



## ***LPS Mortgage Monitor for June 2009 Current Mortgage Performance Observations***

***Based on data as of May 31, 2009***

- Total mortgage delinquencies rose slightly in May to 8.49% over April's 8.10%. This represents a month-over-month increase of 5.0%, while the year-over-year increase is 50%. The average increase from April to May for the prior four years was 1.1%.
- Foreclosure inventories continue to climb to new highs, as reflected in May's foreclosure rate of 2.79%. The month-over-month increase in foreclosure inventories was 6.2%; the year-over-year increase totaled 88.3%.
- As in previous months, Jumbo Prime, Option ARMs and Non-Agency Conforming Prime loans continue to experience the highest rates of deterioration. The most significant increase in deterioration has come in the last six months.
- The national average for total non-current loans, which includes delinquencies and foreclosures, rose 5.5% over last month to 11.27%. The year-over-year increase totaled 58%.
- May 2009's newly delinquent loans reached 637,822 – the fourth highest amount on record. All other volumes for loans rolling to a more delinquent status increased month over month as well, with the exception of 60-90 day roll volumes.
- This April to May 2009 time period marks the first significant increase in current to 30 roll rates (loans rolling from current to 30-days delinquent) in five years for the same time frame.
- The gap between loans improving and loans deteriorating spread to the widest levels since November 2008, with a deterioration rate (loans deteriorating vs. improving) at 277%.
- As of May 2009, the states with the highest loan deterioration rate are Nevada, Arizona, Hawaii, California and Florida. For the same time frame, the states with the lowest deterioration ratios are Alabama, Louisiana, North Dakota, Texas and Mississippi. The states showing the highest increase in deterioration rates for the prior two months are Vermont, New York, Nebraska, Iowa and West Virginia, but all five of these states still rank below the national average for deterioration.

- Foreclosure starts in May increased 4.3% to the second highest level on record.
- The following 10 states are above the national average in foreclosure starts: Nevada, Florida, Arizona, California, Maryland, Michigan, Hawaii, Georgia, Rhode Island and New Jersey. Maryland's foreclosure starts spiked in May 2009, elevating the state to a fifth-place rank in this category. Washington, Illinois and Maryland experienced the largest increase in foreclosure starts, while foreclosure starts decreased in Florida.
- The 10 states with the lowest foreclosure starts are: North Dakota, South Dakota, Wyoming, Vermont, Alaska, Iowa, Montana, Pennsylvania, North Carolina and Kansas.
- While most agency and private moratoria have been removed, foreclosure sales remain low. Several states are implementing additional restrictions, with California's moratorium made official in mid-June 2009.
- Vintage delinquency analysis shows that originations have been improving, with 2009 delinquency curves well below earlier years.
- First payment default rates have declined significantly as a result of the dramatic improvement in the credit quality of borrowers. In early 2006, 40% of loans were going to borrowers with credit scores less than 680, compared to slightly more than 10% of loans today are going to borrowers with credit scores less than 680. Almost no borrowers with credit scores less than 620 are being awarded loans.
- Improved credit scores have improved overall loan vintage quality, both for FHA and non-government loan products. Origination quality appears to be the result of more than just FICO and LTV – presumably, more attention is being focused on income and documentation.
- Success rates for loss mitigation-related modifications are still hovering in the 30-40% range. Rate/term loan modifications on 90+-days delinquent loans are the most common. Loan modifications involving a reduction in the unpaid principal balance (UPB) experience a higher success rate.