

M Hanson Advisors – Real Estate & Finance

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- [Q2 Big Bank-Originator Resi Default & Foreclosure Results](#)
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Our mission is to provide our clients a significant edge. This is done by turning the daily, market-moving real estate and mortgage news flow and events into old news by the time it makes headlines. - Mark Hanson

Prior to the release of my **tier-1 client q210 bank-specific Resi and C&I default and foreclosure results over the next few days**, the following **aggregate big-bank Resi & C&I default & foreclosure** summary reports will give a taster of what the big banks were up to in q2.

Bottom Line - in aggregate, default and foreclosure activity across resi and non-resi was heavier in q2 than q1 and relying upon early stage delinquencies and defaults dropping will be increasingly difficult. Another difficulty will be not addressing the 10 ton elephant in the room...surging foreclosures and modifications/restructured loans, of which the majority will turn into foreclosures over the next several quarters.

Final June NOD and NTS data can still trickle in up to seven business days following the end of the month, which is why I hold off releasing bank-specific data too early following month-end, but in aggregate and for an entire quarter, the bubble-state's (ex-FL) results here are close enough.

Top Bank-Originator Q210 Aggregate Residential Default & Foreclosure Results

- 1) **For resi loans that the big-banks who make up this report originated**, NOD were down slightly from q1, but in June began to ramp higher again (not shown here - will highlight in my monthly default and foreclosure report next week).

Because NOD occur after three to five months of missed payments, this is by and large reflecting the artificial move lower in early stage

delinquencies from q409 into q110.

- 2) **NTS** continued to rise - the python continues to fatten the pig. In fact, resi NTS hit highs in q2. An NTS occurs from 30-60 days before final Foreclosure and portend a continued increase in foreclosure activity into q310.
- 3) **Foreclosures** continued to ramp higher but not at the pace that NTS suggest they should; an effect of more aggressive, high leverage mortgage mod tactics, extensions in the overall foreclosure timeline, and a significant increase in short sale and deed-in-lieu foreclosure alternatives.
- 4) **Cancelled foreclosures**, indicative of successful loan mods, restructurings and other foreclosure alternative tactics, really began to take off beginning in q309 and remain the **top growth channel at global banking institutions.**

Top Originator Aggregate Resi NPA Activity



Tier-1 proprietary bank-specific data not for redistribution. Thank you.

Top Bank-Servicer Q210 Aggregate Residential Default & Foreclosure Results

- 1) For resi loans that the big banks who make up this report service for others, NOD were down slightly less than on loans they originated shown above. But exactly like loans they originated, began to ramp higher again in June (will highlight in my monthly

default and foreclosure report next week).

Because NOD occur after three to five months of missed payments, this is by and large reflecting the artificial move lower in early stage delinquencies from q409 into q110.

