

FHA

FY26

ANNUAL REPORT TO CONGRESS

REGARDING THE FINANCIAL STATUS OF THE FHA MUTUAL MORTGAGE INSURANCE FUND

HUD

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT



Secretary's Foreword

I am pleased to present to Congress the Federal Housing Administration's (FHA) annual report on the Mutual Mortgage Insurance Fund (MMI Fund) for Fiscal Year 2026. Under President Trump's leadership, we have continued our work to streamline and deregulate FHA Single Family programs, while remaining vigilant stewards of taxpayer resources by eradicating fraud, waste, and abuse within our programs.

Throughout this past fiscal year, FHA's work has been a tool for delivering more affordable homeownership opportunities to the American families that rely on FHA financing to achieve the American Dream. In Fiscal Year 2026, FHA insured more than 935,000 single family home mortgages, of which 83 percent of purchase mortgages were for first-time homebuyers. FHA also supported seniors seeking to age in place in their own homes by insuring more than 24,000 Home Equity Conversion (HECM) reverse mortgages. As of September 30, 2026, FHA managed active insurance on more than 8.4 million forward mortgages totaling over $1.7 trillion in unpaid principal balance, along with $63.5 billion in outstanding HECM obligations.

FHA's role in the housing market has never been more important. We have showcased through this public-private partnership that government can work more efficiently and effectively for American families and can help boost housing supply, while continuing to protect the MMI Fund from undue risk. As of September 30, 2026, the MMI Fund's Capital Ratio stood at 10.29 percent. The Economic Net Worth, or MMI Fund Capital, for Fiscal Year 2026 reached $182.6 billion, a decrease of $6.3 billion from Fiscal Year 2025, but total capital resources increased by $9.3 billion to $148.9 billion. These numbers reflect a strong risk management discipline that is integral to fulfilling our mission in service to the American people.

This Administration will continue to strengthen FHA's Single Family Mortgage Insurance Programs so that they remain a trusted, affordable source for home financing for American homebuyers.

Sincerely,

E. Scott Turner
U.S. Department of Housing
and Urban Development



A Message from Leadership

It is a privilege to advance the mission and work of the Federal Housing Administration (FHA) under the leadership of Secretary Turner. The actions we have taken throughout this past Fiscal Year represent our ongoing work to strengthen the FHA Single Family Mortgage Insurance Programs so that they work more effectively and efficiently for the Americans we serve.

Our work in Fiscal Year 2026 has been in concert with this Administration's Executive Orders to promote access to mortgage credit, eliminate bureaucratic processes that drive up the costs of homeownership, and increase housing supply and affordability.

We have streamlined many policies and operational procedures – removing some 150 burdensome and unnecessary policies since the start of the Trump Administration. We have also invested in innovation through our work to implement alternative credit scoring models and by updating our appraisal technology submission processes. These efforts, and the other efforts detailed in this report, are eliminating barriers to homeownership today and in the future.

Complementing the work done in Fiscal Year 2025 on our loss mitigation waterfall, during Fiscal Year 2026 we further strengthened the waterfall so that it serves as an effective tool to help struggling homeowners, but with additional safeguards that prevent abuse. We have proposed a reform to the partial claim process through the Reinstatement Advance Payment, which we intend to implement in Fiscal Year 2027.

FHA will continue to play a significant role in shaping this nation's housing landscape. Since President Trump was sworn in last year, FHA has worked to improve housing affordability and increase housing supply. We look forward to advancing this work and ensuring that FHA meets the home financing needs of Americans.

Joseph M. Gormley
Performing the Delegable Duties of the
Assistant Secretary for Housing and
Federal Housing Commissioner

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Abbreviations

API - Application Programming Interface	**LTV** - Loan-to-Value
ARM - Adjustable-Rate Mortgage	**MBS** - Mortgage-Backed Securities
Bps - Basis points	**MCA** – Maximum Claim Amount
CARES - Coronavirus Aid, Relief, and Economic Security Act	**MIP** – Mortgage Insurance Premium
CWCOT - Claim Without Conveyance of Title	**MISMO** - Mortgage Industry Standards Maintenance Organization
DE - Direct Endorsement	**ML** – Mortgagee Letters
DIL - Deed-in-Lieu of Foreclosure	**MMI** – Mutual Mortgage Insurance
DPA - Down Payment Assistance	**MPR** - Minimum Property Requirements
DQ - Delinquent	**MRB** - Mortgagee Review Board
DTI - Debt-to-Income	**NPV** – Net Present Value
EAD - Electronic Appraisal Delivery	**PDMDA** - Presidentially Declared Major Disaster Area
EO - Executive Order	**PEA** - President's Economic Assumptions
EPD - Early Payment Default	**PFS** - Pre-Foreclosure Sale
FHA - Federal Housing Administration	**PL** - Principal Limit
FHFA - Federal Housing Finance Agency	**PLF** - Principal Limit Factor
FY - Fiscal Year	**QC** – Quality Control
GI - General Insurance	**RAP** - Reinstatement Advance Payment
Ginnie Mae - Government National Mortgage Association	**REO** - Real Estate Owned
HECM - Home Equity Conversion Mortgage	**RFI** - Request for Information
HNVLS - HUD-held Non-Vacant Loan Sale	**RMCAP** - Risk Management and Capital Assessment Projections
HOC – Homeownership Center	**ROAD** – Renewing Opportunity in the American Dream
HPA – Home Price Appreciation	**The Act**– 21st Century ROAD to Housing Act
HUD - U.S. Department of Housing and Urban Development	**SDQ** - Seriously Delinquent
IECC - International Energy Conservation Code	**TPP** - Trial Payment Plan
IIF - Insurance in Force	**UAD** - Uniform Appraisal Dataset
IPL - Initial Principal Limit	**UPB** - Unpaid Principal Balance
LAMS - Loan Application Management System	**USDA** - U.S. Department of Agriculture
LESA - Life Expectancy Set-Aside	**VA** - U.S. Department of Veterans Affairs
LII - Large Institutional Investors	**VIHFA** - Virgin Islands Housing Finance Authority
LRS - Loan Review System	**XML** – Extensible Markup Language

Annual Report Overview

Introduction

This overview highlights the key data presented in the Federal Housing Administration's (FHA) Annual Report to Congress Regarding the Financial Status of the Mutual Mortgage Insurance (MMI) Fund for Fiscal Year (FY) 2026 (Annual Report).

MMI Fund Capital Ratio Smaller, But Robust in FY 2026

As of September 30, 2026, the combined Capital Ratio in the MMI Fund for FY 2026 is 10.29 percent, 1.18 percentage points lower than the 11.47 percent combined Capital Ratio in FY 2025. Over the past year, the MMI Fund remained strong despite a year-over-year decline. The combined Capital Ratio has remained above the statutory minimum requirement of 2 percent for twelve consecutive years, demonstrating sustained capital strength despite fluctuations in economic conditions, revenue, and model-driven estimates. Both the Single Family forward and Home Equity Conversation Mortgage (HECM) programs have separately maintained capital levels above the 2 percent ratio for the last six years.

The Capital Ratio for both programs declined in FY 2026, but the decline for HECM was more pronounced than the decline for forward. The movements, however, are consistent with expectations. For the forward program, the 2023 reduction in mortgage insurance premiums (MIPs) continued to negatively impact revenue, as loans with MIP reductions become a larger proportion of the portfolio. Further, waning home price appreciation and updated macroeconomic forecasts increased projected losses. The HECM program, which represents less than 4 percent of the combined MMI Fund, is much more sensitive to home prices. These macroeconomic factors have an outsized negative impact on HECM capital. Furthermore, loan payoffs, the most favorable HECM recovery, have become less common outcomes. Lower actual and forecast loan payoffs increased losses. Finally, the HECM program spent substantial capital resources on assignment claims in FY 2026, reducing available cash.

The majority of MMI Fund Capital is capital resources, which is composed of collected upfront and monthly insurance premiums, investments, recoveries on disposed assets, and any notes and properties awaiting disposition. This component is 8.40 percent of insurance in force (IIF), down from 8.48 percent at the end of FY 2025. The net present value (NPV) of projected cash flows as a percentage of IIF declined year-over-year by 1.10 percentage points, falling from 2.99% to 1.89%. Exhibit O-1, below, provides a detailed breakdown of MMI Fund Capital and the MMI Fund Capital Ratio from FY 2020 through FY 2026.

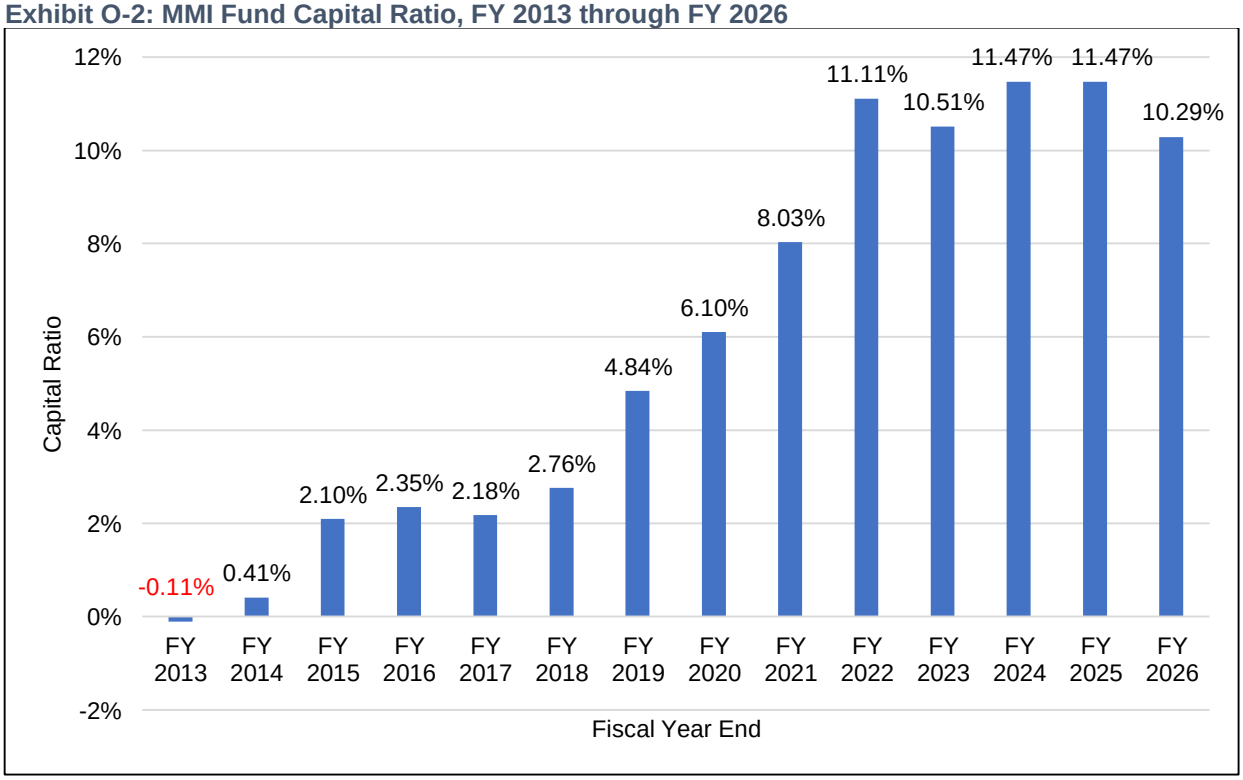
Exhibit O-1: MMI Fund Balance and Capital Ratio, FY 2020 through FY 2026 ($ millions)

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Total Capital Resources	$70,651	$83,604	$98,441	$110,529	$124,909	$139,665	$148,945
Cash Flow NPV	$8,298	$16,871	$43,260	$34,778	$47,853	$49,206	$33,637
MMI Fund Capital	**$78,949**	**$100,475**	**$141,701**	**$145,307**	**$172,762**	**$188,871**	**$182,583**
Insurance in Force	$1,294,731	$1,251,270	$1,275,212	$1,382,817	$1,506,675	$1,647,236	$1,773,682
Total Capital Resources (% of IIF)	5.46%	6.68%	7.72%	7.99%	8.29%	8.48%	8.40%
Cash Flow NPV (% of IIF)	0.64%	1.35%	3.39%	2.51%	3.18%	2.99%	1.89%
MMI Capital Ratio	**6.10%**	**8.03%**	**11.11%**	**10.51%**	**11.47%**	**11.47%**	**10.29%**

Source: U.S. Department of Housing and Urban Development (HUD)/FHA, October 2026.
Due to rounding, the values may not add up to the total.

The MMI Capital Ratio exceeded the 2 percent statutory minimum for the twelfth consecutive year. Exhibit O-2 shows the history of the MMI Fund Capital Ratio since FY 2013.

Exhibit O-2: MMI Fund Capital Ratio, FY 2013 through FY 2026



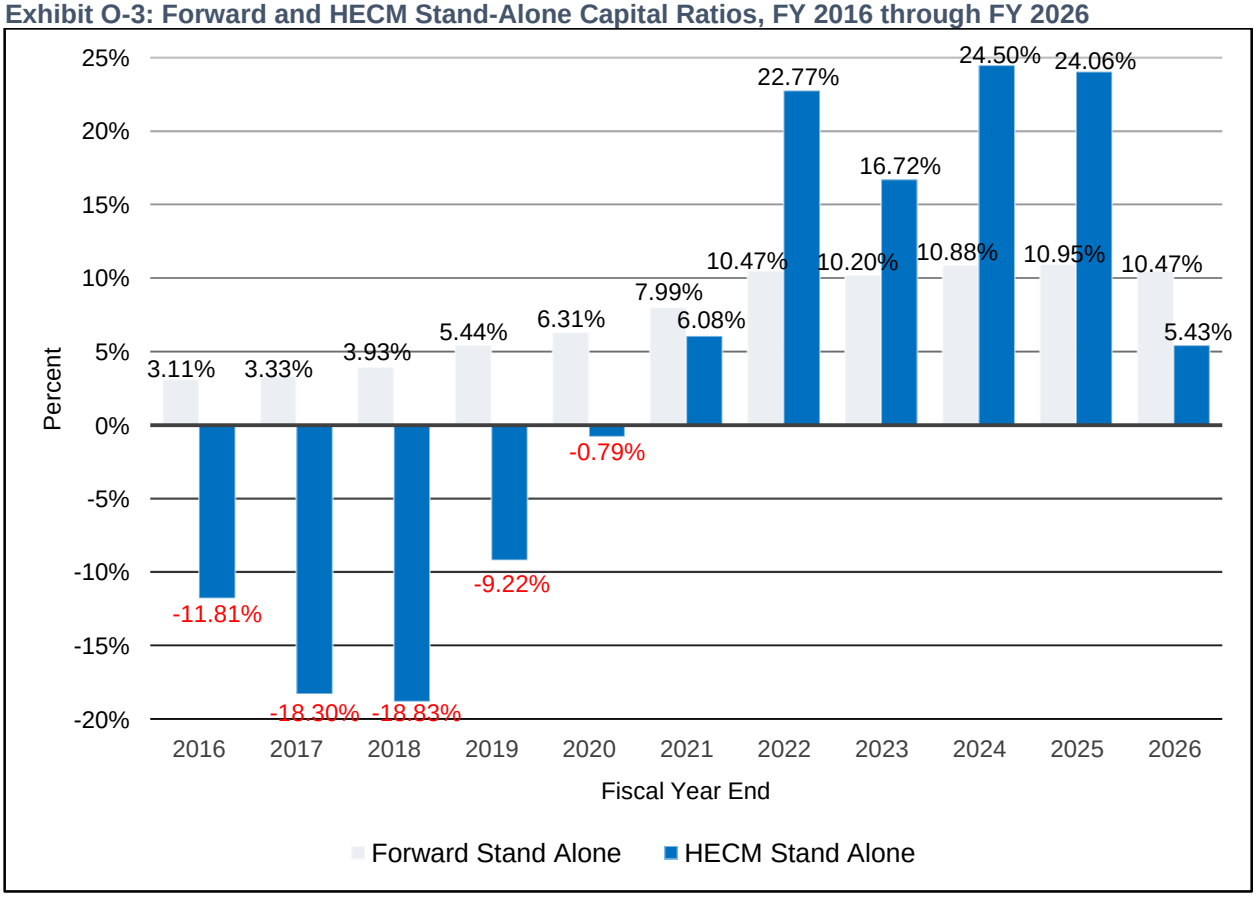
Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table A-2 in Appendix A.

In addition to the fiscal condition of the MMI Fund, FHA provides stand-alone reporting on the financial status of both the forward mortgage and HECM portfolios. Exhibit O-3 provides a comparison of Stand-Alone Capital Ratios for the forward and HECM insurance portfolios since FY 2016.

Stand-Alone Capital Ratio highlights include:

- The financial performance of the forward Stand-Alone Capital Ratio decreased this past fiscal year, dropping 0.48 percentage points from 10.95 percent in FY 2025 to 10.47 percent in FY 2026.
- The HECM program, which accounts for approximately four percent of the MMI Fund's IIF, has a Stand-Alone Capital Ratio that decreased by 18.63 percentage points from 24.06 percent in FY 2025 to 5.43 percent in FY 2026.

Exhibit O-3: Forward and HECM Stand-Alone Capital Ratios, FY 2016 through FY 2026

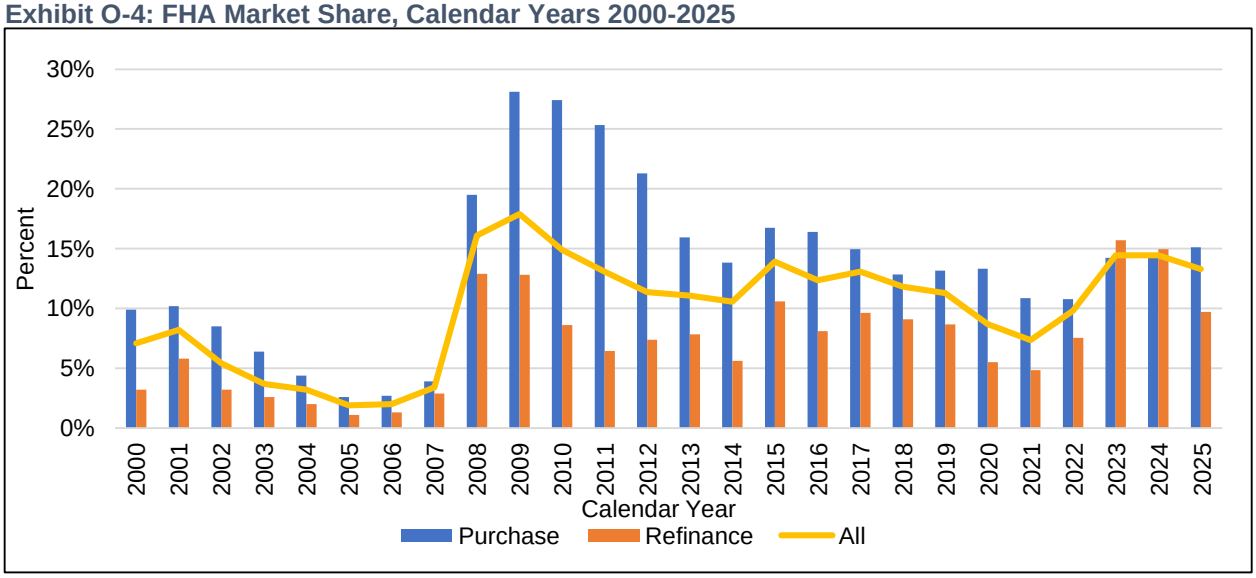


Source: U.S. Department HUD/FHA, October 2026.
Refer to data Table A-3 in Appendix A.

FHA Continues to Serve its Core Mission

FHA traditionally plays a countercyclical role during times of market stress, for example stepping in when private capital receded from the housing finance system during the Great Recession. Exhibit O-4 shows how, during the last 18 years, FHA's market share increased dramatically from pre-Great Recession when it ranged from two to three percent from 2005 through 2007. FHA's market share increased again during the COVID-19 pandemic and subsequent high interest rate environment, reaching 13 percent in 2025. FHA intends to continue providing access to federally insured mortgage credit while prudently managing risks to the MMI Fund.

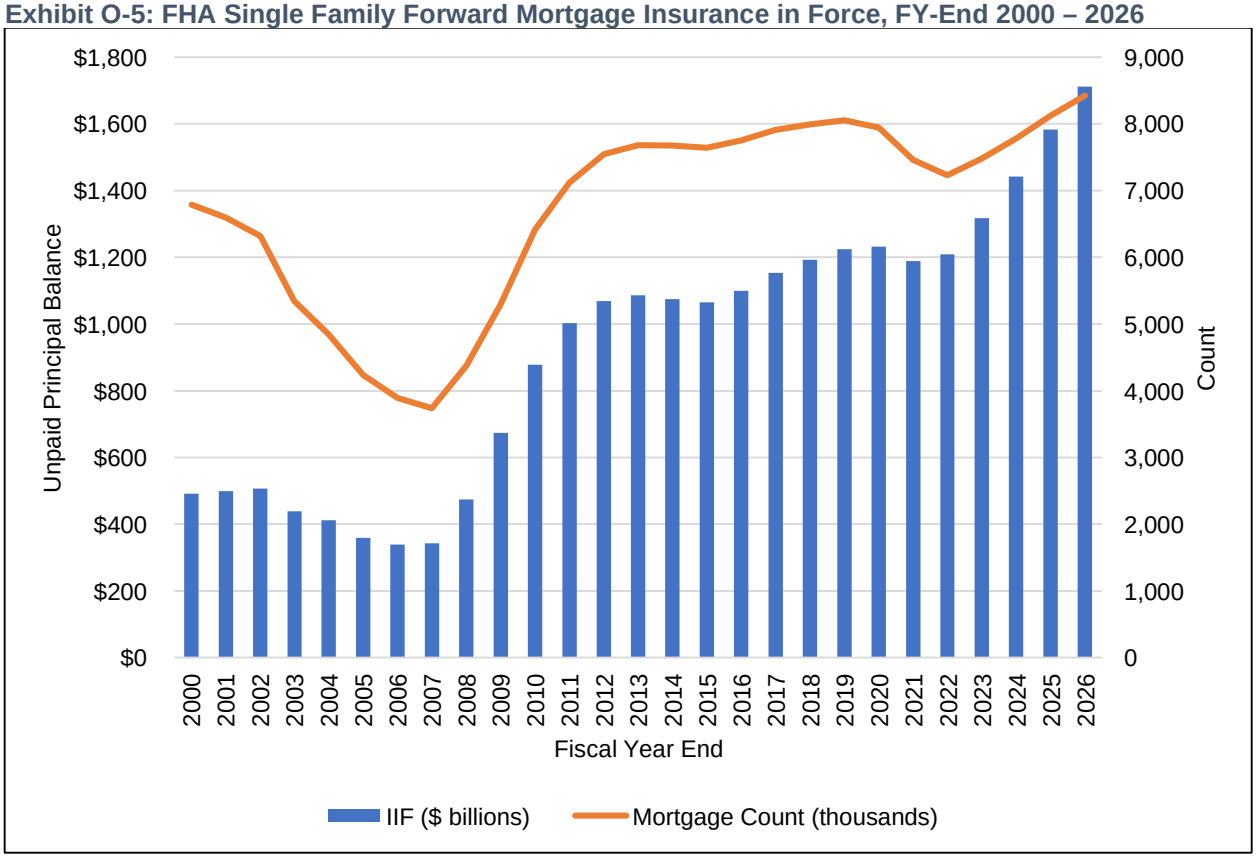
Exhibit O-4: FHA Market Share, Calendar Years 2000-2025



Source: U.S. Department of HUD/FHA and Cotality/TrueStandings; Refer to data Table A-4 in Appendix A.

FHA's footprint in the U.S. housing market remains substantial, totaling $1.71 trillion of forward mortgage IIF in FY 2026, an increase of 8 percent from $1.58 trillion in FY 2025, as shown in Exhibit O-5.

Exhibit O-5: FHA Single Family Forward Mortgage Insurance in Force, FY-End 2000 – 2026



Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table A-5 in Appendix A.

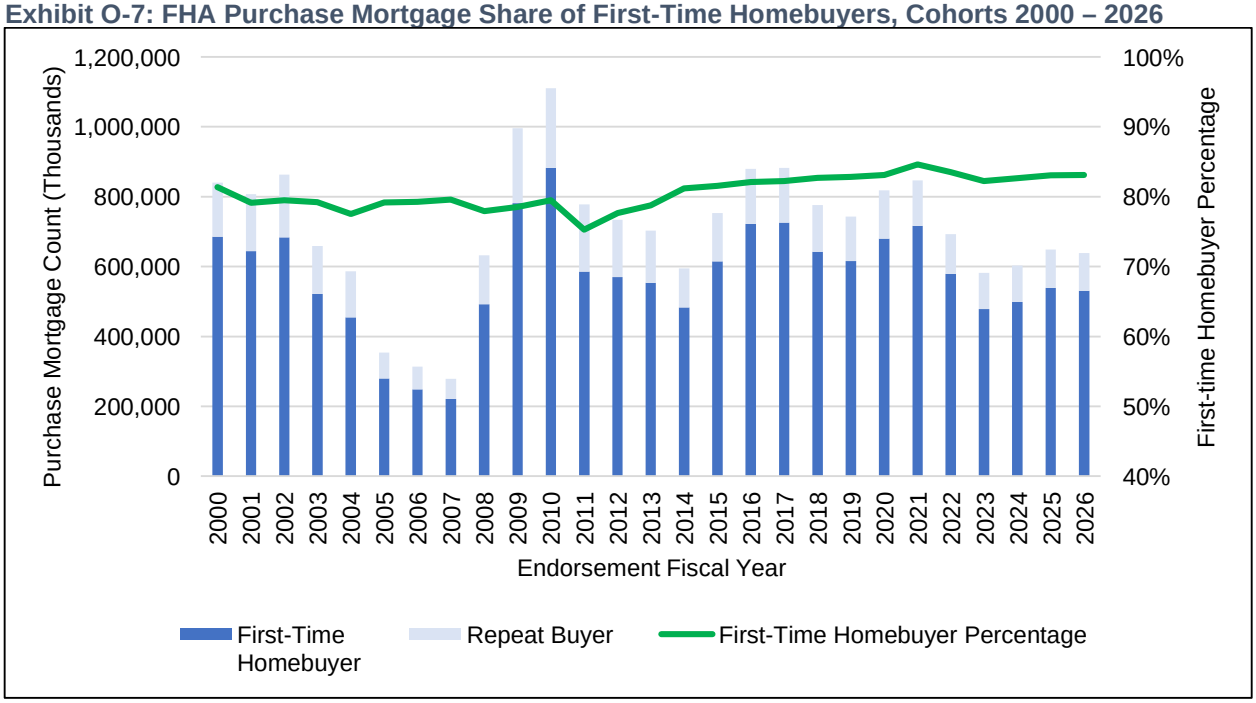
FHA continues to be a major source of funding for first-time homebuyers.[1] Purchase transaction mortgages represented 68.23 percent of FHA's FY 2026 forward endorsements, down from 74.02 percent in FY 2025. The share of forward purchase mortgages by first-time homebuyers remained relatively stable at 83.09 percent in FY 2026, compared with 83.03 percent in FY 2025. See Exhibits O-6 and O-7, below, for a visual representation of this data.

Exhibit O-6: FY 2026 Forward Endorsements by Loan Purpose and by Borrower Type

FY 2026 Single Family Mortgage Endorsement by Purpose		
	Volume	Percent
Total Purchase	638,119	68.23%
Total Refinance	297,164	31.77%
Total SF Forward Mortgage Endorsement	935,283	100%
FY 2026 Single Family Purchase Endorsement by Borrower Type		
	Volume	Percent
First-Time Homebuyer Mortgages	530,198	83.09%
Repeat Purchase	107,921	16.91%
Total Purchase Endorsements	638,119	100%

Source: U.S. Department of HUD/FHA, October 2026.

Exhibit O-7: FHA Purchase Mortgage Share of First-Time Homebuyers, Cohorts 2000 – 2026

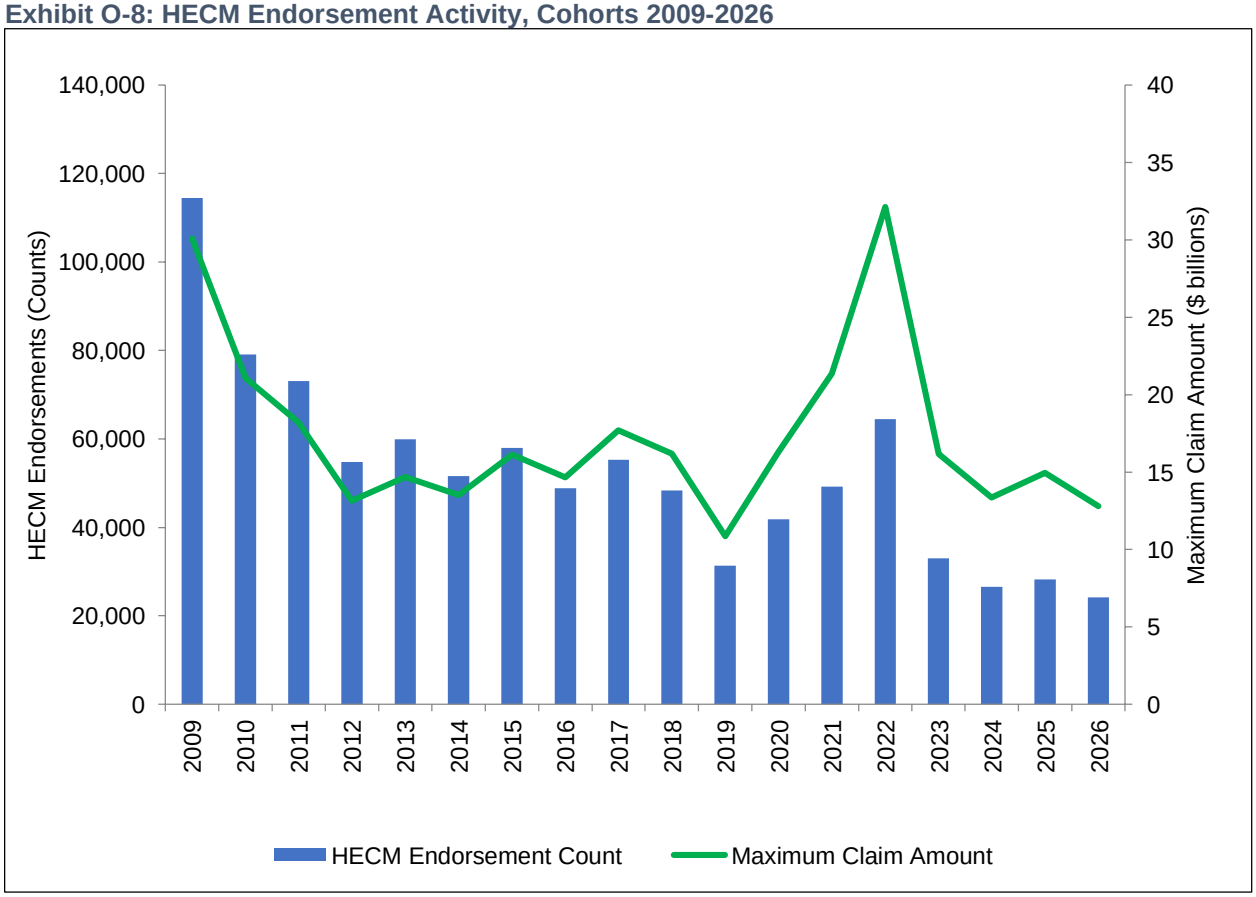


Source: U.S. Department of HUD/FHA, October 2026. Refer to data table A-7 in Appendix A.

[1] A first-time home buyer is an individual who has had no ownership in a principal residence during the three-year period ending on the date of purchase of the property. This includes a spouse, in that if either meet the test, they are considered first-time homebuyers.

The HECM program continues to provide eligible seniors with a financing option that may provide financial support to allow them to "age in place." While the private reverse mortgage market has continued to grow, FHA remains a large part of the market. In FY 2026, FHA provided insurance endorsements for 24,162 HECM loans, representing a maximum claim amount (MCA) of $12.81 billion for those endorsements, as shown in Exhibit O-8 below.[2] These endorsements were a 14.16 percent decrease from the 28,149 endorsements in FY 2025. MCA dollars in FY 2026 decreased over 14 percent from the MCA on FY 2025 endorsements.

Exhibit O-8: HECM Endorsement Activity, Cohorts 2009-2026



Refer to data table A-8 in Appendix A.

[2] Maximum Claim Amount is used to calculate proceeds and is equal either to the appraised value of the home or the FHA lending limit, whichever is less. ML 2025-22 set the HECM lending limit at $1,249,125 for 2026.

New Permanent Loss Mitigation Waterfall: One Year After Implementation

Effective October 1, 2025, FHA implemented significant reforms to its loss mitigation program to address a cycle of surging redefault rates and unsuccessful loss mitigation interventions. While it will take several years for FHA to realign, after just one year of implementation, there are already clear indications of early success. The following sections provide a detailed discussion of the following:

1. Impact of "churning borrowers" on the portfolio
2. Early indicators of success
3. Potential loss severity for "churning borrowers" heading to claim

Impact of "Churning Borrowers" on the Forward Portfolio

Definition and Scope of "Churning Borrowers"

FHA takes a thoughtful and targeted approach to loss mitigation. Its goals are twofold: support delinquent borrowers' ability to reperform and protect taxpayer funds by maintaining a sound MMI Fund. This is implemented via three steps: 1) early default intervention; 2) home retention; and 3) property disposition. Early intervention helps borrowers who need limited assistance to get back on track with their mortgage payments. Home retention options are a series of strong tools that are designed to help financially distressed borrowers resolve their delinquency and remain in their homes when they are seriously delinquent (90+ days behind on their mortgage payment). Lastly, property disposition allows FHA to avoid large claim payments when borrowers are unable to reperform.

During the COVID-19 pandemic, FHA was required to extend borrowers forbearance under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. FHA also developed new policies that were implemented to support borrowers' return to self-sufficiency. Over two million FHA borrowers sought assistance during this period. The COVID national emergency, first declared in 2020, expired in 2023. However, after the emergency expired, some borrowers who previously received assistance during the national emergency continued to redefault and were provided with additional home retention assistance options. This population of "churning borrowers" defaulted, requested home retention options, and redefaulted one or more times, draining resources from the MMI Fund.

There is no single definition of a "churning borrower," but there are several criteria that taken together demonstrate a borrower's inability to reperform. Below are some examples, along with the number of active borrowers who fit these criteria. Note, these categories are not mutually exclusive and may have substantial overlap.

Compared to the 8.4 million insured forward mortgage borrowers, the "churning borrowers" are a relatively small number. However, as a proportion of the 2.2 million active borrowers who ever went seriously delinquent (SDQ: 90+ days delinquent), these numbers are an important consideration. For example, assuming a $500 servicer incentive fee, those 75K borrowers with 3+

distinct home retention options from FY 2024 through FY 2026 cost FHA at least $112.5 million on loans that repeatedly defaulted in successive years. For borrowers who can demonstrate the ability to pay under a home retention option, the benefits substantially outweigh the costs. When FHA repeatedly provides support to a borrower who cannot demonstrate success, the costs become meaningful.

Exhibit O-9: Criteria for "Churning Borrowers"

#	Criteria	Window	# of Borrowers	% of Ever 90 Borrowers
1	Defaulted more than once during a 24 month period[3]	FY 2022 – FY 2026	320K	14%
2	5+ distinct SDQ episodes	Ever to-date	230K	10%
3	Received 3+ distinct home-retention options, failing the 1 in 24 rule at least two times	FY 2024 – FY 2026	75K	3%
4	Received 4+ distinct home-retention options, failing the 1 in 24 rule at least three times	FY 2023 – FY 2026	45K	2%
5	Received 5+ distinct home-retention options, failing the 1 in 24 rule multiple times	Ever to-date	71K	3%
6	10+ distinct SDQ episodes	Ever to-date	15K	1%

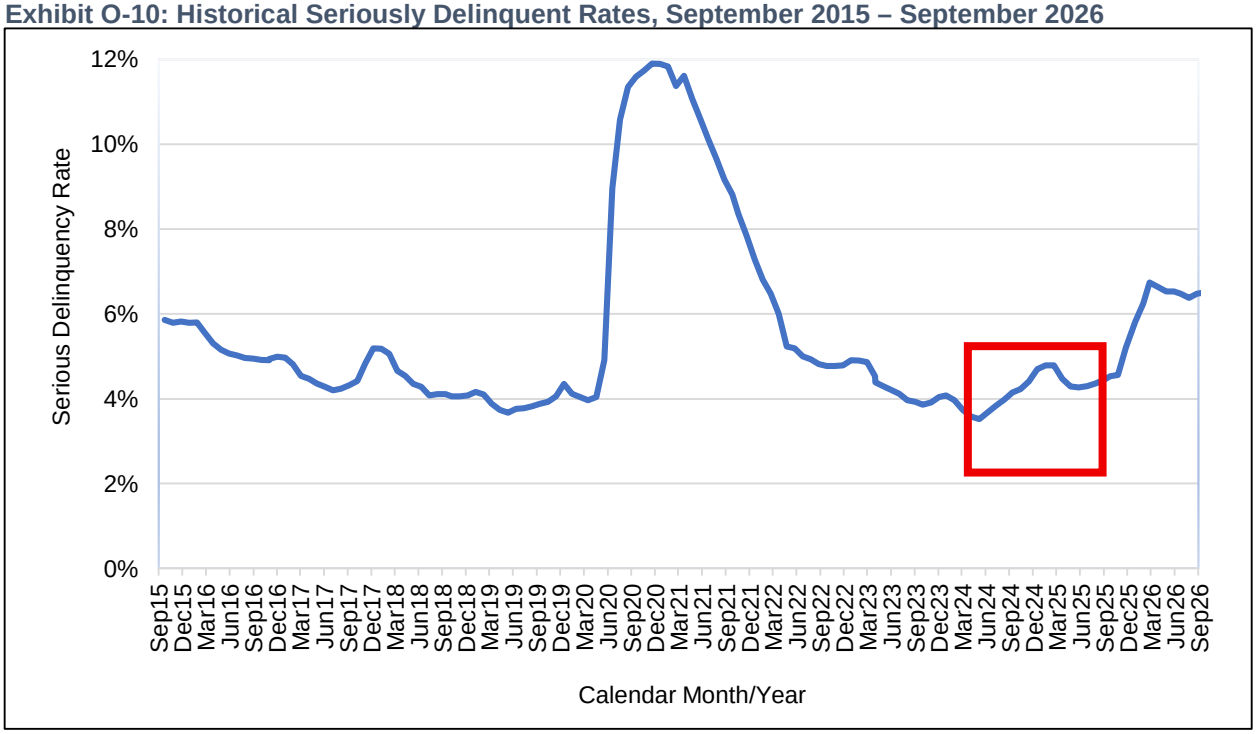
"Churning Borrowers" Impact on the Seriously Delinquent Rate

FHA's Permanent Loss Mitigation Waterfall retains many components that allowed the COVID Loss Mitigation Waterfall to succeed, but adds critical controls to limit waste and abuse. Trial payment plans require borrowers to demonstrate their ability to succeed prior to obtaining a permanent solution. Further, limiting borrowers to one home retention option every 24 months restricts excessive costs spent on short term redefaults. These two provisions, implemented in FY 2026, substantially increased the SDQ rate by revealing the delinquencies of borrowers who cycled repeatedly between SDQ and loss mitigation, i.e., "churning borrowers."

Previously, borrowers could receive home retention options 120 days after the start of their delinquency episode. This delinquency to home retention cure cycle was different for each borrower, but for "churning borrowers" who consistently redefaulted, it created waves of delinquency events. However, these "churning borrowers" were not all SDQ at the same time. Instead, these waves rose and fell based on how many "churning borrowers" were delinquent at the same time. See Exhibit O-10 below for the historical SDQ rate with a wave highlighted.

[3] Under the current loss mitigation waterfall, a borrower can only receive a home retention option once every 24 months. This rule prevents FHA from repeatedly spending substantial MMI Fund resources on borrowers who cannot remain current on their mortgage payments after receiving FHA assistance via loan modification, partial claim, etc.

Exhibit O-10: Historical Seriously Delinquent Rates, September 2015 – September 2026



Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table A-10 in Appendix A.

FHA relaxed its requirements for full documentation of borrower employment and income when it introduced the emergency COVID-19 loss mitigation options. These streamlined requirements were carried forward into the 2026 loss mitigation waterfall policy. In addition, the Trial Payment Plan (TPP) was introduced to allow borrowers to demonstrate both their willingness and ability to make payments before permanent modifications to their loan terms are implemented.

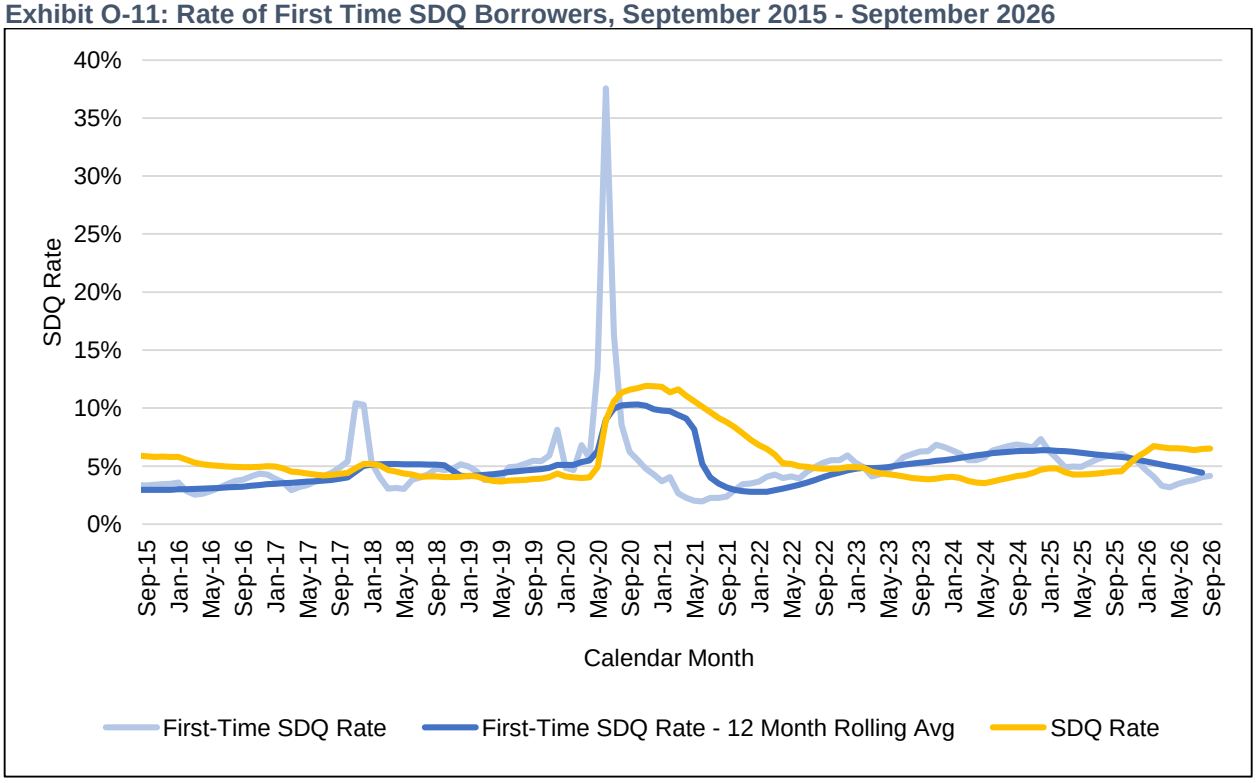
At the earliest, Trial Payment Plans begin 120 days after the start of a delinquency episode. It then takes 90 days for a borrower to demonstrate the ability to pay. During this time, borrowers remain in seriously delinquent status. If the TPP is successful, the servicer submits the home retention option for approval, FHA approves, and borrowers are returned to current status. As the time in SDQ status is considerably longer under this approach, the number of borrowers who are simultaneously SDQ increases as a result, meaningfully raising the overall SDQ rate. For borrowers who cannot demonstrate success, and fail the TPP, servicers begin property disposition options. These activities take several months from the beginning of the foreclosure process and the simultaneous attempt at a pre-foreclosure sale through a potential third-party sale or Real Estate Owned (REO) property conveyance. Loans also remain in SDQ status during this time. Successful implementation of the waterfall policy will thus be characterized by a short-term elevation of SDQ rates. As TPPs succeed, successful borrowers will leave SDQ status. As TPP failures transition into property dispositions and claims, SDQs will continue to fall.

A key takeaway from the analysis above is that the increase in SDQs observed during FY 2026 does not necessarily indicate a deterioration in the underlying financial health of FHA borrowers. Rather, it reflects the emergence of borrowers who have been part of the portfolio, but whose

elevated delinquency status had previously remained obscured. Stated differently, the recent uptick is not being driven by an influx of new or first-time SDQ borrowers, but instead by the recognition of existing borrowers whose financial distress was already present.

Exhibit O-11, below, shows the rate of first-time SDQ borrowers as a fraction of all SDQs. While the rate of new SDQs increased from 2021-2024, the rate peaked in December 2024 and has been on a decreasing trend since then. This demonstrates the increase in SDQs starting in October 2025 was largely driven by these hidden "churning borrowers."

Exhibit O-11: Rate of First Time SDQ Borrowers, September 2015 - September 2026



Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table A-11 in Appendix A.

Although the exact impact cannot be calculated with precision, the SDQ rate likely would have been lower if FHA had implemented the current, more sustainable home retention policies sooner. This would have included more efficiently disposing of properties with low probability of successful home retention; particularly those failing the 1-in-24 month restriction described above.

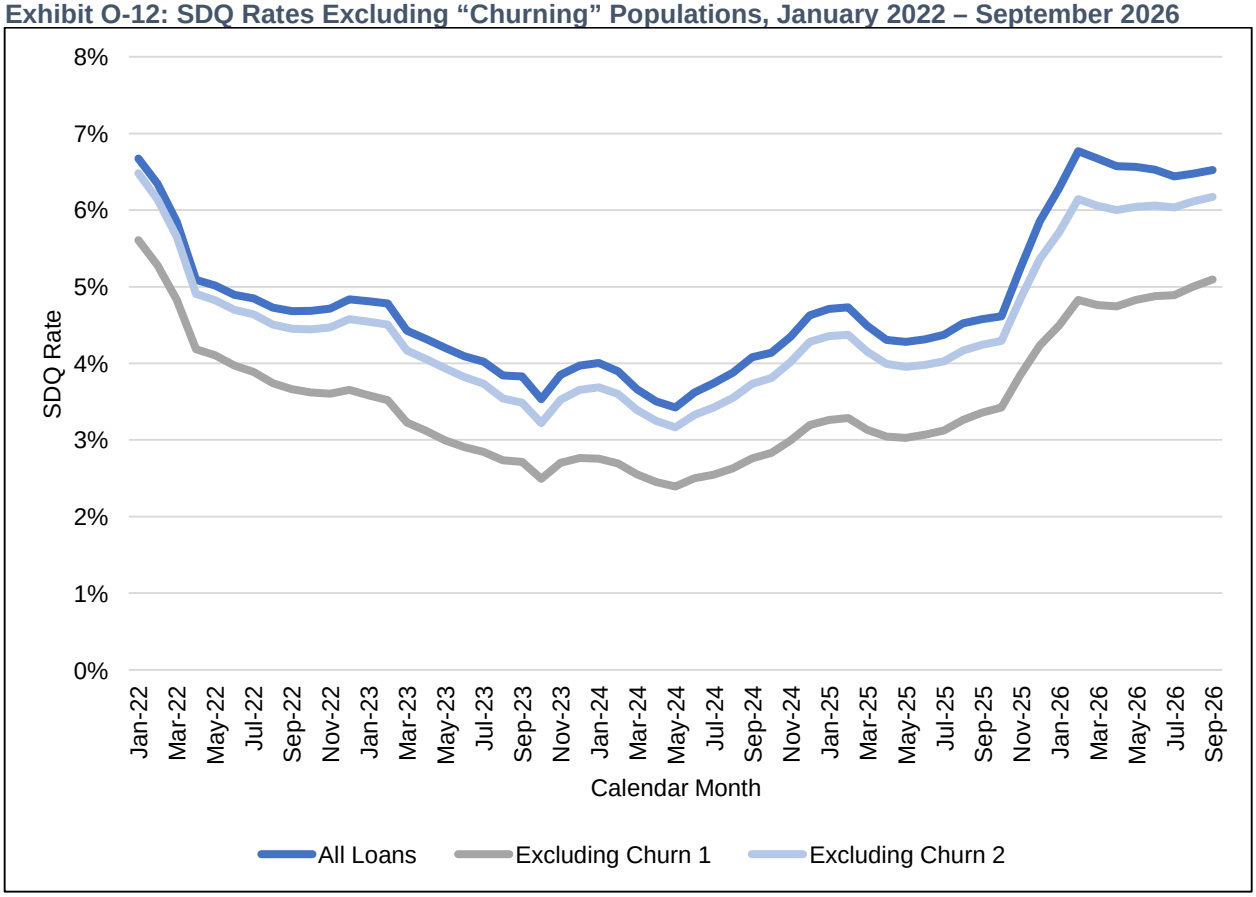
We attempt to estimate this impact below by identifying two segments of "churning borrowers" and rewriting the SDQ rate if they were removed from the portfolio entirely. Here are two alternative definitions:

Churn 1: Failed the 1 in 24 rule with the first home retention option given in or after FY 2022.
Churn 2: Received 3+ distinct home-retention options, failing the 1 in 24 rule at least two times in FY 2024 through FY 2026.

