

## RESEARCH

NATIONAL  
DELINQUENCY  
SURVEY FACTS

(AS OF MAY 2008)

- The NDS is a voluntary survey of over 120 mortgage lenders, including mortgage banks, commercial banks, thrifts, savings and loan associations, subservicers, and life insurance companies.
- **1952 – 1978:** non-comparable data  
**1979 – Present:** complete historical data are available
- In the fourth quarter of 2007, the NDS data covered about 46 million first-lien mortgages on 1–4 unit residential properties. The subprime sample of the survey totaled about 6 million loans.
- Using Census Bureau and other industry data, the NDS is estimated to cover around 80 to 85 percent of the approximate 50 million loans outstanding in the market.
- Delinquencies are reported as total delinquencies and in 30-59, 60-89, and 90+ day buckets, exclusive of loans in the foreclosure process.
- Foreclosures are reported as “foreclosure starts” and “foreclosure inventory.” The foreclosure starts measure represents loans that entered the foreclosure process during the reporting quarter and is a flow measure. As such, it is seasonally adjusted.
- The foreclosure inventory measure represents all loans in the foreclosure process at the end of the reporting quarter. This measure is influenced by a number of factors including state foreclosure statutes that establish how long it takes for a loan to work its way through the foreclosure process. Thus two states with the same rates of loans going into foreclosure can have different inventories of loans in foreclosure. The inventory is a stock measure and is not seasonally adjusted.
- The delinquency rates and foreclosure starts rate are seasonally adjusted to account for trends in the data that are caused by the time of the year. For example, delinquencies tend to increase from the first to fourth quarters, peaking in the fourth quarter, before falling in the first quarter of the next year and beginning the cycle again.
- The seriously delinquent rate is the non-seasonally adjusted (NSA) percentage of loans that are 90+ days delinquent or in the process of foreclosure. This measure is designed to account for inter-company differences on when a loan enters the foreclosure process.
- Survey statistics are reported at the national, regional and state levels. For each geographic classification, delinquency and foreclosure rates are reported by loan type (Prime, Subprime, FHA and VA) and for fixed rate and adjustable rate mortgages.
- The delinquency and foreclosure rates are calculated based on the number of loans serviced and not the dollar value. For example, the overall delinquency rate is the total number of delinquent loans as a percentage of all loans serviced. This survey does not collect information on the dollar value of loans serviced.
- The US and regional information is provided as seasonally adjusted and non-seasonally adjusted forms. States are only presented in non-seasonally adjusted data. For that reason, it is most appropriate when examining state-level data to make year/ year comparisons.
- The NDS is not a scientific sample but relies on broad market coverage for its representativeness.

- Due to the fact that some survey participants only report nationally aggregated results, the state totals for loans serviced may not sum to the national total for any loan or product type. The difference between these totals are thus the loans that are unclassified by state. Similar logic applies to the fixed and ARM totals for each loan type. Fixed and ARM detail is not always provided, so for example, the sum of prime fixed and prime ARM loans may not sum to the published number for total prime loans serviced.
- While the NDS does not identify or track Alt-A loans explicitly, conversations with survey participants have established that Alt-A loans are divided between the prime and subprime groups. Thus, Alt-A loan performance is captured in the delinquency and foreclosure rates estimated in the NDS.
- Loans in the bankruptcy process are reported in the category the loan was in prior to the bankruptcy notification. 1) If a loan is delinquent and a bankruptcy is filed the loan continues through the various stages of delinquency until the bankruptcy is resolved. 2) If a loan is already in foreclosure and the mortgagor files a bankruptcy petition, the loan will remain in the foreclosure process until the bankruptcy is resolved.
- Loans subject to forbearance agreements are reported as delinquent, even if a restructured loan payment plan has been agreed to by both parties. The length of the delinquency is determined by the number of missed payments. The loan remains delinquent until it is current in accordance with the original loan contract.

## Data Definitions

### Number of Loans Serviced

Includes all first mortgage loans secured by 1- to 4-unit residences that are serviced by participating companies. Loans that are not serviced by participants themselves are excluded.

### Number of Loans Delinquent

As of the close of business on the last day of the quarter, the number of loans delinquent is reported using the following due date ranges, with 6/30/2006 as an example of the last day of the quarter:

#### Due between 5/02/2006 and 6/01/2006:

Report as "1 Month" Delinquent

#### Due between 4/02/2006 and 5/01/2006:

Report as "2 Months" Delinquent

#### Due 4/01/2006 or before:

Report as "3 or More Months" Delinquent

The delinquency measure DOES NOT include loans placed in foreclosure; they are reported separately.

### Foreclosures Started

The number of loans for which foreclosure proceedings were started in the current quarter. INCLUDES deeds received "in lieu" of foreclosure and loans assigned directly to FHA, VA, or other insurers, or investors.

### Foreclosure Inventory

The number of loans in the process of foreclosure as of the last day of the quarter, regardless of the date the foreclosure procedure was initiated. Loans are classified "in foreclosure" according to investors' or local requirements. INCLUDES loans where the servicing has been suspended in accordance with any investor's foreclosure requirements. EXCLUDES loans where the foreclosure has been completed to

the extent that the investor has acquired any of the following: title to the real estate, an entitling certificate, title subject to redemption, or title awaiting transfer to FHA or VA.

### VA 1- to 4-Unit Loans

All 1–4 unit residential first mortgage loans that are guaranteed by the Veteran's Administration.

### FHA 1- to 4-Unit Loans

All types of FHA first mortgage loans secured by 1–4 unit properties. Fixed vs. ARM detail is available for FHA loans.

### Conventional 1- to 4-Unit Loans

Conventional mortgage loans including conforming and nonconforming, prime and subprime loans. For the purpose of this survey, Conventional loans are any non-government (FHA or VA) loans. Fixed vs. ARM detail is available for prime loans and subprime loans.

### Adjustable Rate Mortgages (ARMs)

Loans that have a mortgage rate that adjusts according to a specified price index periodically and as agreed to at the inception of the loan. Includes 5 year ARMs, 3 year ARMs, 1 year ARMs, interest-only mortgages, pay-option ARMs and other adjustable rate mortgages.

### Prime and Subprime

The prime and subprime criteria used in the NDS are based on survey participants' reporting of what they consider to be their prime or subprime servicing portfolio, since internal servicing guidelines vary. Participants who service both prime and subprime loans report the results of each separately for maximum precision in the classification.