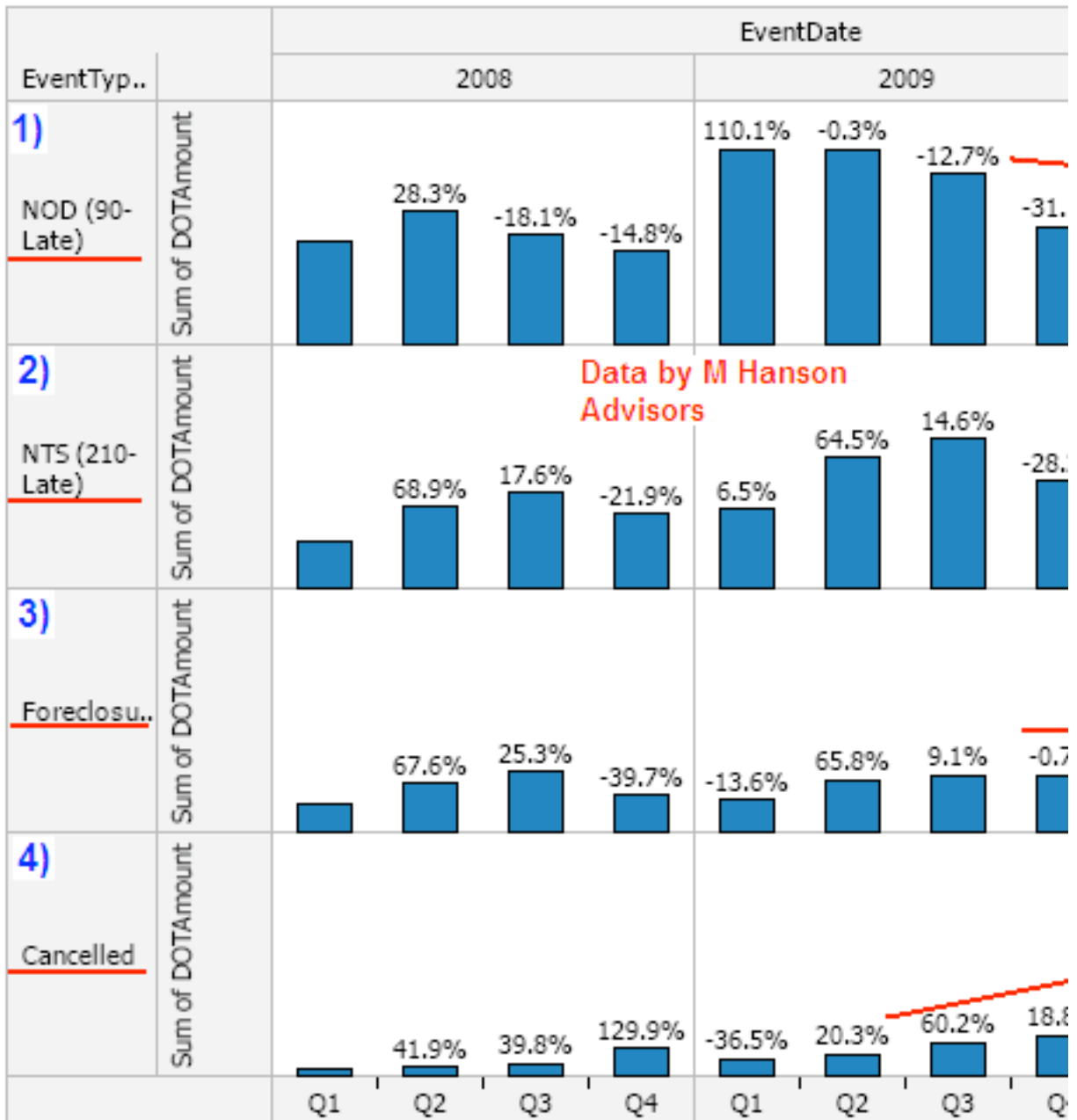
- 2) **NTS** continued to rise at roughly the same pace as in the first chart. However, in absolute terms they are not at record highs, as with loans the banks originated. An NTS occurs from 30-60 days before final Foreclosure and portend a continued increase in foreclosure activity into q310.
- 3) **Foreclosures is where the two channels diverge** with the pace of foreclosures on loans they originated ramping steeper than on loans they service. This would make sense as most of the loans they service belong to the GSE's.

Like the previous chart, foreclosures are not occurring at the pace that NTS suggest they should, an effect of more aggressive, high leverage mortgage mod tactics, extensions in the overall foreclosure timeline and a significant increase in short sale and deed-in-lieu foreclosure alternatives.

- 4) **Cancelled foreclosures**, indicative of successful loan mods, restructurings and other foreclosure alternatives, really **began to surge a quarter earlier** than on bank-originator loans above, which also has to do with the GSE's and HAMP effecting the servicer data.

This later acceleration in bank-originator cancelled foreclosures corresponds with when banks began to report an improvement in resi "credit" conditions.

