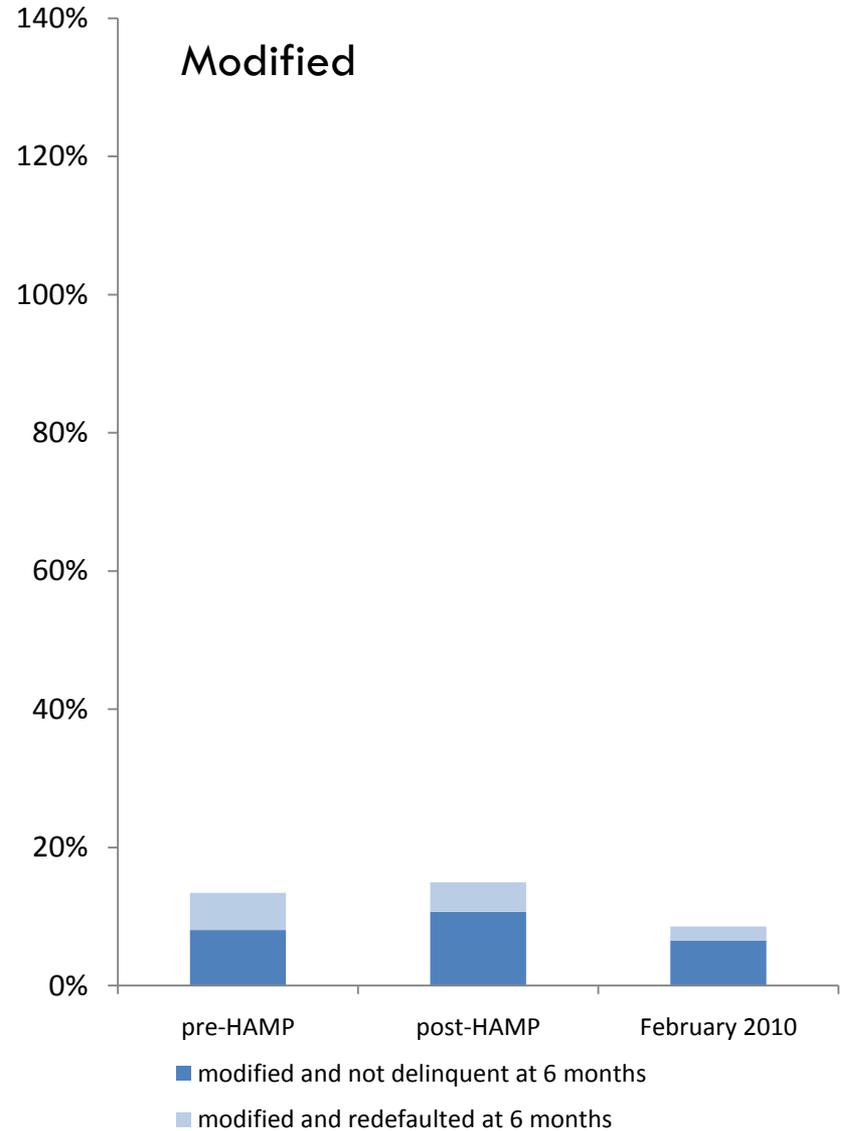
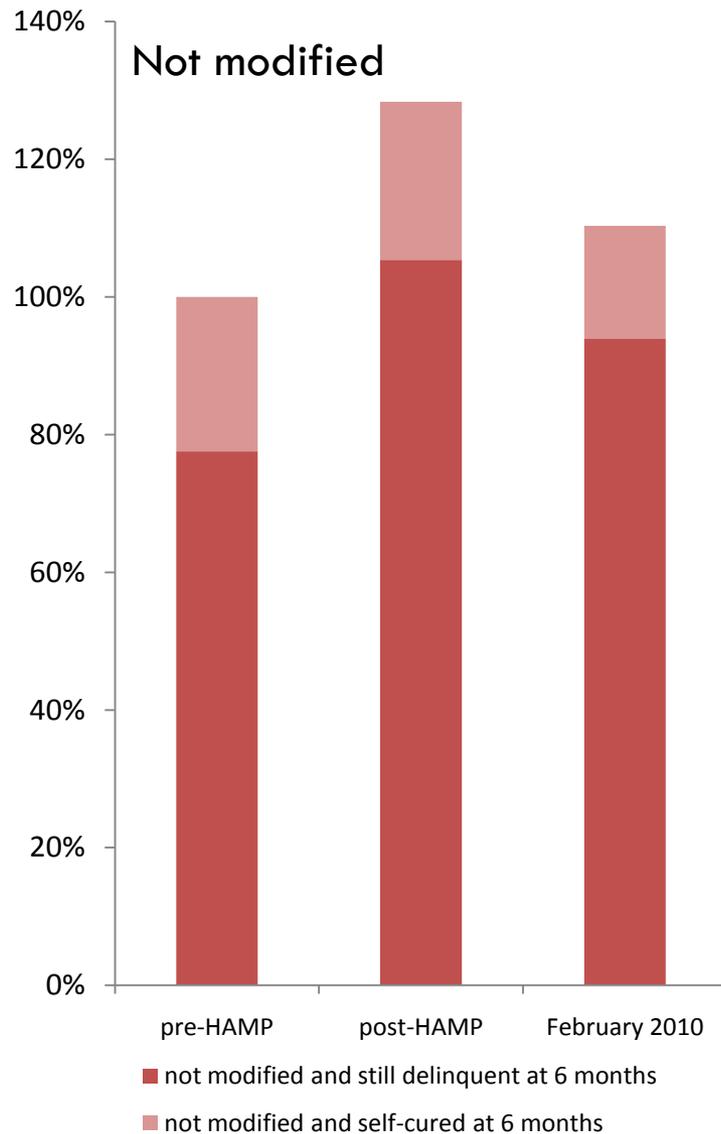
Source: Calculations based on loan modification flagging algorithm on LPS data.

