# **Principal Modifications Outlook**

# NOMURA



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### Historical performance of modified borrowers

12-month Re-default rate for modified loans

## 40% 30% 20% 10% 0% Subprime Subprime Prime & Alt A

#### 12 month Re-default rate by payment cut and balance cut, subprime

		Payment Cut					
		0%	10%	20%	30%	40%	>50%
Bal Chg	Flat / Increase	41%	36%	31%	25%	20%	15%
	10% Cut	28%	25%	22%	19%	19%	15%
	20% Cut		25%	25%	23%	22%	13%
	30% Cut			29%	25%	26%	13%
	40% Cut				21%	17%	12%

Source: Nomura Securities International, CoreLogic; Includes loans modified in 4Q10 and 1Q11

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#### **Principal modification characteristics**

## **NO/MURA**



Change in CLTV for loans with principal mod

Alt A 13% **Prime** 4% Subprime 83%