In Churn 1, we identify the 319K borrowers who failed the 1 in 24 rule. In Churn 2, a very distressed segment of 75K borrowers was identified who failed the 1 in 24 rule twice by receiving a home retention option at least three times in three consecutive fiscal years.

Exhibit O-12, below, shows the impact on the SDQ rate. In both situations, borrowers would move toward property disposition and eventually exit the portfolio, assuming they could not self-cure. Removing those who failed in Churn 2, the SDQ rate falls by 0.3 percentage points in earlier periods, reaching 0.6 percentage points after the new waterfall went into effect. Removing borrowers who failed in Churn 1 lowers the SDQ rate by over 1 percentage point in earlier periods, reaching 1.9 percentage points after the new waterfall policy went into effect. A full retrospective will not be available until unsuccessful borrowers leave the portfolio over the next few years, but this exemplifies the potential impact of "churning borrowers" on portfolio statistics.

Exhibit O-12: SDQ Rates Excluding "Churning" Populations, January 2022 – September 2026



Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table A-12 in Appendix A.

Early Indicators of Success

As mentioned above, long-term success will take time to demonstrate as FHA waits for TPPs to reach completion for successful borrowers and property dispositions for unsuccessful borrowers. However, there are some immediate statistics that show that the new policies are operating as intended, the churn rate is falling, and FHA is saving money on home retention options.

Trial Payment Plan Success Rates

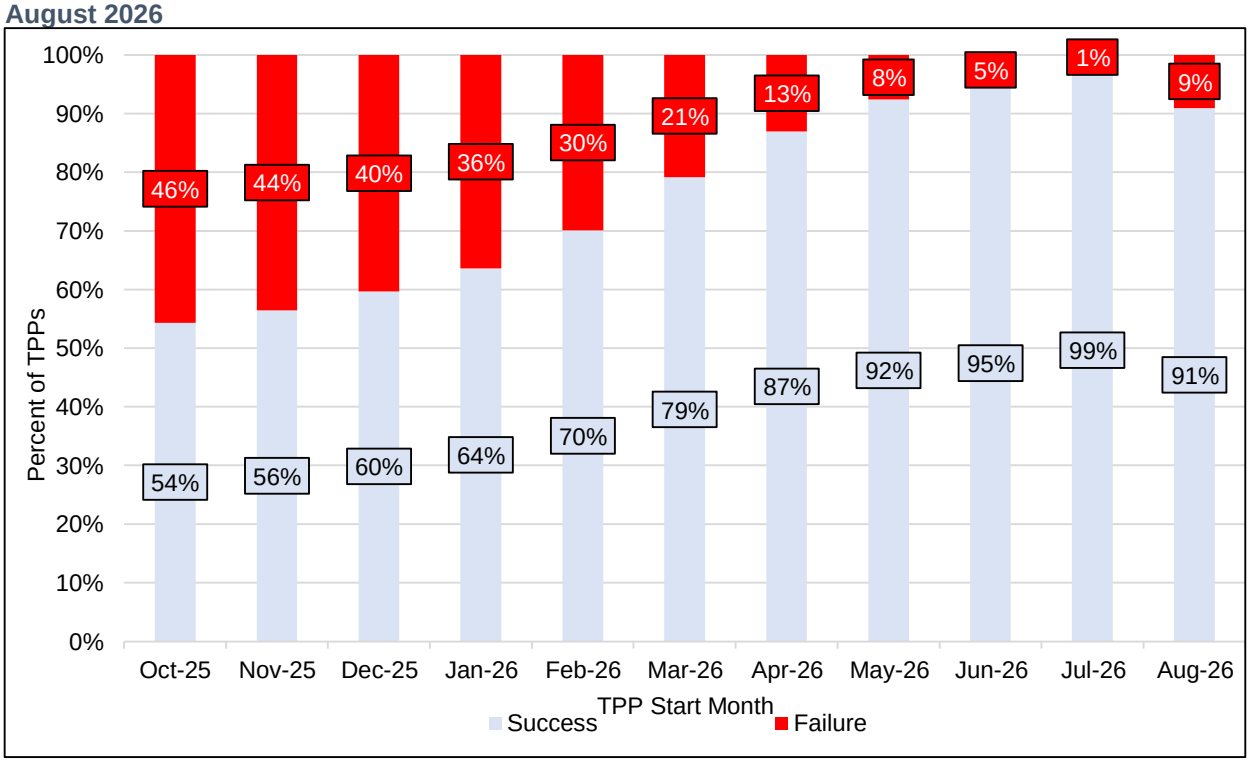
First, FHA assesses whether the TPPs are operating as intended. The goal is to deploy a method of approving creditworthy borrowers for loan modifications, partial claims, and/or payment supplements. The expected outcome is that borrowers with TPP successes receive a long-term home retention solution with minimal redefaults, while borrowers who do not successfully complete TPPs face an increased likelihood of foreclosure and eventual property disposition. Borrowers who exit TPPs via self-cure are also considered successes.

Exhibit O-13 and Exhibit O-14, below, show the success rates on TPPs that ended with and without home retention options. Success is defined in these graphs as borrowers remaining current or prepaying out of the portfolio. Any delinquency (30+ days delinquent) or claim is considered unsuccessful. As the graphs show, TPPs with home retention options succeed substantially more often than those without home retention options. A home retention option may not always be available to a borrower in default. If a borrower has faced multiple historical hardships and received "deep assistance"—such as previous modifications, disaster relief modifications, or emergency partial claims—they may exhaust their pool of statutory funds. The Statutory Maximum for Partial Claims is the following: the total outstanding balance of all Partial Claims and Payment Supplements must not exceed 30 percent of the mortgage's unpaid principal balance, as of the date of default for the first Partial Claim. This maximum amount will remain constant for the life of the mortgage.[4]

FHA endeavors to spend home retention funds on borrowers who have a reasonable (or better) chance of reperformance. Exhibit O-15, below, identifies the historical failure rates via 1-year ever 30+ day redefault rate since FY 2010. The reverse of a failure rate is a success rate. Reviewing historical numbers from the 2010s, the average 1-year success rate was 41 percent (59 percent redefault rate), and the highest 1-year success rate was 52 percent (48 percent redefault rate) in 2015. October 2025 TPPs, which have the most seasoning, are currently 13 percentage points above the FY 2010 - FY 2019 average (54 vs 41 percent success rate) and 2 percentage points above the 2015 high (54 vs 52 percent success rate). This is a favorable early data point that we will continue to monitor.

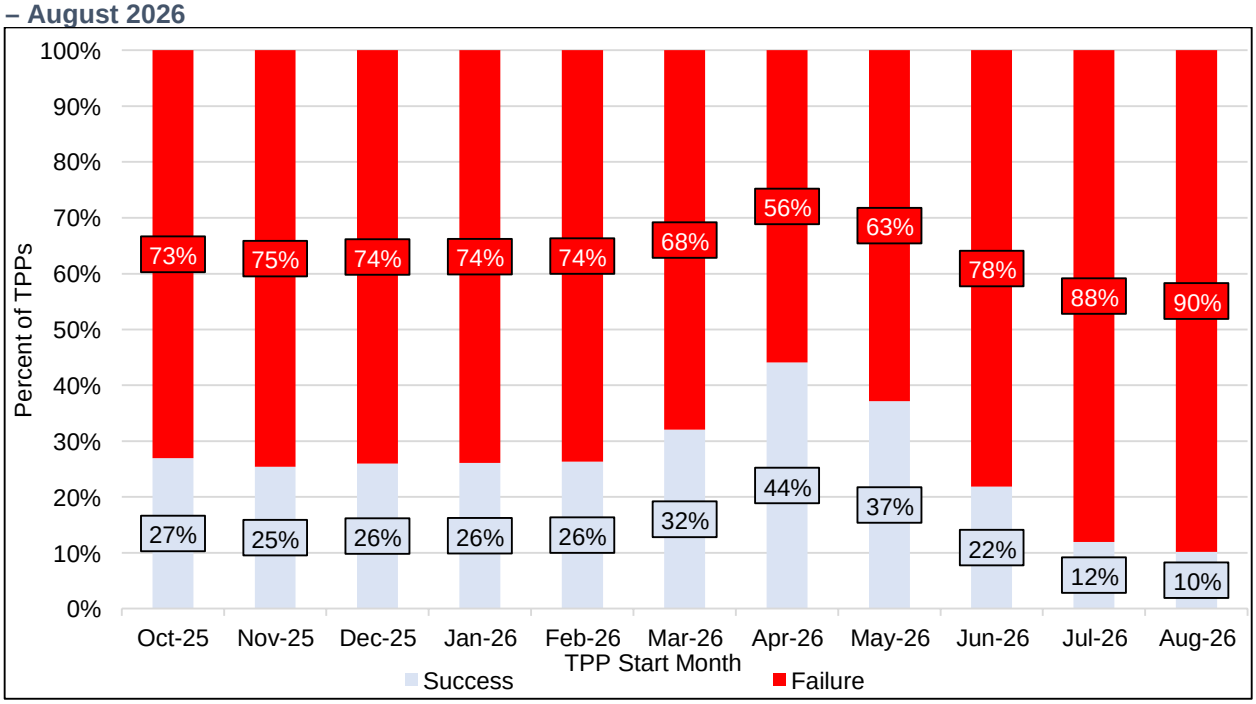
[4] The Statute: Under 12 U.S. Code § 1715u(b)(2) - Authority to assist mortgagors in default, the law explicitly states that the payment of a partial claim to a mortgagee (servicer) to cover arrearages or principal reductions "may not exceed an amount equal to 30 percent of the unpaid principal balance of the mortgage."

Exhibit O-13: TPPs Ending with Borrowers Receiving Home Retention Options, October 2025 – August 2026



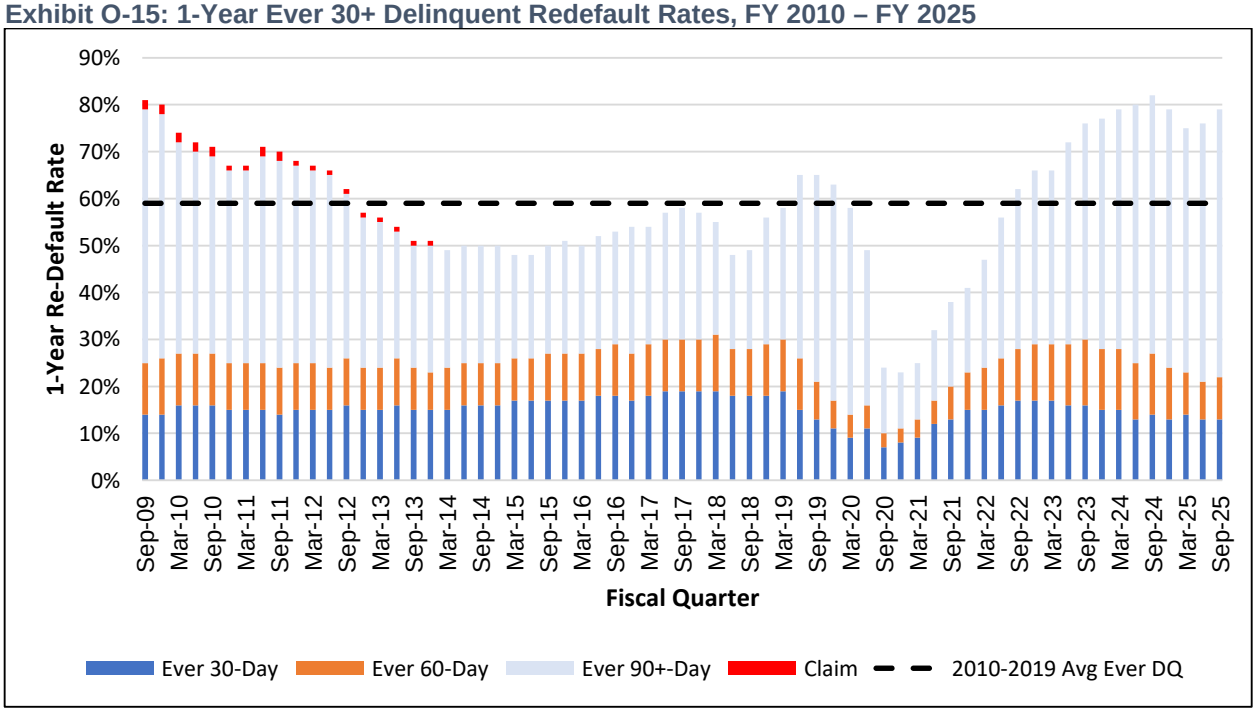
Source: U.S. Department of HUD/FHA, October 2026. Success rates for TPPs given in September 2026 are not available because no time has passed since a September 2026 TPP start.
Refer to data table A-13 in Appendix A.

Exhibit O-14: TPPs Ending with Borrowers NOT Receiving Home Retention Options, October 2025 – August 2026



Source: U.S. Department of HUD/FHA, October 2026. Success rates for TPPs given in September 2026 are not available because no time has passed since a September 2026 TPP start.
Refer to data table A-14 in Appendix A.

Exhibit O-15: 1-Year Ever 30+ Delinquent Redefault Rates, FY 2010 – FY 2025



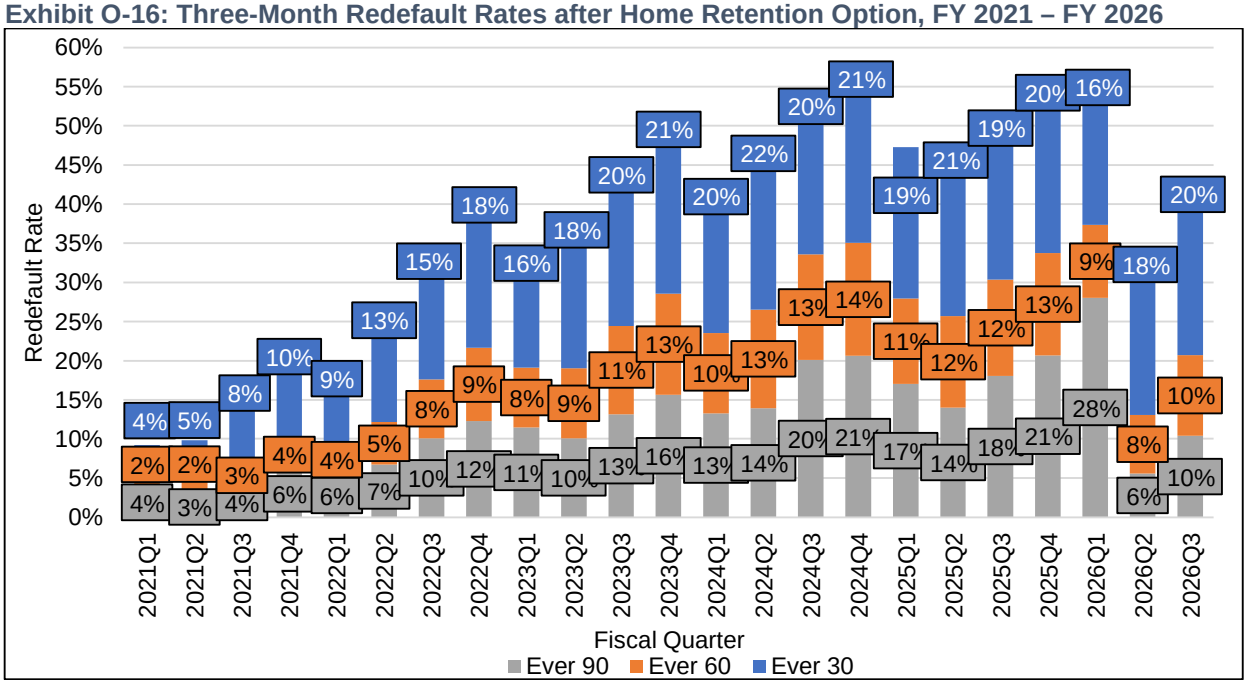
Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table A-15 in Appendix A.

Lowering Home Retention Redefault Rates

While the TPPs themselves demonstrate some degree of success, we also assess the effectiveness of the home retention options provided to borrowers. FHA's preferred metric of evaluating success is a 1-year ever 90+ delinquent (DQ) redefault rate. However, as the TPPs began in October 2025 and typically last 3 months, the earliest home retention options were given in January 2026 (FY 2026 Q2). Therefore, data is not available for our preferred metric. However, FHA also reviews three-month and six-month redefault rates monthly. While they are weaker determinants of long-term success, they do provide some value and insights. For example, a borrower who becomes 90 DQ within three months after a home retention option has likely never cured and becomes seriously delinquent again, at the earliest possible opportunity. Exhibit O-16, below, shows that under the new waterfall policy (beginning in FY 2026 Q2) these borrowers are much rarer. At the end of the COVID-19 waterfall policy, 1 in 5 borrowers (20 percent) who received home retention options became seriously delinquent again at the soonest possible moment. For the two quarters with available data, that number is now substantially lower at 6 percent to 10 percent.

At the end of the COVID-19 waterfall, over 20 percent of borrowers who received home retention options became SDQ again at the soonest possible moment. Now that number is substantially lower at 8 percent on average.

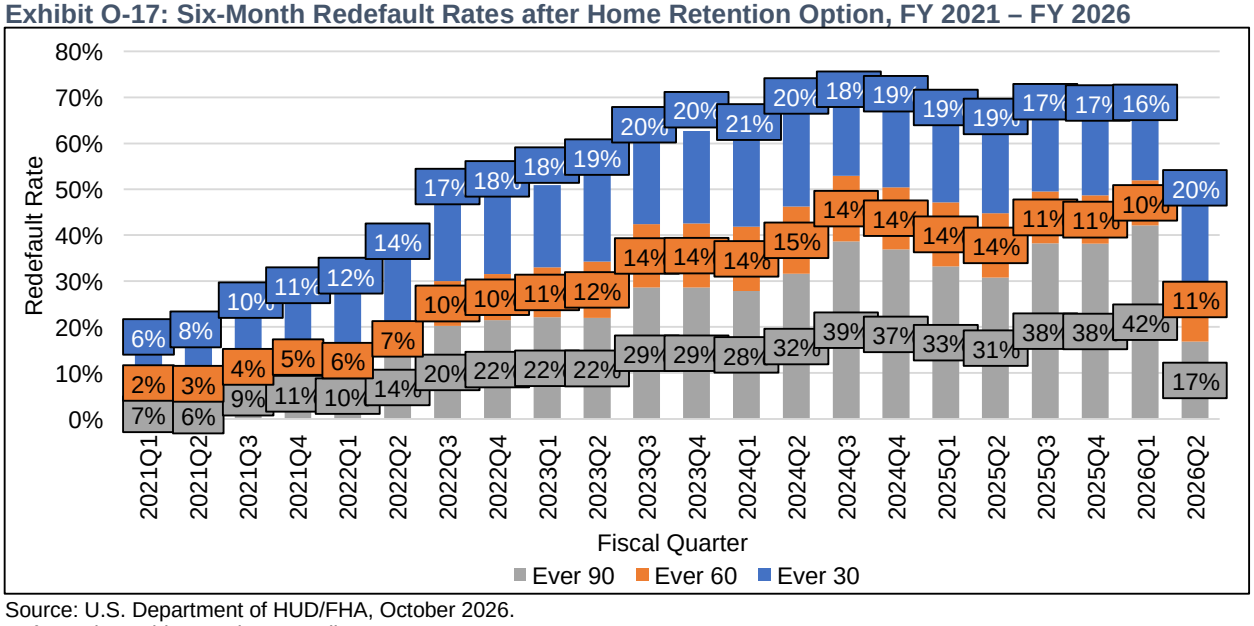
Exhibit O-16: Three-Month Redefault Rates after Home Retention Option, FY 2021 – FY 2026



Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table A-16 in Appendix A.

For a slightly longer look, we share the Six-Month Redefault Rates After Home Retention in Exhibit O-17 below. As this criterion requires six months of seasoning, only options offered in FY 2026 Q2 meet the requirement. However, they also show meaningful improvement. Roughly 35 percent of borrowers receiving a home retention option redefaulted to 90+ DQ within 6 months after receiving a home retention option in FY 2024 Q1 through FY 2026 Q1. This drops to 17 percent for options given in FY 2026 Q2. Again, it is too early to say whether this trend will continue for all loans, but this is an encouraging sign.

Exhibit O-17: Six-Month Redefault Rates after Home Retention Option, FY 2021 – FY 2026



Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table A-17 in Appendix A.

Reducing Payment Increasing Modifications

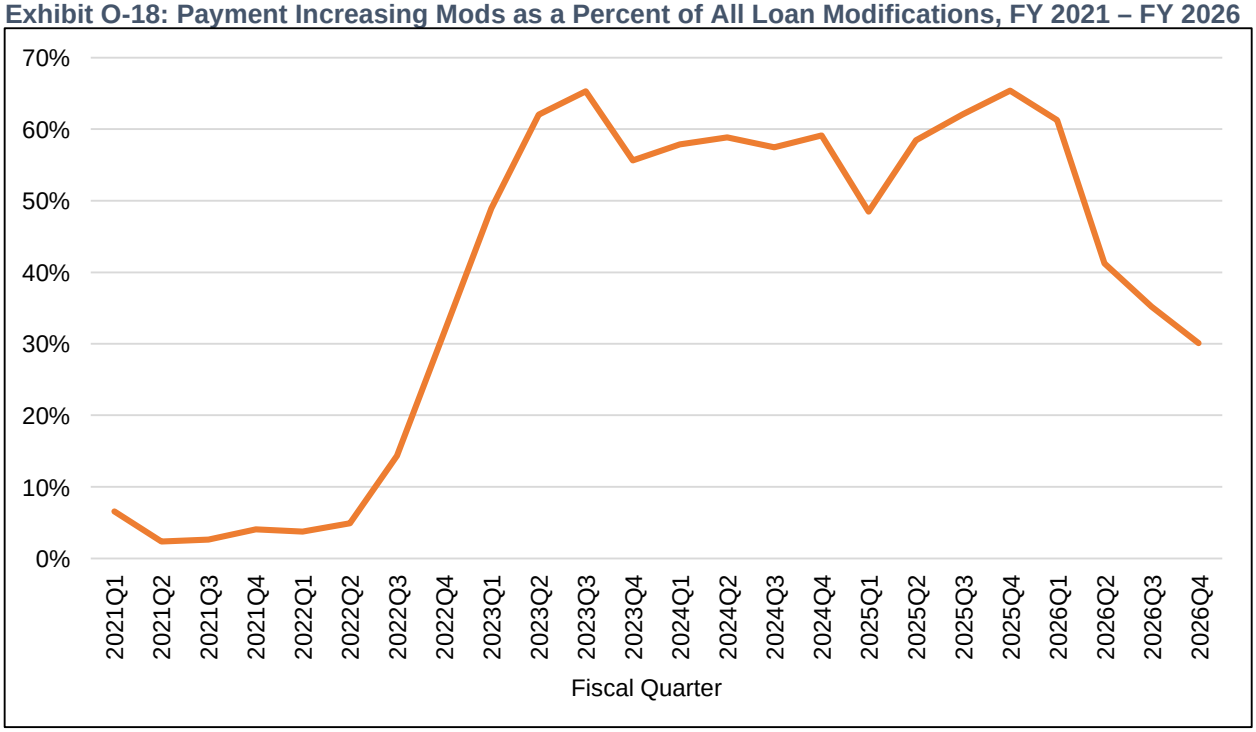
Home retention options that reduce a borrower's monthly payment are generally preferred, as lower payments tend to improve the likelihood of long-term success. However, meaningful payment reductions are not always feasible, particularly for borrowers with a history of unsuccessful home retention options, delinquent property taxes and insurance (in addition to mortgage arrears), or loans affected by an environment of rising interest rates.

FHA's modeling finds that the magnitude of payment reduction achieved through a loan modification or payment supplement is a key determinant of home retention success. Under the prior loss mitigation waterfall, one indicator of potential churn was the number of borrowers receiving modifications that increased their monthly payments.

Borrowers already struggling to meet their existing mortgage obligations may be unlikely to sustain even higher payments going forward. Consistent with this concern, borrowers receiving payment-increasing modifications experience the highest redefault rates, underscoring the importance of payment affordability in achieving sustainable home retention outcomes.

Exhibit O-18, below, shows the fraction of payment increasing modifications as a share of all home retention loan modifications. The percentage peaked in FY 2025 Q4 at 65 percent and fell to 30 percent in FY 2026 Q4 under the new waterfall policy. This is the waterfall policy working as intended to ensure borrowers are receiving the right options and avoid FHA subsidizing options that will likely be unsuccessful.

Exhibit O-18: Payment Increasing Mods as a Percent of All Loan Modifications, FY 2021 – FY 2026

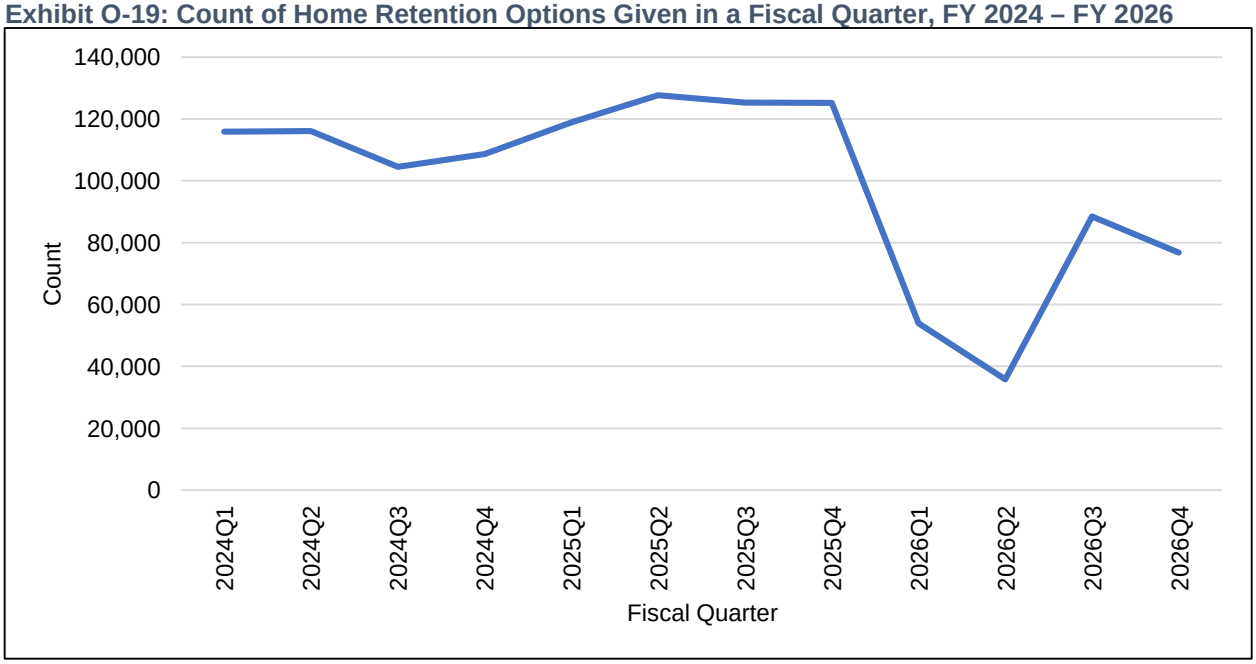


Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table A-18 in Appendix A.

Loss Mitigation Rate and Costs to FHA

The last metric of success is the number of home retention options given and the costs outlaid. In FY 2025, nearly 500,000 unique home retention options were given. In FY 2026, that number dropped to 255,000. See Exhibit O-19, below. This is a substantial drop and shows how FHA is now more deliberate about how it spends its funds. It is worth noting that in earlier months, far fewer home retention options were approved as TPPs had not yet been completed. Therefore, 255,000 is likely lower than a typical future year will produce. Annualizing the peak quarterly volume of 88,405 home retention options yields an estimated 353,620 options per year, or approximately 350,000.

Exhibit O-19: Count of Home Retention Options Given in a Fiscal Quarter, FY 2024 – FY 2026



Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table A-19 in Appendix A.

Incentive payments vary across home retention options, from $500 on a standalone partial claim to $1,250 on a combo; plus $250 in reimbursable fees. The reduction of 150,000 home retention options per year (500,000 in FY 2025 minus 350,000 at the current run rate) thus saves FHA between $112.5 million and $225 million annually in incentive fees alone. That is a substantial amount of savings borne by the MMI Fund and, by extension, American taxpayers.

The new waterfall saves FHA between $112,500,000 and $225,000,000 annually in incentive fees alone.

Potential Loss Severity for Churners Heading to Claim

Increasing Foreclosures

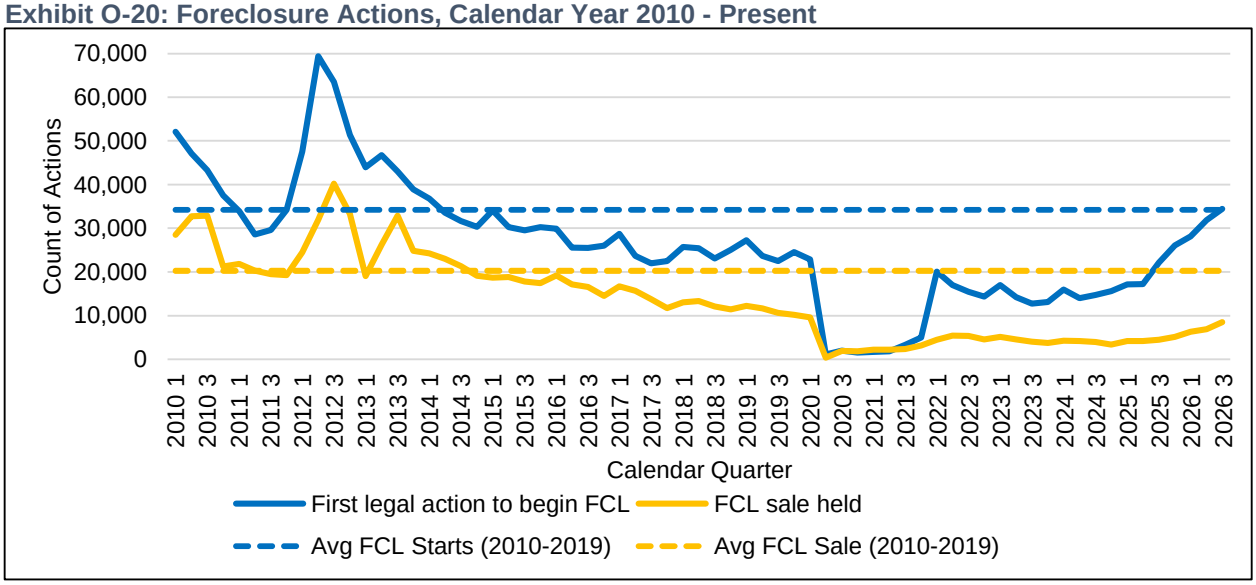
One expected outcome of the 2025 waterfall policy is the transitioning of properties back to the market when borrowers are unable to demonstrate long term success. Ideally all seriously delinquent borrowers would return to making their monthly payments, with or without FHA assistance. However, when borrowers fail to complete a TPP, or are unsuccessful long-term in a new home retention option, FHA may pursue home disposition options. This protects the MMI Fund, while potentially allowing borrowers to avoid completing the foreclosure process. These disposition options include:

1. Pre-Foreclosure Sale (PFS), commonly referred to as a short sale;
2. Deed-in-Lieu of Foreclosure (DIL);
3. Claim Without Conveyance of Title (CWCOT), which allows eligible properties to be sold to third parties through the foreclosure sale process or subsequent post-foreclosure sales efforts without conveyance of title to HUD;
4. Foreclosure and Real Estate Owned Sale.

The foreclosure process begins with the initiation of the first legal action to commence foreclosure. As shown in Exhibit O-20, below, foreclosure starts increased in FY 2026, returning to levels comparable to the average annual volumes experienced during the 2010s. Foreclosure sales have also begun to increase, although there is typically a lag between the initiation of foreclosure and the completion of a sale, averaging 5-10 months.

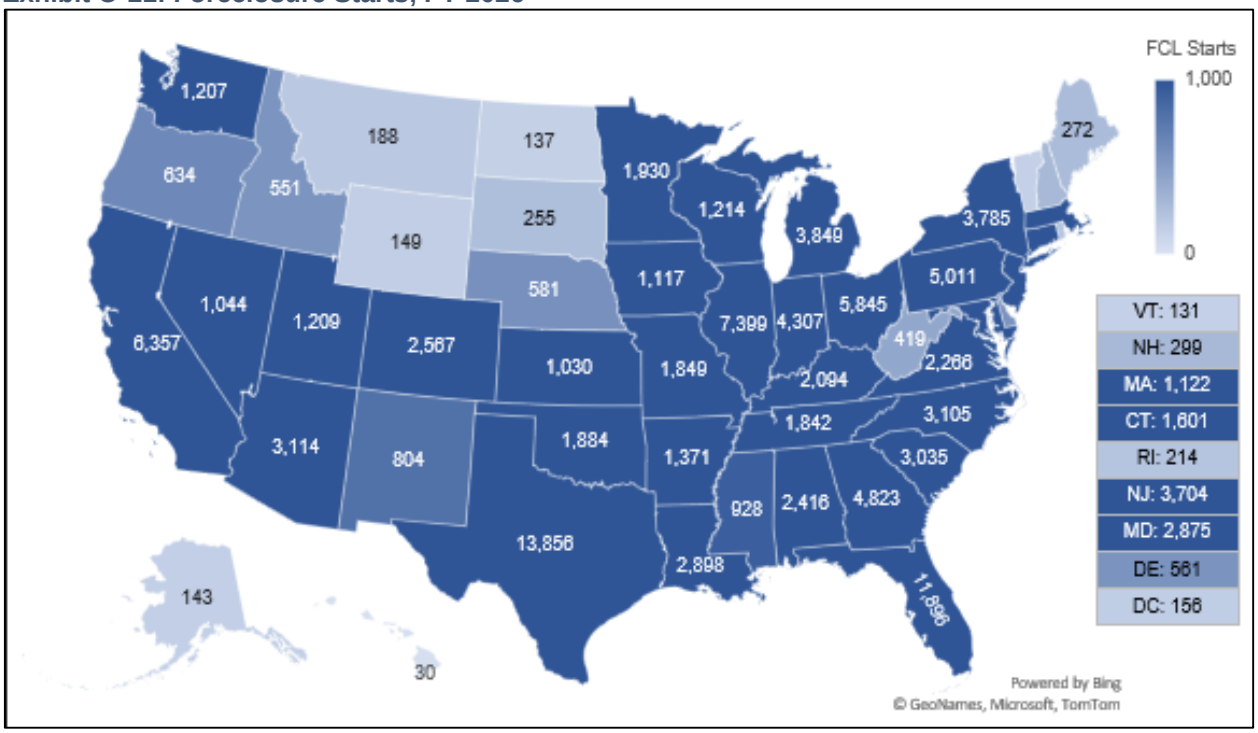
Exhibits O-21 through O-22, below, present state-level data for FY 2026 on foreclosure starts, foreclosure sales, and the average time properties spend in foreclosure. From these graphs, we see that Texas and Florida have the most foreclosures starts and sales, followed by Illinois and California for starts, and Georgia, Illinois, and Michigan for sales.

Exhibit O-20: Foreclosure Actions, Calendar Year 2010 - Present



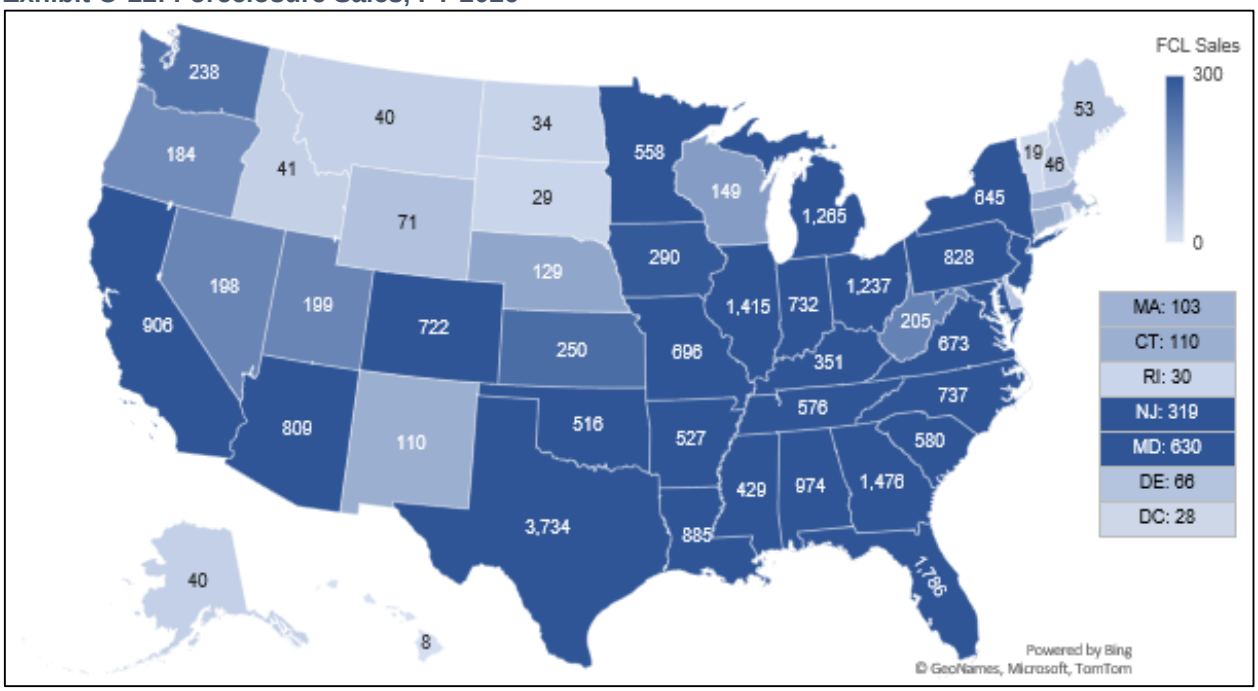
Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table A-20 in Appendix A.

Exhibit O-21: Foreclosure Starts, FY 2026



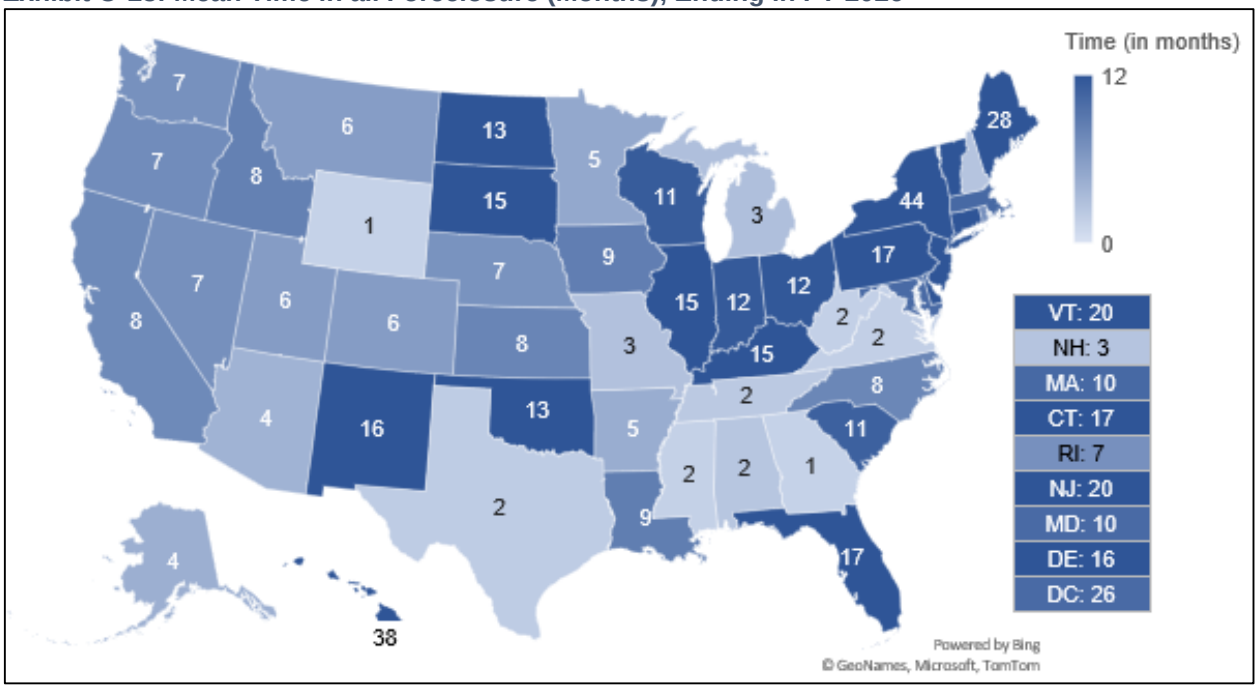
Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table A-21 in Appendix A.

Exhibit O-22: Foreclosure Sales, FY 2026



Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table A-21 in Appendix A.

Exhibit O-23: Mean Time in all Foreclosure (Months), Ending in FY 2026



Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table A-21 in Appendix A.

Loss Severity

When FHA-insured properties progress toward disposition, the combination of borrower equity and local home price trends will determine whether FHA incurs a claim payment following disposition, as well as the magnitude of any resulting losses. Based on recent historical trends across disposition options, average loss severity is approximately 27 percent. In other words, proceeds from the property sale cover, on average, 73 percent of the outstanding unpaid principal balance (UPB), interest, and expenses.

To assess the potential losses associated with "churning borrowers" heading toward property disposition, we examine their current loan-to-value ratios (LTVs), calculated using the most recent UPB, all outstanding partial claim balances, and estimated current home values. Loans with LTVs above 100 percent are more likely to result in a claim, while those below 100 percent may have sufficient equity to avoid a claim payment.

To estimate current home values, FHA adjusts each property's original appraised value to reflect cumulative local home price appreciation since origination. To determine whether "churning" loans will increase loss severity above recent trends, FHA estimates current LTV for "churning" loans. Repeating our "churning" definitions from earlier, we consider two scenarios:

Churn 1: Failed the 1 in 24 rule with the first home retention option given in or after FY 2022.
Churn 2: Received 3+ distinct home-retention options, failing the 1 in 24 rule at least two times in FY 2024 through FY 2026.

Among the 319K loans in Churn 1 and 75K loans in Churn 2, the average LTVs are 70 percent and 76 percent respectively. However, only the LTVs greater than 100 percent will result in losses. Restricting both groups to loans with 100 percent LTV and greater, the average LTVs are 107 percent for both groups. This suggests the loss severity on average would only be 7 percent compared with the 27 percent historical average.

Importantly, FHA's home value estimates reflect current market conditions without applying a haircut, whereas distressed homes would likely require a haircut to sell at market value. The analysis suggests that the haircut would have to be 20 percentage points or more to exceed historical loss levels, and likely 25 percent or more to result in a meaningfully higher loss severity. Without interior appraisals, FHA cannot establish a true market valuation or precise loss estimate for these "churning" loans. Nevertheless, the preliminary results suggest that these loans are unlikely to generate substantially higher losses than the "non churning" portfolio that proceeds through property dispositions.

Monitoring Risk Layered Loans

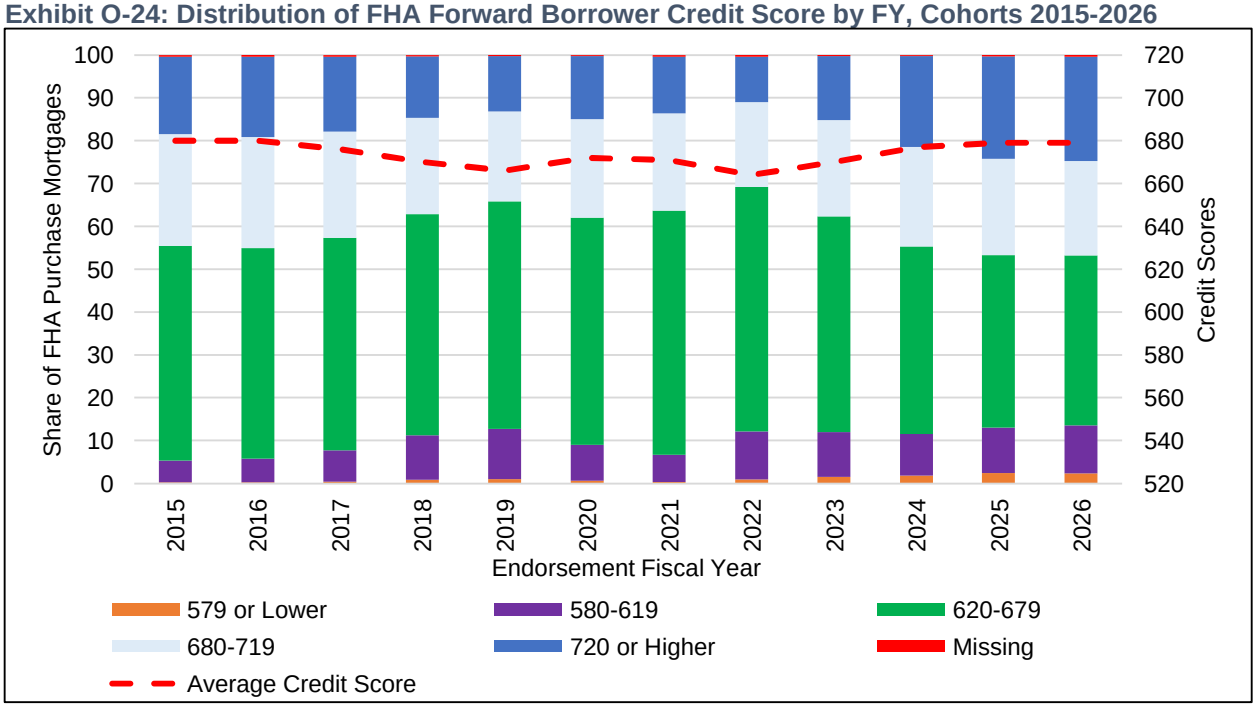
FHA's statutory fiduciary duty to the MMI Fund necessitates ongoing monitoring and responsiveness to emerging risks evident in the mortgage market and in FHA data. FHA regularly identifies and assesses the riskiest areas of the portfolio so it can enact prudent policies to limit

the MMI Fund's exposure to higher risk loans. This assessment starts with underwriting criteria. Based on FHA's default and claim modeling, we find the following factors are most influential for predicting losses:

1) Credit Scores;
2) LTVs; and
3) Debt-to-Income Ratios (DTIs).

