



American
Bankers
Association®

Rolling Delinquency Survey

September 2014

Prepared by Benchmarking & Survey Research.

aba.com | 1-800-BANKERS

Executive Summary

In August 2014, ABA surveyed members of the Mortgage Markets Committee and the Servicing Working Group to assess the frequency with which mortgage loans are delinquent on a “rolling” basis and to gather information regarding how banks manage such loans.* The survey had the participation of 32 banks, which represents a response rate of 24 percent. Approximately 63 percent of respondents have assets of \$1 billion or less.

Summary of Key Findings:

- 27 percent of respondents reported that 20% -- 40% of delinquent loans serviced for their own loan portfolios constitute rolling delinquencies.
- 79 percent of respondents said that less than 20 percent of delinquent loans serviced for investors constitute rolling delinquencies.
- 33 percent of respondents reported that 20% -- 40% of rolling delinquencies are 60-89 days past due.
- 55 percent of portfolio servicers and 48 percent of servicers for investors always accept and credit payments and partial payments on rolling delinquencies.
- 49% of portfolio servicers and 65% of servicers for investors begin foreclosure on rolling delinquencies within 151 days of the due date of the last fully paid installment of principal, interest, and escrow (i.e., 4 missed payments).

*For purposes of this survey, rolling delinquencies occur when a delinquent borrower resumes making payments on the loan without making up for past missed payments. Even though the borrower may resume making scheduled monthly payments, s/he does not become fully current.

Executive Summary

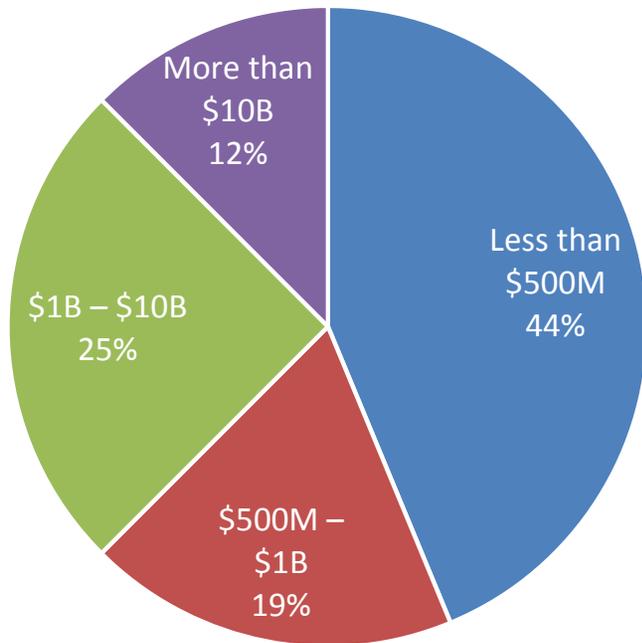
While not included in the following charts and graphs, the Rolling Delinquency Survey also inquired about the steps that banks take to collect on rolling delinquencies prior to initiating foreclosure. For loans serviced for investors, respondents described highly-standardized investor requirements or simply stated that they follow GSE servicing standards. By contrast, respondents provided more detailed descriptions of steps that they take to collect on rolling delinquencies for loans held in portfolio. Efforts include outreach to the borrower via phone, email, and postal mail to provide requisite CFPB notices as well loss mitigation information. In addition, servicers of portfolio loans cited:

- Telephone contact by the loan officer
- In-person meetings with the loan officer
- Providing credit and budgeting assistance or referral to a credit counseling agency
- Establishing a payment plan to bring the loan current within a specified period
- Working with the borrower as long as s/he continues to communicate with the bank and make an effort to bring the loan current
- Reducing the monthly payment or permitting interest-only payments until the borrower secures new employment
- Granting forbearance
- Re-amortizing the loan if there is income to support the lower payment amount
- Providing acceleration notices, which are frequently the only form of communication that will persuade the borrower to contact the bank for assistance.