Modifications by investor type in Ohio



Source: Calculations based on loan modification flagging algorithm on LPS data.

Status of delinquent loans at 6 months



Source: Calculations based on loan modification flagging algorithm on LPS data.

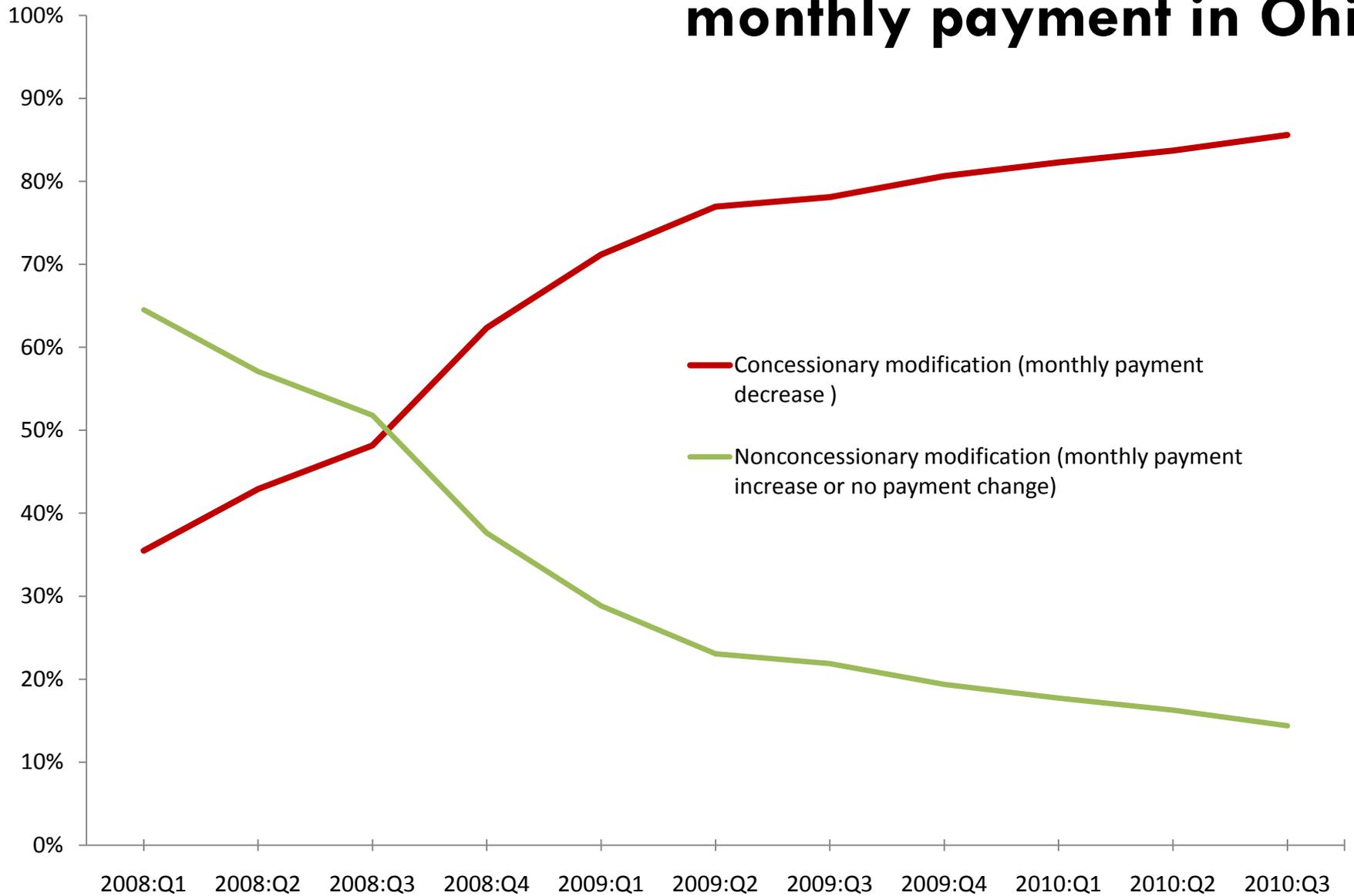
A Look into the Improved Performance of More Recently Modified Loans