Top Servicer Aggregate Resi NPA Activity



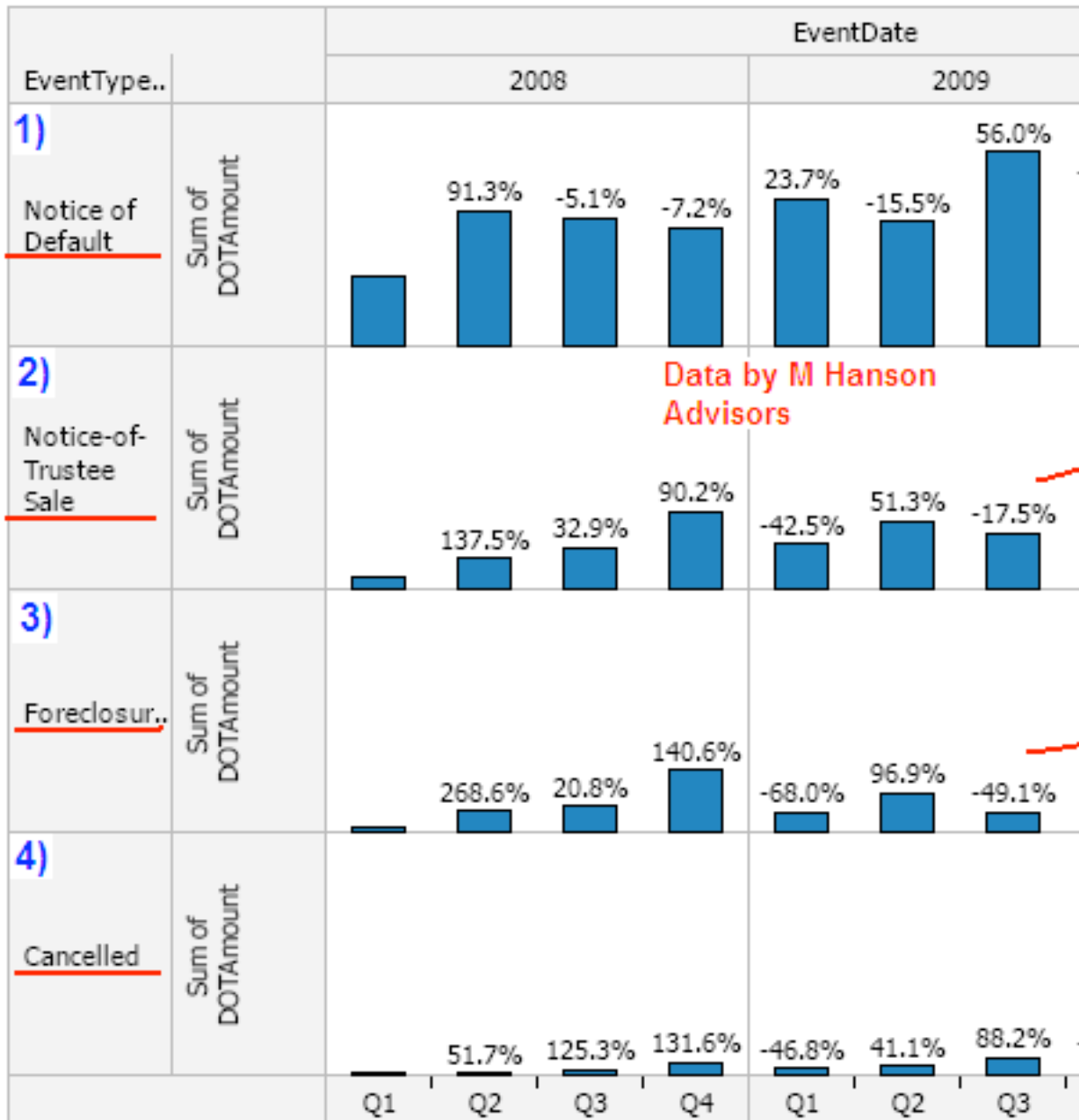
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Top Bank-Originator Q210 Aggregate NON-RESIDENTIAL Default & Foreclosure Results

- 1) **For C&I loans that the big-banks who make up this report originated**, NOD have dropped continuously for three quarters. But when eliminating a couple of large NOD that occurred in q309, **remain at a much steadier pace and closer to peak levels than residential. Further, unlike resi, non-resi NOD are up on a yoy basis.**
- 2) **Non-resi NTS** continued to ramp and **in q2 were at peak levels** indicating near-term increased foreclosure activity in the sector. And judging by the consistent level of NOD, the volume of NTS should continue to increase near and mid-term at least.
- 3) **Foreclosures** continued to ramp and **in q210 stood at record levels** when discounting a large individual foreclosure in q408. Judging by the pace of NTS, **foreclosures will continue much higher over the near and mid-term at least.**
- 4) **Cancelled foreclosures**, indicative of successful loan mods, restructurings and other foreclosure alternatives, **are surging in the non-resi sector.** This is despite NTS and Foreclosures being at record highs, meaning distress **activity is robust.**

Bottom line - the banks are finally feeling some significant pressure in this space.

Top Originator Aggregate C&I NPA Activity



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