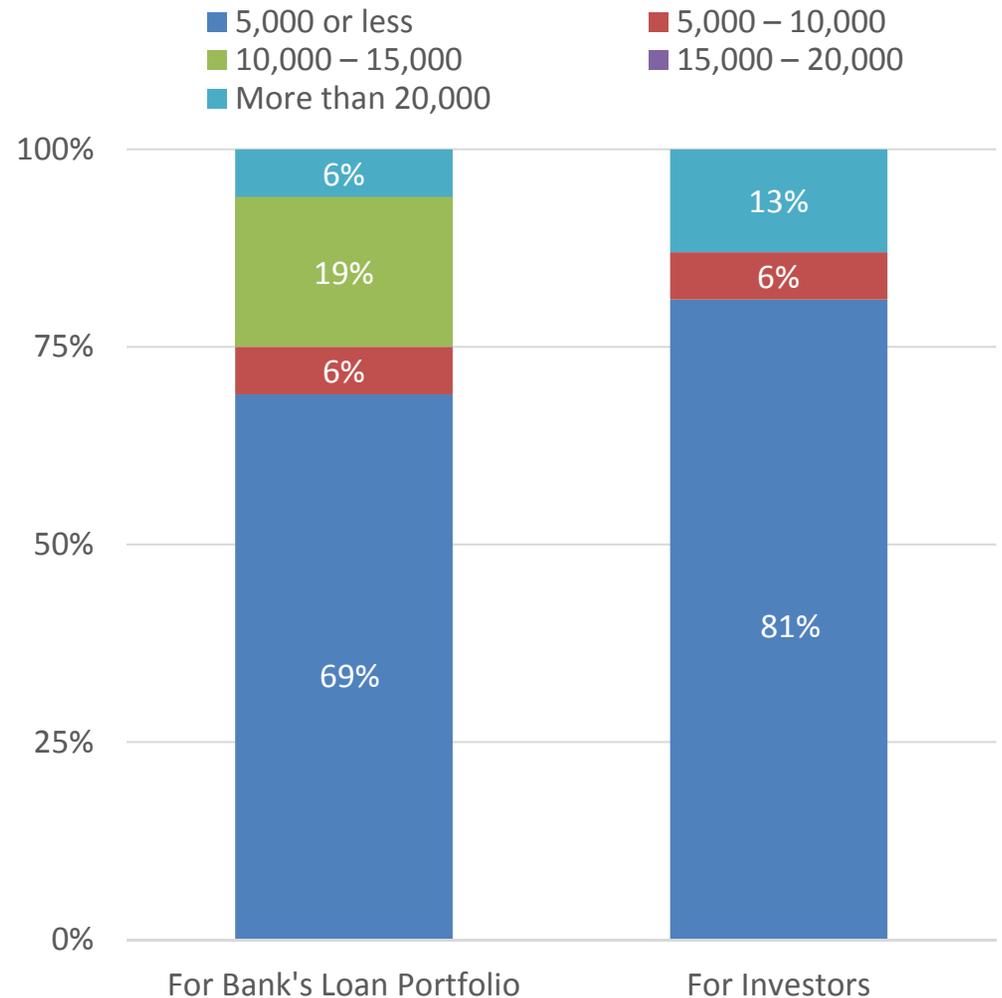
Profile of Survey Respondents

Total Number of Respondents: 32