Credit scores, the most predictive factor, have been increasing for several years and have recently plateaued at a recent high of 679 (see Exhibit O-24 below). Higher average credit scores are favorable and lower the MMI Fund's risk exposure as higher credit score borrowers are less likely to default and require FHA to make a claim payment.

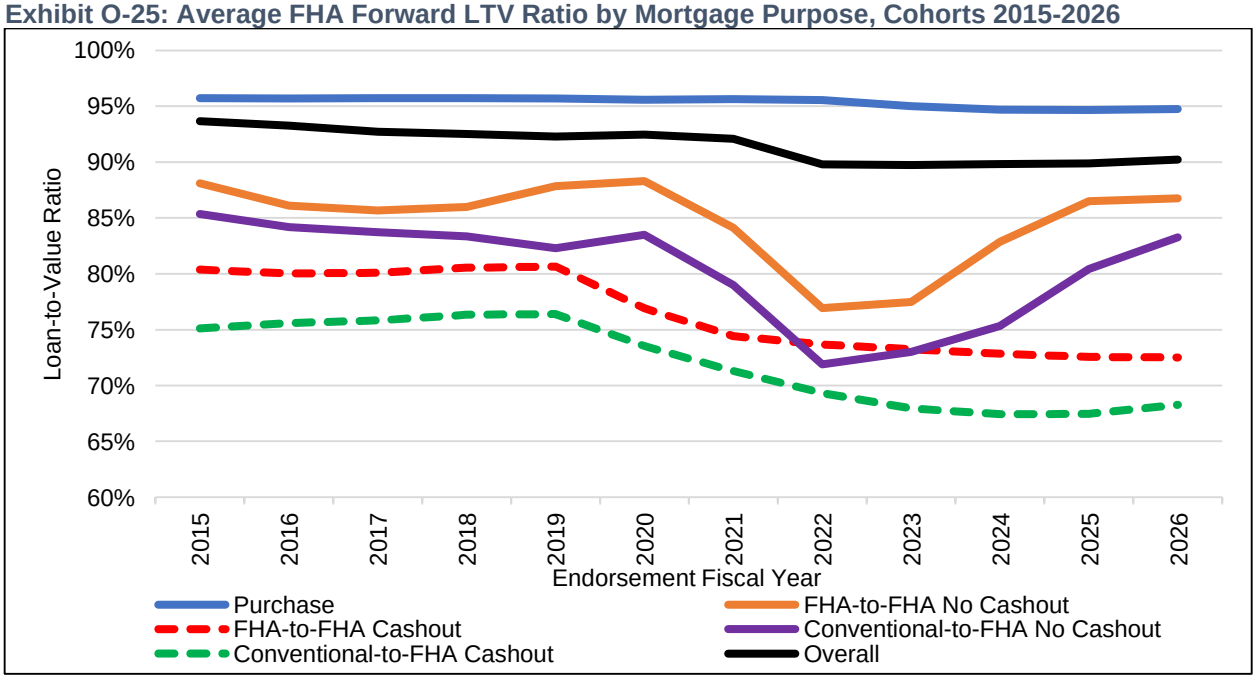
Exhibit O-24: Distribution of FHA Forward Borrower Credit Score by FY, Cohorts 2015-2026



Source: U.S. Department of HUD/FHA, October 2026. Refer to data table A-24 in Appendix A.

Another major determinant of risk is LTV ratios. For FHA, high LTVs are commonplace and not a notable differentiator of risk in the portfolio. FHA's average Purchase LTV since FY 2022, including FY 2026, is 95 percent. FHA's long-term average purchase LTV has been between 95 percent and 96 percent for over a decade. The overall LTV fluctuates slightly when FHA's share of endorsements of lower LTV refinance loans increases or decreases but otherwise remains consistent and is not noteworthy. See Exhibit O-25, below, for a graph of these historical trends.

Exhibit O-25: Average FHA Forward LTV Ratio by Mortgage Purpose, Cohorts 2015-2026

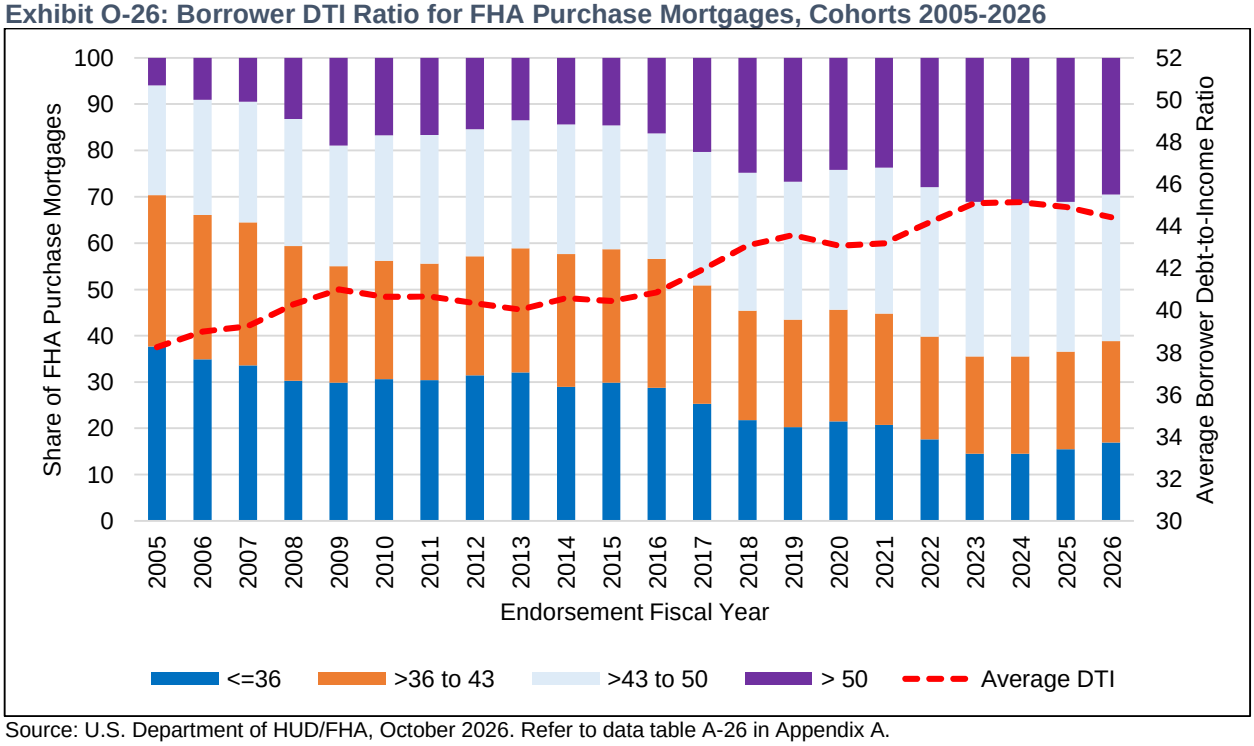


Source: U.S. Department of HUD/FHA, October 2026. Refer to data table A-25 in Appendix A.

Debt-to-income (DTI) ratios, another risk determinant, have experienced the opposite trend to credit scores, as shown in Exhibit O-26 below. Lenders calculate an applicant's monthly debt service payments as a fraction of their monthly income (i.e., DTI) to determine a borrower's eligibility and whether to originate a loan. Average DTIs have risen from 39 percent to 45 percent over the past twenty years, though they have remained stable and slightly decreasing over the past three years.

Much of the increase in DTI ratios has been due to substantial home price appreciation (HPA) over this period. Over the last decade, home prices and wages have both grown, but home prices have grown over twice as fast. This means borrowers must take on more debt compared to their wages for the same houses, directly contributing to higher DTI ratios. Recently, DTI ratios have grown with the rapid rise in interest rates in 2022 and 2023, which directly increased monthly mortgage costs. Compensating factors, such as elevated credit scores, help defray some of the risks posed by high DTI loans.

Exhibit O-26: Borrower DTI Ratio for FHA Purchase Mortgages, Cohorts 2005-2026

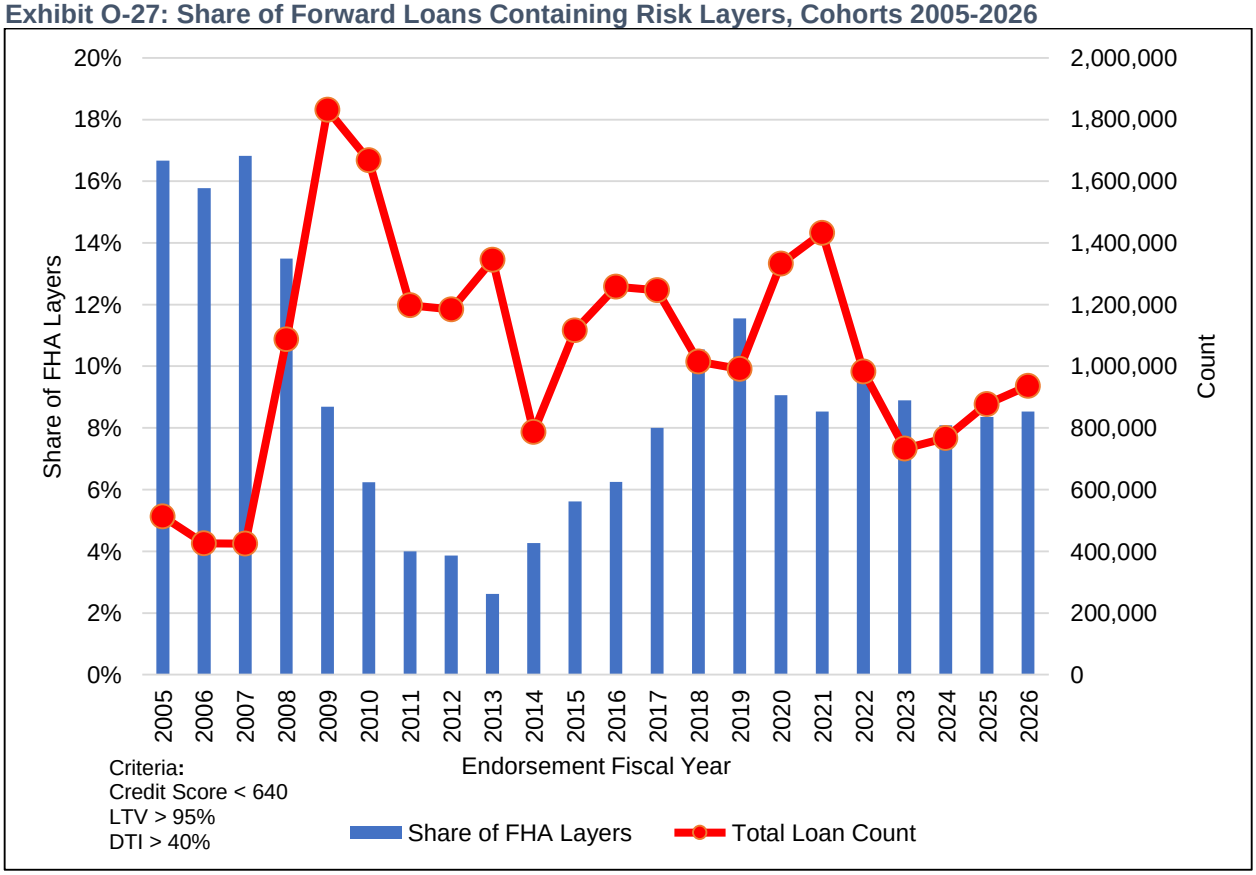


Source: U.S. Department of HUD/FHA, October 2026. Refer to data table A-26 in Appendix A.

FHA's risk layer criteria are: 1) Credit Scores less than 640; 2) LTVs greater than 95 percent; and 3) DTIs greater than 40 percent. Exhibit O-27, below, provides a visualization of these risk layers and their prevalence as a share of each fiscal year's portfolio of loans. Year-over-year, the share of loans with risk layers is stable, increasing from 8.4 percent in the FY 2025 cohort to 8.5 percent in the FY 2026 cohort. However, the percentage of loans with these layers are over three times larger than thirteen years ago, increasing from 2.6 percent of loans in the FY 2013 cohort to 8.5 percent of loans in the FY 2026 cohort. Nevertheless, the percentage of loans with risk layering decreased from the high of 11.6 percent of loans in FY 2019 cohort. These trends will continue to be monitored closely.

FHA evaluates these criteria because, in combination, they present an elevated level of risk to the MMI Fund. To quantify the risk, FHA calculated the Early Payment Default (EPD) rates of the portfolio with and without risk layers. EPD rates are calculated as the percentage of borrowers who miss three or more payments among their first six payments. The immediacy of these defaults reflects a defect in the underwriting or underwriting standards as opposed to unforeseen economic or market conditions that may occur later in loan life. See Exhibit O-27, below, for the results.

Exhibit O-27: Share of Forward Loans Containing Risk Layers, Cohorts 2005-2026

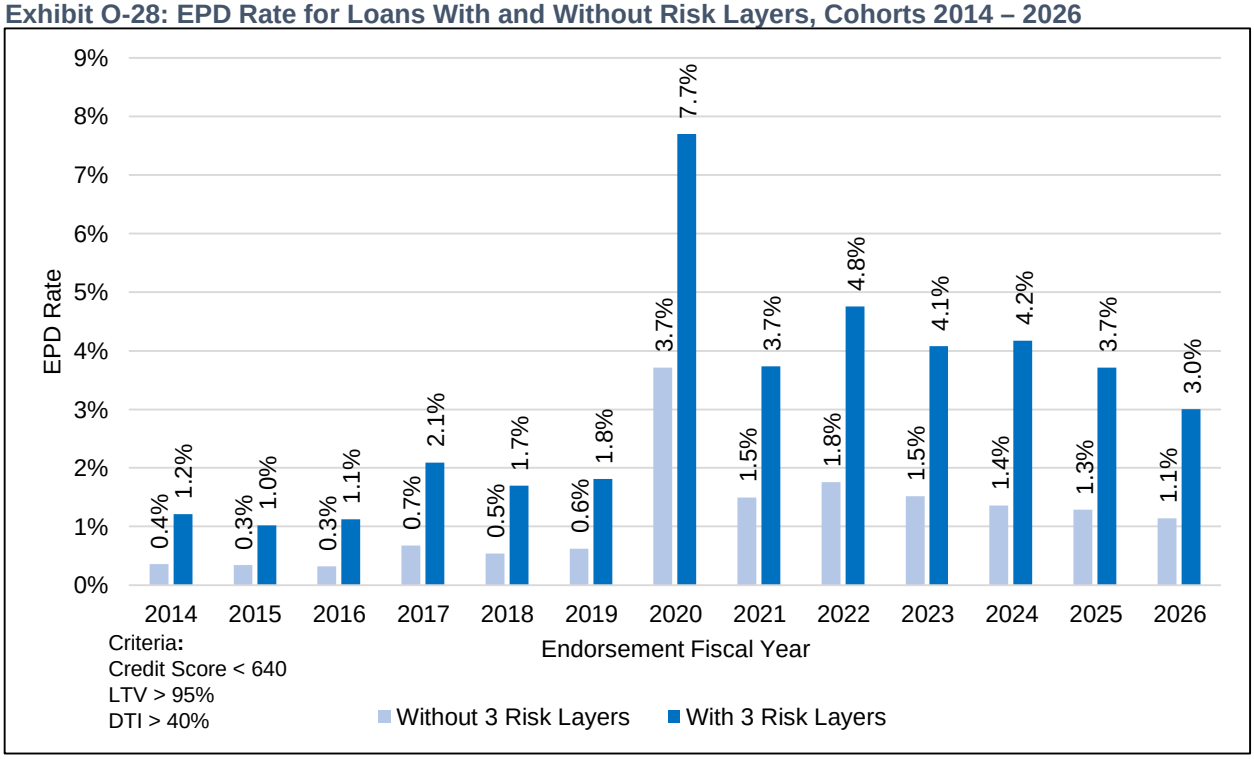


Source: U.S. Department of HUD/FHA, October 2026. Refer to data table A-27 in Appendix A.

Exhibit O-28 illustrates the importance of separating loans with and without these three risk layers. Loans with all three overlapping risks have EPD rates that are three times as large as the rest of the portfolio. However, EPD rates have been falling, with rates for loans with risk layers dropping by 0.7 percentage points year-over-year.

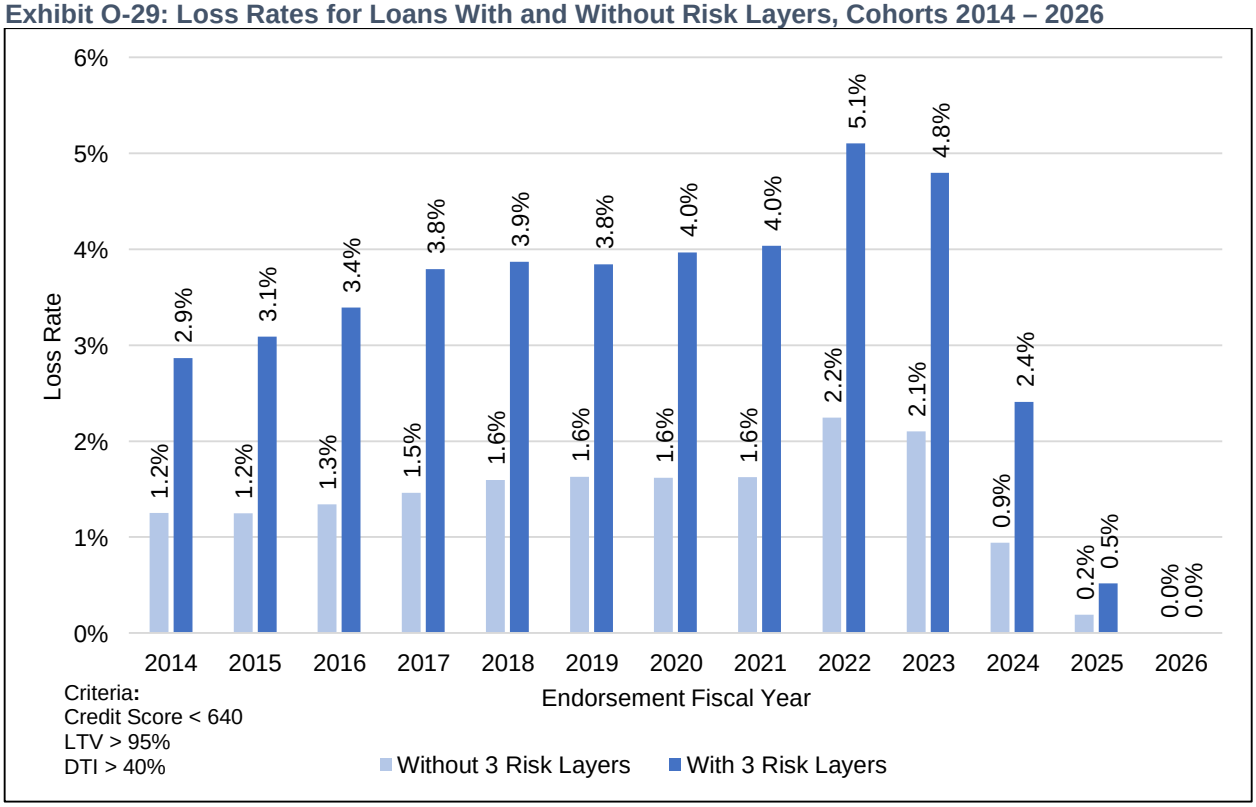
As demonstrated in Exhibit O-29, below, loans with risk layers also have a loss rate 2.5 times larger than the rest of the portfolio. Note that due to very little seasoning, the 2024 through 2026 cohorts have substantially lower rates. These rates will likely rise to the historical average over time. Overall, FHA's analyses indicate that loans with all three risk layers have an elevated cost to the MMI Fund and therefore warrant additional scrutiny and monitoring.

Exhibit O-28: EPD Rate for Loans With and Without Risk Layers, Cohorts 2014 – 2026



Source: U.S. Department of HUD/FHA, October 2026. Refer to data table A-28 in Appendix A.

Exhibit O-29: Loss Rates for Loans With and Without Risk Layers, Cohorts 2014 – 2026



Source: U.S. Department of HUD/FHA, October 2026. Refer to data table A-29 in Appendix A.

Report Structure

The remainder of this report is structured as follows:

- Chapter I presents a summary of the insurance portfolios for both the forward mortgage program and the HECM program. The chapter includes notable trends affecting the risk characteristics for new endorsements to the MMI Fund from both programs during FY 2026.

- Chapter II contains an analysis of the performance of the MMI Fund, which includes a detailed breakdown of the MMI Fund Capital Ratio and the Stand-Alone Capital Ratios for the forward and HECM portfolios. This chapter discusses best practices used to stress test and manage the capital position of the Fund.

- Chapter III provides an overview of the policy changes that FHA's Office of Single Family Housing made in FY 2026 to facilitate affordable mortgage financing options and mitigate risk to the MMI Fund.

Chapter I:
FHA Single Family Mortgage and Borrower Characteristics

Forward Endorsements

Through its Title II[5] forward mortgage insurance programs, FHA plays an important role in the single family residential mortgage market. FHA primarily insures lenders against borrower default losses, facilitating the availability of mortgage credit for borrowers for the purchase of a home or to refinance an existing mortgage. The longstanding eligibility of FHA loans for securitization into Government National Mortgage Association (Ginnie Mae) mortgage-backed securities (MBS) also helps to facilitate mortgage market liquidity. Investors receive separate protection through Ginnie Mae's MBS guaranty. Given FHA-insured loans protect lenders from credit losses and are eligible for securitization through Ginnie Mae, they play an important countercyclical role, helping to sustain mortgage credit availability when access to other sources of mortgage financing is constrained.

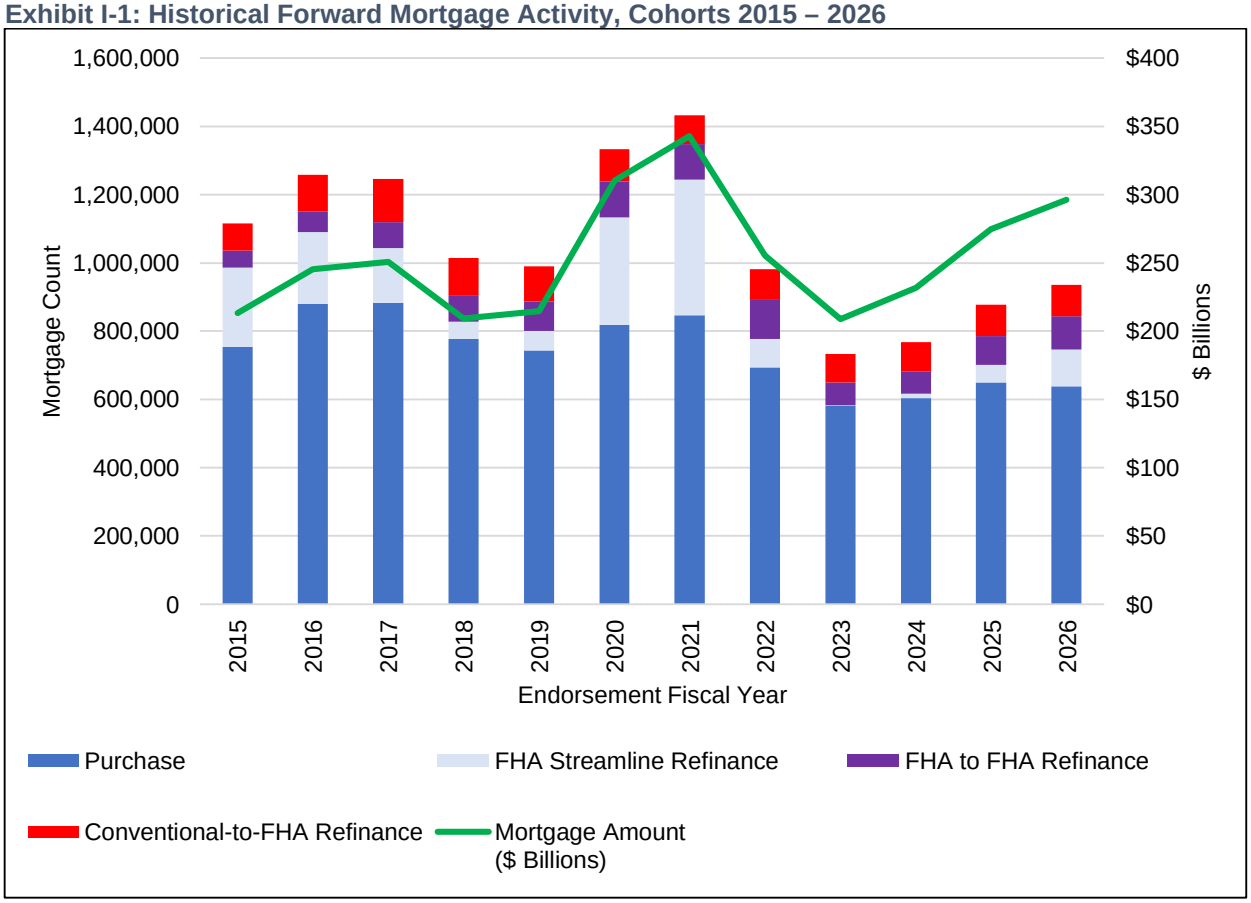
As of September 30, 2026, the MMI Fund had active mortgage IIF on 8.4 million single family forward mortgages with $1.71 trillion in outstanding principal balances. In FY 2026, IIF grew 3.7 percent by count and 8.0 percent by dollars from FY 2025.

The following pages provide detailed information about the forward portfolio, identifying trends among endorsements, underwriting criteria, asset management operations, and property dispositions.

[5] A Title II mortgage is a mortgage insured by the Federal Housing Administration, an agency within the U.S. Department of Housing and Urban Development (HUD), pursuant to Title II of the National Housing Act. Title II authorizes HUD, through the FHA, to insure eligible residential mortgages originated by FHA-approved lenders. For the standard single-family FHA mortgage insurance program, the primary statutory authority is Section 203(b) of the National Housing Act, codified at 12 U.S.C. § 1709(b).

Exhibit I-1, below, provides an overview of forward mortgage endorsements broken down by loan purpose. It also illustrates the aggregate original UPB of endorsed mortgages by fiscal year of endorsement since FY 2015.[6]

Exhibit I-1: Historical Forward Mortgage Activity, Cohorts 2015 – 2026

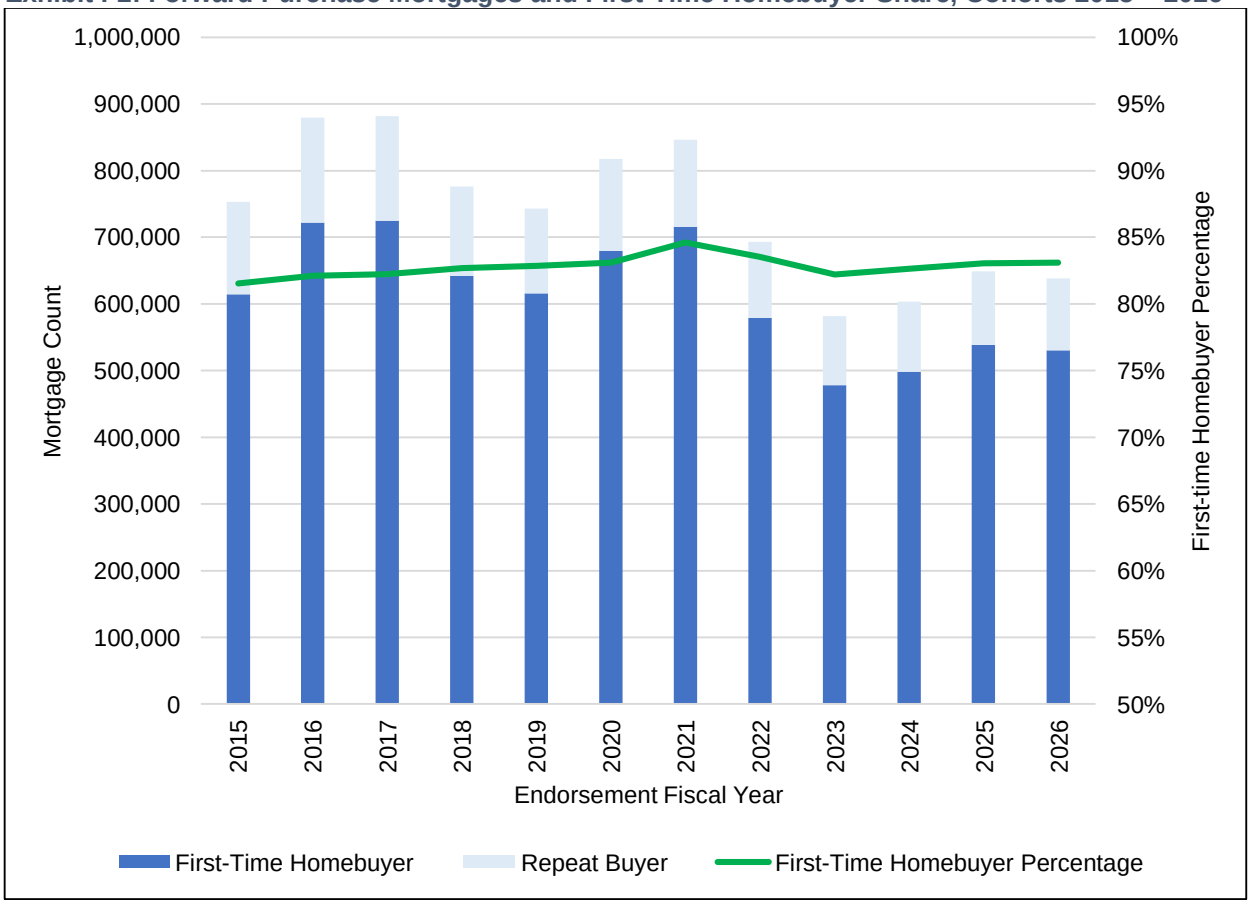


Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table B-1 in Appendix B.

[6] On December 11, 2025, FHA published Mortgagee Letter 2025-23, 2026 Nationwide Forward Mortgage Limits, and Mortgagee Letter 2025-22, 2026 Nationwide HECM Limits for case numbers assigned on or after January 1, 2026, setting traditional home purchase caps between $541,287 and $1,249,125 depending on local housing costs, which can expand up to a maximum of $1,873,675 for a single family home in statutory exception areas like Alaska, Hawaii, Guam, and the U.S. Virgin Islands, while fixing the nationwide reverse mortgage maximum claim limit at $1,249,125.

In FY 2026, 83.09 percent or 530,198 forward purchase endorsements facilitated mortgages for first-time homebuyers. As shown in Exhibit I-2, below, first-time homebuyers consistently represent between 81 percent and 85 percent of FHA-insured forward purchase mortgages.

Exhibit I-2: Forward Purchase Mortgages and First-Time Homebuyer Share, Cohorts 2015 – 2026

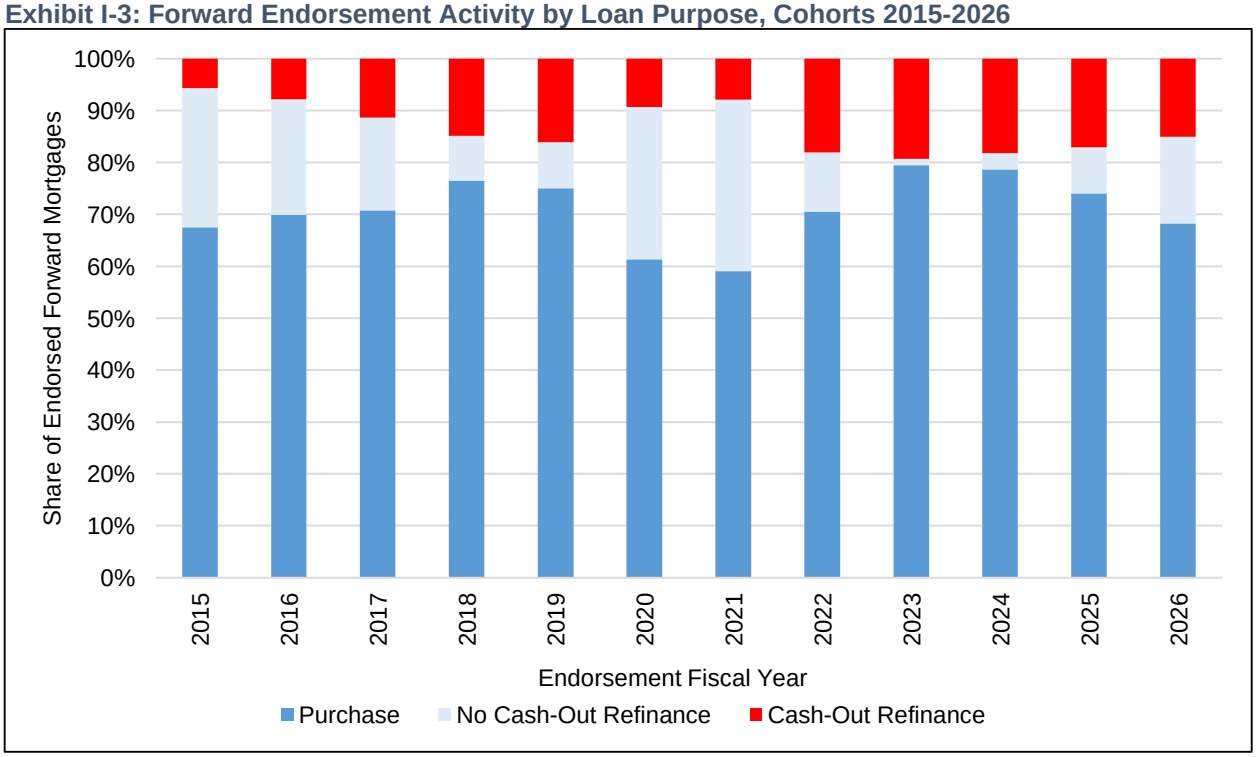


Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table B-2 in Appendix B.

Forward Loan Purpose Composition

Purchase mortgages continued to account for the majority of FHA loan volume in FY 2026, consistent with trends in a higher interest rate environment. This is because rate-and-term refinances are generally more attractive when prevailing interest rates are lower than the borrower's existing mortgage rate. Exhibit I-3, below, provides a detailed breakdown of historical forward mortgage endorsement activity. In FY 2026, FHA-insured purchase mortgages represented 68.23 percent of all FHA insurance endorsements, a decrease of 5.79 percentage points from 74.02 percent in FY 2025. The percentage of refinance mortgages increased from 25.98 percent of FHA's volume in FY 2025 to 31.77 percent in FY 2026.

Exhibit I-3: Forward Endorsement Activity by Loan Purpose, Cohorts 2015-2026



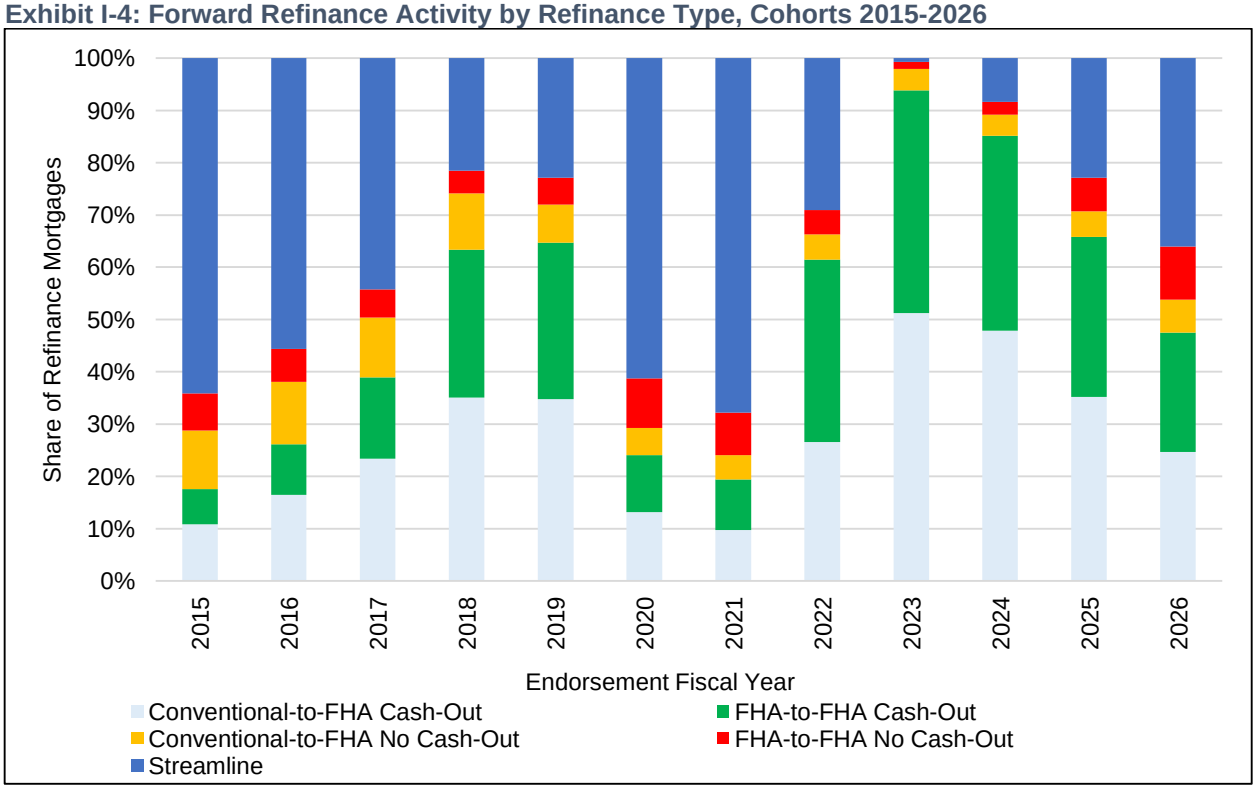
Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table B-3 in Appendix B.

Although purchase mortgages comprised the largest share of endorsements, for the third consecutive year, refinances represented an increasing share of endorsements. For a detailed breakdown, Exhibit I-4, below, disaggregates refinances into conventional-to-FHA, FHA to FHA, streamline, and cash-out refinances.

In FY 2026, conventional-to-FHA refinances (both cash-out and no cash-out) accounted for 30.98 percent of forward refinance activity. This is a decline from a recent high of 55.34 percent in FY 2023, and 40.13 percent in FY 2025. FHA's Streamline Refinance program, which has reduced documentation and underwriting requirements, increased meaningfully year-over-year for the fourth year in a row.

FHA also closely monitors cash-out refinances and assesses whether existing safeguards, such as the 20% equity requirement and net tangible benefit requirement, are serving as adequate program controls. Year-over-year, FHA's share of cash out refinances fell by 18.27 percent, partially reversing a trend seen from FY 2021 through FY 2024.

Exhibit I-4: Forward Refinance Activity by Refinance Type, Cohorts 2015-2026



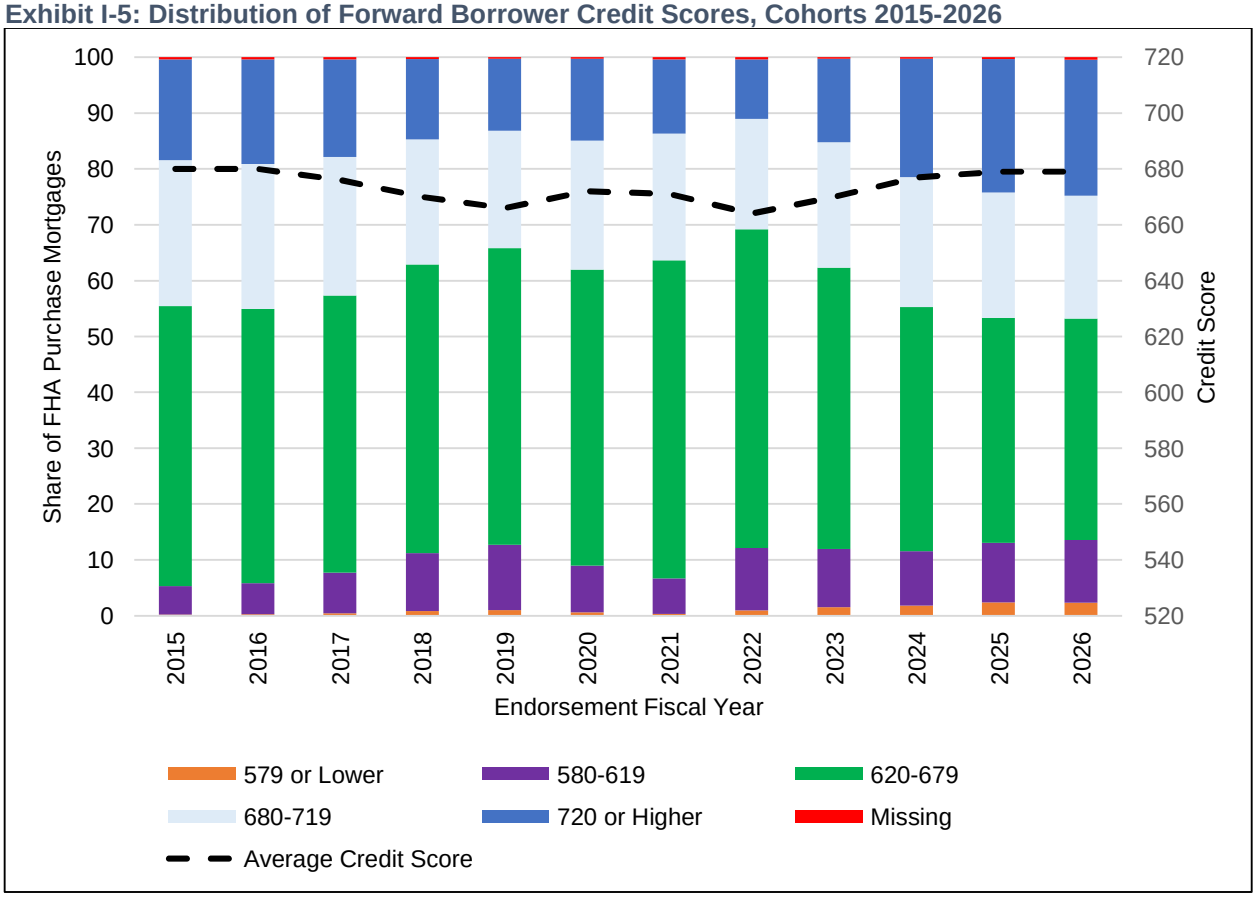
Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table B-4 in Appendix B.

Forward Underwriting Criteria and Trends

In evaluating potential credit risks across the MMI Fund portfolio, FHA focuses much of its attention on credit scores, DTI ratios, and LTVs, all of which will be discussed in detail below. However, refinance loans have some nuance, which can introduce both benefits and drawbacks. The next five exhibits show the composition of credit scores, DTIs, and LTVs within the portfolio.

FHA closely monitors the distribution of borrower credit scores by endorsement fiscal year. Exhibit I-5, below, illustrates the distribution of credit scores for borrowers with FHA-insured forward mortgages (excluding streamline refinances).[7] Year-over-year, credit scores were very stable, moving by less than a percentage point in each category. Average credit scores were unchanged year-over-year at 679.

Exhibit I-5: Distribution of Forward Borrower Credit Scores, Cohorts 2015-2026

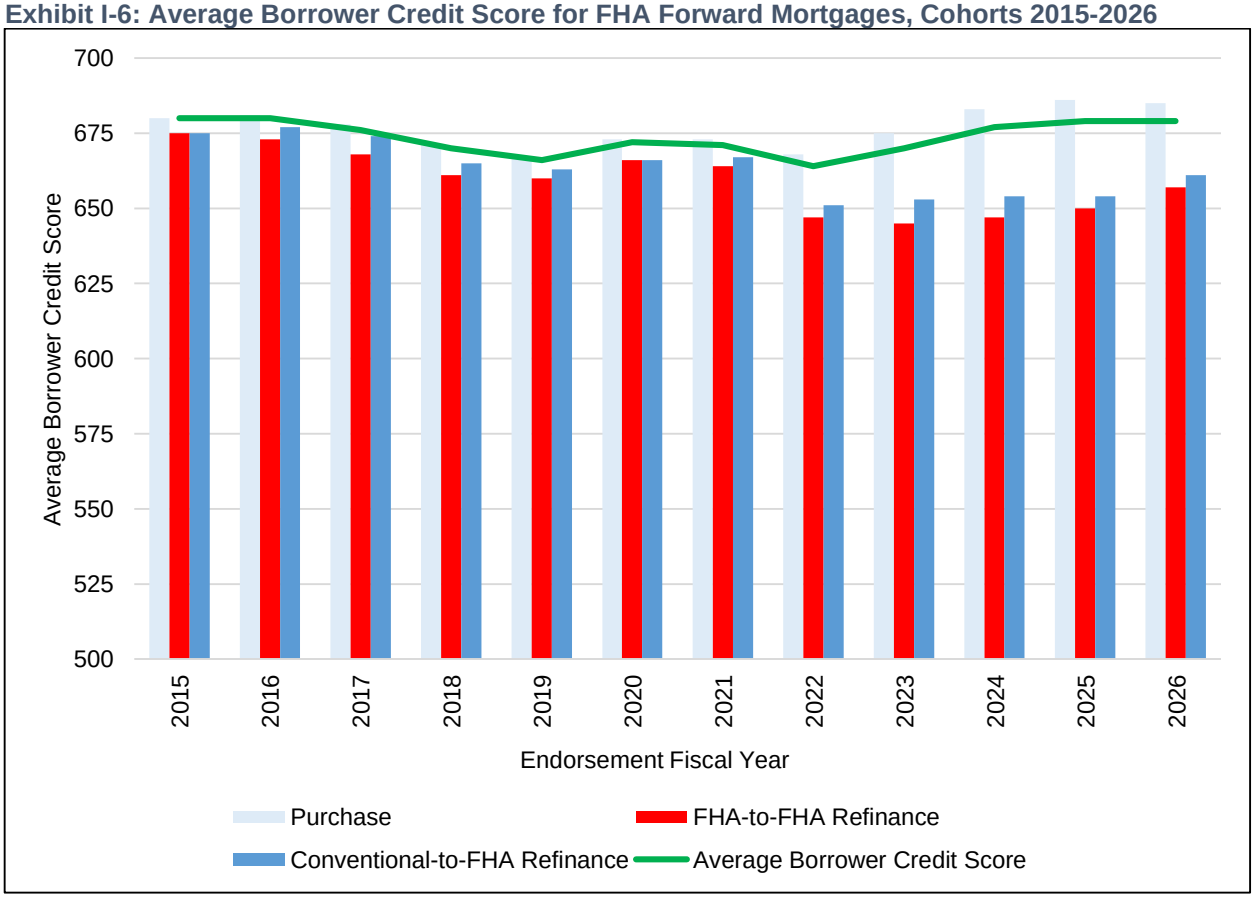


Note: Excludes streamline refinance mortgages.
Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table B-5 in Appendix B.

[7] FHA did not collect credit scores for the 107,146 streamline refinances endorsed in FY 2026, which represent 36 percent of total refinance volume.

Exhibit I-6, below, shows average credit scores by loan purpose. While stable year-over-year, purchase loan credit scores rose steadily from FY 2022 to FY 2025. One explanation for this may be that higher credit scores are required as an underwriting offset for riskier DTI ratios – a trend that had escalated within the portfolio in recent years but is now showing signs of leveling off.