- Less hardships affecting borrowers
 - Lower self-cure rates
 - Survey suggests not
- Riskier loans have left the pool

	Pre-HAMP (5/08 – 4/09)	Post-HAMP (5/09 – 1/10)
FICO origination	637.90	638.51
Loan-to-value ratio	82.26	86.58
Origination amount	\$ 137,921	\$114,873

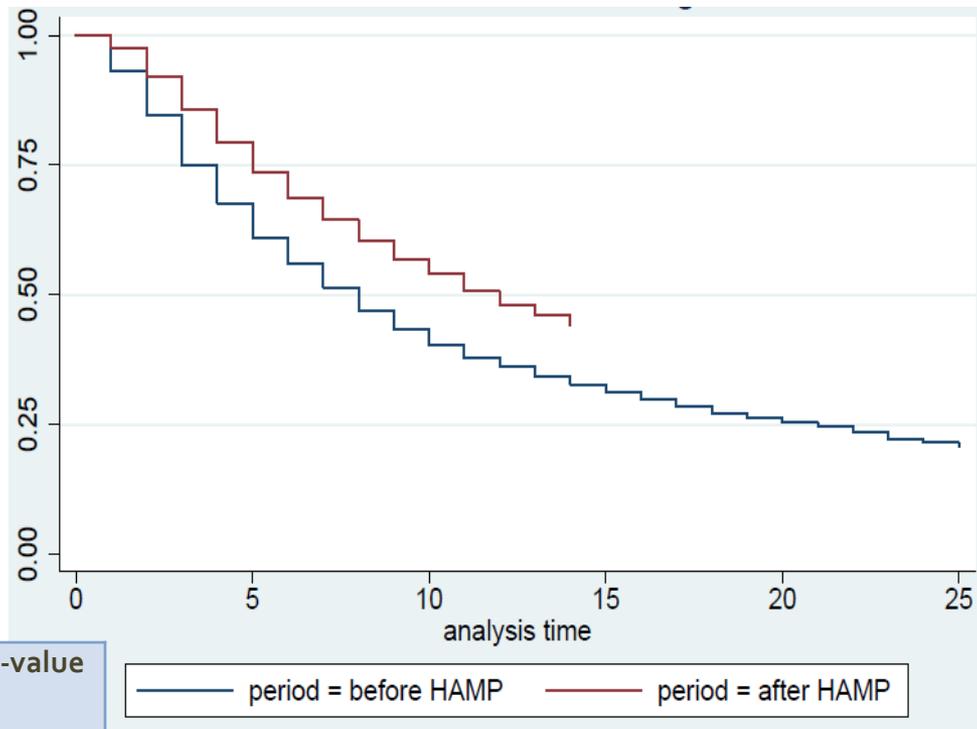
- Modified loans are more affordable (/month)