By Asset Size

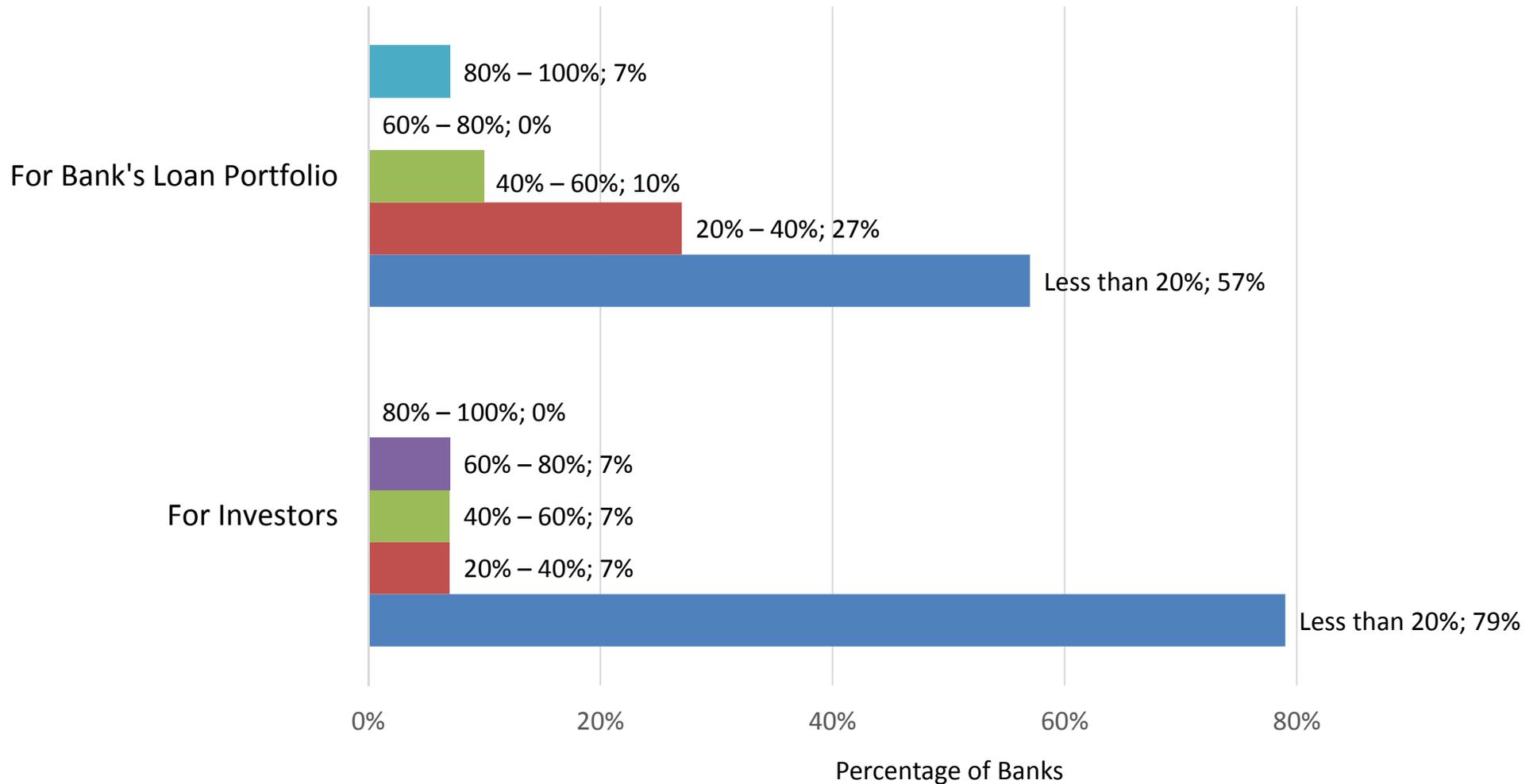


By Number of Loans Serviced



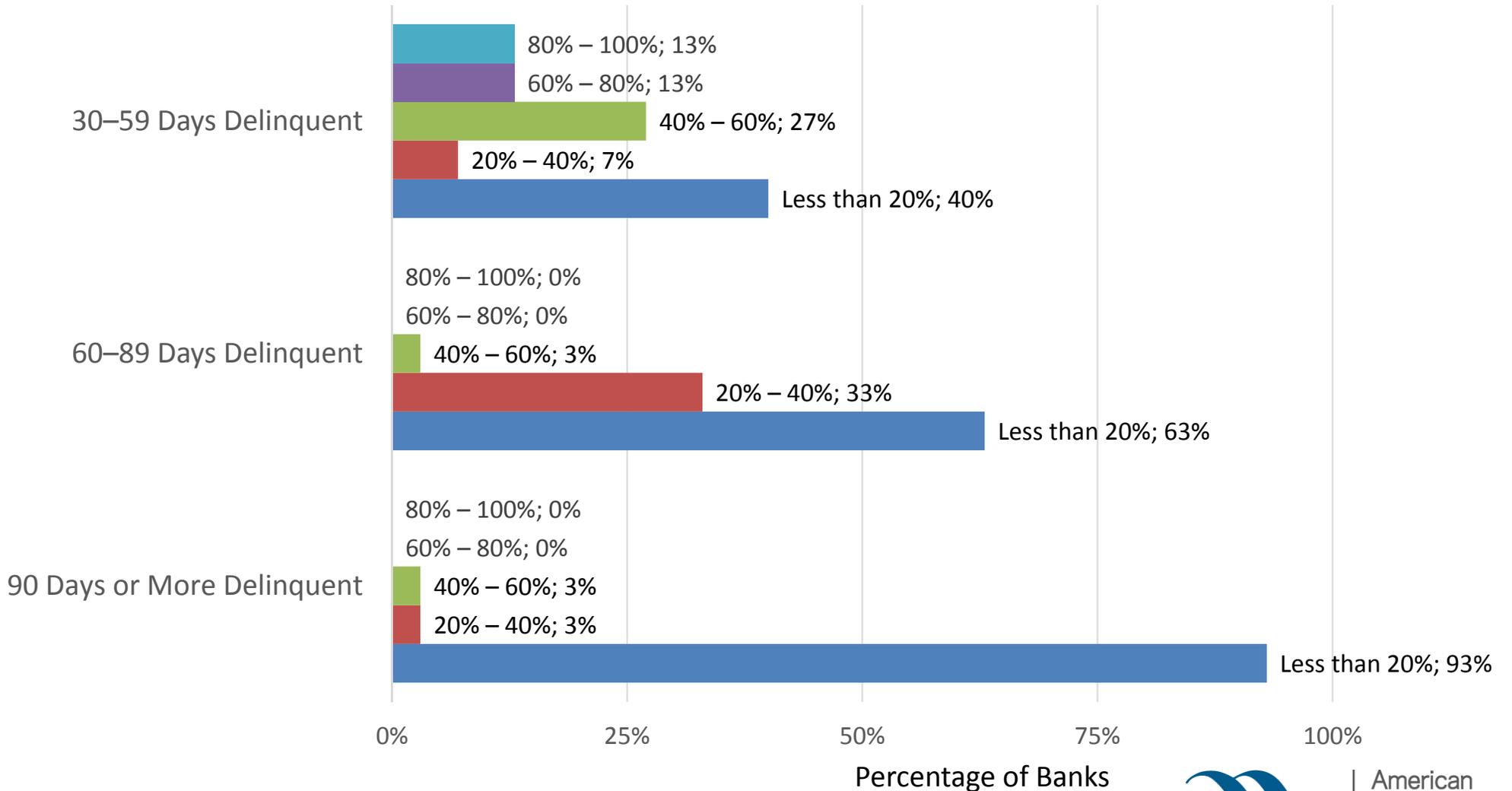
What percentage of delinquent loans that you service constitute rolling delinquencies?

