

September 26, 2010 Columbia Collateral File Summary Statistics  
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This is a summary of the September 26 investor report and covers 8/26/10 to 9/26/10 period. This database of subprime and alt-A securitized mortgages covers about 5% of the mortgage market, and about 20 % of foreclosures and mortgage modifications.

Total permanent modifications continued their decline from their post-HAMP peak in March (22,888) and April 2010. The number of permanent modifications in September 2010 (15,784) is down from August 2010 (16,632) and July (18,609). The number of foreclosure sale liquidations is still steadily falling from its peak in May of 2009. There were 19,042 liquidated foreclosures in the month of September, which is down from June (20,147), and July (19,625), but slightly increased from August (18,688).

The picture that emerges from the past three years of modification data in this set of loans is the following. The private industry efforts to increase loan modifications ramped up in 2007 and 2008, reaching a peak in January and February of 2009, with servicers permanently modifying a number of mortgages equivalent to about 5% of all mortgages in foreclosure process. Then with the implementation of HAMP beginning in March and April 2009, monthly permanent modifications dropped by nearly half, until March and April 2010 when a big push to convert trial HAMP mods to permanent agreements apparently bore fruit. However, the second peak of modifications in 2010 achieved only the same levels as those achieved just before HAMP was launched. In the second and third quarters of 2010, permanent modifications have dropped off as the effort by servicers to convert temporary modifications to permanent modifications has flagged, while foreclosure levels have held steady, at about 15% of this pool of loans. The Columbia file does not differentiate HAMP modifications from other modifications, and records only the event of a permanent loan modification of any type. Temporary modifications and payment plans are not reported.

The number of foreclosures in process declined slightly, in keeping with the declining size of the loan pools in the database. In the database of subprime and alt-A mortgages, there were 239,539 foreclosures pending, compared with 246,690 in July, and 242,776 in August. The share of modifications with payment reductions was about 77%. This is same percentage of payment reductions as August. HAMP has made a significant change in this respect; before HAMP about 50% of modifications reduced monthly payments, and since HAMP's implementation 75% to 80% of modifications have resulted in lower payments.

Investors lost \$2.77 billion from foreclosures sales in September 2010. The average loss on foreclosed properties was \$145,636 representing a loss severity of 58.83% of original principal for the 19,042 foreclosure sales. The number of monthly foreclosures increased slightly from 18,688 in August but is considerably less than the 32,000 per month level between April and July of 2009.

Meanwhile, 1,595 modifications, i.e. about 10% of modifications, involved a forgiveness of over \$1,000 in debt. Just before HAMP in March 2009 nearly 20% of modifications included debt forgiveness. That share declined to about 5% in the third quarter of 2009, and has begun increasing in recent months, perhaps in response to Treasury's initiatives intended to encourage debt reduction. Nevertheless, 90% of permanent modifications did not include debt forgiveness, and most involved capitalization of past-due interest, increasing total principal.

The total recognized losses from modifications averaged about 20.09% of the loan balances, in contrast with the 58.83% lost on foreclosure sales. The aggregate losses from foreclosures were 33.3 times as much as the losses recognized from modifications.

**The Columbia Collateral file contains loan-level performance information for approximately 2.5 million subprime and alt-A mortgages** (as of September 25, 2010), all of which are securitized in trusts for which Wells Fargo acts as trustee. The report is made available to investors each month on the 25<sup>th</sup> or 26<sup>th</sup> of the month, and covers the previous 30 days.