Loan modifications by change in monthly payment in Ohio



Source: Calculations based on loan modification flagging algorithm on LPS data.

Survival analysis of modified loans



	Hazard ratio	Robust standard errors	z	p-value
Private-securitized dummy	1.129	0.0290	4.70	0.000
Government/GSE held dummy	0.953	0.0244	-1.89	0.059
FICO*	0.881	0.0094	-11.89	0.000
Loan to Value*	1.005	0.0116	0.42	0.677
Monthly payments*	1.160	0.0110	15.58	0.000
Payment decrease dummy	0.700	0.0145	-17.16	0.000

Dependent variable: Probability of re-default

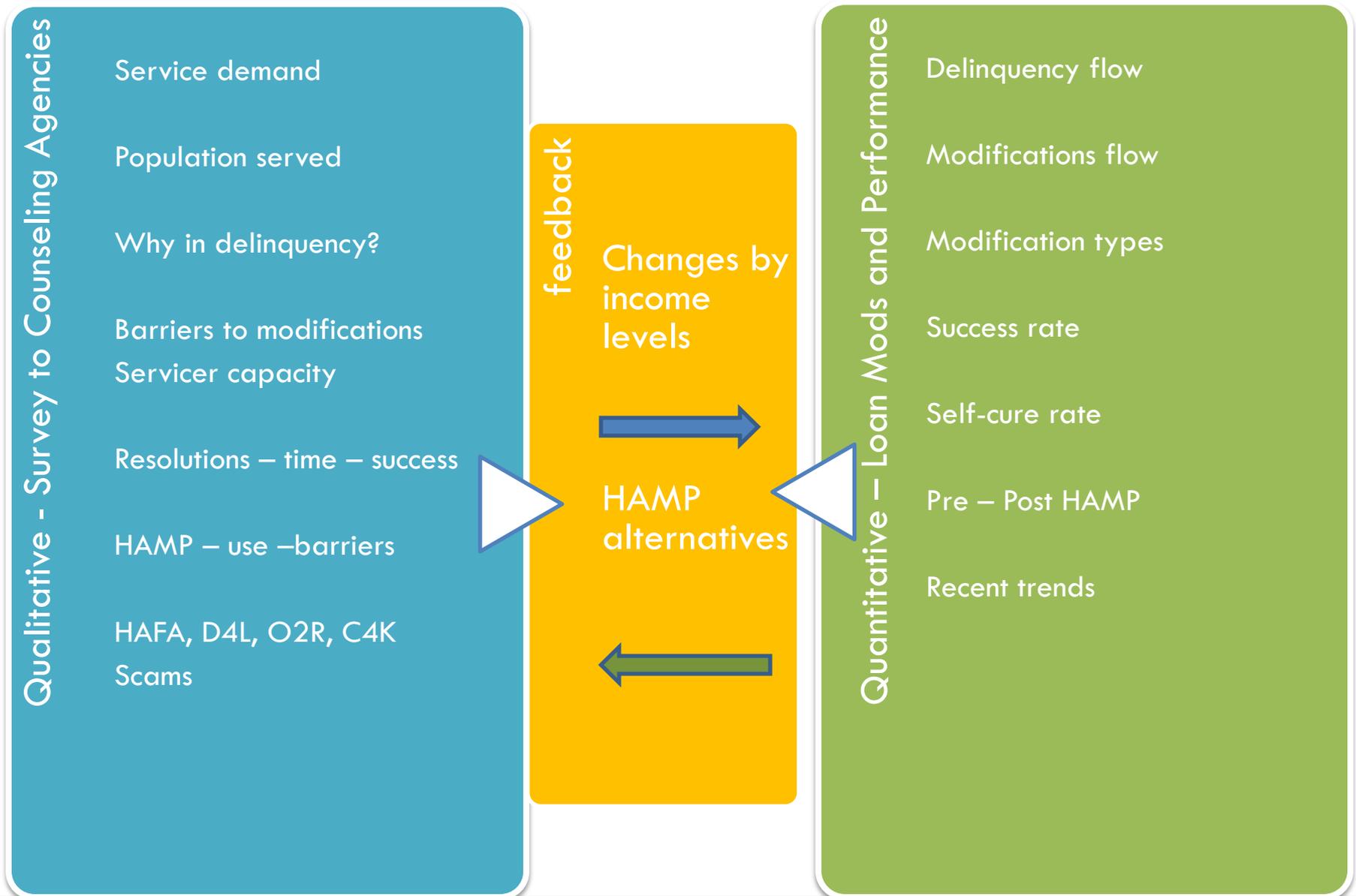
No. subjects = 20 824

No. observations = 154 343

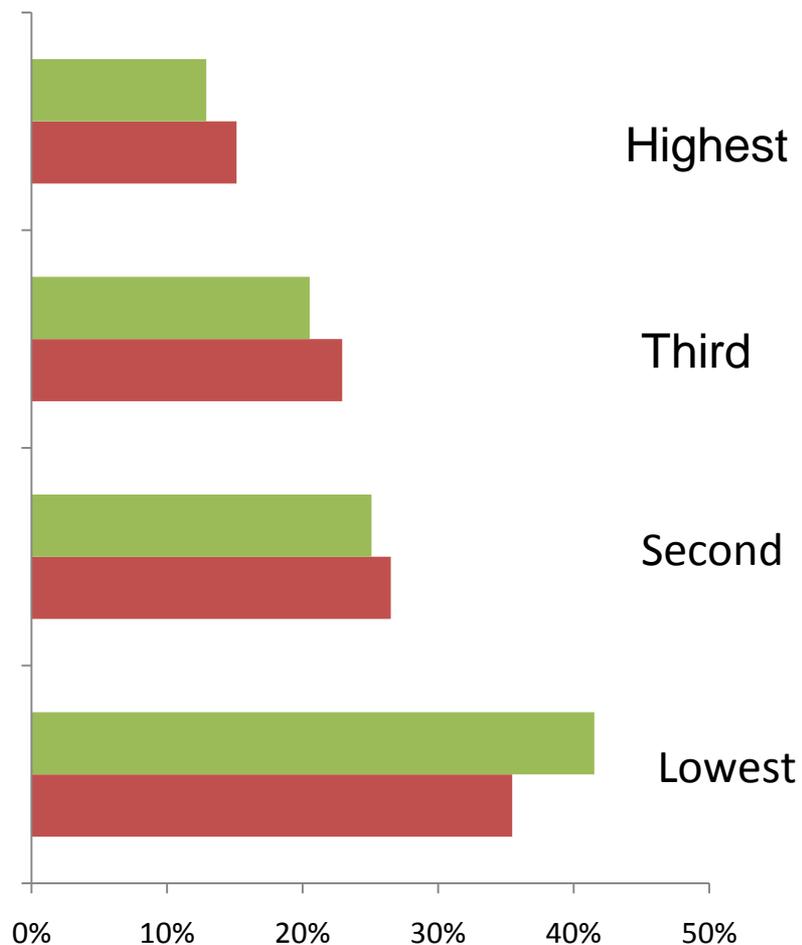
Std. err. adjusted for location (zip-code) clusters