Rolling Delinquencies as a Percentage of Delinquent Loans; Percentage of Banks



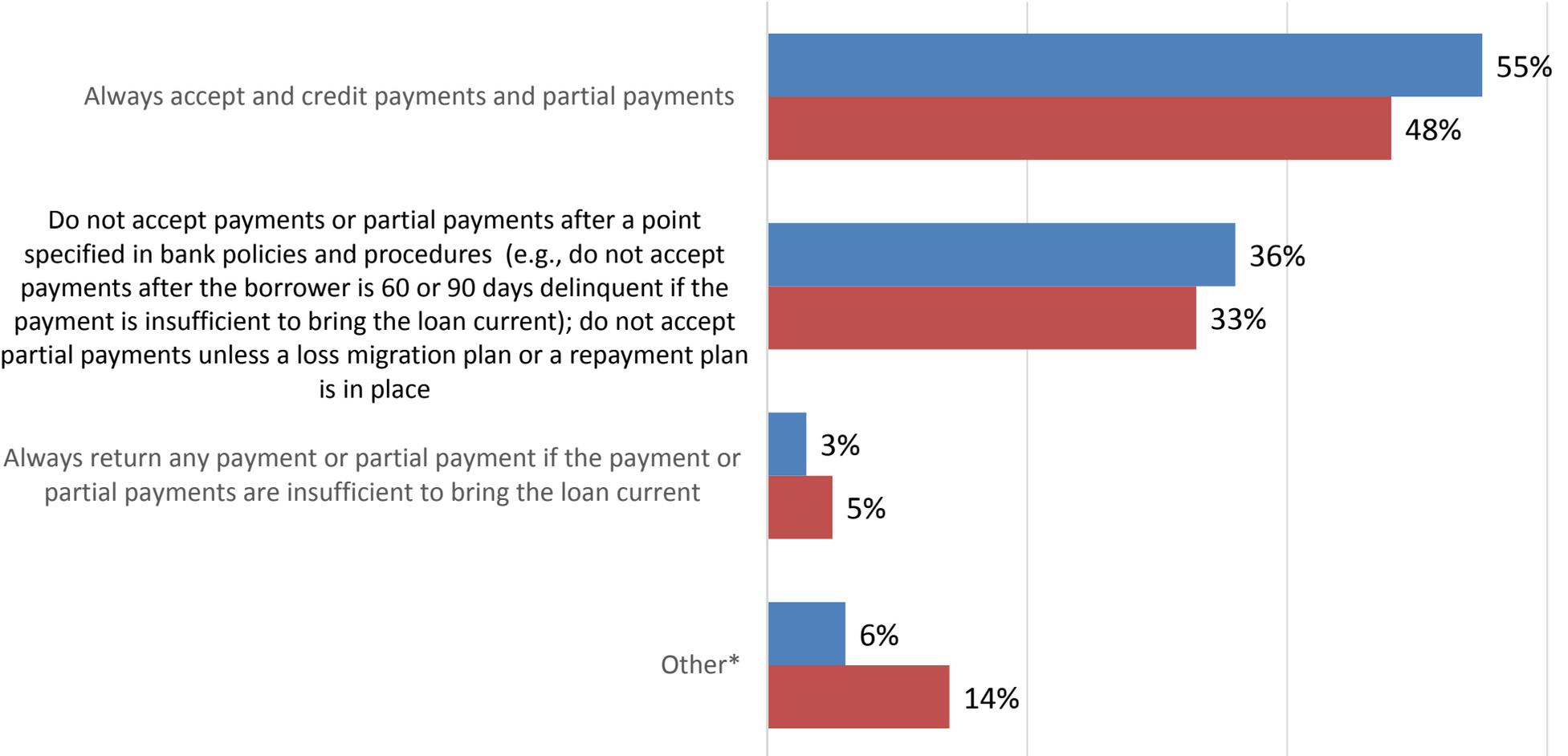
What percentage of your rolling delinquencies fall into the following categories? (by delinquency status)