Exhibit I-6: Average Borrower Credit Score for FHA Forward Mortgages, Cohorts 2015-2026

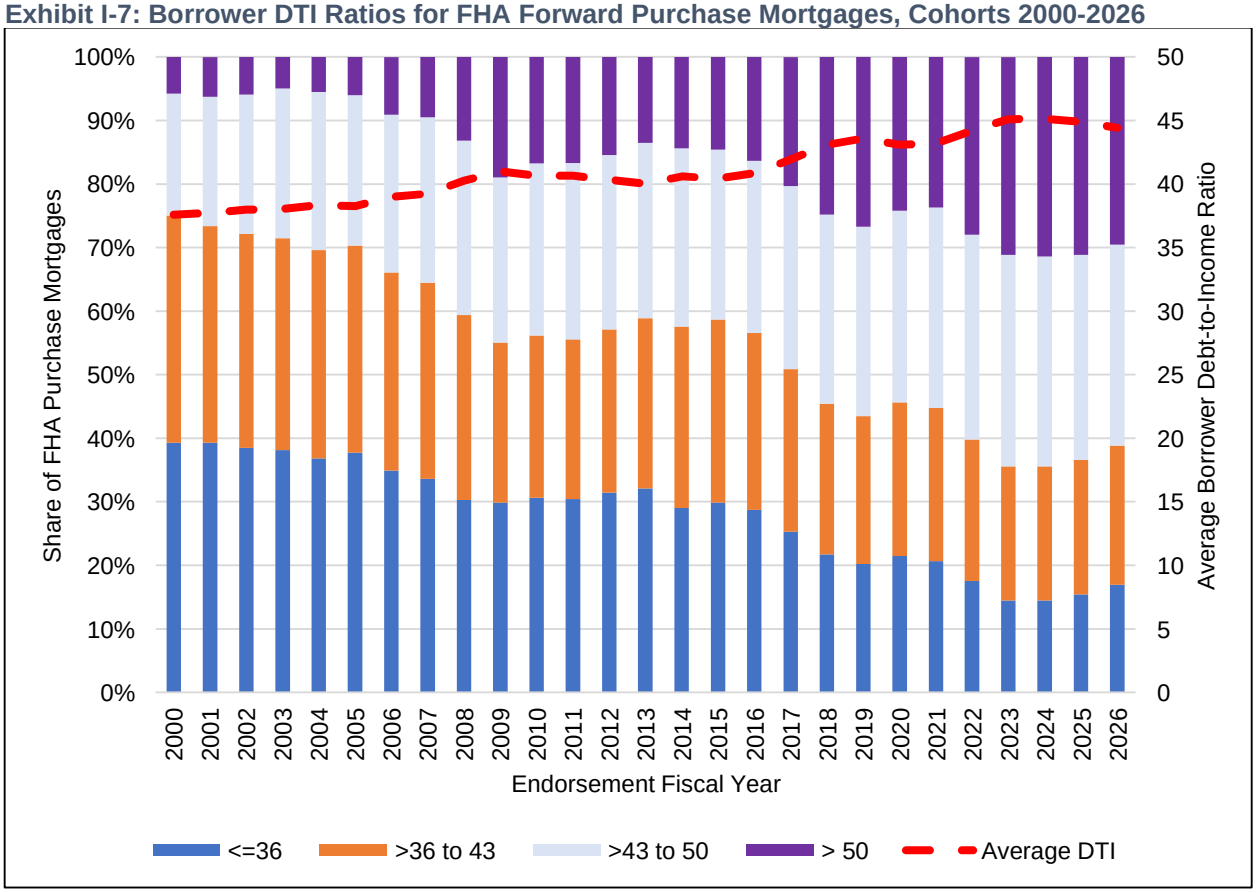


Note: Excludes streamline refinance mortgages.
Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table B-6 in Appendix B.

The average DTI ratio for purchase endorsements decreased slightly year-over-year, from 44.91 percent in FY 2025, to 44.42 percent in FY 2026, as illustrated in Exhibit I-7 below. This is driven by an increase in DTIs less than or equal to 36 percent and a decrease in DTIs above 50 percent. While average purchase DTIs remain historically elevated, this represents a multi-year downward trend from a high of 45.14 percent in FY 2024.

Average DTIs were stable from FY 2008 to FY 2015, at around 40 percent. From FY 2016 to FY 2024, DTIs mainly increased as a result of higher home prices, elevated mortgage rates, and higher insurance costs factoring into borrowers' monthly housing-related payments. While the recent trend of escalating DTIs within the portfolio has abated, FHA will continue to be vigilant and monitor on an ongoing basis.

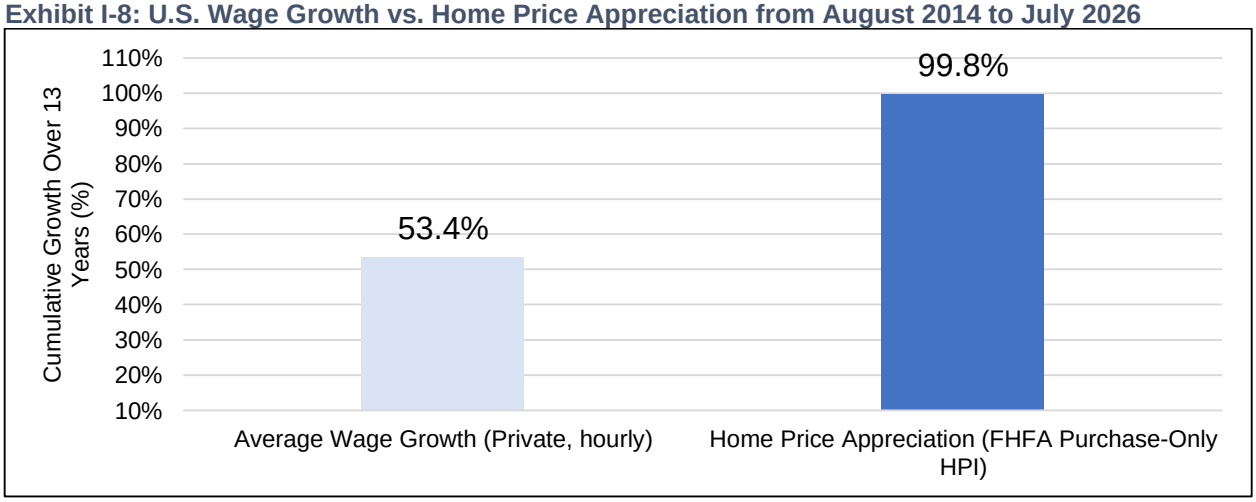
Exhibit I-7: Borrower DTI Ratios for FHA Forward Purchase Mortgages, Cohorts 2000-2026



Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table B-7 in Appendix B.

Exhibit I-8 illustrates the growth in wages and HPA over the last twelve years. In FY 2022 and FY 2023, DTI ratios grew with the rapid rise in interest rates, which directly increased monthly mortgage costs. Over the last thirteen years, home prices and wages have both grown, but home prices have grown nearly twice as fast. This further raises DTI ratios.

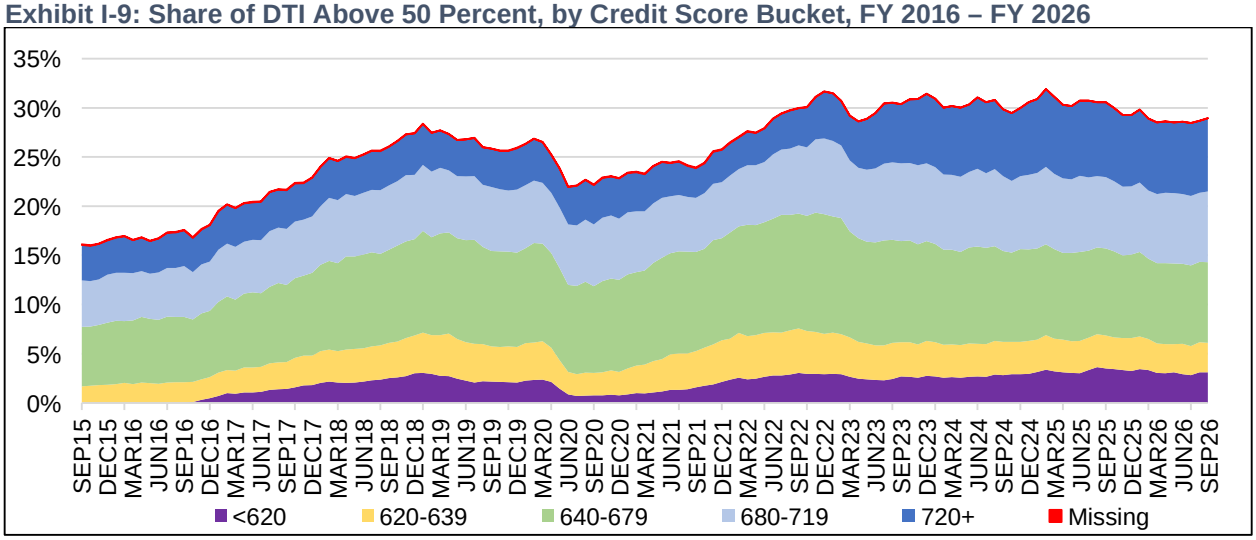
Exhibit I-8: U.S. Wage Growth vs. Home Price Appreciation from August 2014 to July 2026



Source: FRED – Federal Reserve Bank of St. Louis. U.S. Wage Growth | Home Price Appreciation

Exhibit I-9, below, shows the distribution of credit scores for borrowers with above 50 percent DTIs. Borrowers with credit scores above 680 and particularly above 720 contribute to the increase in borrowers with high DTI ratios. However, this exhibit also shows a concerning trend with an increase in borrowers with credit scores below 620 and DTIs above 50 percent. This is a small segment of the portfolio, but it has been persistent since FY 2022. Borrowers with credit scores below 620 and DTIs above 50 percent present elevated risks as they have large monthly payments relative to their income and have not demonstrated as strong of an ability to meet credit obligations.

Exhibit I-9: Share of DTI Above 50 Percent, by Credit Score Bucket, FY 2016 – FY 2026

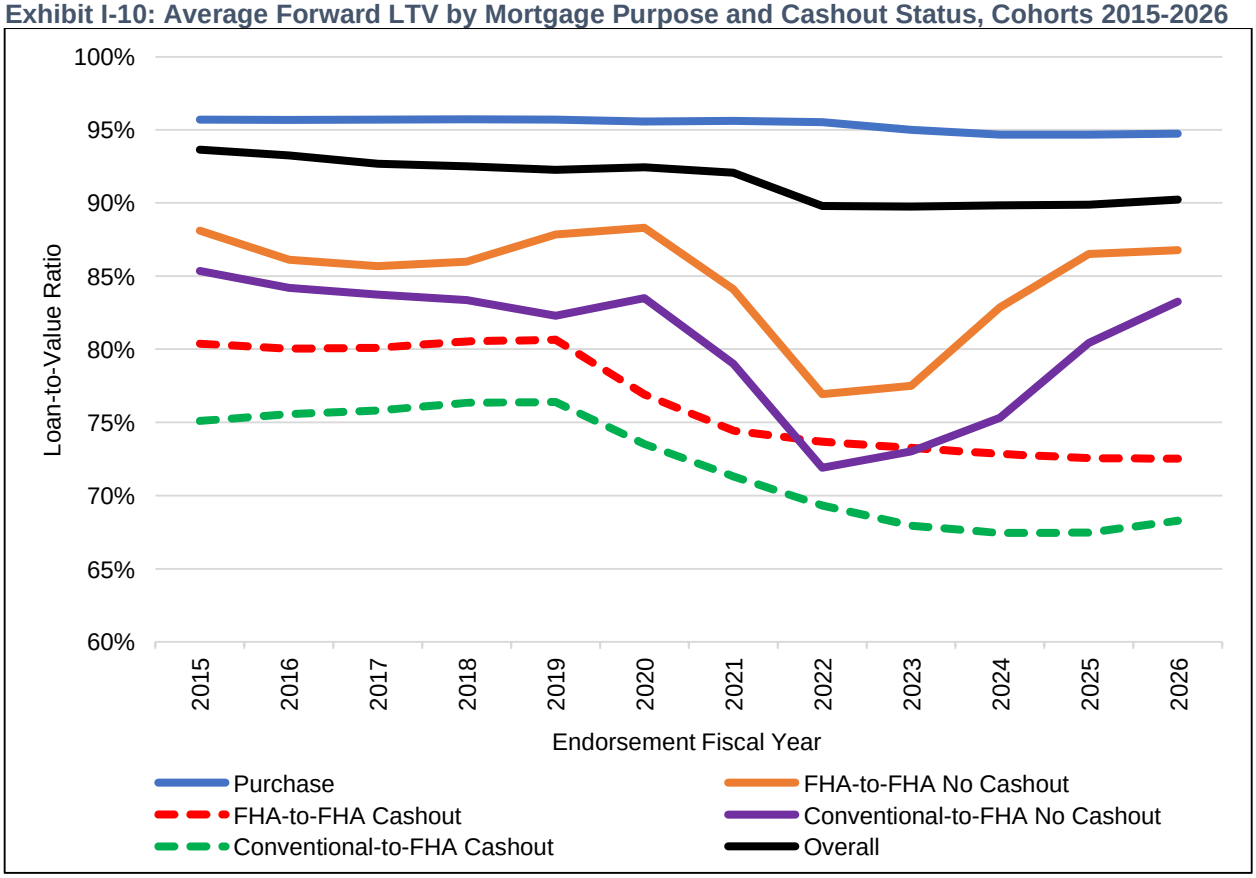


Note: Excludes streamline refinance mortgages.
Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table B-9 in Appendix B.

LTV measures the proportion of a property's appraised value financed by a mortgage loan and serves as an indicator of collateral risk and potential loss severity in the event of default. As Exhibit I-10 below illustrates, the average LTV remained consistent year-over-year, increasing from 89.87 percent to 90.22 percent. The slight increase is driven primarily by Conventional-to-FHA loans without a cash-out component. The LTV ratio for forward purchase endorsements remained below 95 percent for the fourth consecutive year. The average purchase LTV ratio increased to 94.99 percent in FY 2026 from 94.74 percent in FY 2025.

FHA refinance LTV limits vary by transaction type. FHA cash-out refinances are generally limited to 80 percent LTV, while eligible rate-and-term and simple refinances may allow up to 97.75 percent LTV on qualifying principal residences, subject to FHA occupancy and other eligibility requirements. As mentioned above, the driver of LTV movement stemmed from Conventional-to-FHA refinances without a cash-out component, which rose year-over-year from 80.42 percent to 83.25 percent. The average LTV ratio for conventional-to-FHA cash-out increased year-over-year from 67.46 percent to 68.26 percent. The average LTV ratio for FHA-to-FHA cash-out decreased year-over-year from 72.56 percent to 72.51 percent.

Exhibit I-10: Average Forward LTV by Mortgage Purpose and Cashout Status, Cohorts 2015-2026



Note: Excludes Streamline Refinance mortgages.
Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table B-10 in Appendix B.

Forward Mortgage Risk Layers

Based on the data above, FHA identifies a mix of favorable and unfavorable but stable borrower characteristics and trends. For FHA to sustainably perform its long-term mission while upholding its statutory fiduciary duty to the MMI Fund, it must prudently monitor and respond to these indicators and risks. Based on default and claim modeling, FHA identified the following three risk factors as the most influential for predicting losses:

1) Credit Scores;
2) LTV Ratios; and
3) DTI Ratios.

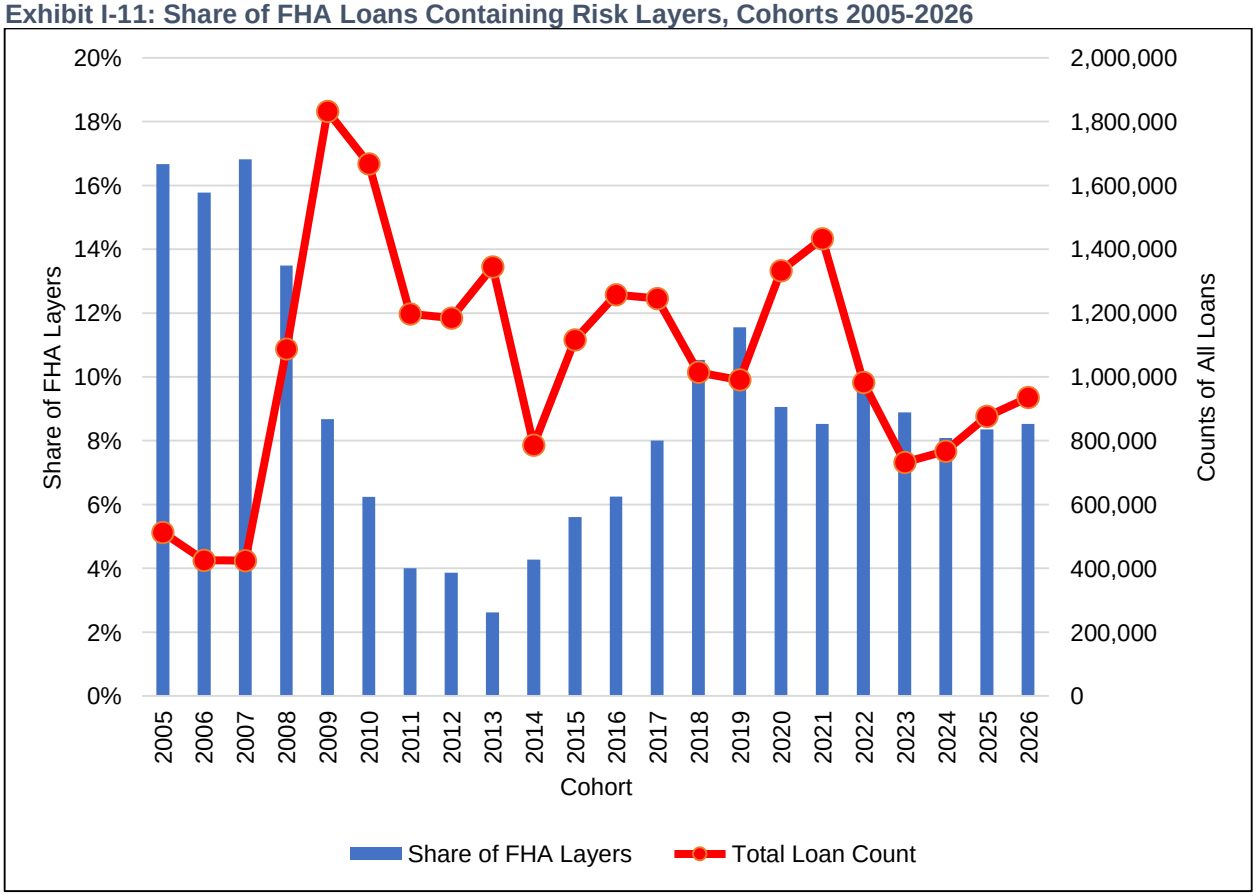
As discussed above, average credit scores had been increasing since 2022 until they leveled out in 2025. Sustained higher average credit scores are favorable because they lower the MMI Fund's risk exposure via lower defaults and claim payments. High LTVs are commonplace within FHA and are not a notable differentiator of risk in the portfolio. FHA's average purchase LTV has been between 94 percent and 96 percent for over a decade. FHA's DTI ratios have experienced the opposite trend of credit scores. Average DTIs rose from 40 percent to 45 percent over the past two decades, though they have remained stable over the past four years.

FHA monitors the number of borrowers with multiple overlapping characteristics that are considered an elevated risk to the MMI Fund. These "risk layers" pose higher likelihood of losses to the MMI Fund. FHA's criteria for these risky loans are:

1. Credit scores below 640;
2. DTI ratios above 40 percent; and
3. LTVs greater than 95 percent.

Exhibit I-11, below, provides a visualization of these risk layers and their prevalence as a share of each fiscal year's portfolio of loans. Year-over-year, the share of loans with risk layers is stable, increasing from 8.4 percent in the FY 2025 cohort to 8.5 percent in the FY 2026 cohort. However, the percentage of loans with these layers are over three times larger than thirteen years ago, increasing from 2.6 percent of loans in the FY 2013 cohort to 8.5 percent of loans in the FY 2026 cohort. Nevertheless, the percentage of loans with risk layering decreased from the high of 11.6 percent of loans in the FY 2019 cohort. These trends will continue to be monitored closely.

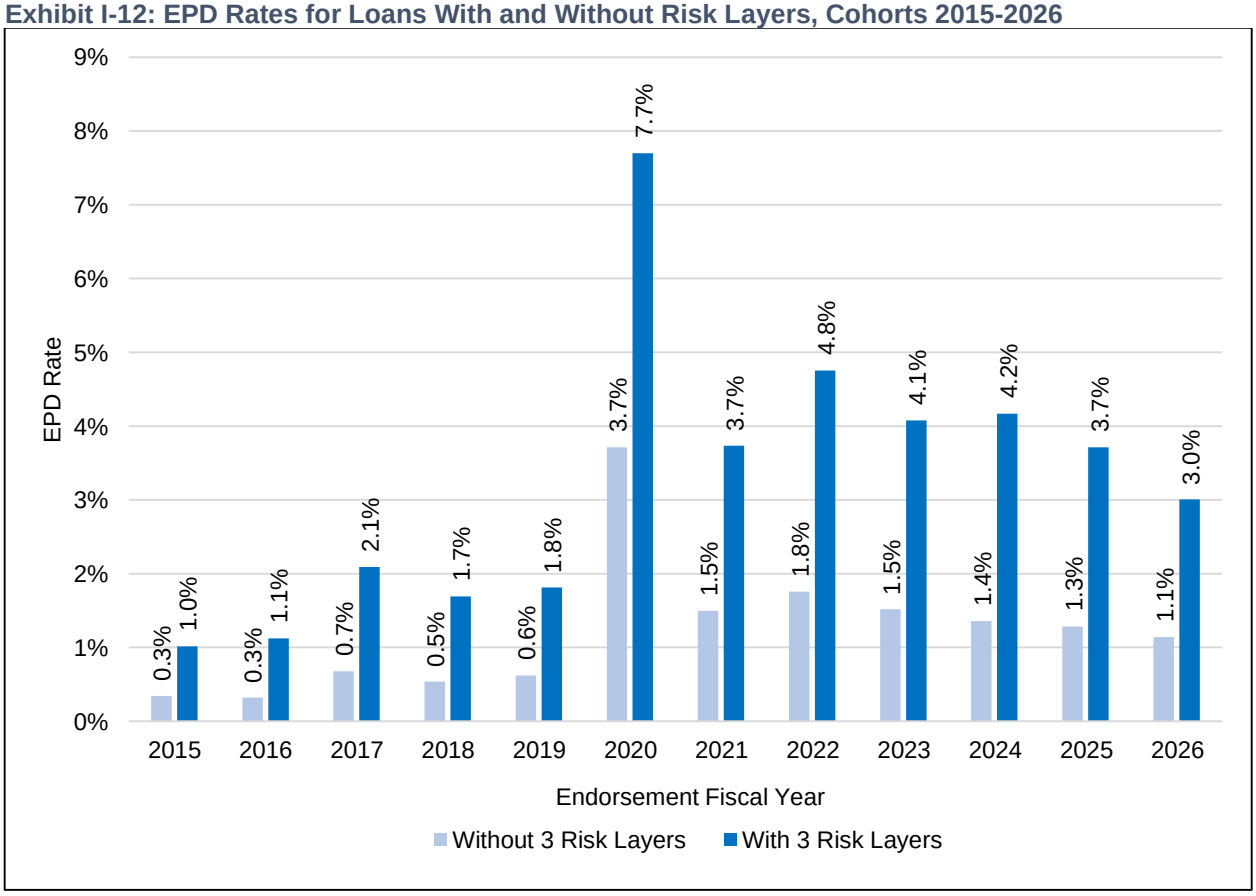
Exhibit I-11: Share of FHA Loans Containing Risk Layers, Cohorts 2005-2026



Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table B-11 in Appendix B.

FHA evaluates these criteria because, in combination, they present an elevated level of risk to the MMI Fund. To quantify the risk, FHA calculated the early payment default (EPD) rates of the portfolio with and without risk layers. EPD rates are calculated as the percentage of borrowers who miss three or more payments among their first six payments. The immediacy of these defaults reflects a defect in the underwriting or underwriting standards as opposed to unforeseen economic or market conditions that may occur later in loan life. The results are depicted in Exhibit I-12. Loans with all three overlapping risks have EPD rates that are three times as large as the rest of the portfolio. However, early payment default rates have been falling, with rates for loans with risk layers dropping by 0.7 percentage points year-over-year.

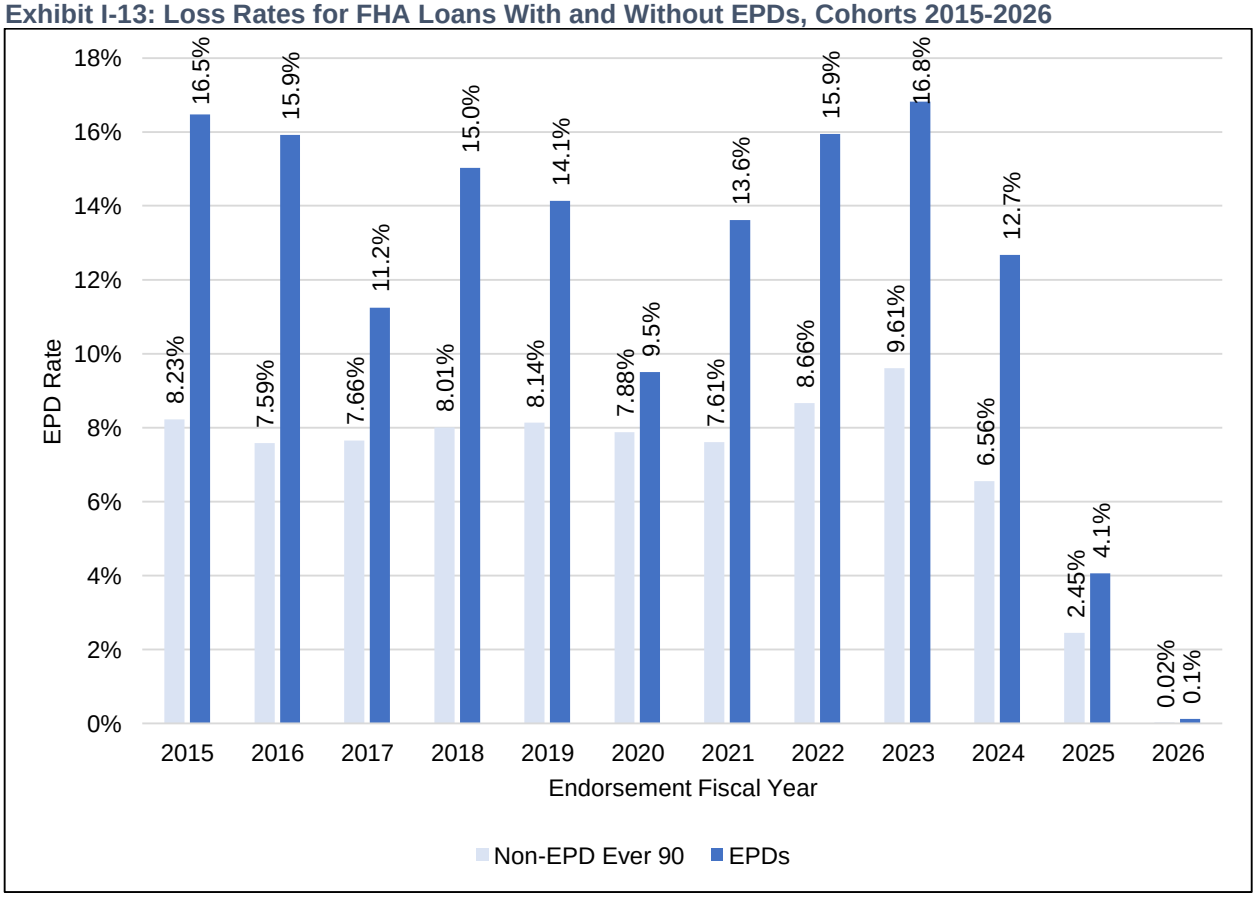
Exhibit I-12: EPD Rates for Loans With and Without Risk Layers, Cohorts 2015-2026



Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table B-12 in Appendix B.

EPDs also pose an elevated risk of loss. When comparing loans that experienced an EPD event to those that ever went 90+ days delinquent ("ever 90"), after the first six months of loan life (non-EPD ever 90s), those with EPDs have higher loss rates. This is due to several potential reasons, such as claims on loans with larger UPBs and fewer premium payments collected to offset losses. On average, loans with EPDs have loss rates that are 1.5 to 2.1 times higher than non-EPD ever 90s (shown in Exhibit I-13 below).

Exhibit I-13: Loss Rates for FHA Loans With and Without EPDs, Cohorts 2015-2026



Source: U.S. Department of HUD/FHA, October 2026. Refer to data table B-13 in Appendix B.

Setting aside EPDs, FHA looks at loss rates by loans with and without risk layers. This shows how borrowers with risk layers react to stressful circumstances, regardless of when they occur in the life of the loan. As demonstrated in Exhibit I-14, below, loans with risk layers have an average loss rate 2.5 times larger than the rest of the portfolio. Note that due to very little seasoning, the 2024 through 2026 cohorts have substantially lower rates. These rates will likely rise to the historical average once the loans with risk layers ultimately go to claim.

Exhibit I-14: Loss Rates for Mortgages With and Without Risk Layers, Cohorts 2015-2026



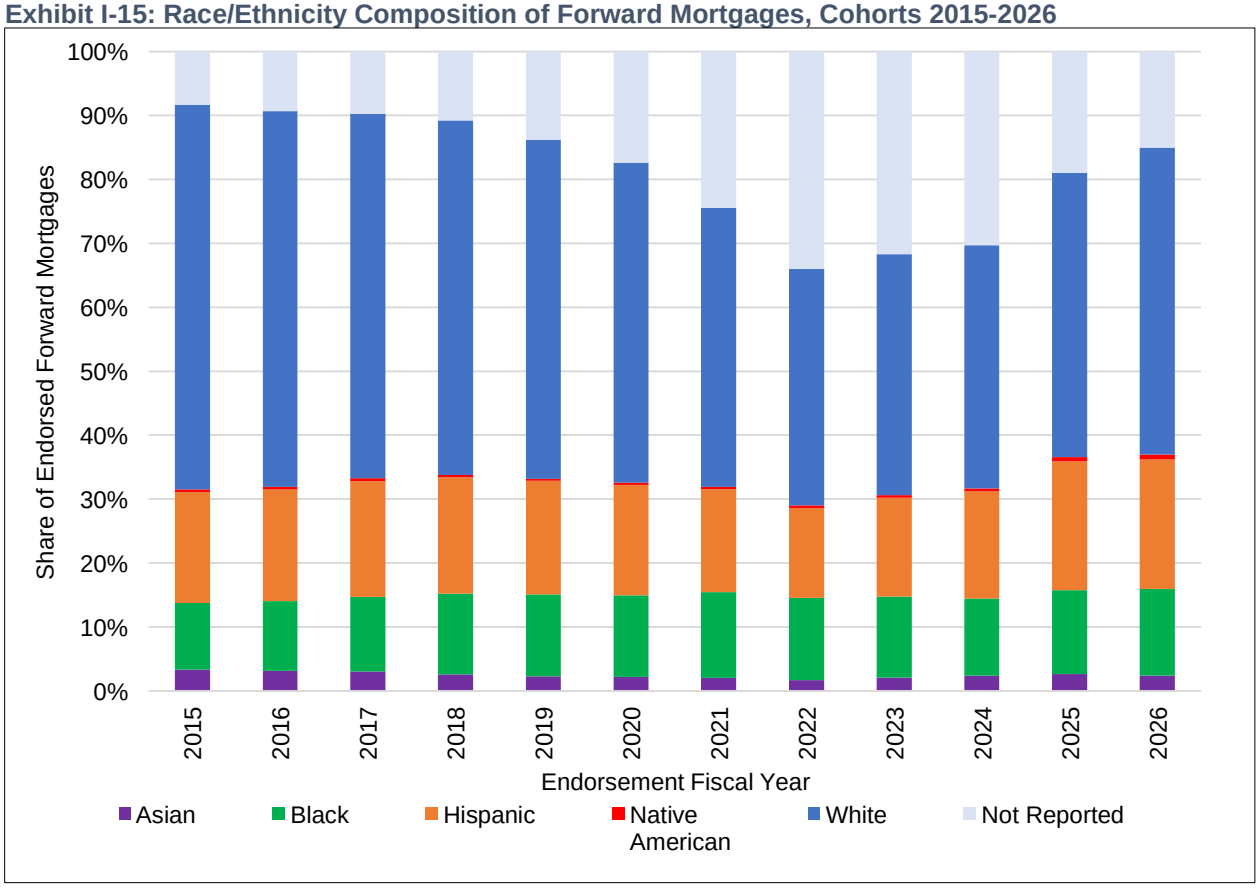
Source: U.S. Department of HUD/FHA, October 2026. Refer to data table B-14 in Appendix B.

The exhibits above point to a common conclusion: loans with all three risk layers present an elevated cost to the MMI Fund and therefore warrant additional monitoring.

Forward Endorsements Race/Ethnicity Composition

FHA-insured mortgages continue to provide an important source of financing for minority borrowers. Exhibit I-15, below, shows that in FY 2026, the composition of borrowers using FHA-insured mortgages was: 2.38 percent Asian; 13.56 percent Black; 20.28 percent Hispanic; 0.72 percent Native American; and 48.05 percent White. As in past years, a significant number of borrowers with FHA-insured mortgages (15.01 percent or 140,407 borrowers) chose not to identify race at origination in FY 2026.[8] The number of borrowers who chose not to identify their race continued to decline substantially in both FY 2025 and FY 2026, returning to FY 2019 levels. White and Black borrowers saw the most significant increases in share at 3.59 percentage points and 0.46 percentage points, respectively.

Exhibit I-15: Race/Ethnicity Composition of Forward Mortgages, Cohorts 2015-2026



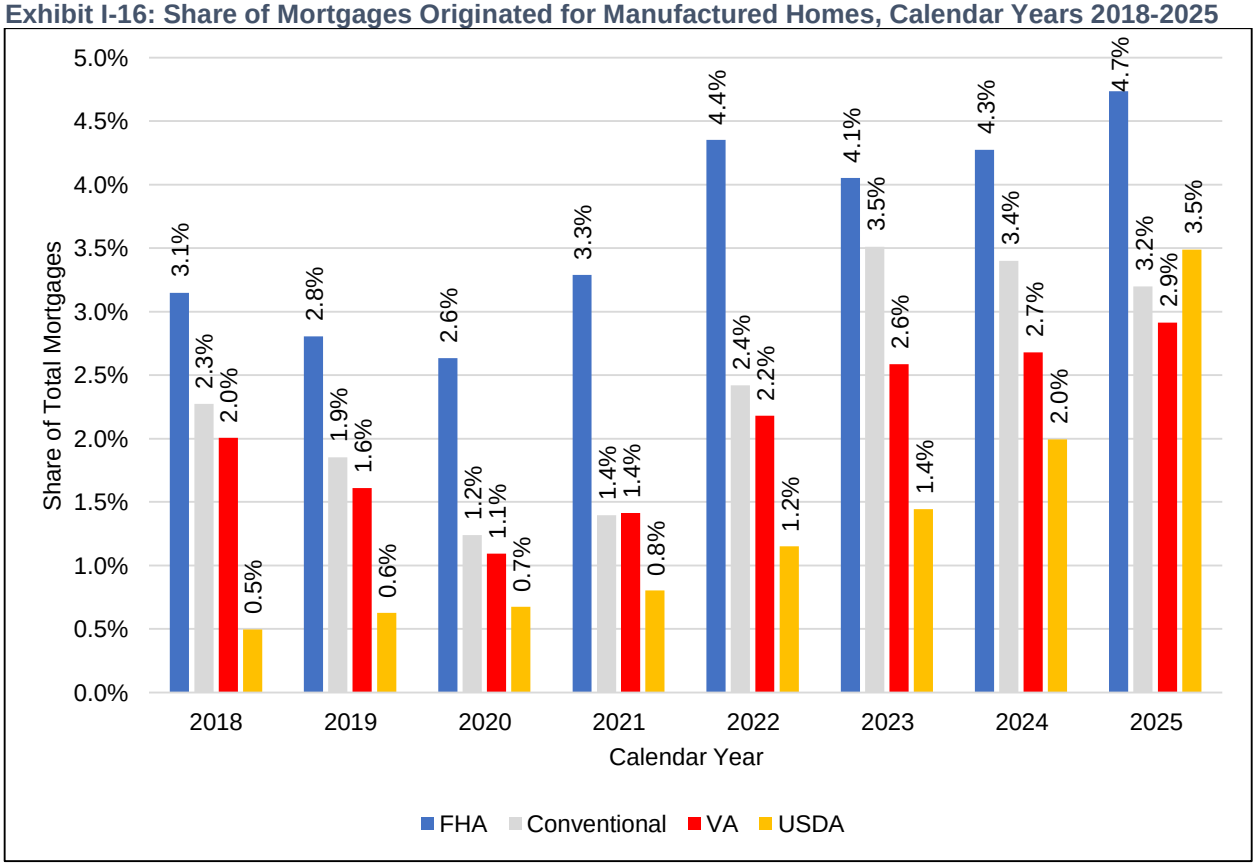
Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table B-15 in Appendix B.

[8] Declaration of race and ethnicity is voluntary for borrowers. FHA's share of non-respondents continued to decrease substantially from 30.30 percent in FY 2024 to 18.98 percent in FY 2025 to 15.01 percent in FY 2026. Note that the share of non-reporting of race and ethnicity has grown substantially since a low of 4.46 percent in FY 2005.

Forward Manufactured Housing

FHA insures mortgages on qualifying manufactured homes titled as real estate through its Title II forward and HECM programs. As shown in Exhibit I-16, in calendar year 2025 (the most recent year of market data available), the percentage of FHA Title II endorsements for mortgages used to finance manufactured homes was higher than the rate for the rest of the market. Year-over-year, FHA's share increased by 0.4 percentage points, while the share of conventional loans decreased by 0.2 percentage points, the share of the United States Department of Veterans Affairs (VA) loans increased by 0.2 percentage points, and the share of United States Department of Agriculture (USDA) loans increased by 1.5 percentage points.

Exhibit I-16: Share of Mortgages Originated for Manufactured Homes, Calendar Years 2018-2025



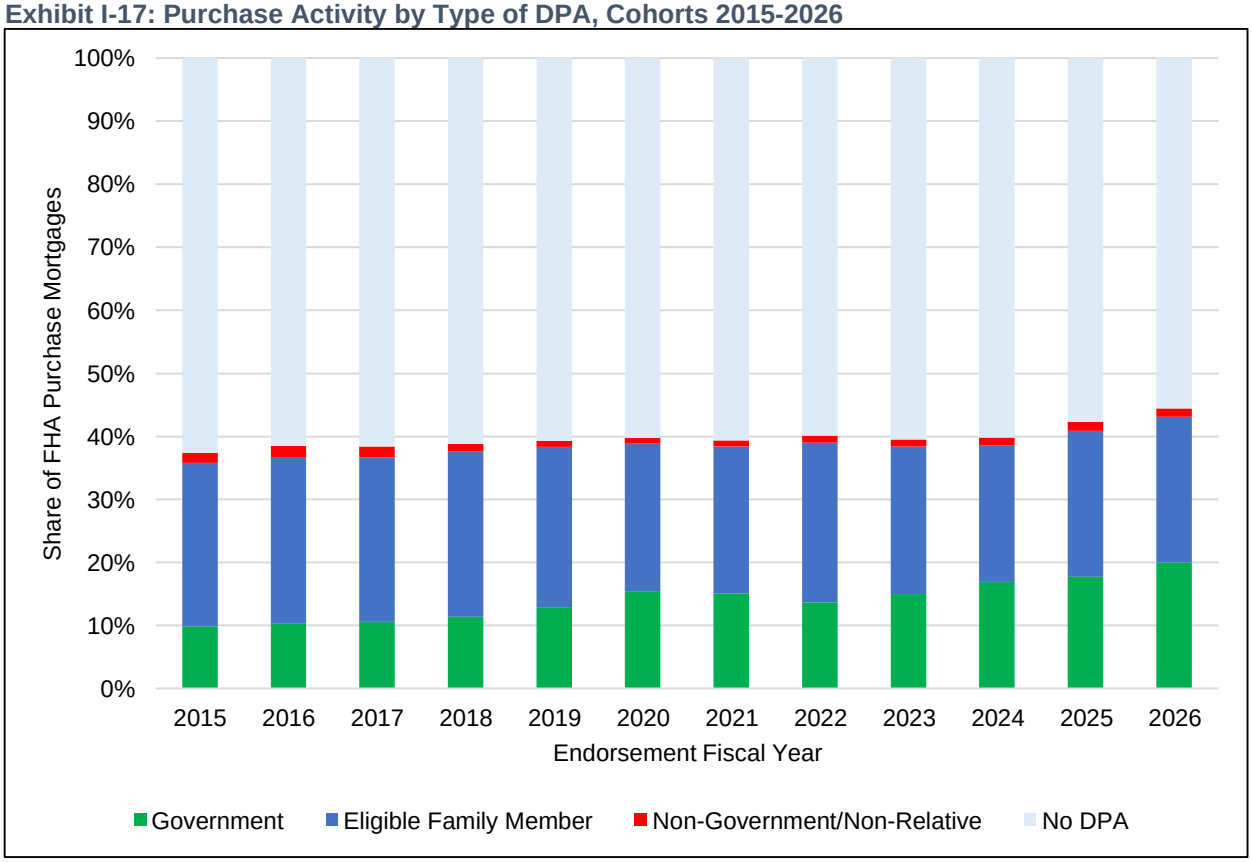
Source: U.S. Department of HUD/FHA, October 2026. Data includes HMDA data and is only available up until 2025.
Refer to data table B-16 in Appendix B.

Forward Purchase Endorsements with Down Payment Assistance

FHA permits a borrower's minimum required investment, often referred to as a down payment, to be funded by eligible sources other than the borrower. As Exhibit I-17 shows below, in FY 2026, 55.53 percent of purchase mortgages did not utilize any down payment assistance (DPA). The remaining 44.47 percent utilized DPA, a new high over the past 16 years.

Gift funds from eligible family members remained the largest source of DPA for borrowers in FY 2026, with 23.12 percent utilization across purchase mortgages. Loans with DPA from government sources represented 19.99 percent of FY 2026 purchase mortgages.[9]

Exhibit I-17: Purchase Activity by Type of DPA, Cohorts 2015-2026



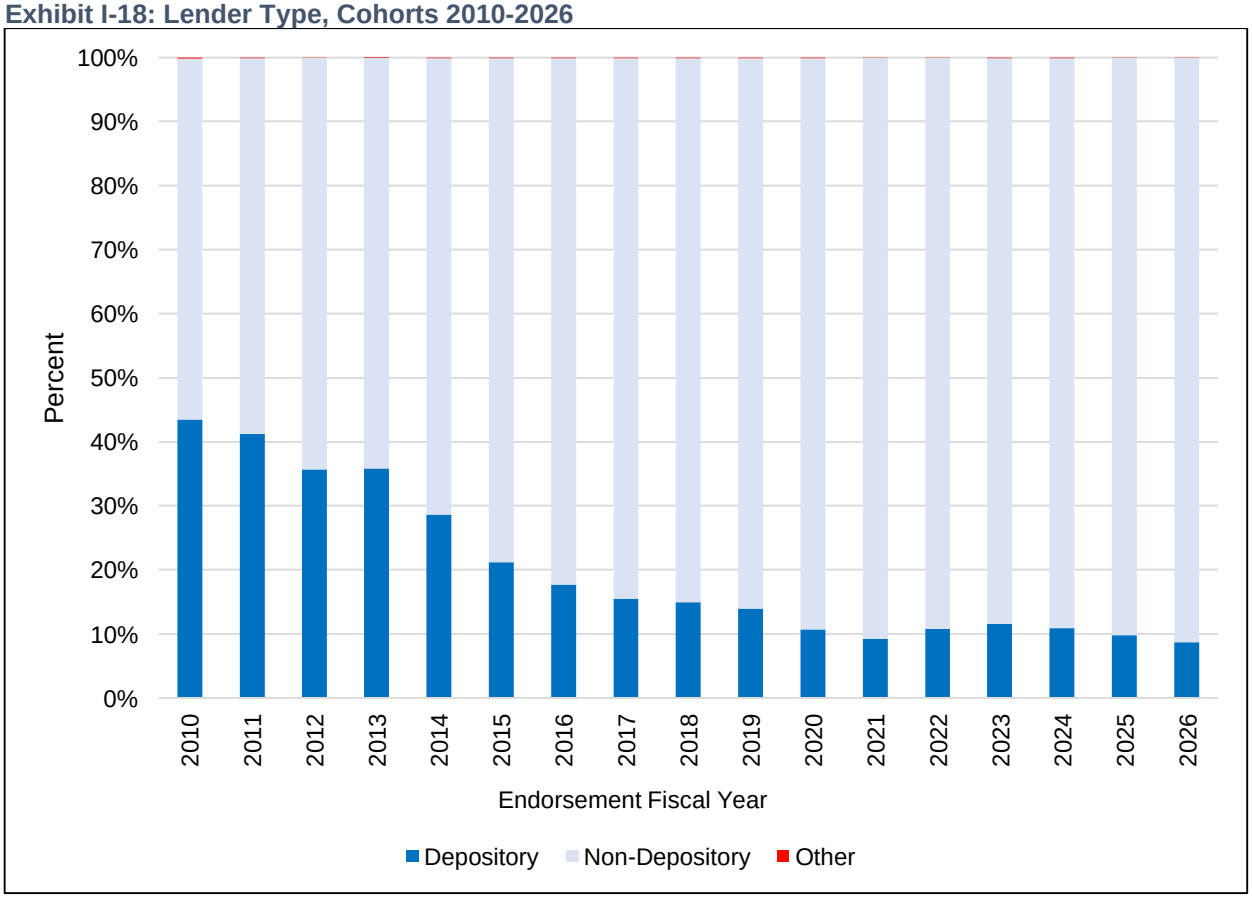
Note: Data does not account for instances where DPA data was missing from origination data submitted to FHA.
Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table B-17 in Appendix B.

[9] Borrowers accepting down payment assistance from a governmental entity may execute a note and security instrument agreeing to repay the assistance under specified conditions, unlike a gift from a relative.

Forward Mortgage Lender Type

FHA forward mortgage endorsements originated by traditional depository institutions have decreased by 35 percentage points since FY 2010. These entities now represent less than 10 percent of all forward endorsements. Non-depositories continue to hold a dominant position in forward endorsements. The share of new FHA forward endorsements originated by non-depository institutions in FY 2026 is 91.22 percent, as illustrated in Exhibit I-18 below. This represents more than a full percentage point increase over the 90.12 percent in FY 2025.