*Variables are standardized

Two complementary methods of analysis



Share of delinquent loans in Ohio by zip code income quartiles



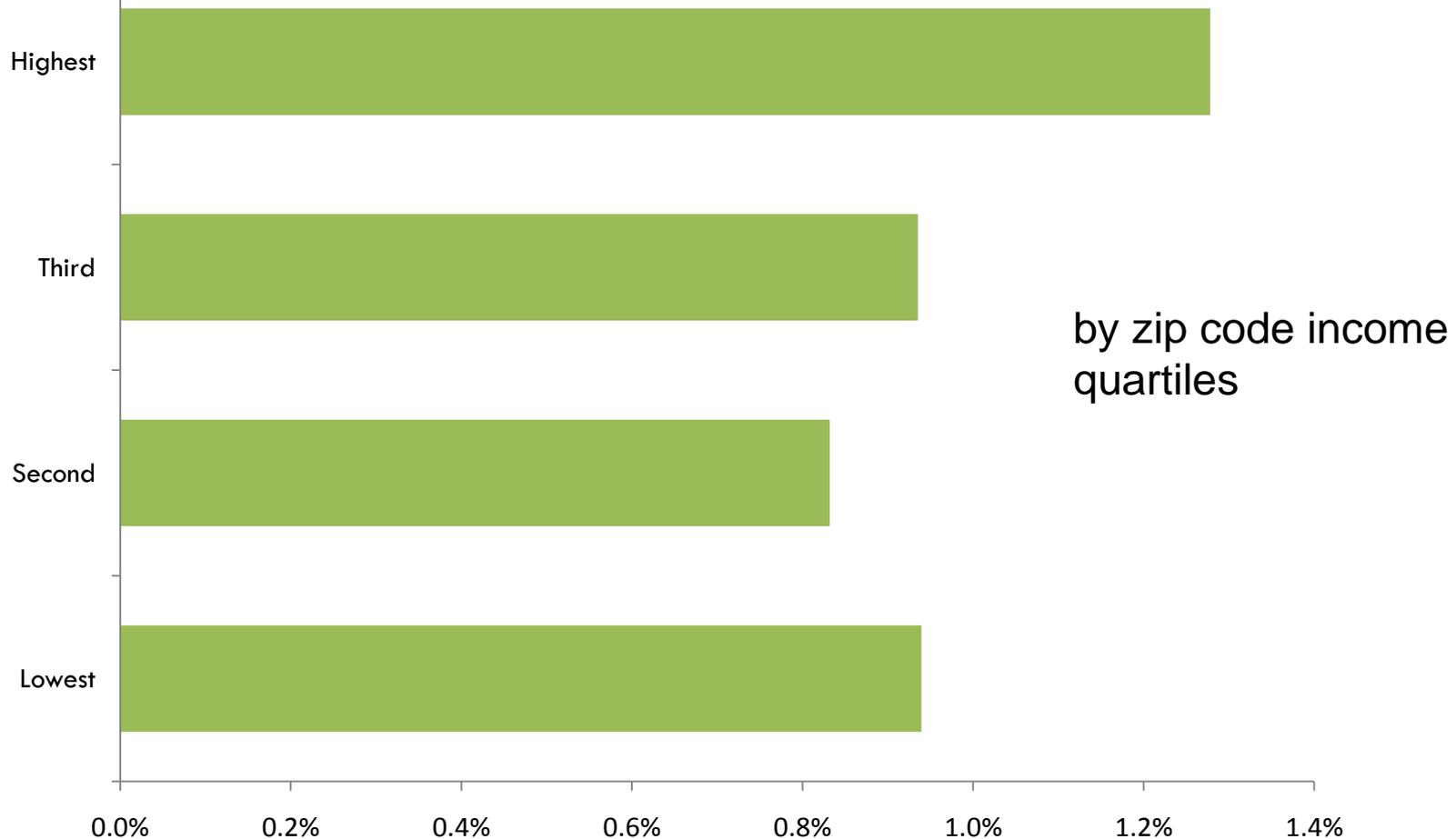
Share of newly modified loans in Ohio by zip code income quartiles



Source: Calculations based on loan modification flagging algorithm on LPS data.

Share of delinquent loans in Ohio paid off before entering REO (short sale?)

February 2010 – September 2010



Source: Calculations based on loan modification flagging algorithm on LPS data.