Percentage of Rolling Delinquencies; Percentage of Banks



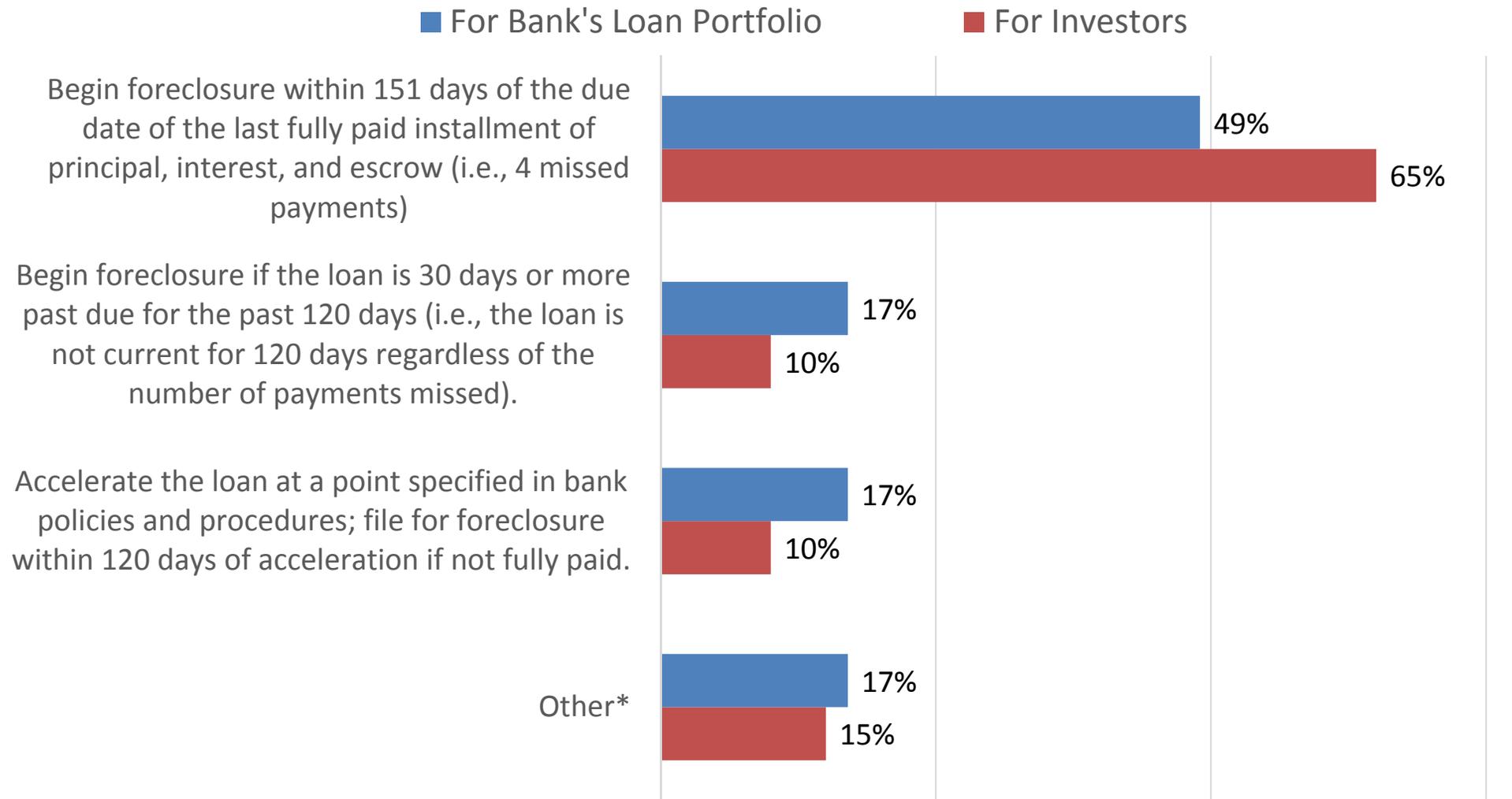
Does your bank accept borrower payments on rolling delinquencies?

■ For Bank's Loan Portfolio ■ For Investors



*Respondents choosing "other" generally commented that they accept and hold partial payments in a suspense account pending receipt of a full monthly payment.

At what point do you begin foreclosure of rolling delinquencies?



*Responses include: FHA, VA, and mortgage insurer guidelines; begin default communications at 60 days past due and initiate foreclosure at 121 days past due; initiate foreclosure if more than 120 days past due and no communication from borrower within the past 60-90 days.

25% 50% 75%
Percentage of Banks



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