Exhibit I-18: Lender Type, Cohorts 2010-2026

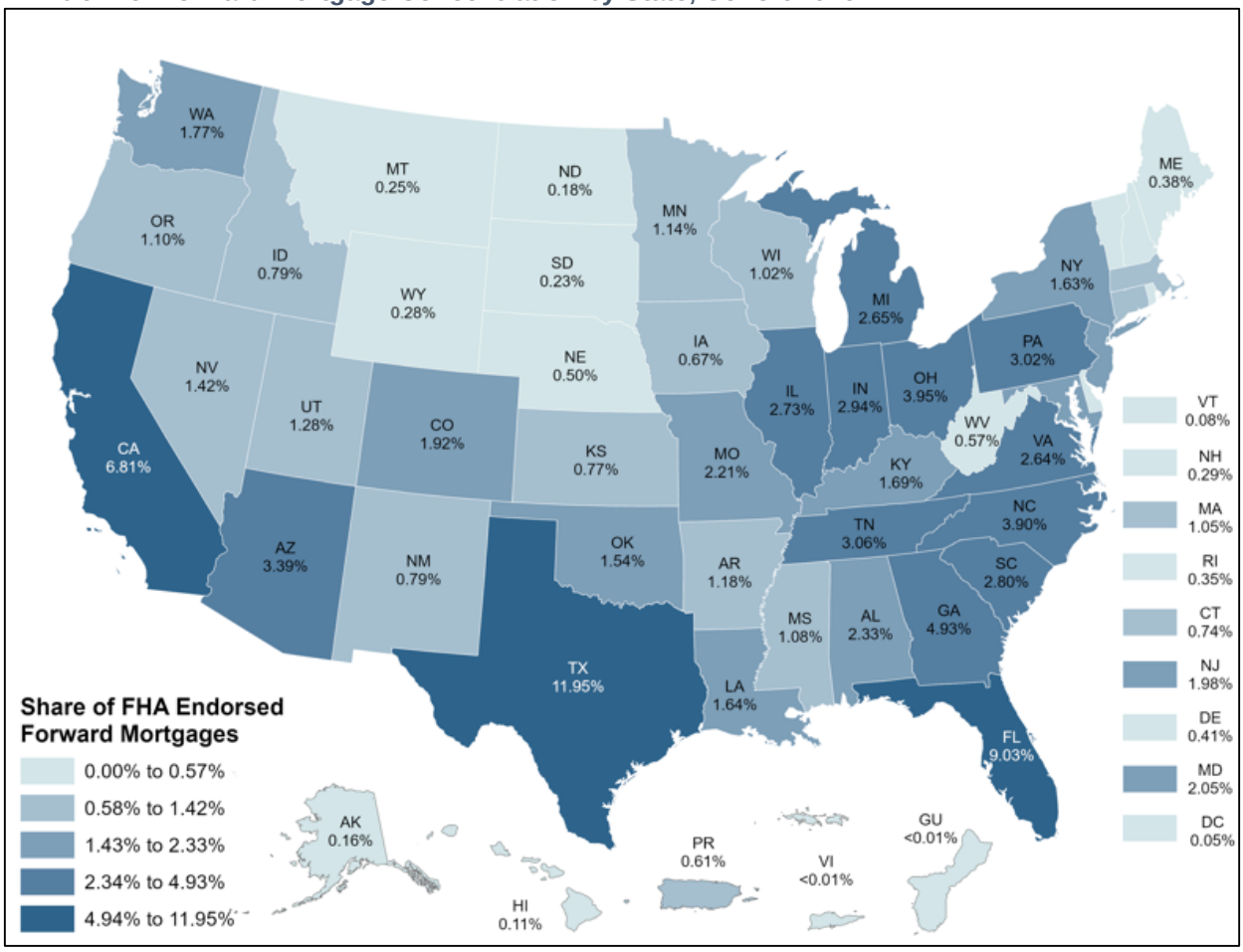


Note: This exhibit accounts for all forward endorsements, including streamline refinance mortgages.
Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table B-18 in Appendix B.

Forward Mortgages by State

FHA borrowers are located throughout the United States. Exhibit I-19, below, illustrates the distribution of FY 2026 forward mortgages by state. In FY 2026, the three states with the highest number of forward mortgages were Texas (12.0 percent), Florida (9.0 percent), and California (6.8 percent). These states accounted for 27.8 percent of forward mortgages. These are also the three most populous states. Slightly over half (53 percent) of all forward endorsements were concentrated in the top ten states with the largest counts. In general, the distribution of FHA-insured mortgages is correlated with the population distribution throughout the country.

Exhibit I-19: Forward Mortgage Concentration by State, Cohort 2026

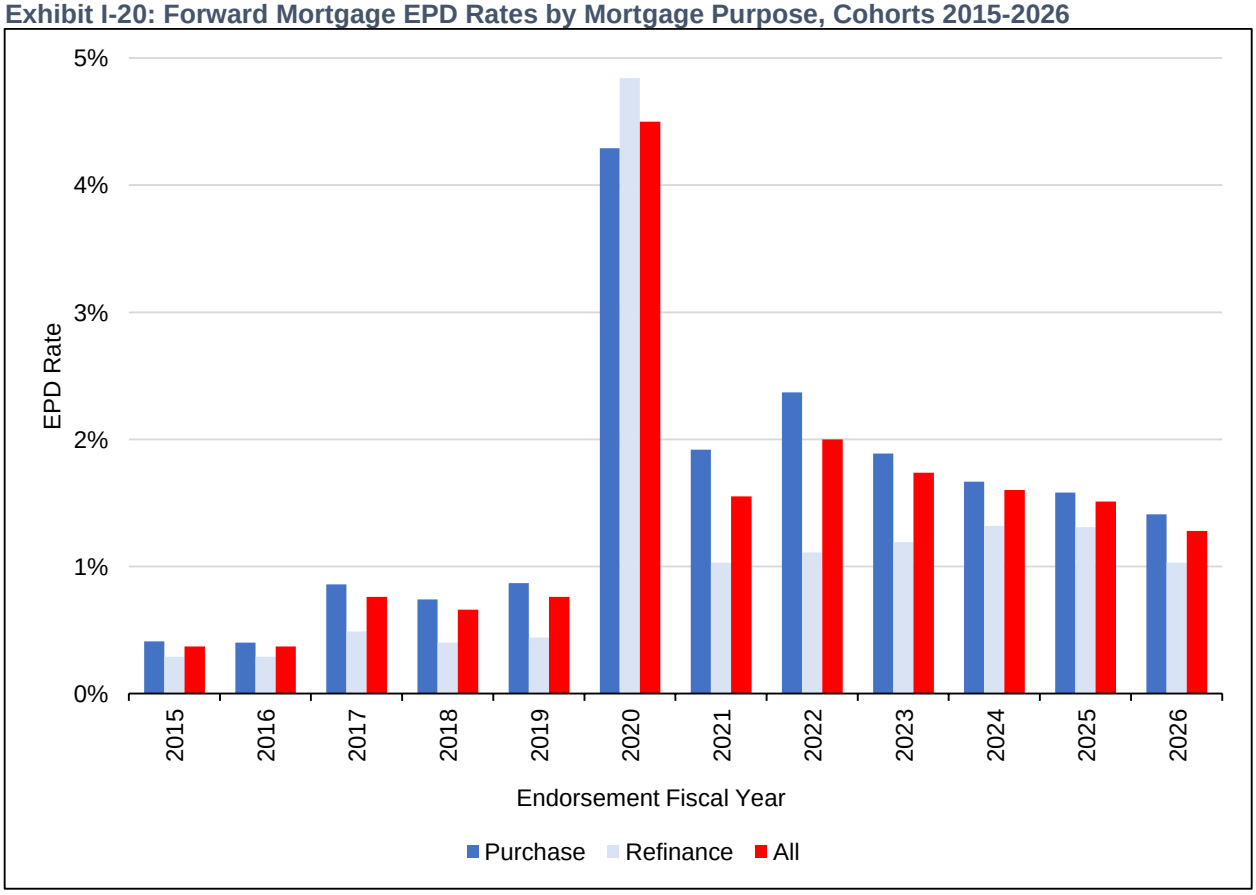


Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table B-19 in Appendix B.

Forward Early Payment Default Rates

Exhibit I-20 shows that in FY 2026, EPD rates fell to 1.28 percent, continuing an improving multiyear trend, down from a high of 4.50 percent in FY 2020. Nevertheless, EPD rates remain elevated compared with pre-COVID-19 levels. The cumulative improvement observed since FY 2022 is 0.7 percentage points. Higher EPD rates over the past six years are partially driven by a pattern of higher DTIs in response to sustained higher home prices, which continue to constrain borrowers' budgets. Since FY 2022, higher average credit scores, with slightly moderating DTIs, helped reduce EPD rates.

Exhibit I-20: Forward Mortgage EPD Rates by Mortgage Purpose, Cohorts 2015-2026



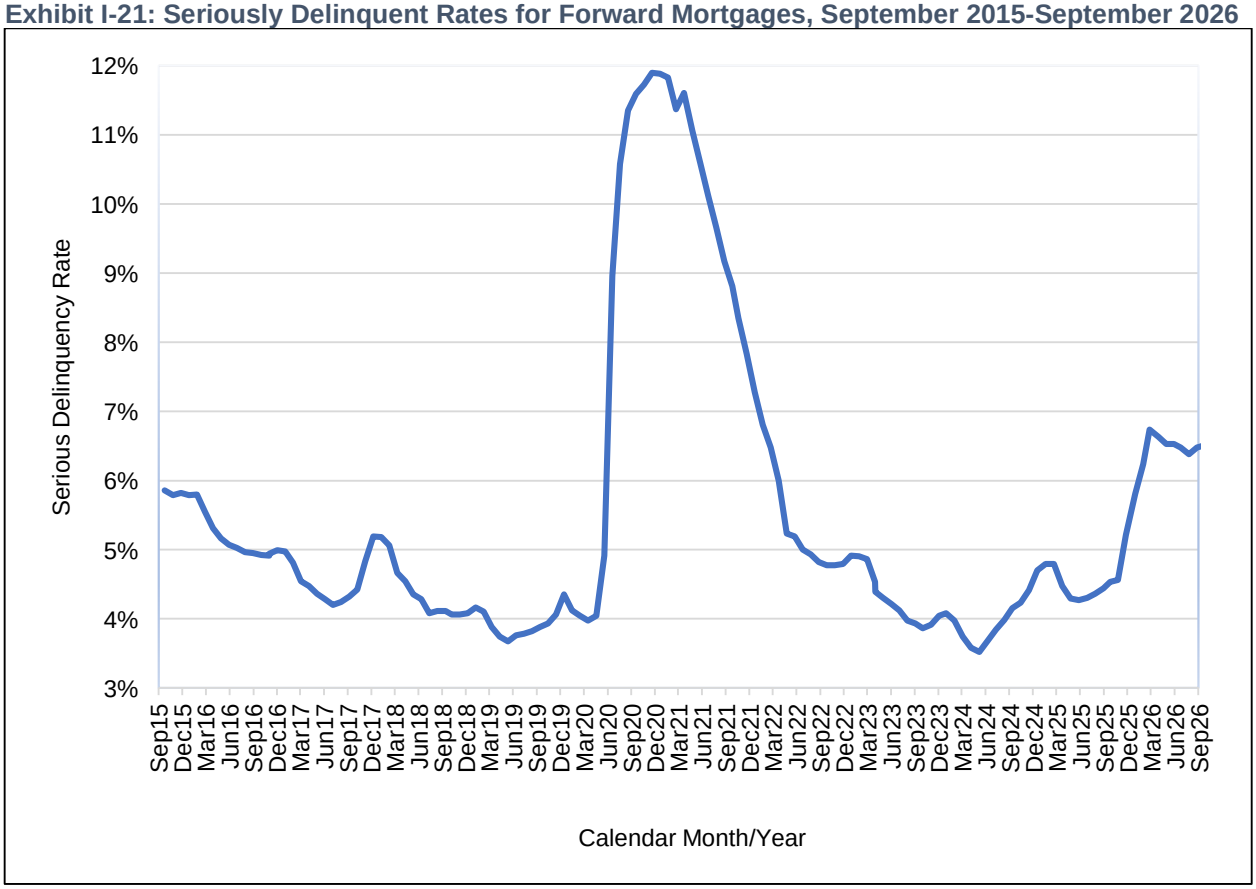
Note: FY 2026 data is through February 2026 endorsement dates.
Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table B-20 in Appendix B

Forward Seriously Delinquent Rates

FHA closely tracks and evaluates loans becoming SDQ to identify trends and possible risks. Exhibit I-21, below, shows the SDQ rate over the past eleven years. From FY 2016 through FY 2019, SDQs fell as the effects of the Great Recession diminished and the economy improved meaningfully. Starting in April 2020, during the COVID-19 National Emergency, a significant number of FHA borrowers requested and obtained forbearance. While on forbearance, borrowers are not required to make payments but are still counted as seriously delinquent. The SDQ rate peaked in November 2020 at 11.90 percent. As borrowers transitioned out of forbearance, the seriously delinquent rate generally trended down and reached a recent low of 3.52 percent in May 2024. Since that low point, the seriously delinquent rate generally rose over the next eighteen months to 4.56 percent in October 2025.

With the implementation of the new permanent loss mitigation waterfall, rates rose to a high of 6.74 percent in February 2026 before declining slightly, reaching 6.51 percent by September 2026. As discussed at length in the Overview Chapter, much of the recent uptick in SDQ reporting can be attributed to the recent loss mitigation changes and their impact on the population of "churning borrowers" that have repeatedly availed themselves of home retention options without long-term success.

Exhibit I-21: Seriously Delinquent Rates for Forward Mortgages, September 2015-September 2026



Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table B-21 in Appendix B.

Property Dispositions and Loss Rate Trends

FHA maintains a series of property disposition claim options, which are deployed at different stages after default, to mitigate FHA's losses to the MMI Fund. Historically, after borrowers defaulted on their loans, lenders foreclosed on the loans and conveyed the foreclosed properties (i.e., REO) to FHA in exchange for claim payments. FHA then managed and sold the REOs to recover on the claim payments. However, FHA's hold time prior to sales was substantial, and FHA incurred significant asset management costs. This caused lower net recoveries. In response, FHA developed multiple alternatives designed to mitigate losses and improve net recoveries to the MMI Fund.

Currently, in the event a borrower defaults and is unsuccessful or ineligible for a loss mitigation home retention option, the servicer may utilize a loss mitigation property disposition claim option, such as a Pre-Foreclosure Sale (i.e., a short sale) or DIL. In the event all loss mitigation is unsuccessful, the lender must foreclose on the loan and proceed in accordance with FHA's Claims Without Conveyance of Title (i.e., sale to a third party) or conveyance claim requirements. For DIL or foreclosed properties conveyed to FHA, FHA maintains updated REO disposition programs. Additionally, in lieu of foreclosure, FHA may leverage its assignment claims process to sell eligible defaulted forward mortgages through its single family note sale programs.

Below are four specific disposition claim types that significantly reduce losses to the MMI Fund:

1. PFS: This claim type is a loss mitigation property disposition option whereby the servicer is permitted to file a claim after allowing a borrower to sell the home for less than the outstanding mortgage balance, subject to FHA requirements and approval. PFS avoids the additional costs and longer timeframes associated with foreclosure and often results in a higher sales price. The cost savings and higher prices result in lower claim payments.

2. Single Family Sales (Note Sales): Through this program, FHA takes assignment of defaulted mortgage loans at the point of foreclosure in exchange for claim payment, and sells them in bulk to qualified bidders, transferring the loan and its associated servicing and resolution responsibilities under the sale terms. The purchaser then determines how to resolve the delinquency, which may include modification, borrower engagement, or foreclosure. This option has rarely been used for forward mortgages over the past decade.

3. CWCOT: Through this foreclosure-based claim option, the servicer sells the mortgaged property to a third party at foreclosure or in the servicer's post-foreclosure sale. The servicer can subsequently file a claim without conveying the property to FHA. The CWCOT program was designed to encourage competitive third-party bidding at foreclosure auctions and to eliminate costly conveyances to FHA.

4. REO Disposition Sales: Through this foreclosure-based claim option, the servicer conveys REO to FHA in exchange for claim payment, and FHA manages, markets, and sells the REO through a variety of competitive and direct sales programs. The net sale proceeds help offset the claim loss.

At the onset of the COVID-19 pandemic, FHA's disposition activity experienced dramatic shifts. FHA expanded forbearance and loss mitigation home retention options in response to market disruptions to help distressed borrowers avoid foreclosure. These expanded options, combined with federal legislation mandating foreclosure and foreclosure-related eviction moratoria, helped more than two million borrowers stay in their homes and delay or avoid foreclosure-related property dispositions.

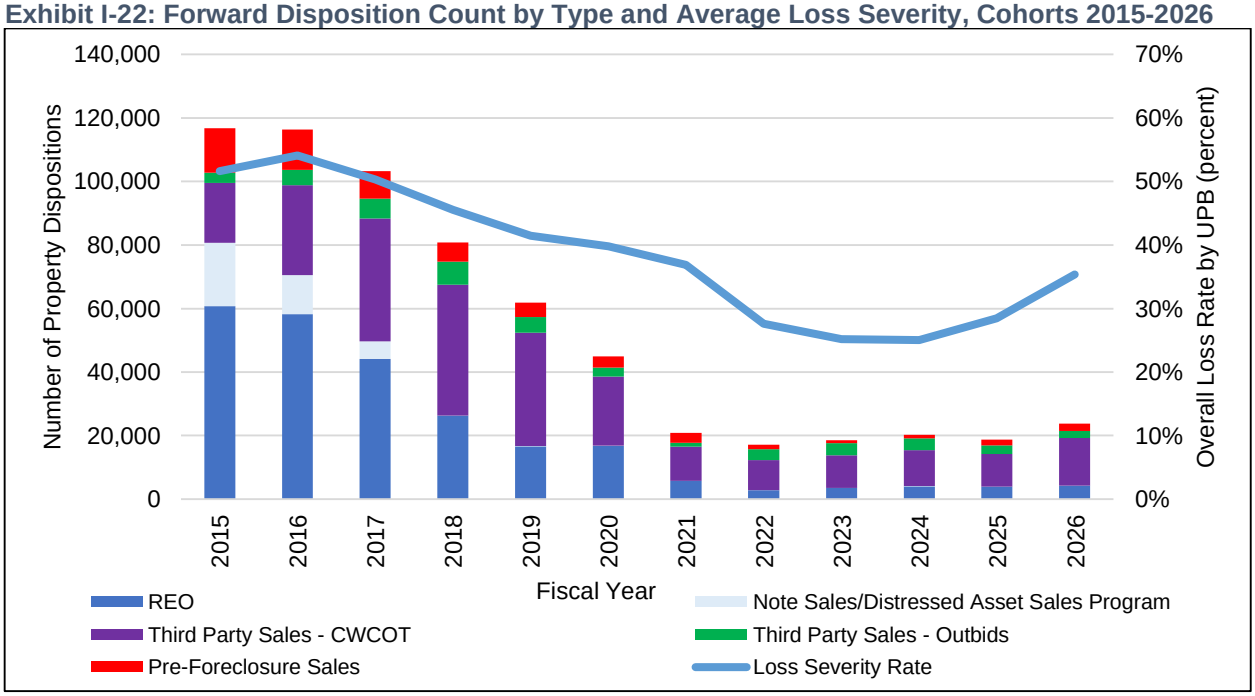
After the conclusion of the COVID-19 National Emergency, FHA transitioned toward a new loss mitigation framework, implementing stronger eligibility controls and safeguards to protect the MMI Fund. These new policies, via the Permanent Loss Mitigation Options, were implemented at the beginning of FY 2026. As a result, disposition activity during this past fiscal year was shaped by two trends:

1. **Higher disposition volume:** COVID-19-era loss mitigation home retention policies and foreclosure restrictions suppressed liquidation activity. The revised permanent loss mitigation waterfall and the 1-in-24-month restriction for obtaining a subsequent permanent loss mitigation option are normalizing the flow of defaulted loans into disposition.
2. **Higher loss severity:** An extended period of strong HPA helped keep historical losses unusually low by building borrower equity and increasing collateral recoveries associated with PFS, CWCOT, and REO. As that tailwind weakens, sales prices on property dispositions have been lower and therefore losses on liquidated loans are rising from their recent lows.

These trends point toward a period of increasing FHA disposition activity and higher losses, as shown in Exhibit I-22. The magnitude of these trends will depend on how quickly the delinquency backlog clears, changes in home values, and the relative share of PFS, Note Sales, CWCOT, and REO in the final disposition mix. Note, in Exhibit I-22, there are a modest number of Third Party Sales Outbids. These outbids occur when the sale price at the foreclosure auction exceeds the outstanding loan balance plus expenses. In these cases, a claim is not filed and FHA experiences no losses.

Year-over-year, the average loss rate increased from 28.50 percent to 35.36 percent. However, recent loss rates are significantly lower than a high of 63.15 percent in FY 2009. The decline in loss severity over this period was chiefly due to the substantial growth in home prices, which increased proceeds from property sales.

Exhibit I-22: Forward Disposition Count by Type and Average Loss Severity, Cohorts 2015-2026



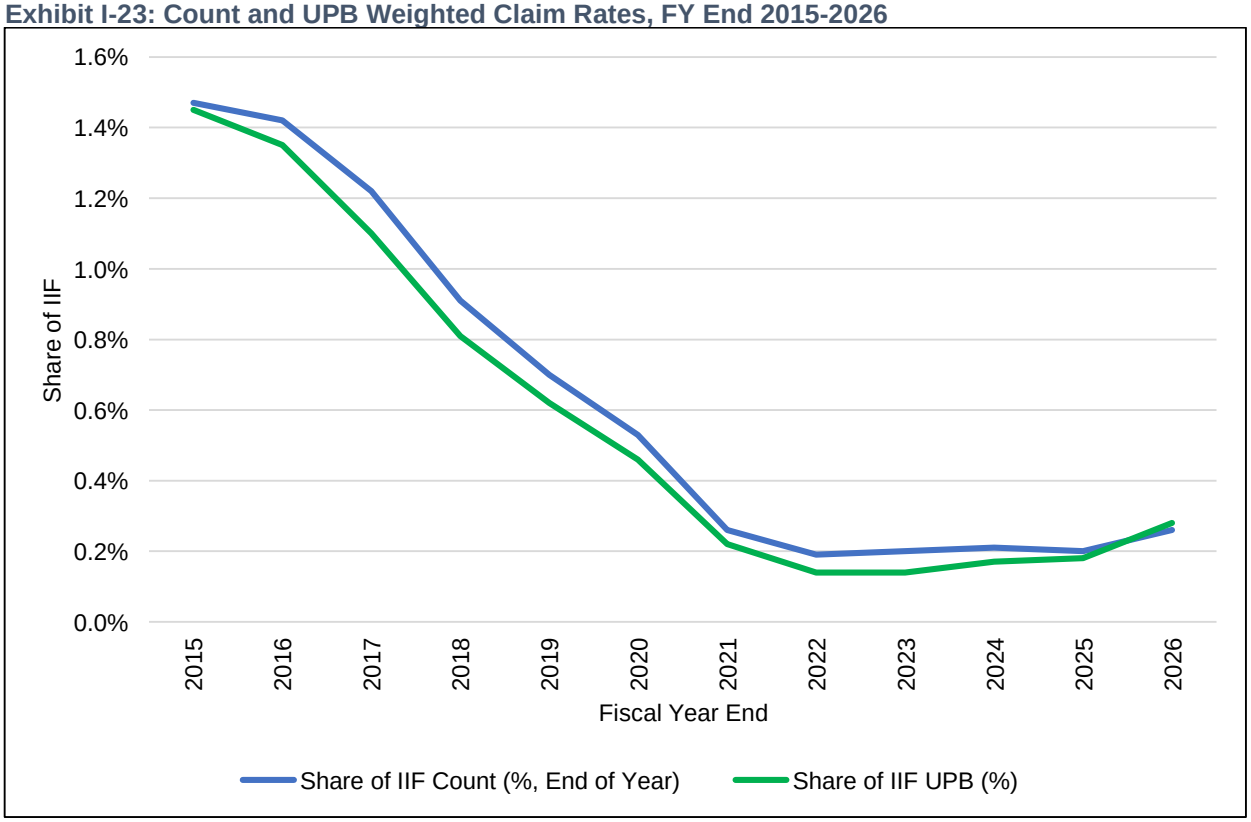
Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table B-22 in Appendix B.

Forward Claim Rate

Claims are filed when a property disposition does not cover the unpaid balance of a loan plus associated expenses. Over the past few years, high sale prices that exceed the unpaid balance of the loan plus expenses have reduced the need for claim payments in many circumstances. However, this is likely to wane as HPA returns to historical averages. Higher LTV ratios, lower principal amortization, and adjustable-rate mortgage payment shocks can increase vulnerability. The outstanding balance of a loan relative to the current value of a home is generally more impactful on loss severity than the size of the original down payment.

Exhibit I-23, below, shows claims as percentages of IIF count and UPB. As seriously delinquent rates trended downward between FY 2015 and FY 2022, fewer loans required loss mitigation property dispositions. This, in combination with a favorable housing and economic environment and successful loss mitigation actions by FHA servicers, reduced the number of dispositions performed by FHA. Furthermore, with COVID-19 foreclosure moratoria and significant loss mitigation home retention assistance, fewer loans required disposition. However, as described above, this trend is beginning to reverse. Year-over-year, the unit count and UPB-weighted claims rates have risen by 0.06 and 0.10 percent to 0.26 percent and 0.28 percent, respectively. Claim rates are still historically low, and the recent increases are small. However, FHA remains vigilant as new claims are expected.

Exhibit I-23: Count and UPB Weighted Claim Rates, FY End 2015-2026



Note: Data includes funds outside of MMI Fund and outbids.
Source: U.S. Department of HUD/FHA, October 2026.FY 2026 data may have de minimis adjustments due to late reporting of disposition sales.
Refer to data table B-23 in Appendix B.

Home Equity Conversion Mortgage Program

Overview

FHA insures the majority of reverse mortgages in the nation through the HECM program. However, since 2019, a robust proprietary reverse mortgage market has begun to emerge. During FY 2026, proprietary reverse mortgage originations exceeded FHA's HECM volume for the first time ever.

The HECM program enables senior homeowners aged 62 or older who meet FHA requirements to withdraw an actuarially determined portion of their home equity. There are no corresponding requirements to repay the borrowed amounts while a borrower or eligible surviving spouse continues to reside in the property as their primary residence and keeps property tax and insurance obligations paid. Instead, the principal borrowed, along with interest, MIPs, property charges paid from a set-aside, and servicing fees are capitalized to the mortgage balance over time. As a result, generally, HECM balances continue to grow over the life of the HECM and may ultimately, in some cases, equal or exceed the value of the home. If FHA's claim payment plus post-assignment cash draws exceeds the home's value, the MMI Fund may experience losses. After assignment, if the borrower or heirs pays off a HECM's UPB and that value exceeds FHA's claim and expenses, or if the HECM asset sale price exceeds FHA's claim and expenses, the MMI Fund will experience a positive return.

There are two primary ways in which FHA manages its HECM financial risk exposure from claims:

1. Setting an MCA, which caps the size of the HECM insurance claim a lender can receive. The MCA is determined based upon the value of the home at origination and does not change over the life of the mortgage.

2. Setting a Principal Limit Factor (PLF) that constrains the percentage of the equity that a HECM borrower can initially draw down. The PLF is based upon a variety of factors, including the value of the property, the age of the youngest borrower or eligible non-borrowing spouse, and the interest rate charged to the borrower.[10]

When the Housing and Community Development Act of 1987 initially authorized the HECM program, it was made available on a limited basis and all HECMs became obligations of FHA's General Insurance (GI) Fund. Starting in FY 2009, all new HECM endorsements became obligations of the MMI Fund.

FHA consistently reviews the current outstanding MCA, current total principal limit (PL), and current IIF balances of the HECM portfolio by fiscal year of endorsement. As of September 30, 2026, the HECM portfolio in the MMI Fund represented a total MCA of $111.64 billion, a current PL of $78.98 billion, and a current IIF of $63.52 billion.

[10] The inclusion of a non-borrowing spouse was made for all HECMs after August 4, 2014. In addition, the age of the youngest non-borrowing spouse was first introduced as a factor on August 4, 2014.

There are many drivers of HECM endorsement volume. Here are several examples:

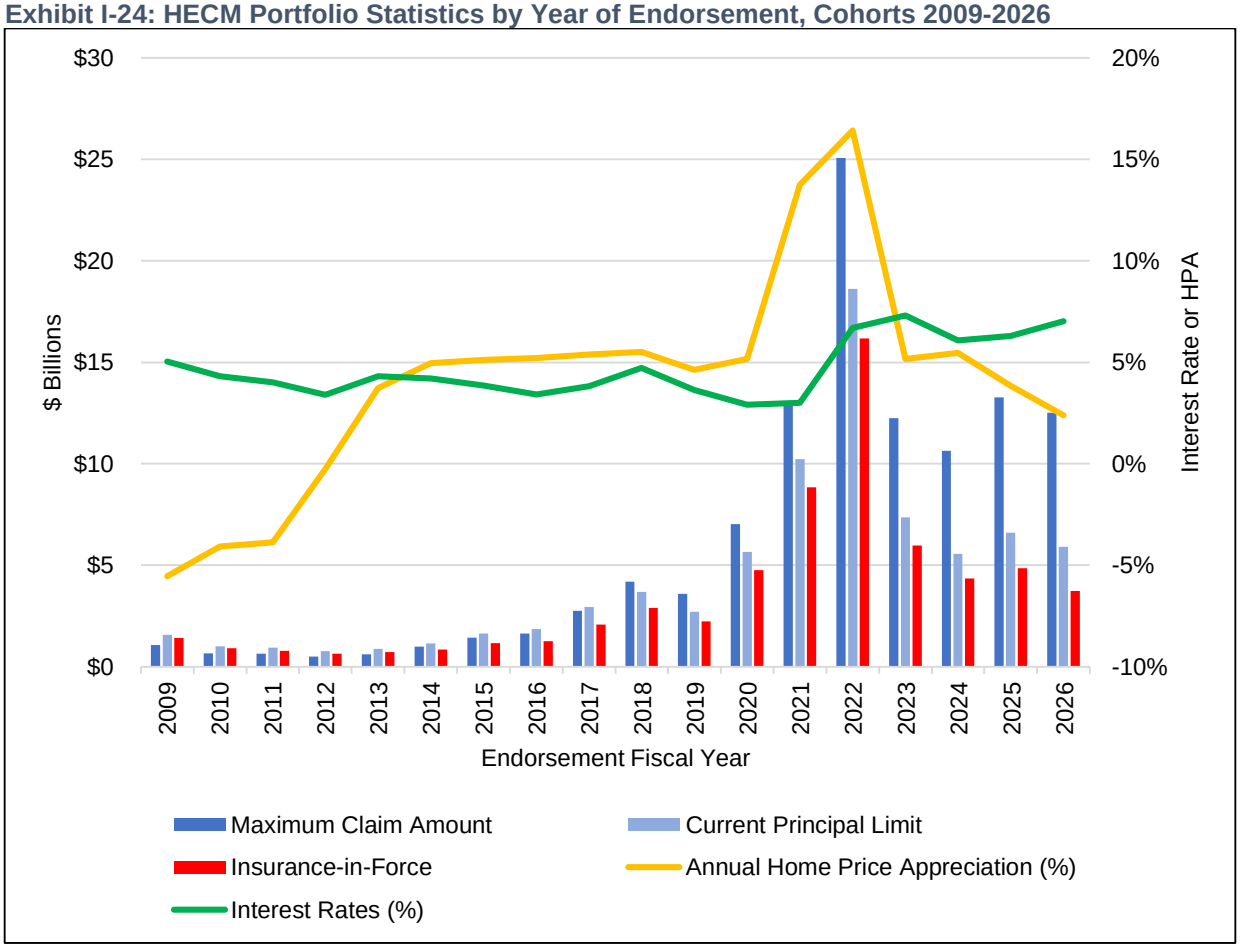
- **Demographics and the aging population:** The aging U.S. population provides a structural tailwind for HECM demand, as more homeowners reach age 62 and become eligible for a reverse mortgage. However, demographic growth alone has not translated into higher endorsements. Many older homeowners remain reluctant to use home equity, are unfamiliar with the product, or find that current loan economics do not meet their needs.

- **Interest rates and borrower proceeds:** Interest rates are a key cyclical driver of HECM originations. Most HECMs have adjustable rates, and higher expected interest rates reduce the PLF, lowering the amount of equity borrowers can access relative to their home's appraised value. Higher rates also increase the rate at which the outstanding loan balance grows over time. Consequently, lower rates generally increase product attractiveness, raising endorsements, while higher rates constrain demand. Borrowers may delay taking out a HECM in anticipation of more favorable rates.

- **Home price appreciation and available equity:** Rising home prices increase the appraised value of eligible properties and can expand the dollar amount of equity available to borrowers. This supports higher maximum claim amounts and potentially larger borrower proceeds, increasing the appeal of HECMs. Conversely, slower appreciation or declining home values can constrain available proceeds and reduce demand. Available proceeds also depend on borrower age, interest rates, FHA lending limits, and existing mortgage balances.

Overall, HECM endorsements reflect the interaction of a growing eligible population with interest-rate-sensitive borrowing capacity and housing wealth. Aging demographics provide the structural demand base, while lower interest rates and stronger home price appreciation generally support originations by increasing the proceeds borrowers can access. Elevated rates can offset demographic and equity growth, helping explain why HECM production has remained subdued despite record levels of senior homeowner equity. Exhibit I-24, below, provides annual endorsement statistics alongside HPA and interest rates to demonstrate the relationship.

Exhibit I-24: HECM Portfolio Statistics by Year of Endorsement, Cohorts 2009-2026

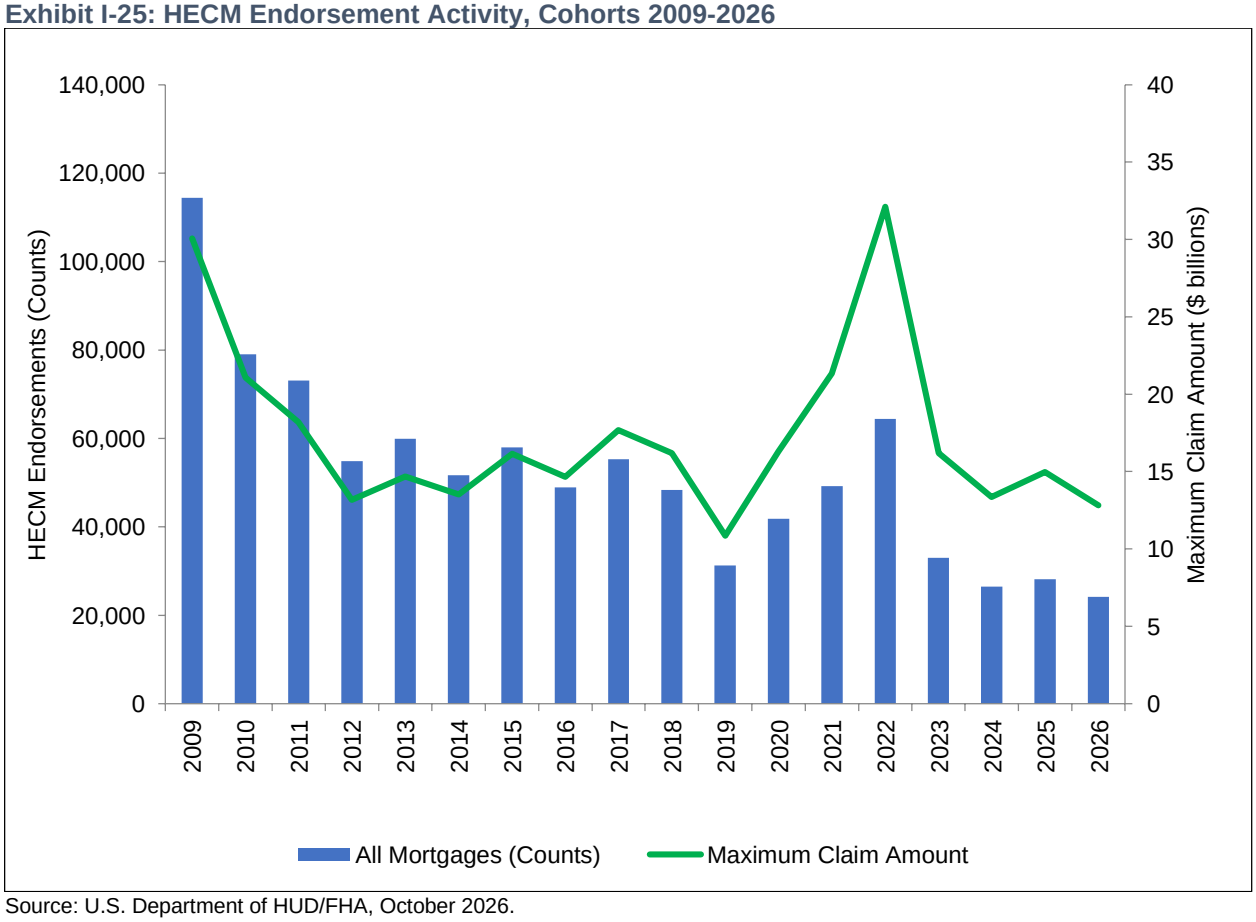


Source: U.S. Department of HUD/FHA, October 2026.
Note: Refer to data table B-24 in Appendix B.

HECM Endorsement Trends

FHA provided insurance endorsements for 24,162 HECM loans in FY 2026, representing an MCA of $12.81 billion for those endorsements, as shown in Exhibit I-25 below.[11] These endorsements were a 14.16 percent decrease from the 28,149 endorsements in FY 2025. MCA dollars in FY 2026 decreased nearly 14 percent from the MCA on FY 2025 endorsements. By MCA, HECM endorsements increased by 196 percent from FY 2019 to FY 2022, when mortgage rates were at historically low levels and home values were climbing precipitously. Over the past five years, in a higher rate environment, HECM endorsements have fallen from this high, but have remained relatively consistent year-over-year.

Exhibit I-25: HECM Endorsement Activity, Cohorts 2009-2026



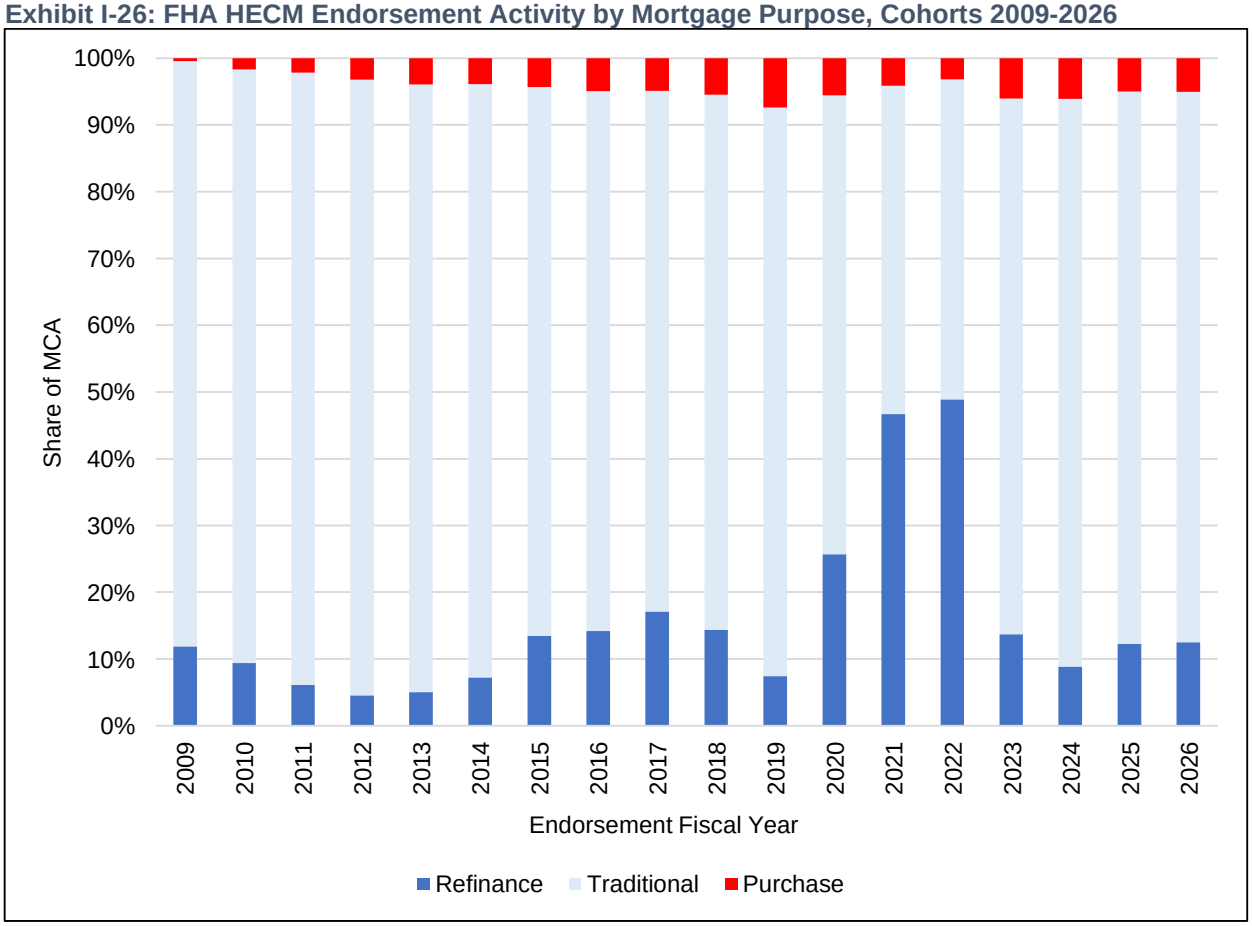
Source: U.S. Department of HUD/FHA, October 2026.
Note: Refer to data table B-25 in Appendix B.

[11] Maximum Claim Amount is used to calculate proceeds and is equal either to the appraised value of the home or the FHA lending limit, whichever is less. ML 2025-22 set the HECM lending limit at $1,249,125 for 2026.

HECM Loan Purpose

As shown in Exhibit I-26, below, the share of HECM refinance endorsements has substantially declined from the record levels reached during the low-rate environment of FY 2021 and FY 2022. The share of HECM refinances increased slightly this fiscal year, however, rising from 12.26 percent of HECM MCA in FY 2025 to 12.51 percent in FY 2026. Refinance endorsements allow existing HECM borrowers to tap into subsequent increases in home value. However, higher mortgage rates generally reduce the amounts borrowers can extract. Compounded interest under a higher rate reduces the equity available to a borrower at a faster pace. Sustained higher interest rates in FY 2026 continued to discourage higher levels of refinance activity.

Exhibit I-26: FHA HECM Endorsement Activity by Mortgage Purpose, Cohorts 2009-2026



Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table B-26 in Appendix B.

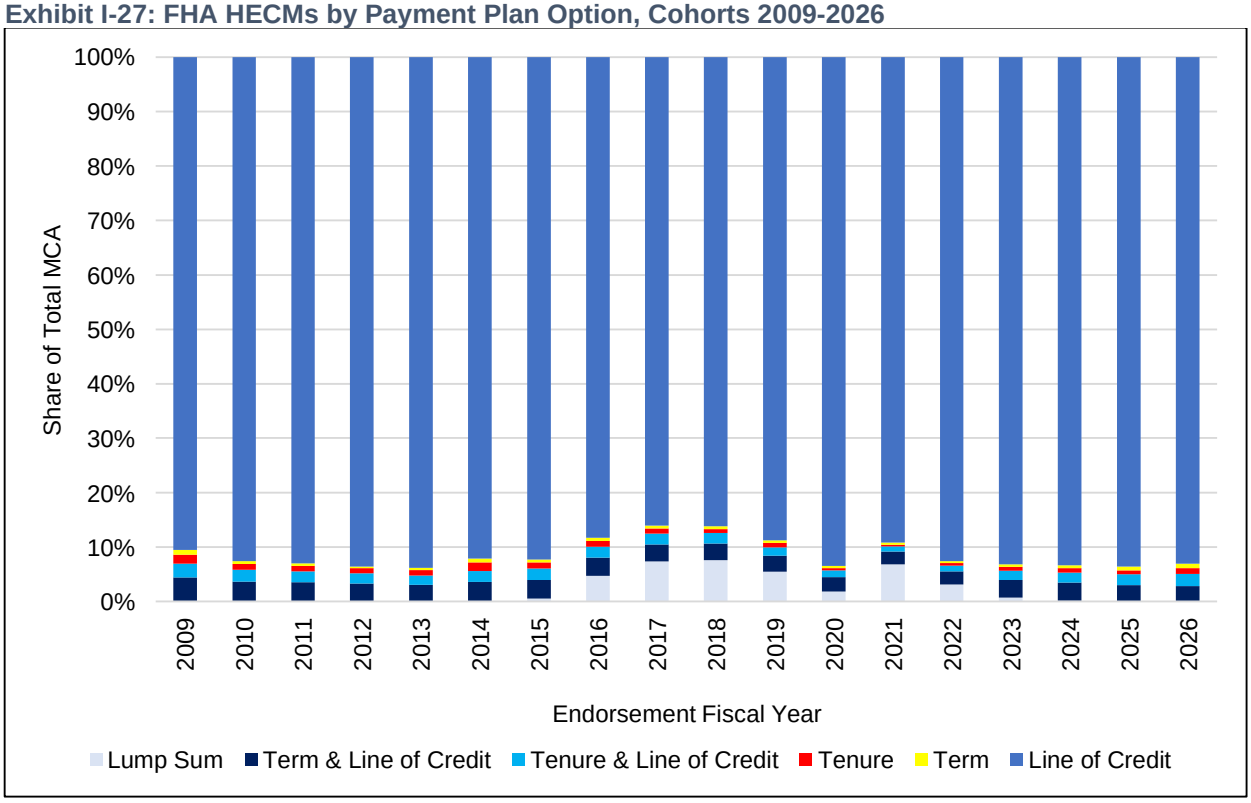
HECM Payment Plan Options

HECM borrowers can choose from the following payment options to receive mortgage proceeds:

1. **Lump Sum:** The borrower receives a single lump sum disbursement at closing. This payment option is only available for fixed-rate HECMs.
2. **Term:** Equal monthly payments are made to the borrower for a fixed term of months chosen by the borrower.
3. **Tenure:** Equal monthly payments are made to the borrower. The tenure payment option is paid for the life of the borrower/loan.
4. **Line of Credit:** Payments are made to the borrower at times and in amounts determined by the borrower until the line of credit is exhausted.
5. **Term or Tenure with Line of Credit:** Equal monthly payments are made to the borrower for a fixed period. These payment plans segregate a portion of the available principal for a line of credit and then provide monthly draws based on the borrower's selection of term or tenure.

Borrowers with fixed-rate HECMs cannot request a change in payment option. Borrowers with adjustable-rate HECMs originated after FY 2014 may request a change in payment option after the first 12-month disbursement period if the outstanding mortgage balance is less than the PL. Exhibit I-27, below, summarizes the share of total HECM MCA by payment plan option type and endorsement fiscal year. The Line of Credit option remained the most popular payment plan type in FY 2026 due to its flexibility.

Exhibit I-27: FHA HECMs by Payment Plan Option, Cohorts 2009-2026

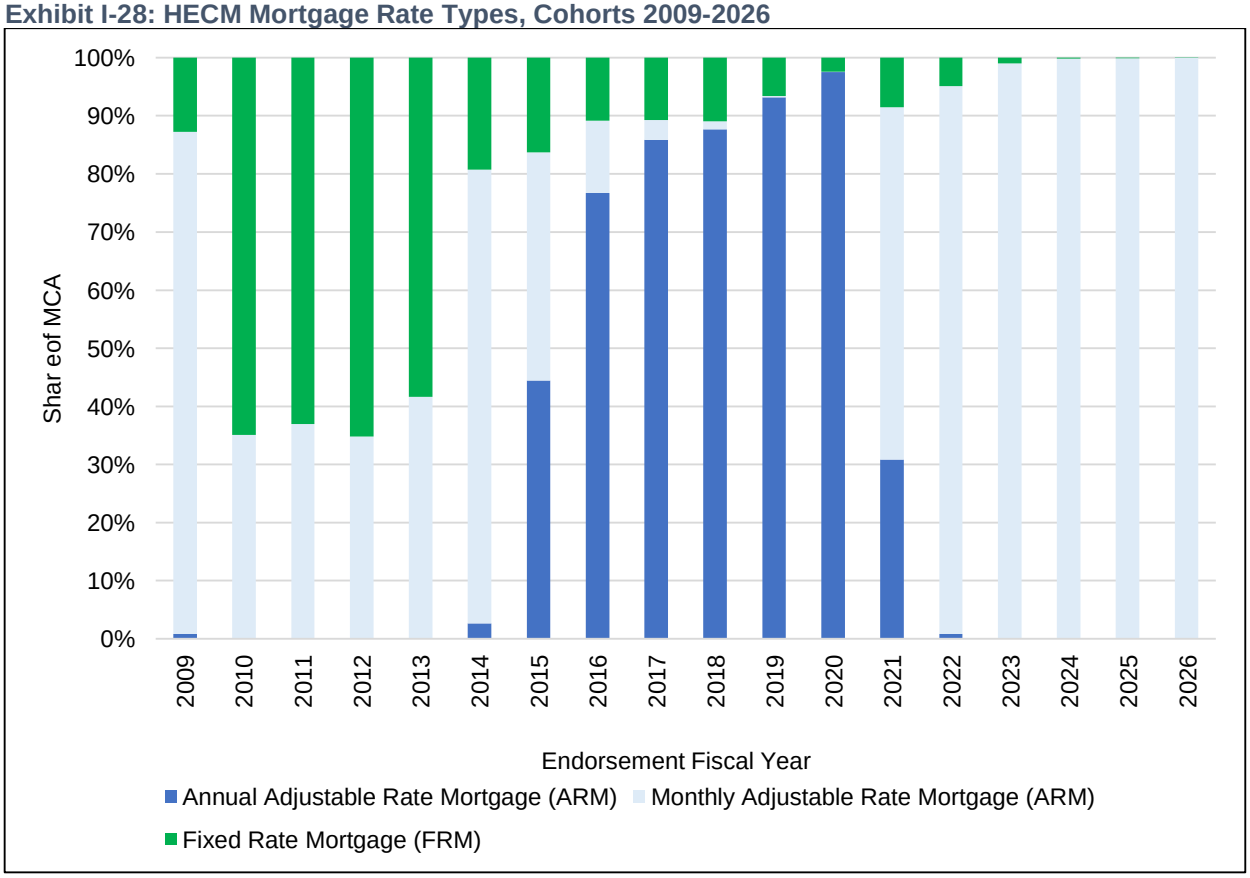


Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table B-27 in Appendix B.

HECM Interest Rate Type

Exhibit I-28, below, illustrates that the share of fixed rate HECMs generally trended down over the past decade. In FY 2026, 99.82 percent of HECMs by MCA were monthly Adjustable Rate Mortgages (ARMs), up from 99.79 percent in FY 2025. HECM borrowers' preferences for ARM products were, in part, a result of policies implemented in FY 2014, which reduced the amount of available principal and eliminated the option of future draws for a fixed-rate HECM borrower. Elevated mortgage rates in recent years also contributed to the further increase of ARM share, as borrowers prefer not to lock-in at higher fixed rates, but instead position themselves to benefit from any potential future rate drops over the life of the HECM.

Exhibit I-28: HECM Mortgage Rate Types, Cohorts 2009-2026

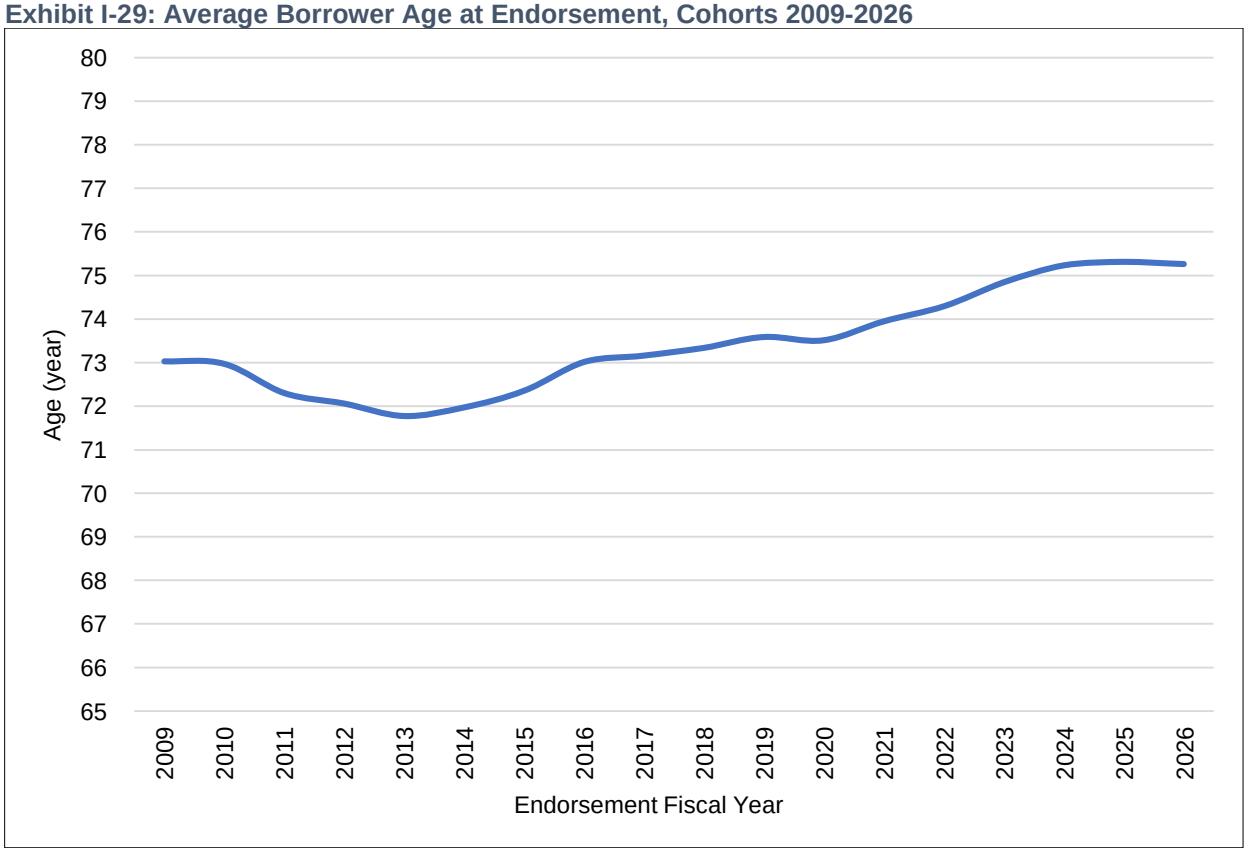


Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table B-28 in Appendix B.

HECM Average Borrower Age

Borrower age impacts the HECM program in many ways, but recently has mostly blunted the impact of home price appreciation. Older borrowers have shorter lifespans, which reduce loan durations. The most impactful factor on recoveries is HPA; the more time available for HPA accumulation, the greater returns on sales. Therefore, older average borrower ages can negatively impact the MMI Fund. As shown in Exhibit I-29, below, the average age at endorsement for HECM borrowers has increased gradually over the past decade, from just under 72 in FY 2013 to just above 75 in FY 2026 (see below). This has a slightly unfavorable impact on recent cohorts' net present value of cash flows.

Exhibit I-29: Average Borrower Age at Endorsement, Cohorts 2009-2026



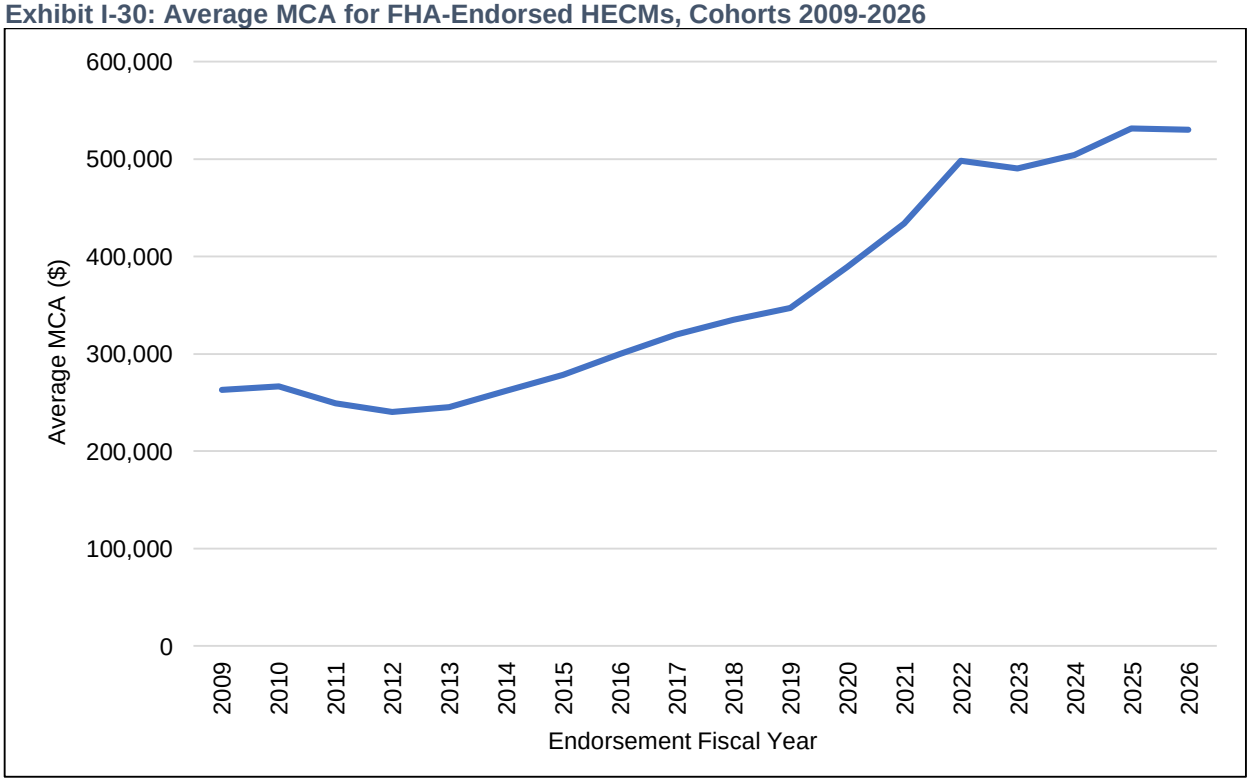
Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table B-29 in Appendix B.

HECM Maximum Claim, Principal Limit, and Initial Draw Amounts

The MCA is FHA's maximum claim payment exposure for a HECM. The FHA MCA limit for HECMs in calendar year 2026 is $1,249,125, up by 3.25 percent from $1,209,750 in calendar year 2025. By statute, this limit is currently applied uniformly across the country, unlike the FHA forward mortgage loan limits that vary based on geographic location.

As shown in Exhibit I-30, below, average MCA has generally trended up since FY 2012. However, the average MCA per HECM decreased slightly between FY 2025 and FY 2026 from $531,326 to $530,013. Prior increases in the average MCA per endorsement coincided with trends in HPA and higher appraised values on homes occupied by HECM borrowers.

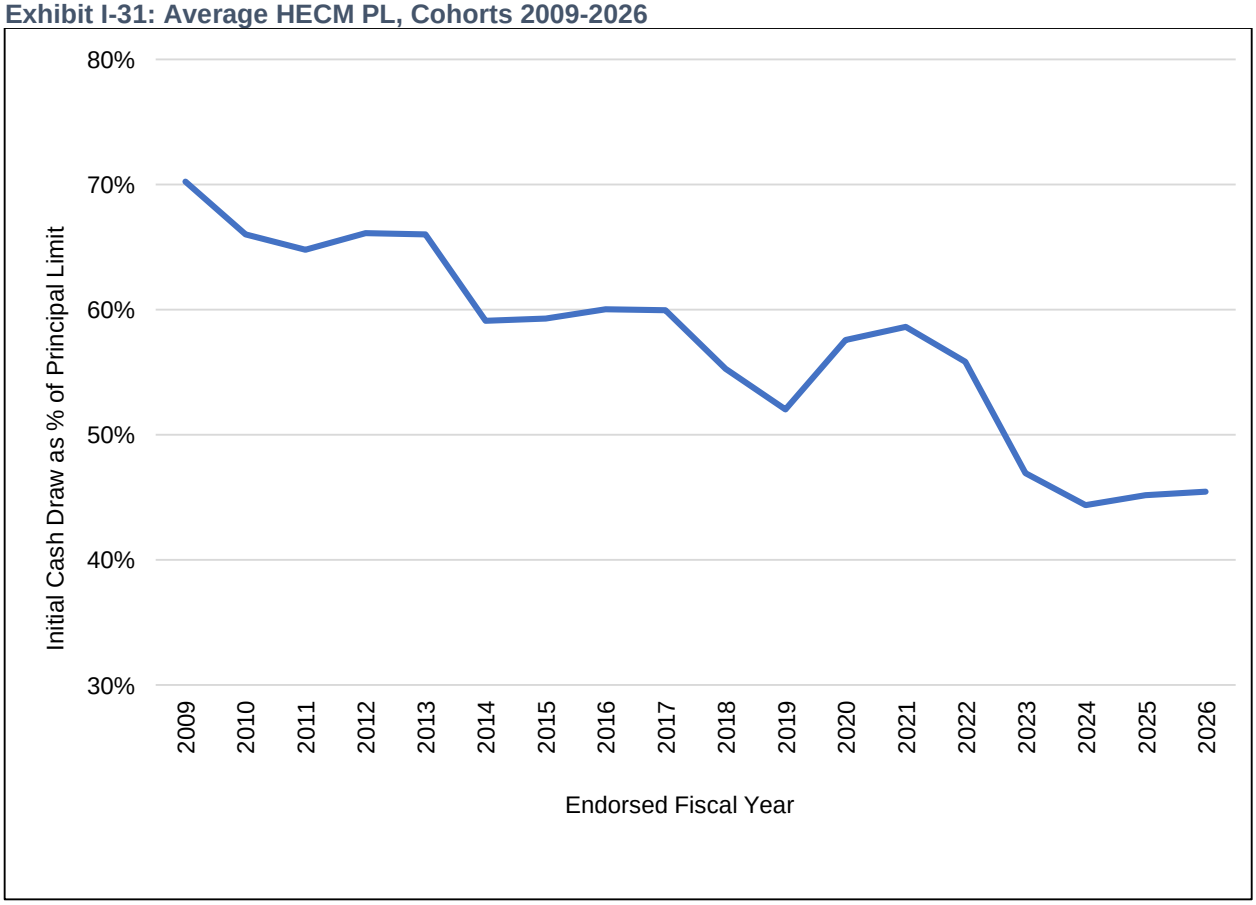
Exhibit I-30: Average MCA for FHA-Endorsed HECMs, Cohorts 2009-2026



Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table B-30 in Appendix B.

The PL is the percentage of the MCA that borrowers are permitted to withdraw. The PL is initially set by multiplying the MCA by the PLF, which is based on the borrower's age at origination and the "expected rate."[12] Thereafter, the PL grows monthly based on the applicable note interest rate plus the annual MIP rate. For adjustable-rate HECMs, the PL growth rate changes as the note interest rate adjusts. For fixed-rate HECMs, the PL growth rate is based on the fixed note interest rate plus the annual MIP rate. Although the PL continues to grow on a fixed-rate HECM, no additional funds become available for the borrower to draw against after the initial advance. HPA does not directly affect the PL growth rate. Generally, borrowers at older ages qualify for higher PLFs, allowing them to access a larger initial PL. Conversely, higher expected rates at origination generally result in lower initial PLs. For adjustable-rate HECMs, subsequent changes in the note rate affect the rate at which the PL grows. As shown in Exhibit I-31, below, for HECMs endorsed in FY 2026, the average PL was 45.45 percent of the MCA, up slightly from 45.17 percent in FY 2025. Slightly lower expected rates contributed to this minor increase. The change in the expected rate had a greater impact on the PLF in FY 2026 than the change in the average age.

Exhibit I-31: Average HECM PL, Cohorts 2009-2026



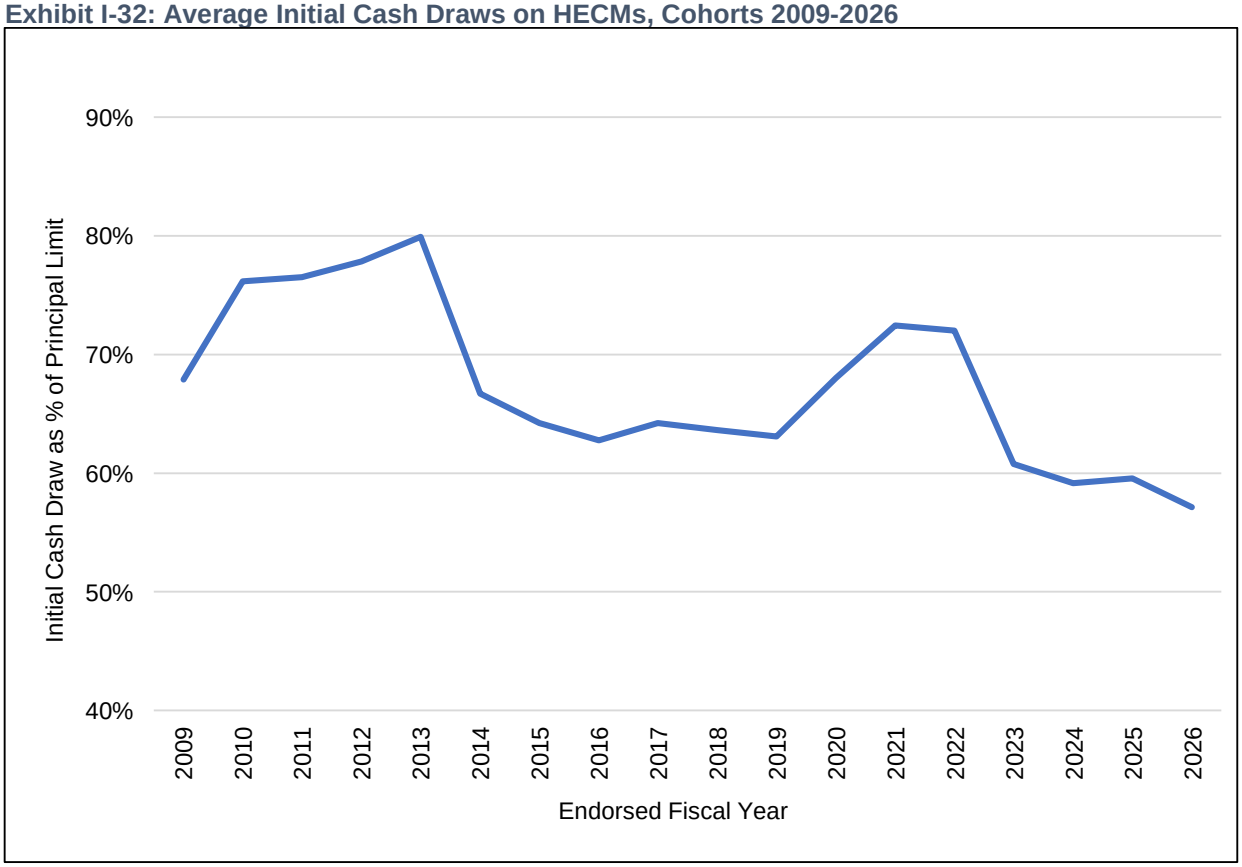
Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table B-31 in Appendix B.

[12] For a fixed-rate loan, the expected rate is the fixed interest rate. For an adjustable-rate loan, the expected rate is the sum of the lender's margin and the U.S. Treasury Securities rate adjusted to a constant maturity of ten years.

As reflected in Exhibit I-32, below, in FY 2026, HECM borrowers withdrew on average 57.14 percent of their PL on their initial draw, a slight decrease from 59.57 percent in FY 2025. Larger upfront draws increase the risk to borrowers and FHA because larger draws combined with higher interest rates cause balances to accrue faster. This reduces financial resources available to borrowers to pay future obligations such as taxes and insurance, results in faster depletion of a borrower's equity in the home, and increases potential losses to FHA.

Beginning in FY 2014, first year initial draws were limited to 60 percent of the Initial Principal Limit (IPL). This caused the initial draw rate to drop significantly between FY 2013 and FY 2014. However, the overall draw rate is higher than 60 percent due to refinancing. For HECM refinances, the first 12-month disbursement limit is generally the greater of 60 percent of the IPL or Mandatory Obligations plus up to an additional 10 percent of the IPL, subject to applicable set-aside limitations. In FY 2021 and FY 2022, the initial draw rates increased significantly, primarily due to the much higher proportion of refinance cases in those two fiscal years. The initial draw rates subsequently dropped as refinances fell precipitously. The decline in the initial draw rates in recent years is also attributable to the Life Expectancy Set-Aside (LESA) program, which reduces the amount of the PL that borrowers can draw from their HECM. Each year, an increasing percentage of HECMs within the MMI Fund are subject to LESA.

Exhibit I-32: Average Initial Cash Draws on HECMs, Cohorts 2009-2026

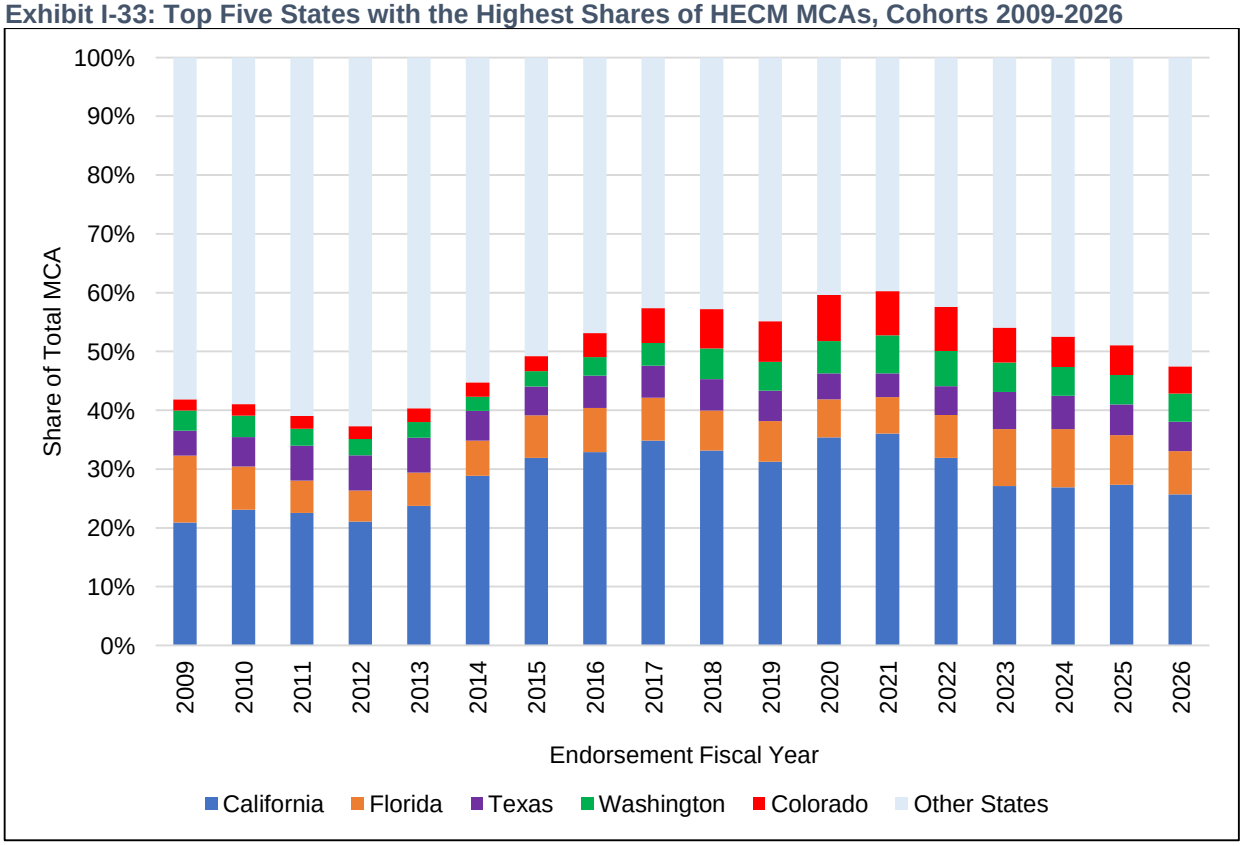


Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table B-32 in Appendix B.

HECM Top Five States by MCA

HECMs are more geographically concentrated than forward mortgages, but have gradually become less concentrated in recent years, as shown in Exhibit I-33. In FY 2026, the top five states represented 47.48 percent of new HECM endorsements by MCA, down by 3.56 percentage points from 51.04 percent in FY 2025. California remained the state with the largest share of HECM production by far, accounting for 25.69 percent of MCA in FY 2026. Natural disasters pose risks to this concentration of states, in particular California, Texas, Florida, and Colorado.

Exhibit I-33: Top Five States with the Highest Shares of HECM MCAs, Cohorts 2009-2026

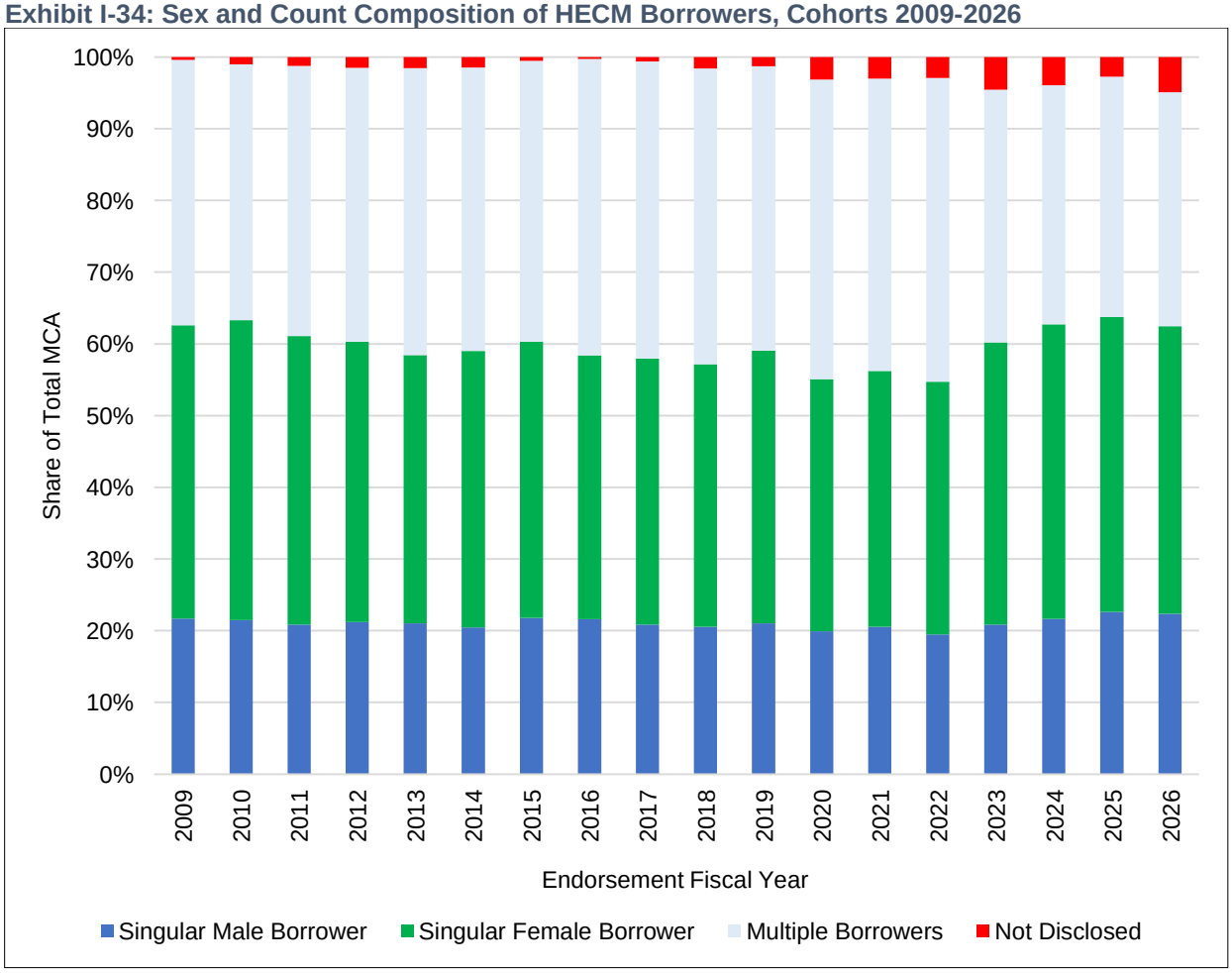


Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table B-33 in Appendix B.

HECM Borrower Composition

Exhibit I-34, below, illustrates the share of HECM endorsement counts by sex and number of borrowers. In FY 2026, 40 percent of HECM endorsements were utilized by single female borrowers, 22 percent by single male borrowers, and 33 percent by multiple borrowers.[13] 62 percent of HECM endorsements are for single borrowers, who tend to be at lower income levels than non-single borrowers. This composition of HECM borrowers has remained relatively consistent since HECM entered the MMI Fund in FY 2009.

Exhibit I-34: Sex and Count Composition of HECM Borrowers, Cohorts 2009-2026

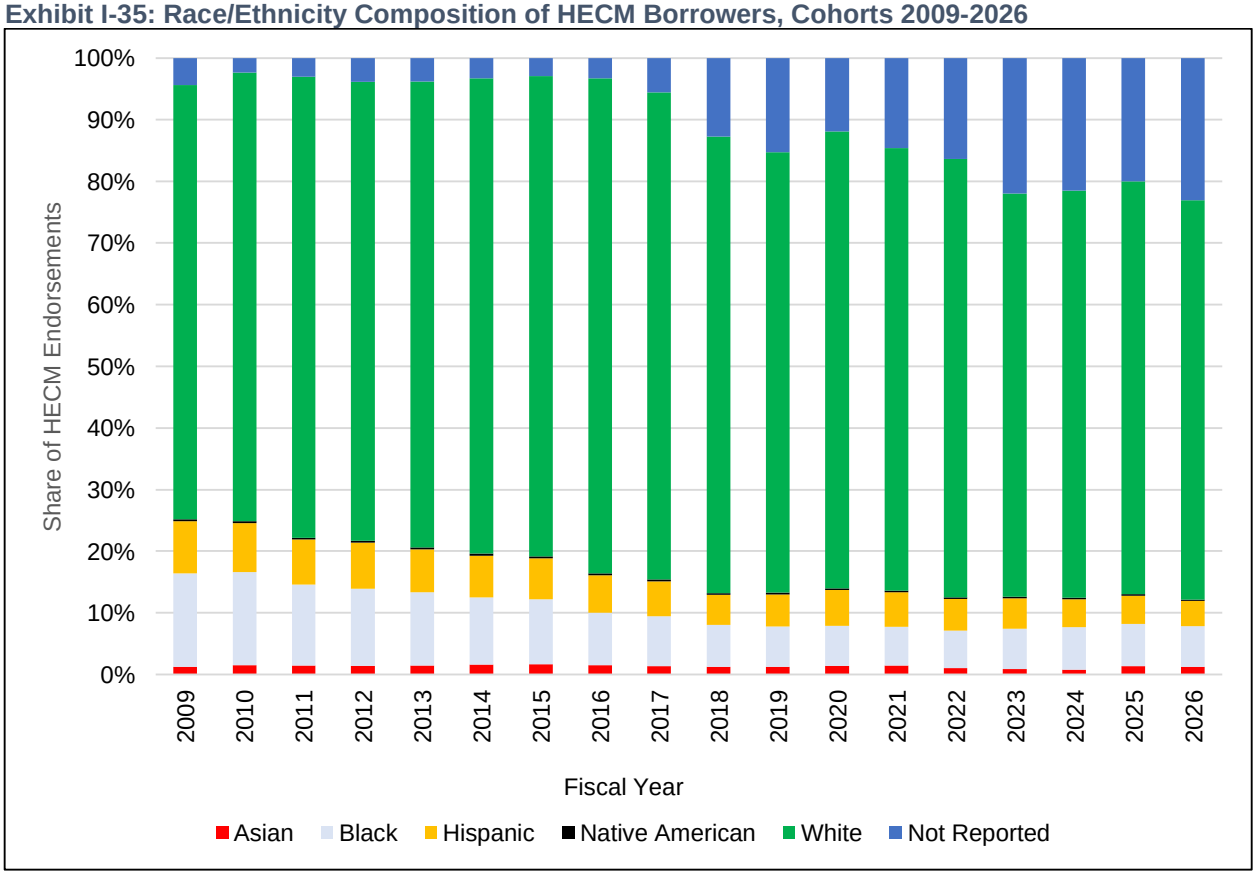


Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table B-34 in Appendix B.

[13] For 4.88 percent of HECMs endorsed in FY 2026, borrower(s) chose not to report this information.

Exhibit I-35, below, illustrates the share of HECM endorsement counts by race/ethnicity. In FY 2026, the composition of borrowers using FHA-insured reverse mortgages was: 1.23 percent Asian; 6.61 percent Black; 4.08 percent Hispanic; 0.22 Native American; and 64.77 percent White. Documentation of race/ethnicity is voluntary. The share of borrowers who chose not to disclose race at origination climbed over the past decade and increased from 20.03 percent in FY 2025 to 23.08 percent in FY 2026. These distributions have otherwise remained roughly consistent over the past four fiscal years.

Exhibit I-35: Race/Ethnicity Composition of HECM Borrowers, Cohorts 2009-2026



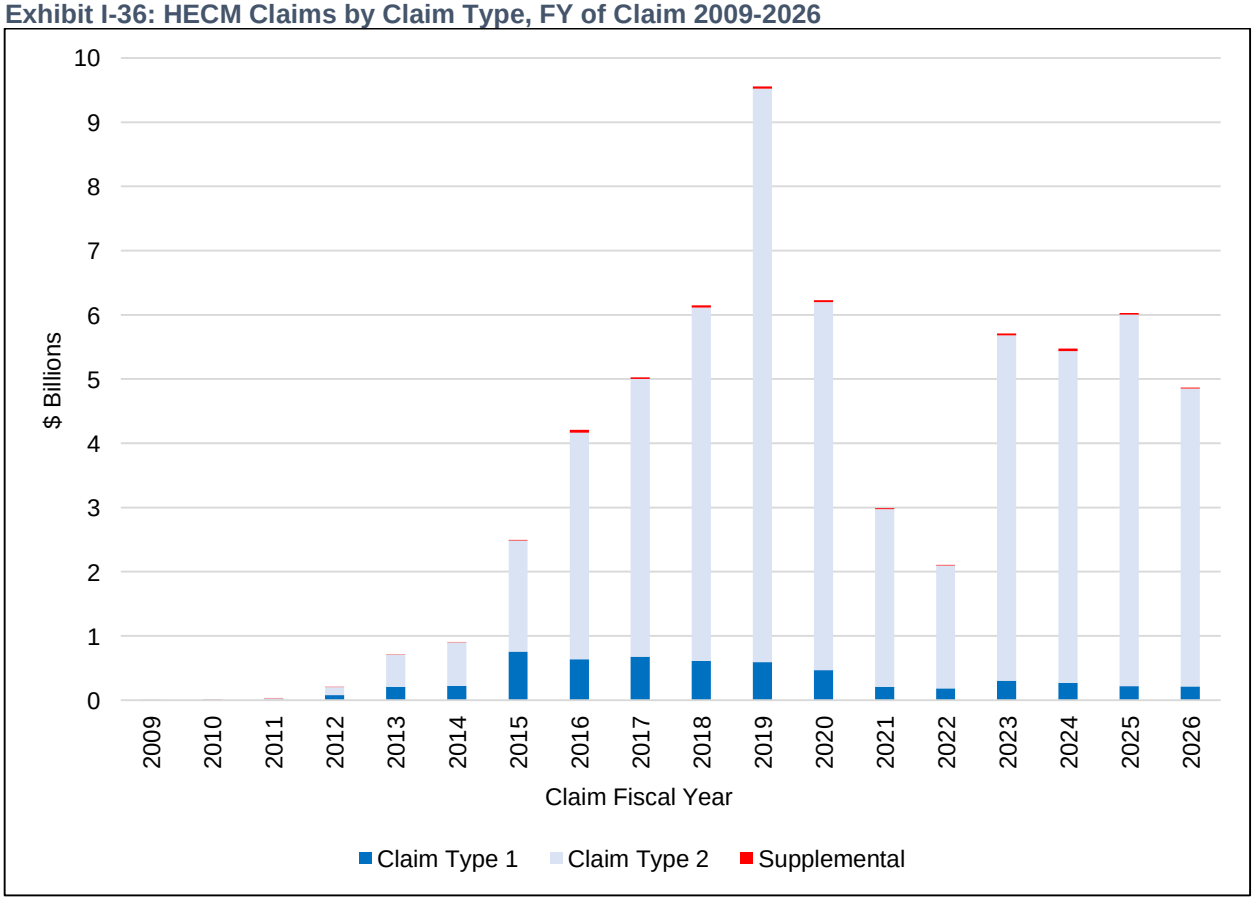
Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table B-35 in Appendix B.

HECM Claim Activity

Claim Type 1 represents the dollar volume of claims generated when a home of an insured HECM is sold at a loss prior to assignment. Claim Type 2 represents the dollar volume of claims resulting from the assignment of the HECM to FHA when the HECM balance reaches 98 percent of the MCA. Supplemental claims are submitted by lenders for other eligible expenses not included in original claims, such as property preservation expenses.

Exhibit I-36, below, shows the total dollar amount and distribution of MMI Fund HECM claims by claim type. In FY 2026, claims paid totaled $4.87 billion, down from $6.03 billion in FY 2025. As demonstrated in the exhibit, Type 2 assignment claims have comprised the majority of claims from FY 2011 through FY 2026. Type 1 claims have remained low due to steady and substantial historical HPA, which has resulted in selling fewer homes for losses that require claims. This allows the HECM portfolio to continue seasoning. When HECMs age, they naturally accrue higher balances, approach MCA, and are submitted for assignment claims by loan holders instead of Type 1 claims. Furthermore, elevated interest rates accelerate the timing when HECMs reach 98 percent of MCA and streamlined assignment claim procedures and processes that better facilitate claim filing have also increased assignment claim rates.

Exhibit I-36: HECM Claims by Claim Type, FY of Claim 2009-2026



Source: U.S. Department of HUD/FHA, October 2026.
Refer to data table B-36 in Appendix B

Chapter II:
Condition of the Mutual Mortgage Insurance Fund

MMI Fund Capital Ratio

As of September 30, 2026, the MMI Fund Capital Ratio stood at 10.29 percent of IIF, 1.18 percentage points lower than the FY 2025 MMI Fund Capital Ratio. This is a result of multiple factors that will be discussed later in the chapter. As of the end of FY 2026, the MMI Fund Capital Ratio remains more than five times higher than the Congressionally mandated minimum.[14]

Exhibit II-1, below, provides a summary of the MMI Fund Capital Ratio from FY 2020 through FY 2026. The exhibit segments capital into existing capital resources (i.e., the current balance sheet position) and cash flow NPV. The sum of these two values is the MMI Fund capital. The components of capital are shown as a percentage of IIF (MMI Fund Capital Ratio).

Exhibit II-1: MMI Fund Balance and Capital Ratio FY 2020 through FY 2026, ($ millions)

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Total Capital Resources	$70,651	$83,604	$98,441	$110,529	$124,909	$139,665	$148,945
Cash Flow NPV	$8,298	$16,871	$43,260	$34,778	$47,853	$49,206	$33,637
MMI Fund Capital	**$78,949**	**$100,475**	**$141,701**	**$145,307**	**$172,762**	**$188,871**	**$182,583**
Insurance in Force	$1,294,731	$1,251,270	$1,275,212	$1,382,817	$1,506,675	$1,647,236	$1,773,683
Total Capital Resources (% of IIF)	5.46%	6.68%	7.72%	7.99%	8.29%	8.48%	8.40%
Cash Flow NPV (% of IIF)	0.64%	1.35%	3.39%	2.51%	3.18%	2.99%	1.90%
MMI Capital Ratio	**6.10%**	**8.03%**	**11.11%**	**10.51%**	**11.47%**	**11.47%**	**10.29%**

Source: U.S. Department of HUD/FHA, October 2026.
Due to rounding, the values may not add up to the total.

MMI Fund Capital Adequacy

The MMI Fund Capital Ratio is defined as the sum of capital resources and the NPV of future cash flows, divided by IIF. Cash flow NPV is calculated by combining two components:

1. NPV of projected MIP revenue ("NPV projected revenue"), which is the estimated value of monthly insurance premiums through the life of the loan after applying modeled prepayment, default, and claim assumptions; and
2. NPV of projected claims losses ("NPV projected losses"), which is the cost of projected claim payments, property preservation expenses, and disposition expenses, net of recoveries on defaulted loans.

[14] This is described in the National Housing Act at 12 USC 1711(f).

The formulas for calculating MMI Fund capital and the MMI Fund Capital Ratio are as follows:

1. MMI Fund capital = (total capital resources + NPV projected revenue – NPV projected losses);[15]
2. MMI Fund Capital Ratio = MMI Fund capital / total IIF

Historically, FHA's capital resources have consisted primarily of cash dollars (stemming from collected upfront and annual MIPs) that are readily available for payment of claims. However, capital resources also include short-term investments of cash resources (i.e., cash equivalents), notes, and properties. HUD-held notes have become a larger component of capital resources in recent years, due to an increase in partial claims volume to support delinquent borrower reperformance and paid assignment claims as a steady volume of HECMs reach their MCA.

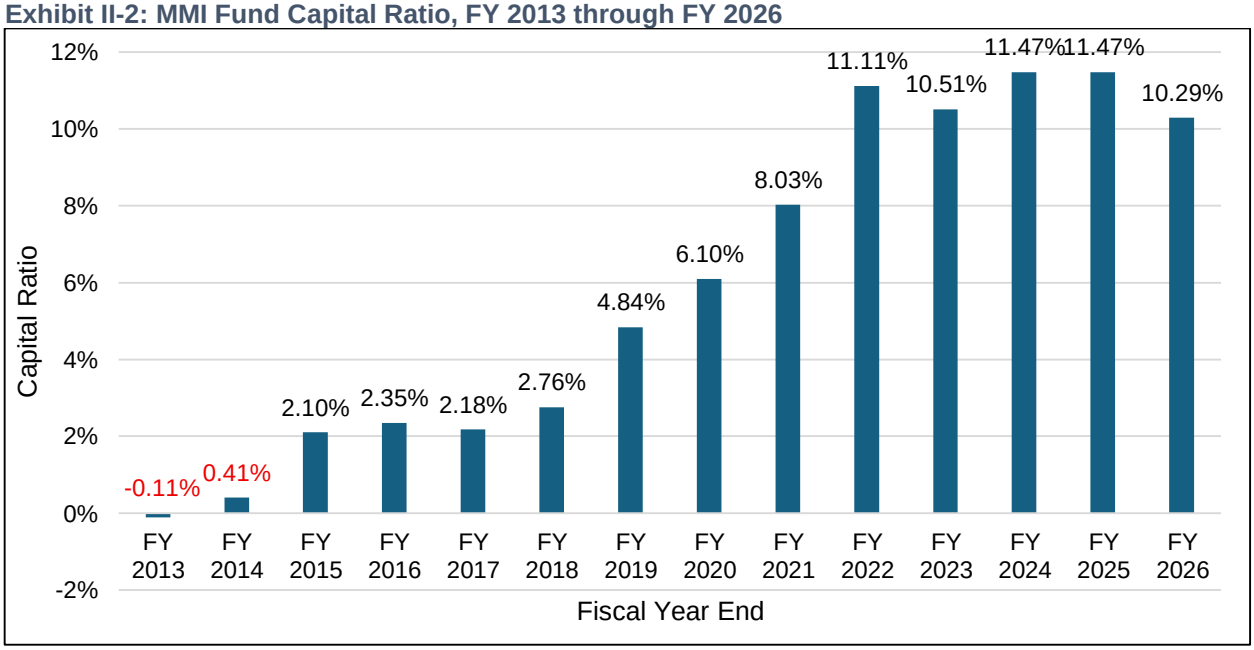
FHA invests much of its cash resources in highly liquid and cash equivalent investments. Of the $148.9 billion in capital resources for FY 2026 (8.40 percent of IIF), roughly $63.7 billion is comprised of cash and cash equivalent assets, representing over 3.5 percent of IIF. This is a substantial portion of the total MMI Fund Capital Ratio and demonstrates that FHA has sufficient resources to pay forecasted claims as well as unexpectedly high claims during a downturn.

Cash flow NPV, currently 1.90 percent of IIF, is an estimate of future cash flows and therefore subject to uncertainty. As discussed in depth in the "MMI Fund Stress Tests" section of this chapter, FHA has conducted various stress tests of the cash flow forecasts and MMI Fund Capital Ratio to assess the capital adequacy of the MMI Fund. The most severe stress test scenario applies the conditions of the Great Recession beginning in the second quarter of 2007, but instead of applying the subsequent 200 percent HPA realized between 2011 and 2025, FHA applied flat HPA of three percent annually. This reduced cash flows to very negative values, necessitating a draw from liquid capital resources to pay claims. Under this testing scenario, the MMI Fund Capital Ratio fell to 2.65 percent, which is greater than the statutory minimum. Under a more severe scenario, if every seriously delinquent (90+ DQ) forward loan (~550K borrowers) went to claim immediately with no recoveries on the collateral assets, FHA would still have $63.1 billion in MMI Fund Capital, which is 3.56 percent of IIF. This 100 percent claim and 100 percent loss scenario of every SDQ loan is extraordinarily improbable given FHA's 8.4 percent claim rate since 1975 and loss severities of 50 percent or less over the past decade.

Over the last thirteen years, the MMI Fund Capital Ratio has increased substantially, from a negative -0.11 percent in FY 2013 to 10.29 percent in FY 2026, as shown in Exhibit II-2, below. Over the past year, the MMI Fund Capital Ratio declined slightly, with both forward and HECM cash flows declining year-over-year.

[15] The term "MMI Fund Capital" means the economic net worth of the Mutual Insurance Fund, as determined by the Secretary under the annual audit required under section 1735f–16 of 12 U.S. Code § 1711 . This terminology was introduced in FHA's FY 2019 Annual Report, and is more consistent with industry standards, as the MMI Fund Capital Ratio can now be expressed as MMI Fund Capital/IIF.

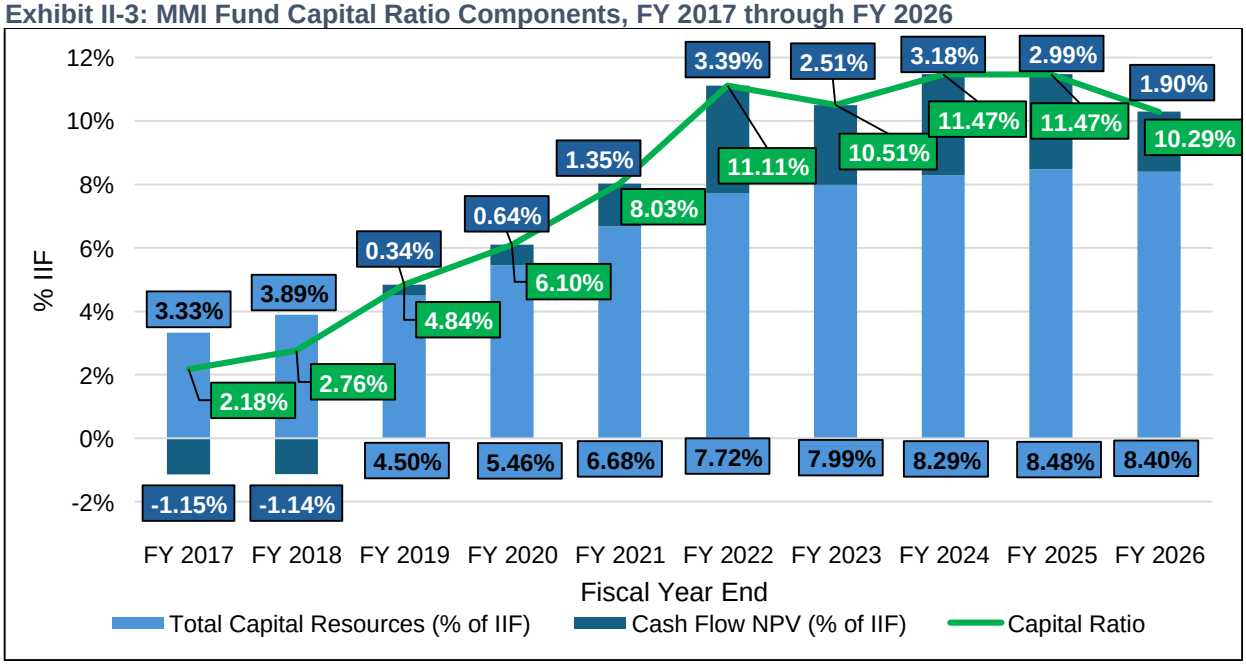
Exhibit II-2: MMI Fund Capital Ratio, FY 2013 through FY 2026



Source: U.S. Department of HUD/FHA, October 2026. Refer to data table C-2 in Appendix C.

Exhibit II-3, below, illustrates the change in Capital Ratio and its components over the last ten years. As described above, the majority of MMI Fund Capital is capital resources, currently at 8.40 percent of IIF, which represents an 8 bps (basis points) decrease from 8.48 percent at the end of FY 2025. Further, NPV of projected cash flows as a percentage of IIF declined year-over-year by 1.18 percentage points to 1.90 percent.

Exhibit II-3: MMI Fund Capital Ratio Components, FY 2017 through FY 2026



Source: U.S. Department HUD/FHA, October 2026.
Due to rounding, adding the components together may not sum perfectly to the total Capital Ratio.
Refer to data Table C-3 in Appendix C.

Exhibit II-4, below, presents an itemization of the components that compose the MMI Fund Capital Ratio calculation, specifically breaking out the revenue and losses components of the NPV of future cash flows.

Exhibit II-4: MMI Fund Capital Ratio Components, FY 2020 through FY 2026 ($ in millions)

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Total Capital Resources	$70,651	$83,604	$98,441	$110,529	$124,909	$139,665	$148,945
Plus: NPV Projected Revenue	$48,807	$49,045	$53,352	$58,675	$66,542	$66,741	$68,399
Less: NPV Projected Losses	($40,509)	($32,174)	($10,092)	($23,897)	($18,689)	($17,535)	($34,761)
Equals: MMI Fund Capital	**$78,949**	**$100,475**	**$141,701**	**$145,306**	**$172,763**	**$188,871**	**$182,583**
Insurance in Force	$1,294,731	$1,251,270	$1,275,212	$1,382,817	$1,506,675	$1,647,236	$1,773,683
Total Capital Resources	5.46%	6.68%	7.72%	7.99%	8.29%	8.48%	8.40%
Plus: NPV Projected Revenue	3.77%	3.92%	4.18%	4.24%	4.42%	4.05%	3.86%
Less: NPV Projected Losses	-3.13%	-2.57%	-0.79%	-1.73%	-1.24%	-1.06%	-1.96%
Equals: MMI Fund Capital Ratio	**6.10%**	**8.03%**	**11.11%**	**10.51%**	**11.47%**	**11.47%**	**10.29%**

Source: U.S. Department of HUD/FHA, October 2026.

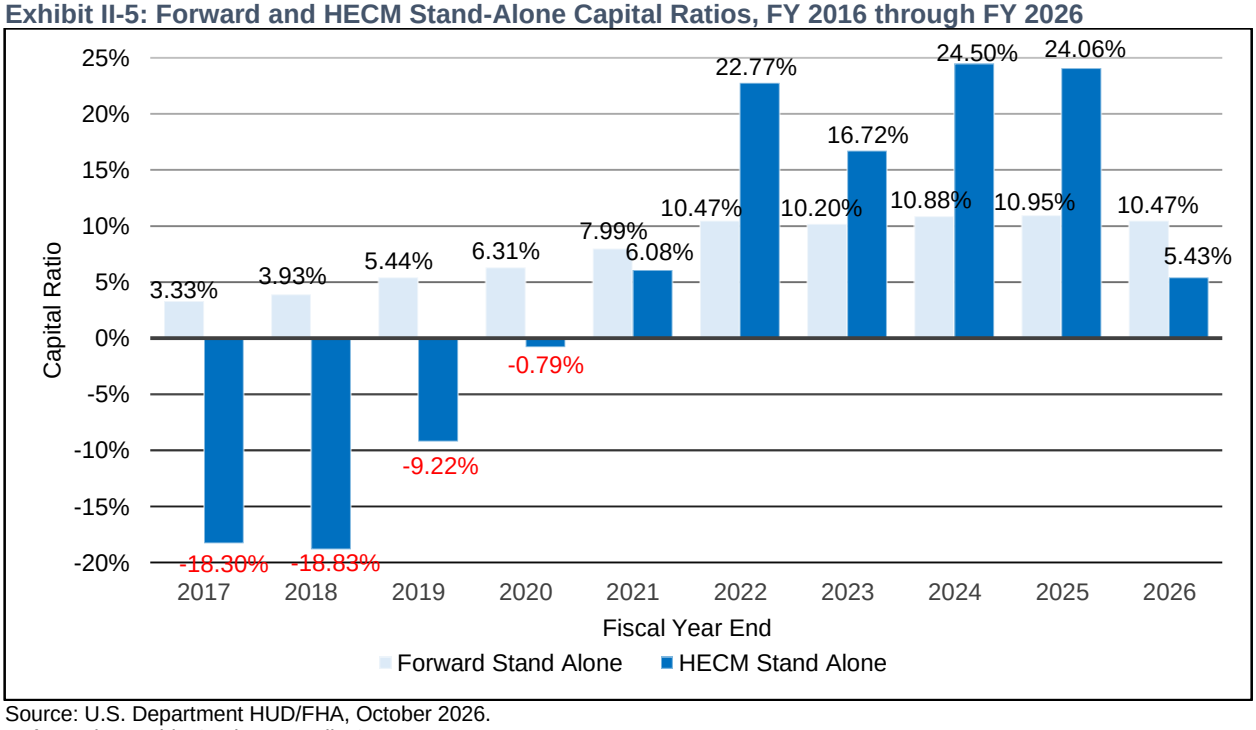
Stand-Alone Capital Ratios for Forward Mortgages and HECMs

The MMI Fund includes capital from both the forward and HECM programs. The following sections describe the individual (stand-alone) status of each portfolio.[16]

Exhibit II-5, below, displays the Stand-Alone Capital Ratios for the forward and HECM portfolios since FY 2017. The financial performance of the forward mortgage Stand-Alone Capital Ratio declined slightly this past fiscal year, falling 0.48 percentage points from 10.95 percent in FY 2025 to 10.47 percent in FY 2026. The HECM portfolio, which accounts for roughly 3.5 percent of the MMI Fund's IIF, has a Stand-Alone Capital Ratio that decreased by 18.63 percentage points from 24.06 percent in FY 2025 to 5.43 percent in FY 2026.

[16] The Housing and Economic Recovery Act of 2008 placed new HECMs in FHA's MMI Fund starting in 2009.

Exhibit II-5: Forward and HECM Stand-Alone Capital Ratios, FY 2016 through FY 2026



Source: U.S. Department HUD/FHA, October 2026.
Refer to data Table C-5 in Appendix C.

Exhibit II-6, below, presents an itemization of the components of the forward mortgage Stand-Alone MMI Fund capital amount and Capital Ratio. MMI Fund capital for the forward portfolio increased by $5.7 billion (3.3 percent) over the last fiscal year, but IIF increased by $127.2 billion (8.0 percent). Therefore, as a fraction of IIF, forward capital decreased, as did the Stand-Alone Capital Ratio. NPV revenue increased by $1.4 billion (2 percentage points) to $66.2 billion, or 3.87 percent as a share of IIF. The NPV of losses increased by $12.0 billion (55 percentage points) to $33.9 billion. As a share of IIF, NPV of losses increased from 1.39 percent to 1.98 percent.

The main driver of lower revenue is lower MIP rates. In FY 2023, FHA lowered annual MIP rates on future endorsements, which reduces monthly borrower payments, but also reduce premium inflows (about 35 percent less on average: 53 bps vs. 83 bps on older cohorts).[17] While it was effective immediately, the impact was not meaningful until the cohorts with lower MIP rates represented a larger share of IIF. As of FY 2026, loans with lower MIPs comprise nearly 50 percent of the portfolio and therefore bring in meaningfully lower revenues as a share of IIF. This is discussed in more detail in the "Presentation and Explanation of Forward and HECM Cash Flow Estimates", and the "Forward: Premiums" sections of this chapter.

Forward's NPV of losses is also larger, reducing the total NPV. This is driven by several factors, namely unfavorable macroeconomic projections and portfolio movements. On the economic side, lower actual HPA and forecast HPA reduces the value of properties during asset sales. Furthermore, higher unemployment rate and interest rate forecasts increase borrower stress and projected delinquencies and claims. On top of this, in FY 2026, there were 260,000 new first time

[17] See ML 2023-05, effective for case numbers endorsed on or after March 20, 2023.

seriously delinquent borrowers, raising the probability of claim for these borrowers. Taken together, more claims and lower asset sale values for dispositions increase losses.

Exhibit II-6: Forward Stand-Alone Capital Ratio Components, FY 2020 to FY 2026 ($ millions)

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Total Capital Resources	$67,368	$78,500	$89,512	$101,902	$115,887	$130,533	$146,853
Plus: NPV Revenue	$44,574	$45,544	$50,033	$55,451	$64,193	$64,809	$66,187
Less: NPV Losses	($34,187)	($29,063)	($12,944)	($23,072)	($23,279)	($21,936)	($33,904)
Equals: MMI Fund Forward Capital	**$77,755**	**$94,981**	**$126,600**	**$134,281**	**$156,802**	**$173,406**	**$179,136**
Insurance in Force	$1,232,093	$1,188,595	$1,208,886	$1,316,881	$1,441,523	$1,582,946	$1,710,165
Total Capital Resources	5.47%	6.60%	7.40%	7.74%	8.04%	8.25%	8.59%
Plus: NPV Revenue	3.62%	3.83%	4.14%	4.21%	4.45%	4.09%	3.87%
Less: NPV Losses	-2.77%	-2.45%	-1.07%	-1.75%	-1.61%	-1.39%	-1.98%
Equals: MMI Fund Forward Capital Ratio	**6.31%**	**7.99%**	**10.47%**	**10.20%**	**10.88%**	**10.95%**	**10.47%**

Source: U.S. Department of HUD/FHA, October 2026.

Exhibit II-7, below, presents an itemization of the components of the HECM Stand-Alone MMI Fund capital amount and Capital Ratio. In FY 2026, the financial performance of the HECM portfolio, and therefore its Stand-Alone MMI Fund Capital, deteriorated meaningfully, decreasing by nearly 78 percent ($12.0 billion) from FY 2025. Two factors drive this substantial decline: reduced capital resources and lower recoveries.

First, HECM capital resources fell by $7 billion due to FY 2026 assignment claim payments and increased liabilities. Second, the projected returns on assigned loans decreased meaningfully, for multiple reasons. A primary driver of HECM recoveries on assignment claims are asset sales. Home price appreciation has been flat or decreasing in some regions of the country with a concentration of HECM borrowers, including, for example, Florida and Texas. This reduces the value of recoveries and has caused projected future HPA to fall. Both realized and projected reductions in HPA reduce returns on future property sales. A second major driver of HECM recoveries is the likelihood of loan payoff by the borrowers' heirs. FHA has observed a decrease in actual loan payoffs, which is reflected in our model updates in FY 2026, lowering forecasted loan payoffs. Loan payoffs are the most favorable recovery outcome, so a reduction in payoffs is very unfavorable to the HECM program.

All of these factors occurring in one year produce a significant drag on the HECM Stand-Alone Capital Ratio. Nevertheless, the HECM Stand-Alone Capital Ratio remained positive and above 2 percent for the sixth year in a row. Furthermore, while the HECM portfolio is significantly more sensitive to relatively small changes in factors such as home price forecasts, the portfolio's small size relative to the total MMI Fund (~3.5 percent as of the end of FY 2026) limits the impact of these fluctuations on the combined MMI Fund Capital Ratio.

Exhibit II-7: HECM Stand-Alone Capital Ratio Components ($ millions), FY 2020 to FY 2026

Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Total Capital Resources	$1,597	$3,418	$8,929	$8,627	$9,022	$9,129	$2,093
Plus: NPV Revenue	$4,233	$3,501	$3,319	$3,224	$2,349	$1,933	$2,212
Less: NPV Losses	($6,322)	($3,111)	$2,853	($825)	$4,589	$4,401	($857)
Equals: MMI Fund HECM Capital	**($492)**	**$3,808**	**$15,101**	**$11,025**	**$15,961**	**$15,465**	**$3,447**
Insurance in Force	$62,638	$62,675	$66,326	$65,936	$65,152	$64,290	$63,517
Equals: Total Capital Resources	2.55%	5.45%	13.46%	13.08%	13.85%	14.20%	3.29%
Plus: NPV Revenue	6.76%	5.59%	5.00%	4.89%	3.61%	3.01%	3.48%
Less: NPV Losses	-10.09%	-4.96%	4.30%	-1.25%	7.04%	6.85%	-1.35%
Equals: MMI Fund HECM Capital Ratio	**-0.79%**	**6.08%**	**22.77%**	**16.72%**	**24.50%**	**24.06%**	**5.43%**

Source: U.S. Department of HUD/FHA, October 2026.

Presentation and Explanation of Forward and HECM Cash Flow Estimates

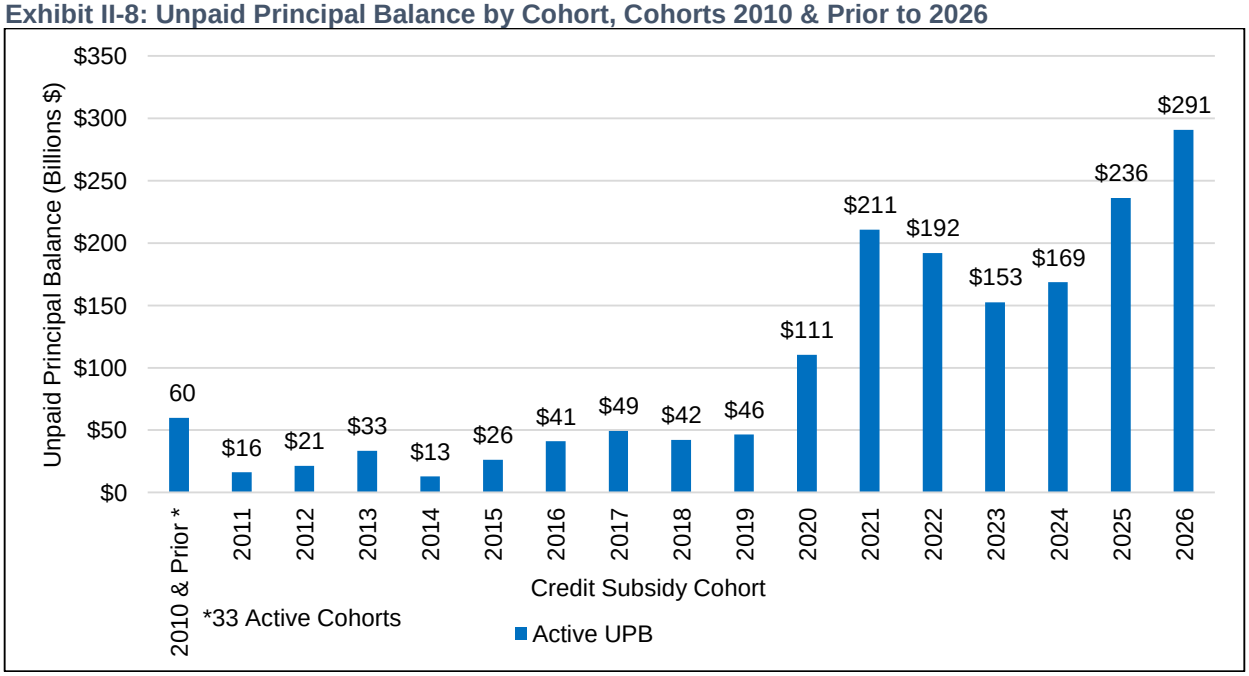
Cash flow estimates for the MMI Fund are influenced by the portfolio composition of the insured mortgages and the financial condition of the economy at large. Portfolio composition refers to the distribution of loans by cohort,[18] the credit quality of those loans, borrower equity in the mortgaged properties, and other metrics. The following sections provide a summary of the most influential factors affecting cash flow estimates of the single family forward and HECM portfolios.

Forward: Unpaid Principal Balance

The forward mortgage program is the dominant contributor to MMI Fund IIF and forecasted cash flows, representing roughly 96.5 percent of total IIF. While most loans have a 30-year term, in practice, many homeowners refinance or sell their home before completing this term. Average prepayment speeds are influenced by several factors, including mobility, loan size, the interest rate cycle, and the propensity for interest rate driven refinances. As prepayments accumulate, the UPB on older cohorts fall. For this reason, approximately 73 percent of total insured UPB is concentrated in Cohorts 2021 through 2026, and these six cohorts account for 50 percent of all future cash flow estimates for the forward program. This means the remaining 40+ cohorts only account for roughly one-quarter of UPB and 50 percent of NPV. See Exhibit II-8, below, for a summary of total UPB by cohort. While the entirety of portfolio characteristics and performance are important, given this concentration of UPB and cash flows in the most recent five cohorts, these cohorts are the most critical to investigate and analyze.

[18] Loans are tracked by cohort, which is based upon the fiscal year of endorsement.

Exhibit II-8: Unpaid Principal Balance by Cohort, Cohorts 2010 & Prior to 2026



Source: U.S. Department of HUD/FHA, October 2026.
Refer to data Table C-8 in Appendix C.

Forward: Historical Claim Rates

To visualize claim rates over multiple economic cycles, Exhibit II-9 graphs the distribution of loans' statuses expressed as a percentage for Cohorts 1975 through 2025. There are four statuses: "Active and Current" (these are loans where the UPB of the mortgage is positive and the mortgage is current); "Active and Seriously Delinquent" (active loans that are 90 days or more delinquent); "Prepay or Matured" (these are loans where FHA insurance has been terminated via repayment of the mortgage); and "Claim" (these are loans where FHA paid a claim on the insurance). Note, loans that have received a partial claim are considered active. If they are current, the partial claim was successful; if they are delinquent, the partial claim was unsuccessful.

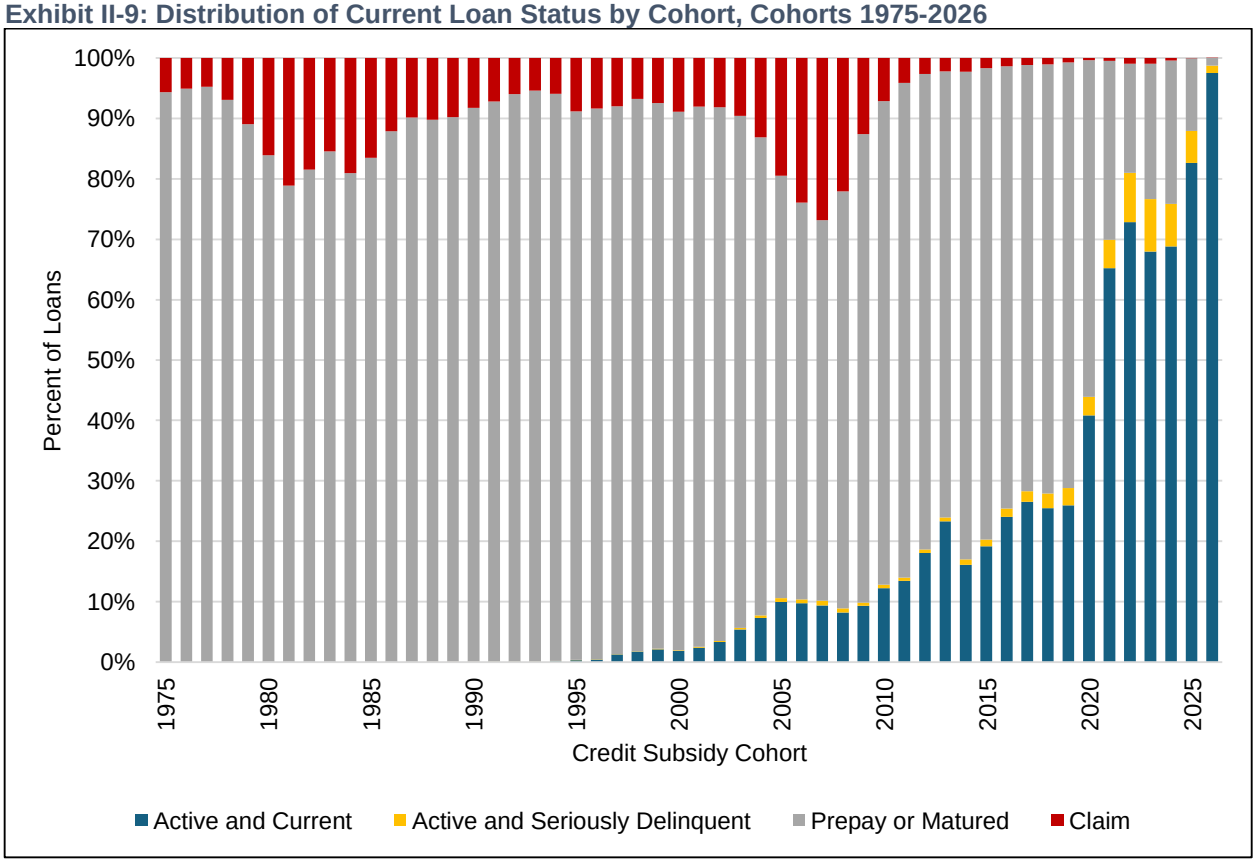
Consistent with Exhibit II-8, above, Exhibit II-9, below, shows most of the active loan population is concentrated in the most recent six cohorts. For Cohorts 2011 and later, the to-date claim rates are less than the claim rates for Cohorts 1975 through 2010. The average claim rate from 1975 through 2010 is 10.6 percent. The claim rate peaked for 2007 endorsements at 26.9 percent. The average to-date claim rate for endorsements from 2011 through 2025 is 1.4 percent. While nearly unseen in the graph, Cohorts 2024 - 2026 have claim rates less than 0.5 percent.

The lower recent claim rates are due to three primary reasons:

1. Higher credit quality of the recent endorsements relative to older cohorts;
2. The strong HPA observed since 2011; and
3. Proactive loss mitigation policies designed to bring a borrower current as quickly and effectively as possible, and in lieu of that, policies to dispose of the property as efficiently as possible to minimize REO costs.

FHA anticipates claim rates for recent cohorts will continue to remain lower than historical levels, but more recent cohorts will incur additional claims as the loans season.

Exhibit II-9: Distribution of Current Loan Status by Cohort, Cohorts 1975-2026



Source: U.S. Department of HUD/FHA, October 2026. Refer to data Table C-9 in Appendix C.

Forward: Borrower and Loan Characteristics

Borrower and loan characteristics are critical underwriting data points that influence loan outcomes, such as the loan's UPB, the borrower's credit score, LTV ratio, DTI ratio, and interest rate. Exhibit II-10, below, provides a summary of key characteristics of the active loan population by cohort. The active loans represented in the exhibit continue to produce cash flows and are part of FHA's cash flow estimate. The green shading represents lower risk metrics and the orange shading represents higher risk metrics.

Exhibit II-10: Active Loan Attributes by Cohort, Cohorts 2010 & Prior to 2026

Cohort	UPB ($B)	UPB % of Total	Average Credit Score	Average LTV	Average DTI	Average Interest Rate
2010 & Prior*	$60	4%	657	93	40	5.60
2011	$16	1%	690	93	41	4.54
2012	$21	1%	692	93	40	3.78
2013	$33	2%	693	92	38	3.68
2014	$13	1%	677	93	40	4.25
2015	$26	2%	677	94	41	3.88
2016	$41	2%	676	94	42	3.64
2017	$49	3%	673	93	43	3.95
2018	$42	2%	665	94	44	4.31
2019	$46	3%	662	94	44	4.08
2020	$111	6%	673	94	44	3.28
2021	$211	12%	674	93	44	2.88
2022	$192	11%	666	91	45	4.36
2023	$153	9%	673	92	46	6.67
2024	$169	10%	682	92	46	6.85
2025	$236	14%	683	92	45	6.69
2026	$291	17%	681	91	45	6.36
Total	$1,710	100%	676	92	44	5.17

lower risk
higher risk

low active loan volume
medium active loan volume
high active loan volume

*33 Active Cohorts
Source: U.S. Department of HUD/FHA, October 2026.

The borrower's credit score is used to predict how likely a borrower is to repay a mortgage loan on time. The average credit score across all active forward loans in the MMI Fund is 676, up year-over-year by four points from 672. The average credit scores for the three most recent cohorts remain elevated, at 682, 683, and 681, respectively. Borrower credit score averages in the MMI Fund have increased, particularly since 2019, which is favorable to the portfolio as mortgages with higher credit score borrowers have lower projected default and claim rates.

The LTV ratio is a comparison of the original loan amount to the original appraised value of the collateral, or home value. The average LTV ratio for all active loans in the MMI Fund is 92, unchanged year-over-year. The average LTV ratios for the five most recent cohorts are 91 and 92. There is little differentiation across cohorts on this metric.

The DTI ratio measures a borrower's monthly debt payments divided by their gross monthly income. DTI is used as a measure of a borrower's ability to repay a mortgage. As the DTI ratio increases, it becomes more difficult for a borrower to pay all debts as agreed. The average DTI ratio for active loans is 44, unchanged year-over-year. The average DTI ratio for the two most recent endorsement years is 45. More recent cohorts have a higher DTI ratio due to an increased percentage of originations in purchase loans (relative to refinance) and due to higher interest

rates and home prices. This presents risk to the MMI Fund as borrowers with less available income may struggle to meet debt obligations during a financial downturn.

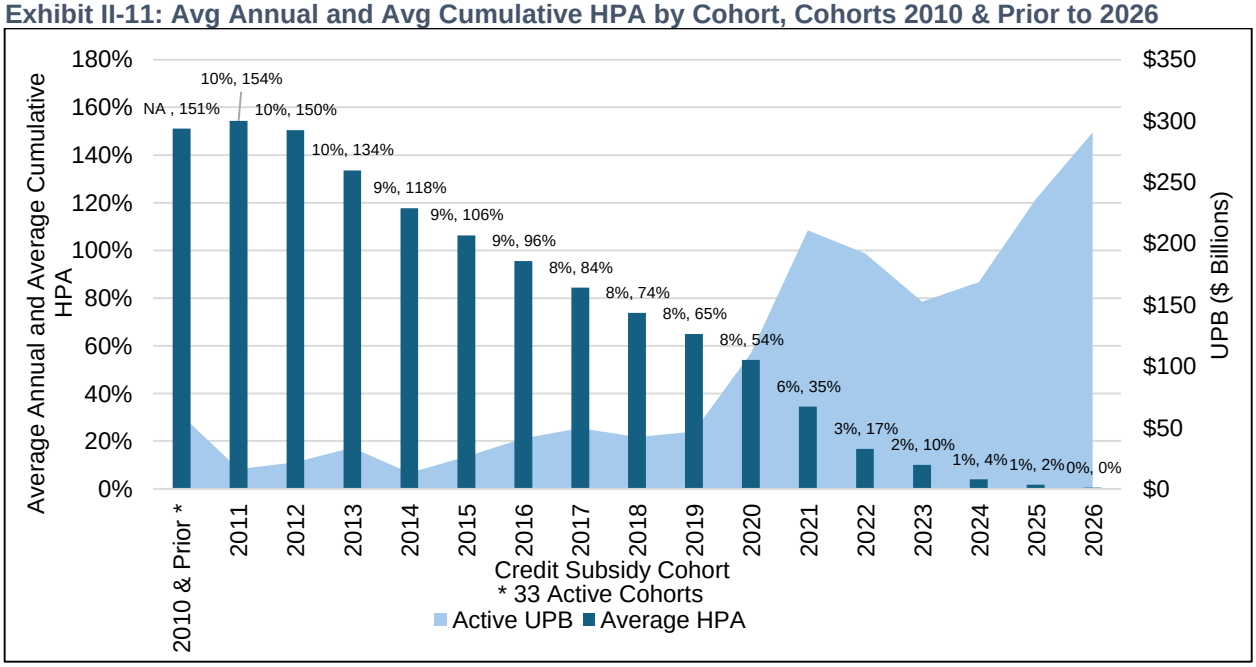
The average interest rate for active loans is 5.17 percent, up year-over-year by 18 bps from 4.99 percent. The average interest rate for the four most recent endorsement years is over 6 percent. These higher interest rates could influence faster prepayment speeds if and when interest rates drop. This can mean avoiding claims but also results in lost premiums. Conversely, cohorts with low interest rates (e.g., 2012 through 2021), will have lower prepayment speeds, as borrowers are more likely to maintain a low-rate loan. This will likely result in higher life-of-loan premiums for FHA.

In summary, underwriting characteristics for recent forward loans—representing the majority of future cash flows—show both strengths and weaknesses across underwriting characteristics. Better credit scores increase the chance of borrower success. But higher DTIs can limit that success during financial downturns. Additionally, high interest rates in the 2023 through 2026 cohorts lower the expected life-of-loan cash flows due to the higher likelihood of prepayment. This is discussed in further detail in the 'Forward: Cash Flow Projections of Revenue and Losses' subsection below.

Forward: Home Price Appreciation

HPA is a measure of the increase in value of a home over time. A borrower will accumulate equity, or ownership of their home, by paying down their mortgage balance and any additional benefit they gain through increases in the value of their home. Mortgages on homes that have appreciated, or increased in value, are less likely to result in defaults and mortgage insurance claims. As HPA lowers the rate of claims, it also has a positive impact on forecasted cash flows. Conversely, when property values decrease, and particularly when the values are less than outstanding loan balances, default and claim events occur more frequently. Exhibit II-11, below, provides a visualization of HPA accumulated from origination through fiscal year end 2026 by cohort, as well as the average annual HPA growth. In the data labels, the first number is the average annual HPA growth, and the second number is the average cumulative HPA growth to date. This is realized HPA and does not include forecasts. The values are estimated using geographic HPA rather than obtaining a new appraisal for each property.

Exhibit II-11: Avg Annual and Avg Cumulative HPA by Cohort, Cohorts 2010 & Prior to 2026



Source: U.S. Department of HUD/FHA, October 2026. Refer to data Table C-11 in Appendix C.

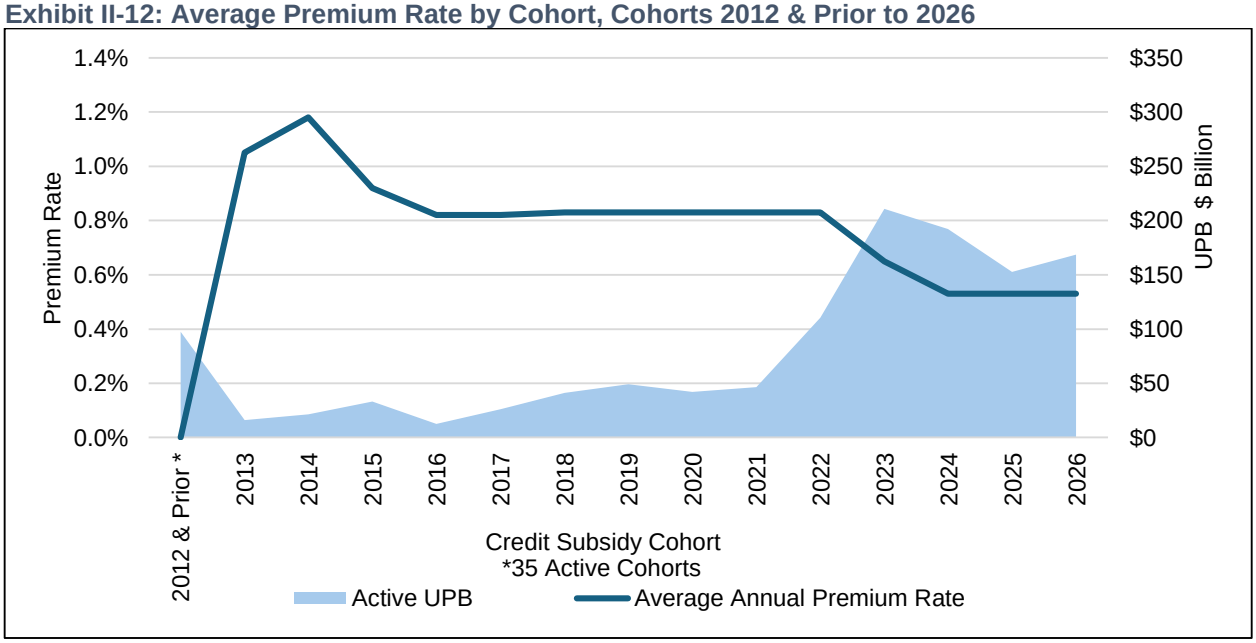
As illustrated in the exhibit above, HPA has trended positively since 2012 and has been above the long-term average growth rate of 3 percent per year through 2021. Average annual HPA from 2011 through 2020 was 8.5 percent, and average annual HPA from 2022 through 2026 was much lower at 1.7 percent. As mentioned earlier, approximately 73 percent of UPB is concentrated in Cohorts 2021 through 2026. Cohort 2021 has a meaningful amount of UPB and a substantial amount of HPA. Therefore, FHA's cash flow estimates for Cohort 2021 reflect the benefit of observed HPA through lower estimated claim and severity rates. Cohorts 2022 through 2026 also have substantial UPB, but much lower HPA. While it is expected that future home price growth will be closer to long-term averages at around three percent annual growth, in FY 2026 HPA was approximately flat nationwide. This means Cohorts 2022 through 2026 are projected to perform less favorably, with higher claim rates and loss severity on claim payments.

Forward: Premiums

The primary cash inflow in the forward mortgage insurance program is annual MIPs. Exhibit II-12, below, shows the annual premium rate by cohort for active loans. Across all cohorts, the weighted-average premium rate for active loans is 62 bps, down year-over-year from 67 bps last year. This average takes into consideration cancellation of premiums for endorsements prior to June 2013.[19] The average annual premium rate decreased from an average of 83 bps in Cohort 2022 to an average of 53 bps for Cohorts 2024 through 2026. In FY 2023, FHA lowered premium rates, reducing costs to borrowers, but also lowering premiums collected. This is notable because in addition to anticipated prepayments reducing inflows for recent cohorts, the remaining loans will pay fewer premiums than prior cohorts. Comparatively, Cohort 2021 has low anticipated prepayments, and its active loans pay more premiums.

[19] Mortgagee Letter 2013-04 rescinded the automatic cancellation of annual MIP collection at 78% LTV for all loans and instituted life-of-loan or 11-year MIP collection, depending on the loan term and LTV at origination.

Exhibit II-12: Average Premium Rate by Cohort, Cohorts 2012 & Prior to 2026



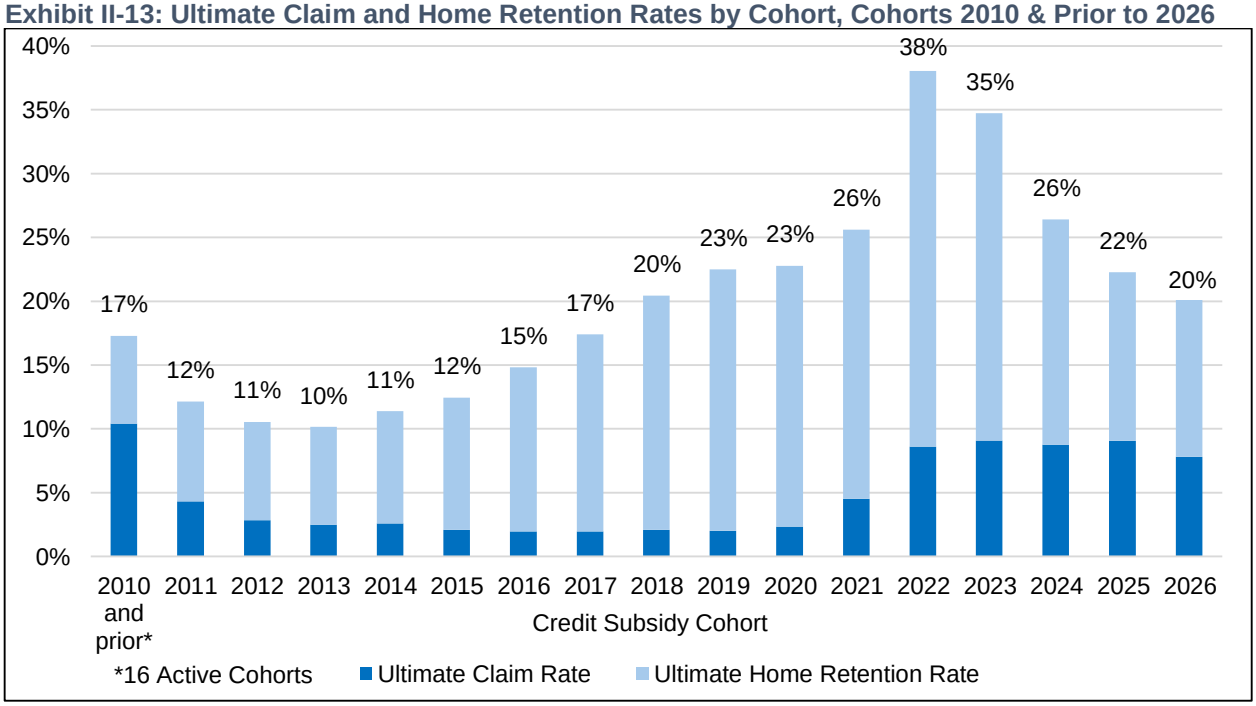
Source: U.S. Department of HUD/FHA, October 2026.
Refer to data Table C-12 in Appendix C.

Forward: Loss Mitigation Home Retention Options

To proactively mitigate defaults and prevent claims, FHA provides lenders with loss mitigation home retention options, including partial claims, loan modifications, and payment supplements. This enables lenders to assist borrowers in default or at imminent risk of default, providing the opportunity to preserve homeownership. FHA claim rates would be considerably higher without home retention options. FHA's modeling shows that when home retention options are used to provide a payment reduction (i.e., lower borrowers' monthly payments), claim rates are lower. However, overuse of home retention during 2022 and 2023 raised home retention rates without lowering claim rates.

Exhibit II-13, below, provides an estimate of the ultimate home retention rate on top of the termination claim rate by cohort. The rates are calculated as the sum of historical events plus FHA's estimate of future events divided by the original number of loans endorsed in each cohort. Under the new Loss Mitigation Waterfall, early signs show that the number of annual home retention events have decreased meaningfully and are returning to historical averages. FHA anticipates this will continue in future years. A broader discussion of the updated waterfall can be found in the Overview Chapter.

Exhibit II-13: Ultimate Claim and Home Retention Rates by Cohort, Cohorts 2010 & Prior to 2026



Source: U.S. Department of HUD/FHA, October 2026. Refer to data Table C-13 in Appendix C.

Forward: Cash Flow Projections of Revenue and Losses

FHA's loan performance and cash flow models take into consideration underwriting factors, economic factors, and policies that affect borrowers' likelihood to pay their loan on a monthly basis. The models forecast the likelihood of borrower prepayment, default, home retention, claim, and the cash flows associated with these events. Exhibit II-14 shows the NPV of forward cash flows by cohort, applying the President's Economic Assumptions (PEA).

For each cohort, the chart, Exhibit II-14, shows three values:

1. NPV of premium income (green bars);
2. NPV of claims paid and loss mitigation expenses, net of recoveries (red bars); and
3. NPV of cash flows calculated as the sum of the premium and claim cost estimate (black line).

Cohorts 2020, 2021, and 2022 contribute the most positive cash flow estimates. These cohorts comprise approximately 30 percent of UPB, have experienced substantial HPA, have higher premium rates relative to more recent originations, and the mortgages have low interest rates in comparison to forecasted rates. Therefore, the estimated prepayment speeds on these cohorts are lower, resulting in greater realized premium income relative to cohorts with faster prepayment speeds. Additionally, the claim rates are lower given strong HPA, and for those loans that do proceed to claim payment, FHA's ability to recover and mitigate losses is more successful.

Cohorts 2023 and 2026 are estimated to result in positive future cash flow for FHA, but the total cash flows are lower because these loans have lower premium rates, higher interest rates (i.e.,

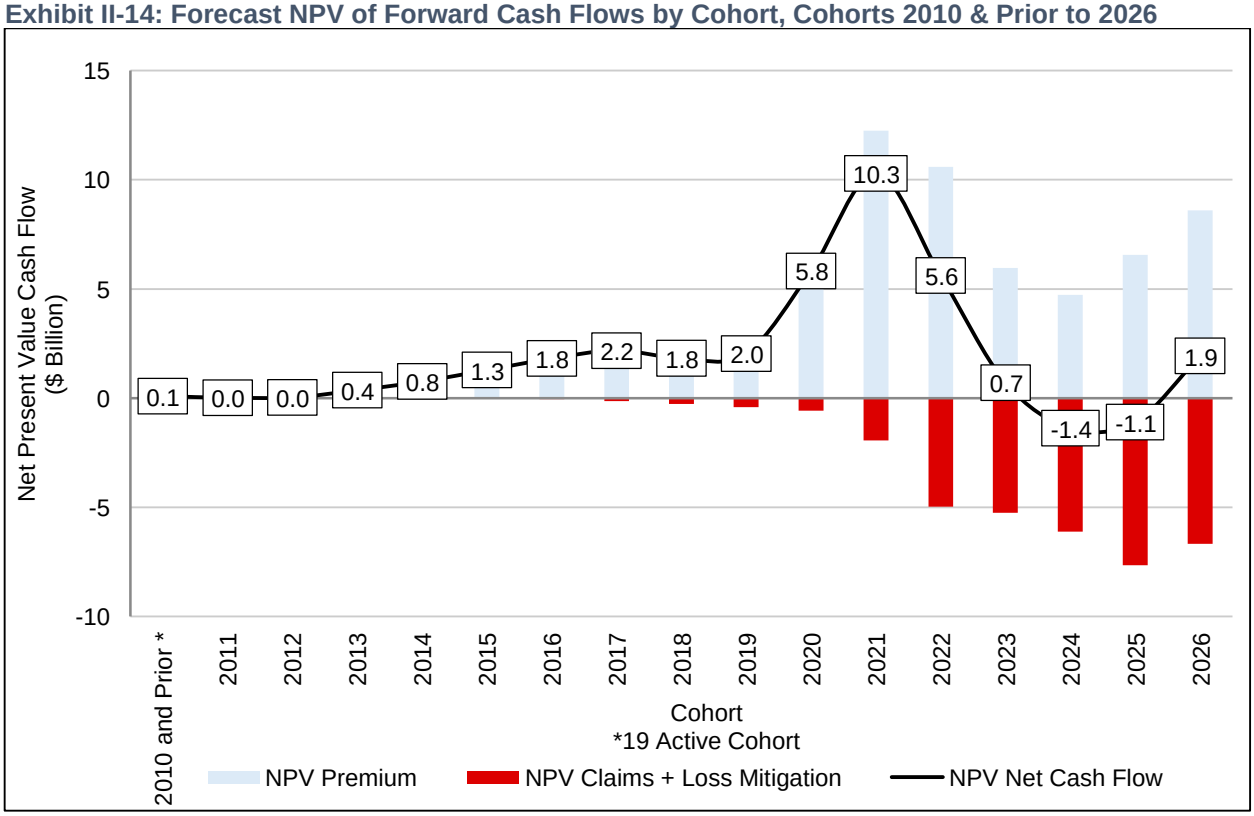
faster prepayments), and have experienced less HPA. Cohorts 2024 and 2025 are estimated to have negative future cash flows, as they have the highest average interest rates (over 6.6 percent), low cumulative HPA, and low premium rates. Therefore, they will prepay in high numbers, pay lower premiums on the remaining loans, and experience worse loss severity of loans that go to claim.

Cohorts 2015 through 2019 are favorable, but smaller. They comprise 12 percent of UPB, but have lower interest rates, higher premium rates, and substantial HPA. This produces positive forecasts for these cohorts, but values are smaller due to the smaller remaining balances.

Lastly, Cohorts 2014 and prior benefit from the same factors as Cohorts 2015 through 2019, but only comprise 8 percent of UPB across over 20 active cohorts. Therefore, they are only somewhat influential in aggregate.

In short, HPA, interest rates, and premium rates are the biggest factors driving performance in the forward program. While there is some differentiation across cohorts with respect to underwriting characteristics, they do not meaningfully change the results. Higher DTIs in recent cohorts, combined with lower HPA could become problematic in the case of an economic downturn, though the higher credit scores can help mitigate some of that risk. Nevertheless, these recent cohorts require careful monitoring to ensure the MMI Fund is protected in the face of more challenging economic environments.

Exhibit II-14: Forecast NPV of Forward Cash Flows by Cohort, Cohorts 2010 & Prior to 2026



Source: U.S. Department of HUD/FHA, October 2026.
Refer to data Table C-14 in Appendix C.

Home Equity Conversion Mortgage Program – Reverse Mortgages

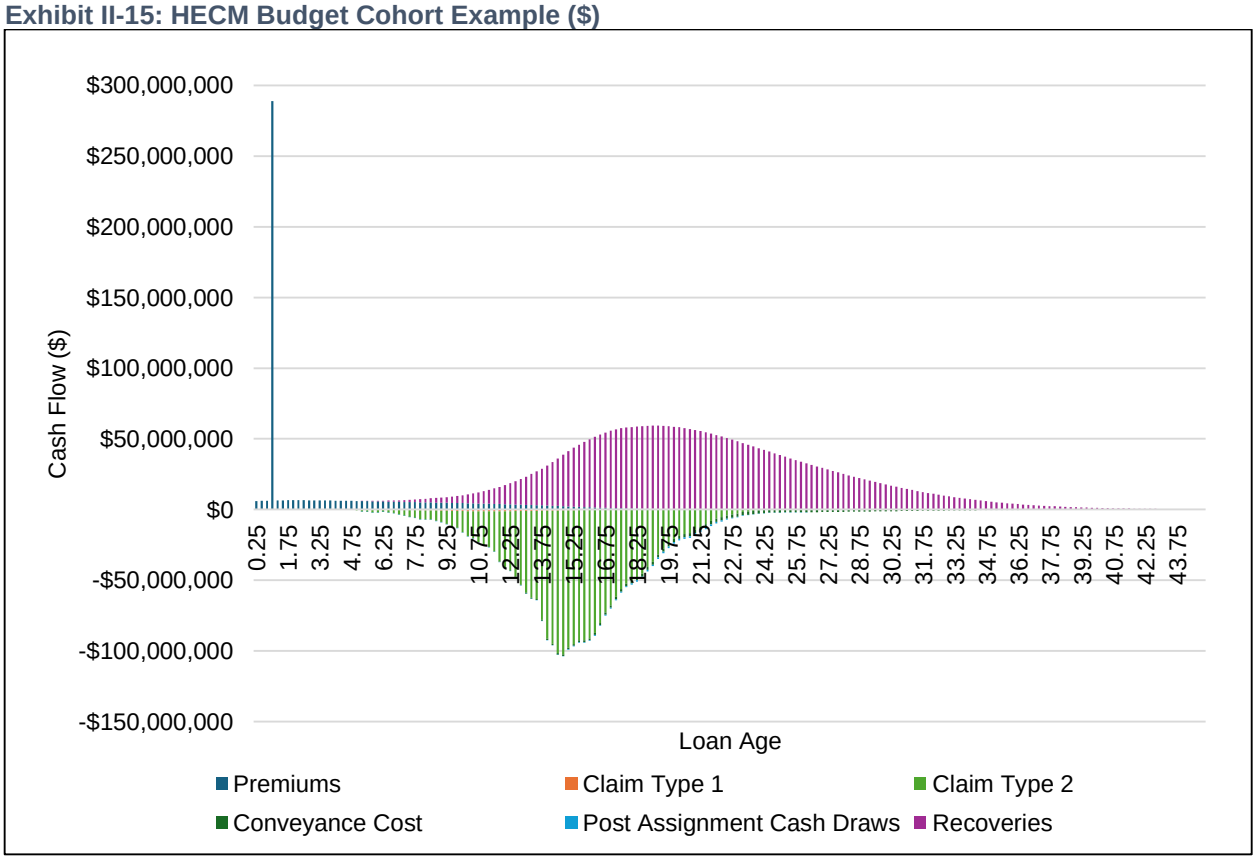
The HECM portfolio currently comprises roughly 3.5 percent of the MMI Fund by IIF. While HECM is a mortgage program, the cash flows are substantially different from the forward mortgage insurance program. Notably, HECMs do not require the borrower to have active income or to make monthly mortgage payments to a lender. Instead, while a borrower or heir may choose to pay off the HECM at any time, HECMs become due when a default event occurs (i.e., due and payable event), including borrower death, occupancy default, tax default, or insurance default.

FHA pays an insurance claim when the defaulted borrower (or estate) sells the property for less than the UPB, or the lender forecloses and is either unable to sell the property or sells the property for less than the UPB. Alternatively, FHA pays out an assignment claim when the HECM is current, but its UPB reaches 98 percent of the MCA, and the lender elects to assign the loan to FHA. The MCA is set at the time the loan is underwritten. After FHA takes assignment, it services the HECM until payoff or the occurrence of a due and payable event, resulting in a short sale, note sale, or foreclosure and REO sale of the property. HECM claim types are somewhat distinct from those in the forward mortgage insurance program as FHA regularly pays out assignment claims on current HECMs and expects to do so under typical operations.

The distinct features of the HECM program result in a unique cash flow pattern. FHA receives insurance premiums for HECMs and incurs positive cash flows until claim payment. FHA then incurs negative cash flows when claims are paid, and HECMs are assigned to HUD. FHA can only recover the amounts owed when the assigned HECMs terminate through payoff or resolution of a due and payable HECM. Additionally, note or property sales can result in a net gain or a net loss to FHA depending on the circumstances, such as HPA and deferred maintenance.

Exhibit II-15, below, visualizes the typical cash flow pattern for a cohort of HECMs from insurance endorsement to termination. The largest cash flows are premiums, assignment claim payments, and post-assignment recoveries.

Exhibit II-15: HECM Budget Cohort Example ($)



Source: U.S. Department of HUD/FHA, October 2026. Refer to data Table C-15 in Appendix C. The data in the graph is cutoff at 43.75 years of loan age for readability. However, miniscule cashflows go out to 75 years of loan age.

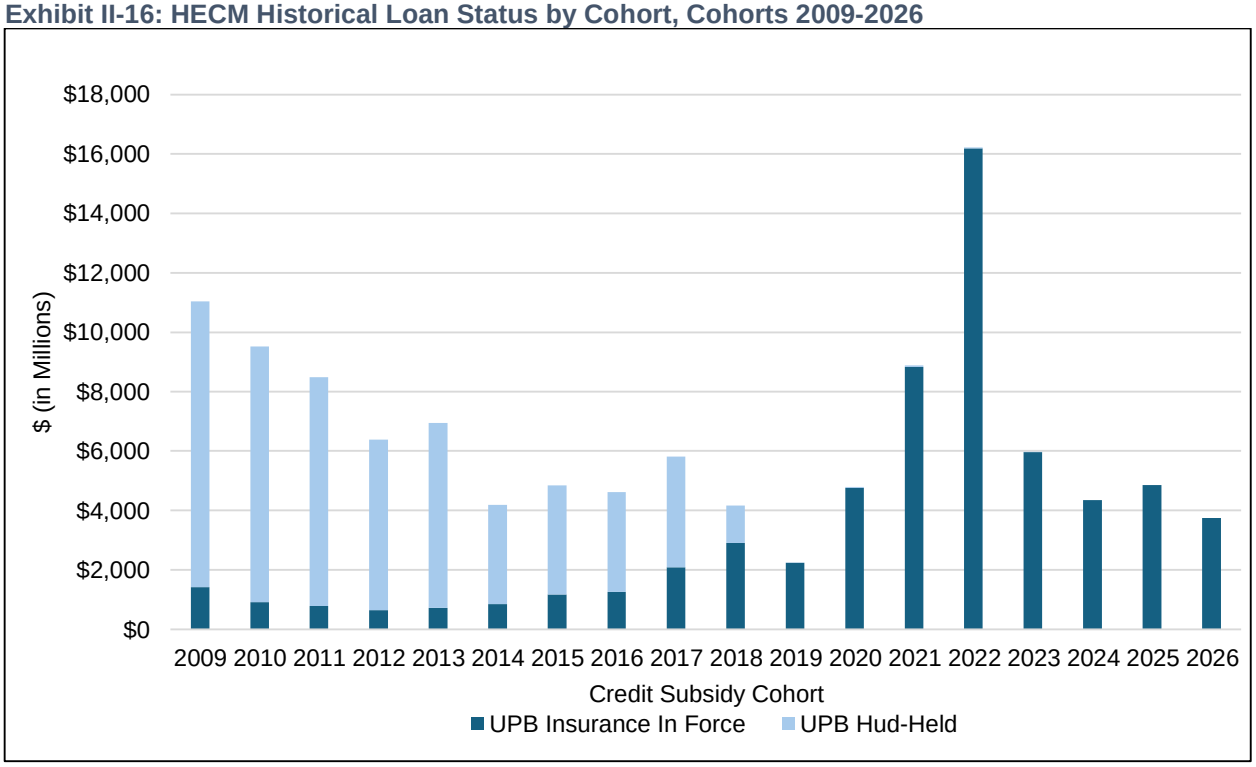
HECM: Unpaid Principal Balance

Compared with forward mortgages, HECMs have a longer average loan duration, often between 10 and 30 years from FHA insurance endorsement to disposition of the note or property asset. Therefore, older cohorts still produce meaningful cash flows. Exhibit II-16, below, provides a summary of the UPB by cohort for the HECM program. Even though more recent cohorts are smaller, the total UPB can become much larger over the life of the cohort. In Exhibit II-16, UPB is segmented into two categories:

1. IIF UPB, which is the outstanding UPB on HECMs that are active and not assigned to HUD; and
2. HUD-held UPB, which is the outstanding UPB of HECMs that are active and assigned to HUD.

Cohorts 2016 and earlier contain mostly assigned HECMs, as their UPBs have already reached 98 percent of the MCA. Loans in Cohorts 2019-2026 mostly have UPBs below the 98 percent MCA threshold for assignment and will contribute more to cash outflows if and when they become eligible for assignment.

Exhibit II-16: HECM Historical Loan Status by Cohort, Cohorts 2009-2026



Source: U.S. Department of HUD/FHA, October 2026. Refer to data Table C-16 in Appendix C.

HECM: Historical Gain/Loss Rates

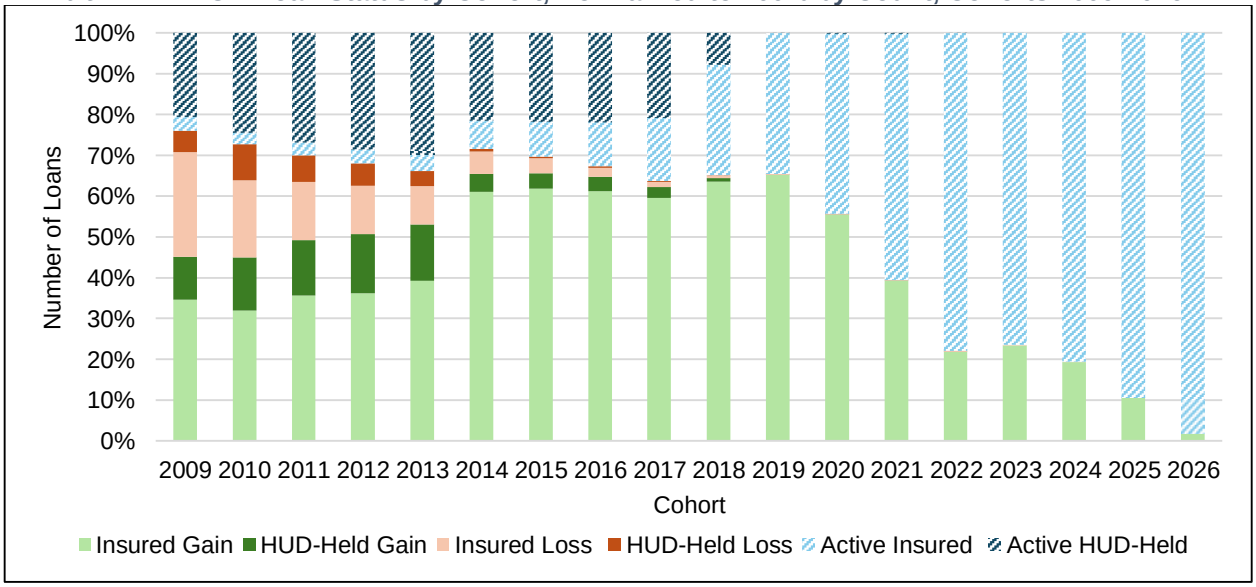
In the forward mortgage program, FHA works to limit claims to the greatest extent possible. In the HECM program, claims are a feature of the program design. Instead of avoiding claims, FHA's HECM policies are meant to best support seniors while minimizing losses (or maximizing returns) to the MMI Fund. Exhibit II-17, below, provides a visual of the current loan status for all HECMs in the MMI Fund. The loan statuses are defined as follows:

- **Insured Gain:** HECMs that terminated prior to assignment and did not result in a claim, or where collected premiums offset costs;
- **Insured Loss:** HECMs that terminated prior to assignment and resulted in a claim with net losses;
- **HUD-Held Gain:** HECMs that were assigned to FHA and the sales proceeds at termination exceeded the amount FHA paid out in claim payments and post-assignment costs;
- **HUD-Held Loss:** HECMs that were assigned to FHA and the sales proceeds at termination were less than the claim payments and post-assignment costs;
- **Active HUD-Held:** HECMs that are active and have been assigned to FHA; and
- **Active Insured:** HECMs that are active and have not been assigned to FHA.

Across all cohorts, there is no majority outcome, but the majority of terminated HECMs resulted in a gain to FHA. That said, Cohorts 2009 through 2013 experienced a higher percentage of insured losses because home prices declined during this period, and the sale proceeds of the properties did not cover UPB on the loans. Therefore, FHA paid out larger claim amounts during this time. To improve the long-term viability of the program and protect seniors from default,

FHA implemented multiple policy improvements starting with the 2014 cohort. Specifically, FHA deployed mandatory financial assessments, the LESA program, upfront draw limits, and a new parameter that allowed qualifying non-borrowing spouses to remain in the home if the primary borrower has died. These features dramatically reduced early term defaults that spurred losses in these older cohorts. Coupling this with meaningful home price appreciation during the mid-2010s dramatically reduced insured loss rates and increased the prevalence of insured gains and/or at least breakeven results. For Cohorts 2014 through 2020, on average 60 percent of HECMs terminated prior to assignment and did not result in a claim. As for Cohorts 2021 through 2026, 60 percent to 90 percent of loans are active and insured. Lastly, approximately 30 percent of HECMs originated between 2009 and 2013 have been assigned to HUD and remain active. This percentage decreases for more recent cohorts. Cohorts 2019 through 2026 have not yet accrued UPB to the point of assignment (i.e., 98 percent of the MCA) and remain active insured mortgages.

Exhibit II-17: HECM Loan Status by Cohort, Normalized to 100% by Count, Cohorts 2009-2026

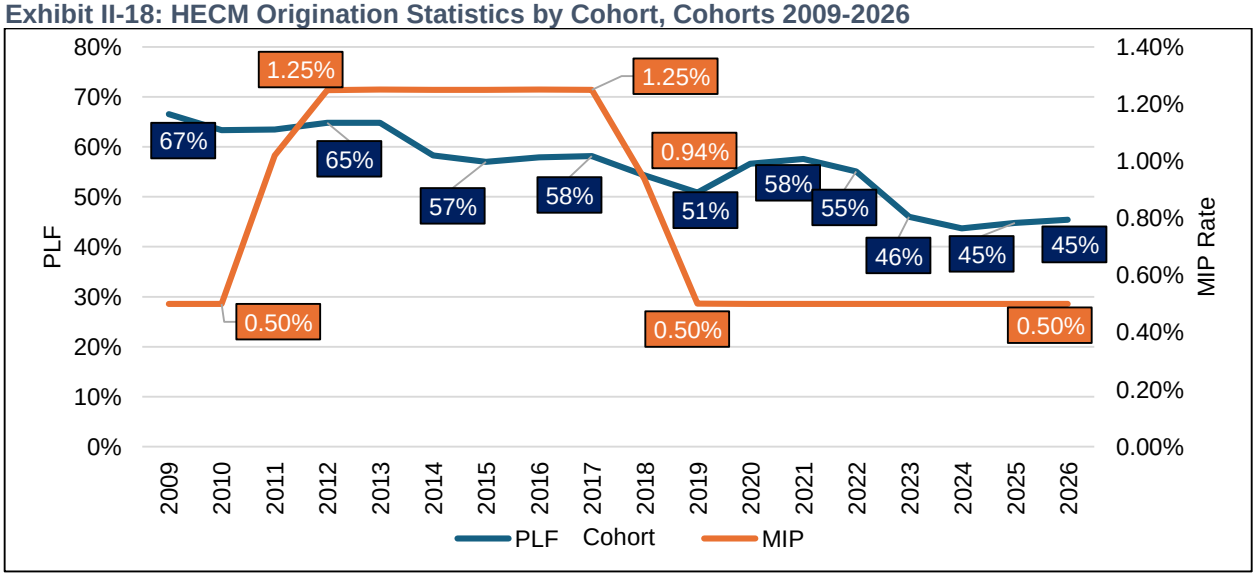


Source: U.S. Department of HUD/FHA, October 2026. Refer to data Table C-17 in Appendix C.

HECM: Borrower and Loan Characteristics

The HECM program does not rely on underwriting the borrower in the same manner as a forward mortgage. Instead, FHA requires a financial assessment that includes determining the value of the home and ensures the borrower has the ability and willingness to meet their more limited financial obligations and comply with the terms of the HECM. For a HECM, the PLF is a percentage, set at origination of the mortgage, that is used to determine the maximum amount of money a homeowner can borrow. This factor is expressed as a percentage of the MCA of the loan. The PLF varies based on the expected interest rate (e.g., note rate for fixed-rate HECMs and 10-year rate for HECM ARMs) and age of the borrower(s). Lower PLFs result in less risk for the MMI Fund. Exhibit II-18, below, visualizes the average original PLF and annual premium rate by cohort.

Exhibit II-18: HECM Origination Statistics by Cohort, Cohorts 2009-2026



Source: U.S. Department of HUD/FHA, October 2026. Refer to data Table C-18 in Appendix C.

The PLF decreased from an average of 67 percent in 2009 to 57 percent for Cohort 2015. PLFs decreased again in 2023 and have held steady since. PLFs are periodically reviewed by FHA to manage the risk of the HECM program. In 2009, the HECM program was estimated to produce negative cash flows (i.e., claim costs exceeded premium estimates), resulting from home price declines and general stress in the mortgage and housing markets. PLFs were evaluated and reduced from an average of 67 percent to 64 percent to improve the soundness of the MMI Fund and HECM program. PLFs were subsequently reviewed and revised in 2014, resulting in a reduction in average PLFs from 65 percent to 58 percent. PLFs were further updated, and annual MIPs were reduced in 2017. Changes in PLFs between 2017 and 2026 have been a function of movements in interest rates. When interest rates are low, PLFs are higher; when interest rates are high, PLFs are lower.

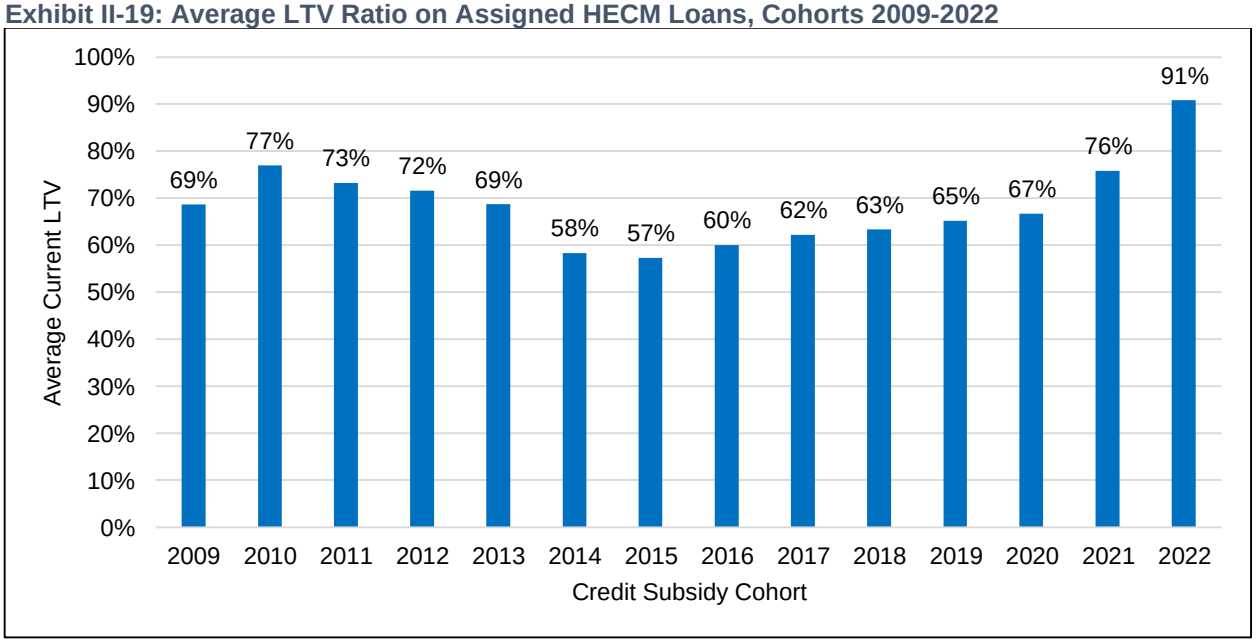
Average annual MIP rates increased from 50 bps in 2009 to 125 bps in 2012 to offset claim risk. In 2018, the annual MIP was reduced back to 50 bps. The annual MIP is typically financed into the note, resulting in the outstanding UPB accruing at a rate equal to the sum of the annual MIP and interest rate.

HECM: Home Price Appreciation

The HECM program does not rely on the traditional forward mortgage underwriting criteria because HECMs do not involve cash-flow-based repayment. Instead, the HECM program is a non-recourse reverse mortgage insurance program that focuses on recoveries through eventual disposition of mortgaged property, with premiums to offset potential losses. Consequently, HPA is even more important to HECMs than the forward mortgage program. Much of FHA's claim costs must be recouped via disposition of the HECM property.

Exhibit II-19 shows the average current LTV ratio of assigned HECMs. For HECMs, the current LTV ratio is calculated as the claim amount plus all post assignment cash-draws divided by the current estimated property value. The estimated property value is calculated as the appraised property value at origination adjusted for local home price indices. When the LTV is less than 100 percent, as is the case in all cohorts, it means the collateral value is above the loan value, which is favorable for FHA. It is important to note that FHA may need to sell these properties at a discount as there is often substantial deferred maintenance required to bring properties to market. Nevertheless, historical rises in home prices suggest that most of FHA's claims should be recouped even when discounted.

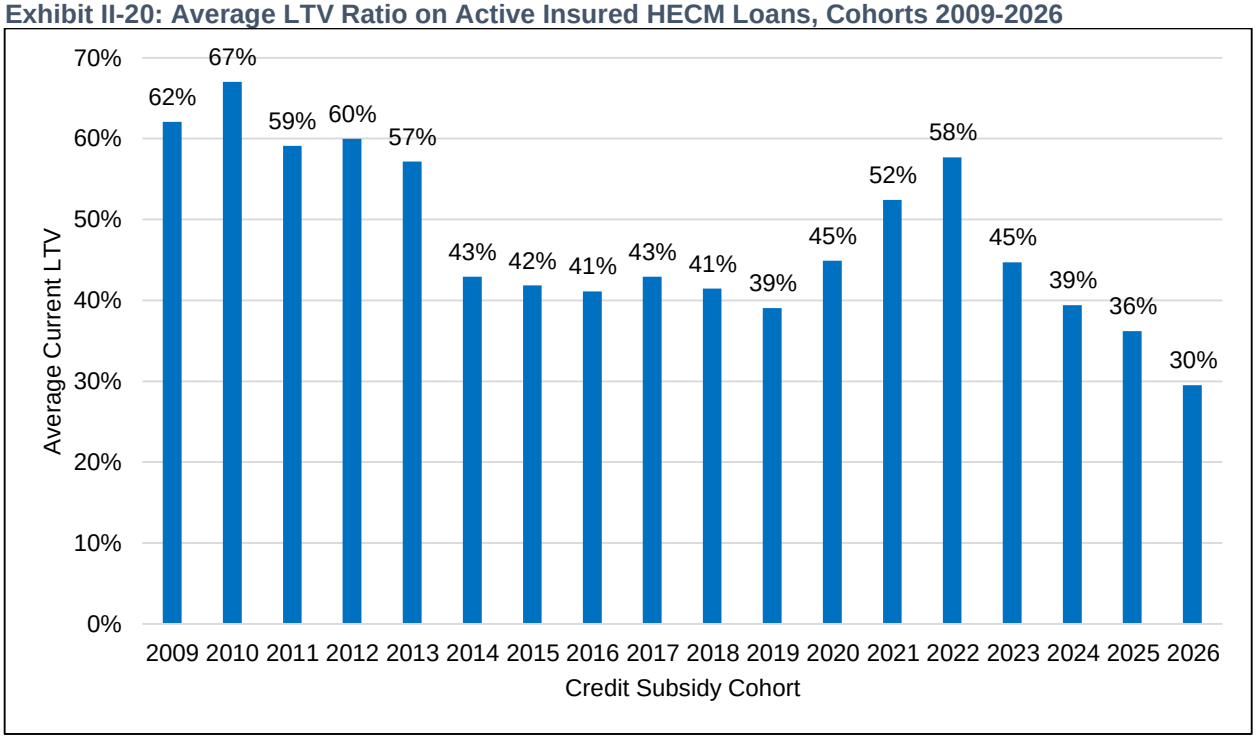
Exhibit II-19: Average LTV Ratio on Assigned HECM Loans, Cohorts 2009-2022



Source: U.S. Department of HUD/FHA, October 2026. Refer to data Table C-19 in Appendix C.

Exhibit II-20, below, shows the average current LTV ratio for insured HECMs. The current LTV ratio of insured HECMs is calculated as the lesser of the UPB and the HECM's MCA divided by the current estimated property value. Compared to assigned HECMs, the LTV ratios for unassigned HECMs are lower because their UPBs are lower. Over time, the UPBs will increase. With sustained high interest rates and slowing home price appreciation, the LTV ratios are currently projected to increase in the short term. This is evident in the current LTVs for Cohorts 2023 through 2026.

Exhibit II-20: Average LTV Ratio on Active Insured HECM Loans, Cohorts 2009-2026



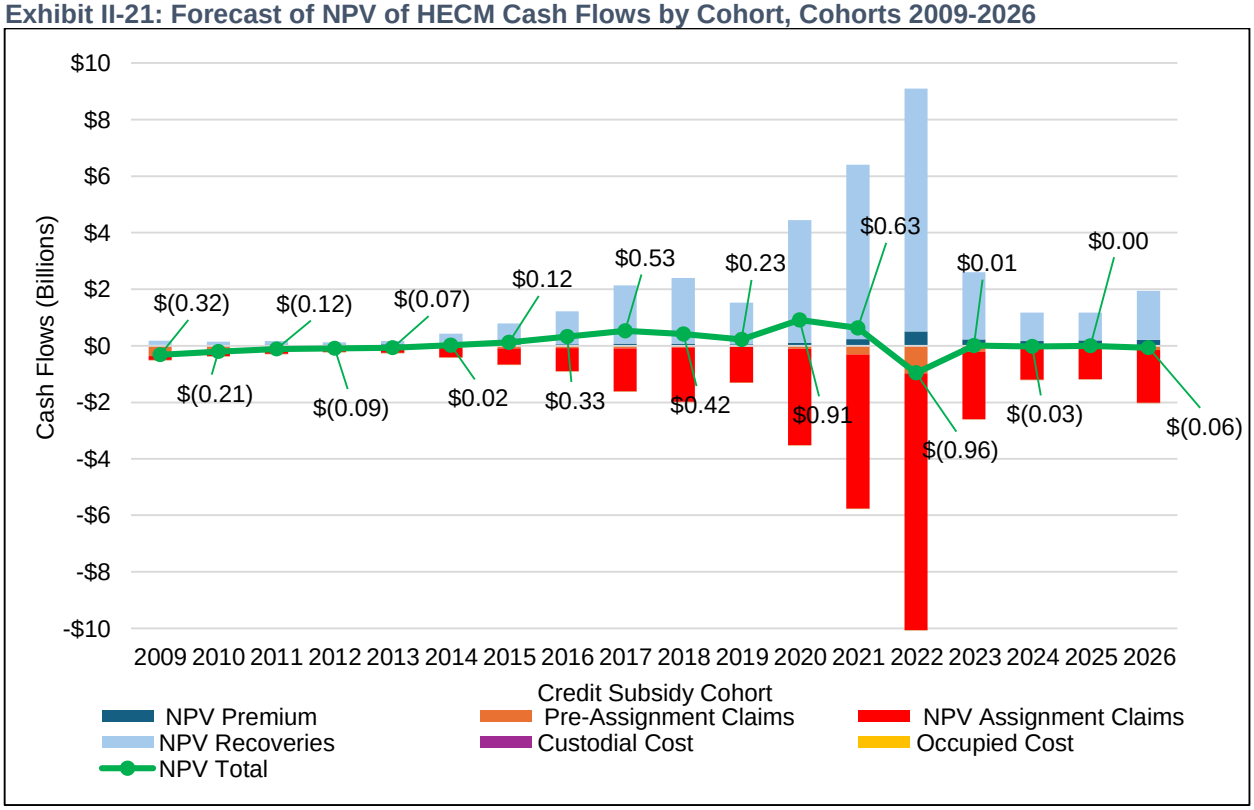
Source: U.S. Department of HUD/FHA, October 2026. Refer to data Table C-20 in Appendix C.

HECM: Cash Flow Projections of Revenue and Losses

The HECM program's cash flows are contingent upon the timing of cash flows and the amount of HPA accrued. Not only does HPA increase the likelihood of property sales covering claims, but heirs also are more likely to pay off the HECM when the value is above the UPB. Payoffs nearly always result in a net gain to FHA.

Exhibit II-21, below, provides a summary of the cash flow forecasts by cohort for insured HECMs. The largest cash outflows are anticipated assignment claims and the largest cash inflows are the subsequent recoveries from loan payoffs and asset sales. Given strong historical HPA, higher premium rates, and lower PLFs, FHA estimates that cohorts 2014 through 2021 will produce positive net cash flows. Net cash flows for Cohorts 2022 through 2026 are much lower and occasionally negative due to lower rates of HPA compared with the prior cohorts and lower forecasted HPA growth. Cohort 2022's cash flows are much larger than the rest of the cohorts due to its larger number of HECMs.

Exhibit II-21: Forecast of NPV of HECM Cash Flows by Cohort, Cohorts 2009-2026



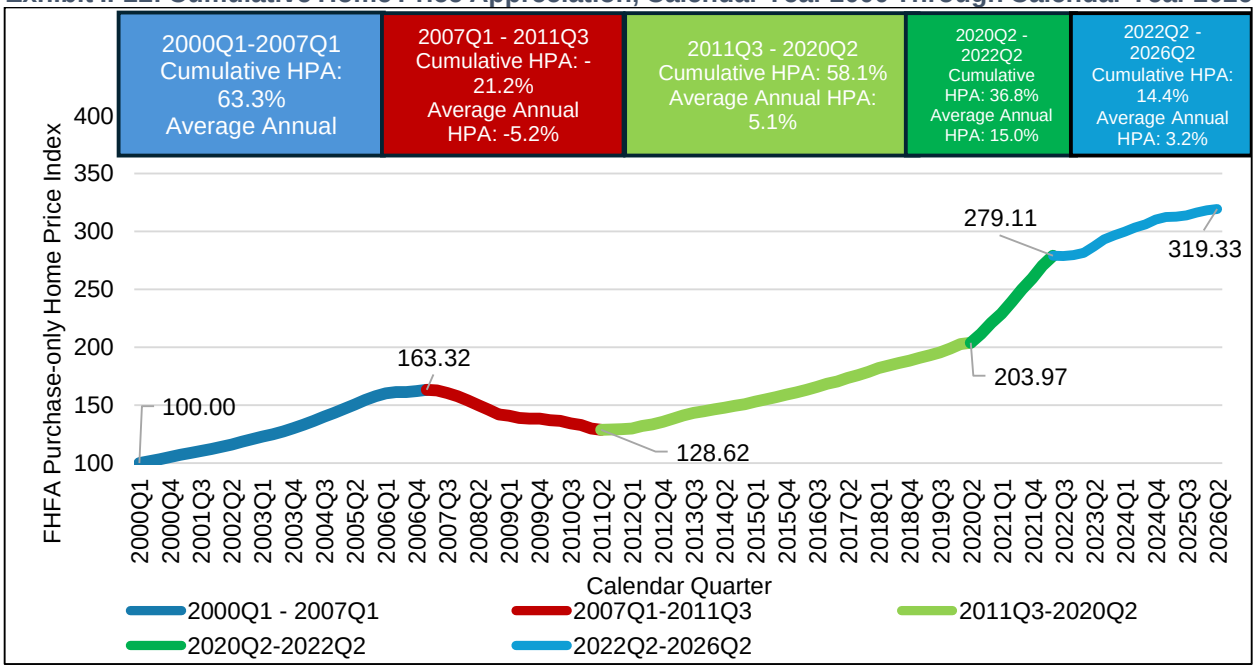
Source: U.S. Department of HUD/FHA, October 2026. Refer to data Table C-21 in Appendix C.

MMI Fund Economic Sensitivities

MMI Fund cash flow forecasts are dependent on the economic situation of each borrower. While FHA utilizes forecasts from the President's Economic Assumptions (PEA), it also subjects its portfolio to sensitivity tests to identify upside and downside scenarios. FHA also stress tests the entire portfolio to assess if the MMI Fund is well capitalized. The following is a discussion about the external factors that influence borrower behavior and the results of the sensitivity tests.

Higher levels of HPA result in stronger fiscal health in the MMI Fund. Rapid HPA growth is historically the most significant driver of capital growth, as rising property values lower the frequency and severity of projected claims. Exhibit II-22, below, shows the accumulated increase in home prices since calendar year 2000. As the starting point, FHA has assigned calendar year 2000 with a value of 100. Each subsequent quarter shows the total change in home prices since 2000. For example, by calendar quarter 2026 Q2, cumulative appreciation is 319.3. This means the average home increased by 319.3 percent of its value since 2000 Q1. Over the last 15 years, the increase in home prices was nearly 200 percent. The most dramatic accumulation of HPA was in 2020 through 2022, with an average annual growth of 15 percent. Since then, HPA has moderated. In 2025 and 2026 in particular, HPA growth moderated considerably, and in some markets, home values have experienced a decline.

Exhibit II-22: Cumulative Home Price Appreciation, Calendar Year 2000 Through Calendar Year 2026



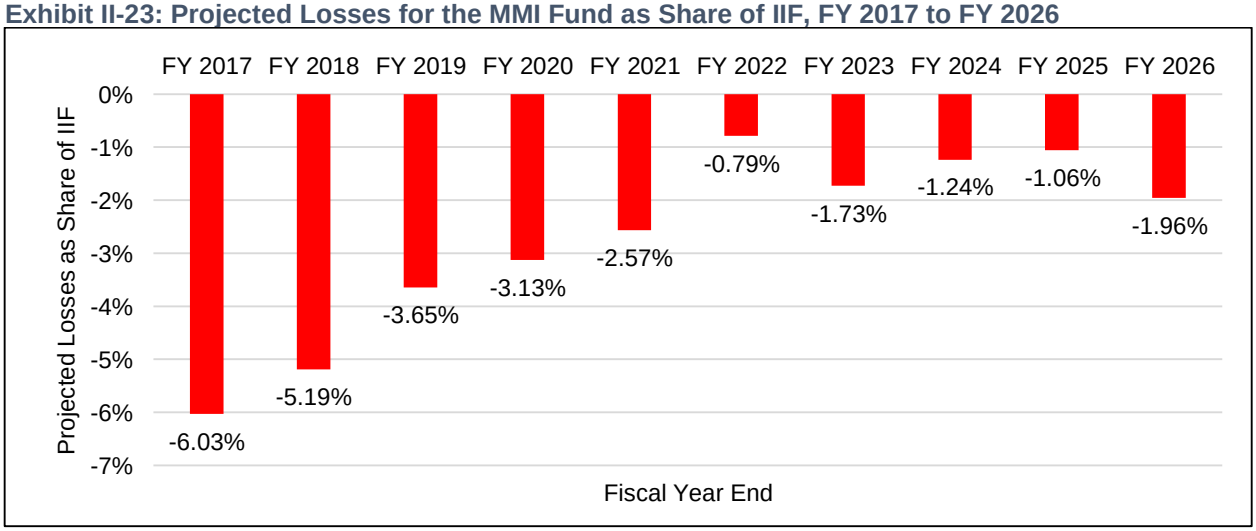
Source: U.S. Department HUD/FHA, Federal Housing Finance Agency (FHFA) House Price Index, October 2026. Refer to table C-22 in Appendix C.

HPA affects the portfolio valuation process through the NPV of projected losses. The two primary drivers of projected loss are:

1. Probability of claim; and
2. Loss severity.

Exhibit II-23, below, shows that the NPV of projected losses decreased over the last ten years, from -6.03 percent in FY 2017 to a low of -0.79 percent in FY 2022 before stabilizing around 1 percent to 2 percent. This past fiscal year, NPV of projected losses worsened by 0.90 percentage points from -1.06 percent in FY 2025 to -1.96 percent.

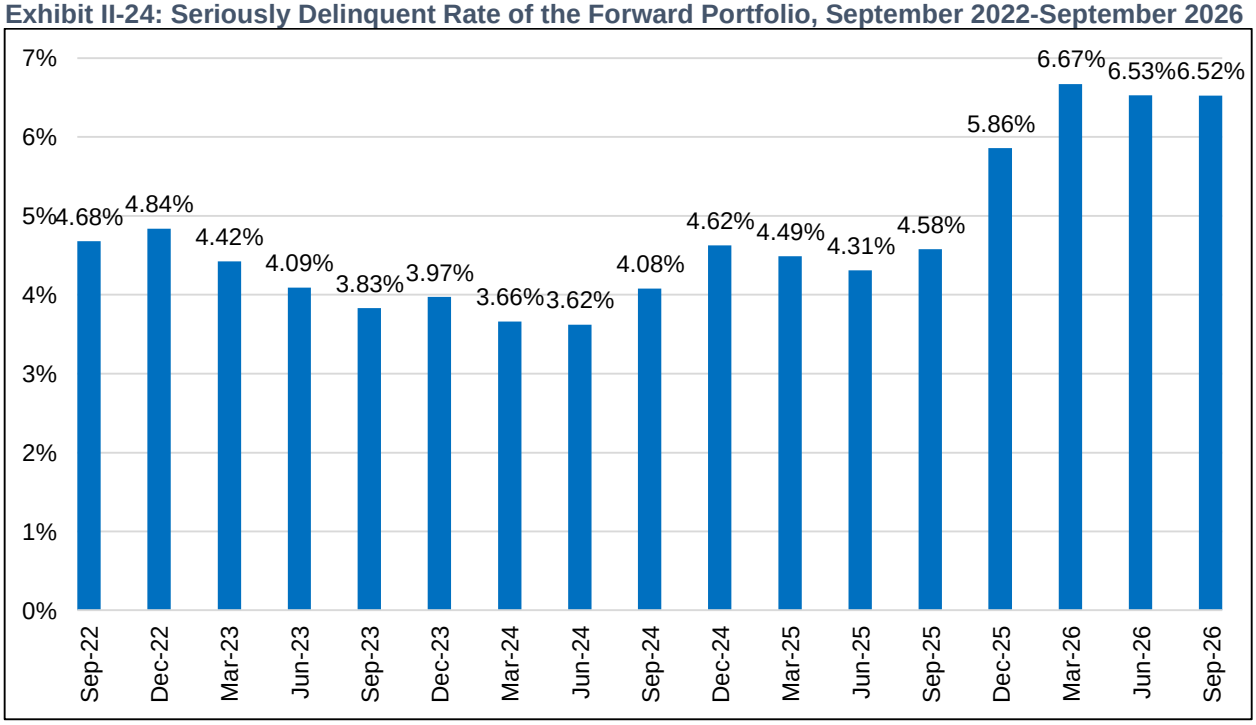
Exhibit II-23: Projected Losses for the MMI Fund as Share of IIF, FY 2017 to FY 2026



Source: U.S. Department HUD/FHA, October 2026. Refer to data table C-23 in Appendix C.

The probability of claim is the most important driver of projected losses. Loans that are seriously delinquent (at least 90 days delinquent) generally result in the highest claim probability. Exhibit II-24, below, shows that the percentage of seriously delinquent borrowers at the end of FY 2026 is higher than at the end of FY 2025, increasing from 4.58 percent to 6.52 percent. This is mostly driven by the policies implemented in the Permanent Loss Mitigation Waterfall. For more details, including a full explanation of the impact on the seriously delinquent rate, see the Loss Mitigation section of the Overview Chapter.

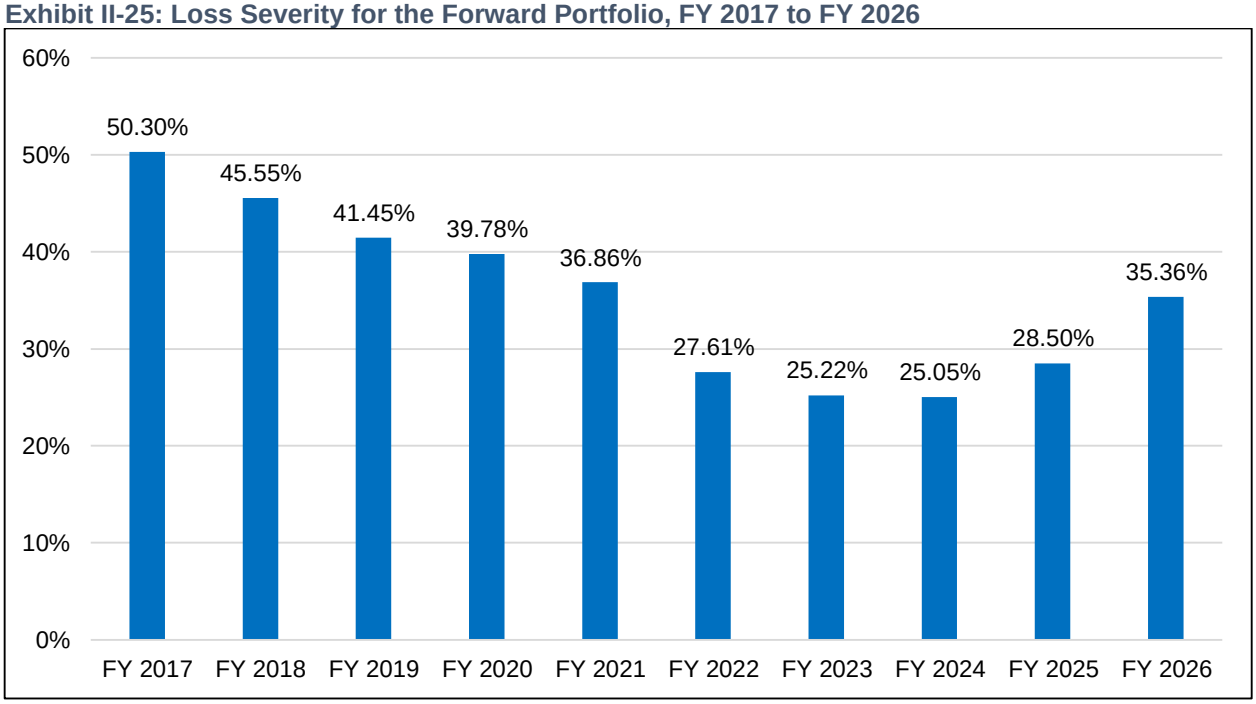
Exhibit II-24: Seriously Delinquent Rate of the Forward Portfolio, September 2022-September 2026



Source: Risk Management and Capital Assessment Projections (RMCAP). Refer to data table C-24 in Appendix C.

Loss severity is the second important driver of projected losses. Exhibit II-25, below, shows that the loss severity for the forward portfolio decreased by half over the last ten fiscal years, from 50.30 percent in FY 2017 to a low of 25.05 percent in FY 2024. In the past fiscal year, loss severity increased 6.86 percentage points from 28.50 percent to 35.36 percent.

Exhibit II-25: Loss Severity for the Forward Portfolio, FY 2017 to FY 2026



Source: U.S. Department HUD/FHA, October 2026. Refer to data table C-25 in Appendix C.

MMI Fund Stress Tests

The economic value of the MMI Fund is sensitive to economic conditions, most notably changes in home prices. Home price declines historically resulted in an increased frequency of claims, severity of claims, and lower recovery values for HECM. Other factors such as unemployment and interest rates contribute meaningfully to both positive and negative outcomes. While the MMI Fund Capital Ratio is well above its statutory minimum, FHA performs economic sensitivity analyses on the forward and HECM portfolios to estimate the economic value of the MMI Fund based on economic scenarios that may result in stress to the Fund. This allows FHA to assess whether the MMI Fund is sufficiently capitalized. FHA's tests included specific sensitivity tests as well as replays of a minimum of 100 historical economic scenarios since 1954. Of all the historical scenarios, the 2007 Quarter Two Replay was the most severe. This test, along with the other sensitivity/stress scenarios, are listed in Exhibit II-26, below.

Exhibit II-26: Economic Stress Scenario Summary

Stress Scenario	Description
2007Q2 Replay	Historical Stress Period Includes actual, historical correlation between home prices, unemployment rates, and interest rates
2007Q2 Replay Flat	Historical Stress Period, Modified Includes actual, historical correlation between home prices, unemployment rates, and interest rates, but was modified to flatline the HPA at a 3% rate to mitigate the large increases in HPA from 2011 through 2025. This is a new scenario added this year.
Interest +1%	1% upward interest rate shift from the PEA, forecast
Interest +2%	2% upward interest rate shift from the PEA forecast
Interest +3%	3% upward interest rate shift from the PEA forecast
Interest -1%	1% downward interest rate shift from the PEA forecast
Interest -2%	2% downward interest rate shift from the PEA forecast
Interest -3%	3% downward interest rate shift from the PEA forecast
Stagflation (S6)	Moody's stagflation scenario. This increases 10-year treasury, increases unemployment, and decreases HPI
Down 5%	5% HPA decline over 12 months followed by 3% HPA, PEA Interest Rates and Unemployment Rates
Down 10%	10% HPA decline over 18 months followed by 3% HPA, PEA Interest Rates and Unemployment Rates
Down 15%	15% HPA decline over 24 months followed by 3% HPA, PEA Interest Rates and Unemployment Rates
Down 20%	20% HPA decline over 30 months followed by 3% HPA, PEA Interest Rates and Unemployment Rates
Down 25%	25% HPA decline over 36 months followed by 3% HPA, PEA Interest Rates and Unemployment Rates

Exhibit II-27, below, lists the projected Capital Ratio under each scenario. Under the baseline expectations using the PEA, the Capital Ratio at the end of FY 2026 is 10.29 percent. Future cash flow estimates for both the forward and HECM portfolios are positive. The most severe economic scenarios are those with home price declines. Home price declines of 20 percent or greater are estimated to result in negative NPV for both the forward and HECM portfolios. For the FY 2026 portfolio, FHA applied a hypothetical economic scenario mirroring the economic conditions of 2007, but that excluded the large increases in home prices during the mid- to late-2010s. This resulted in the most severe NPV estimates, and a Capital Ratio of 2.65 percent. It is notable that the MMI Fund is projected to remain 65 bps above the statutory two percent minimum Capital Ratio, even after applying the most aggressive stress scenario under FHA's modeling. This suggests the MMI Fund is sufficiently capitalized and would not need additional funding to withstand a significant economic downturn.

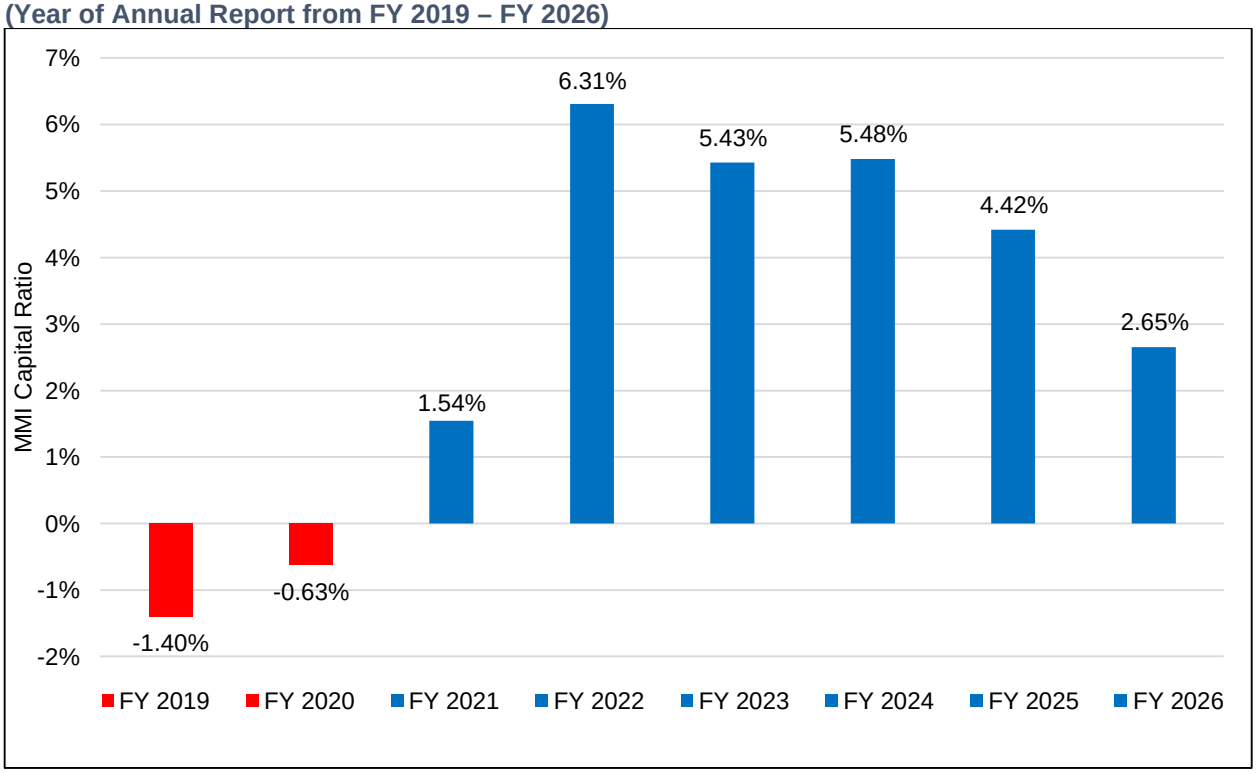
Exhibit II-27: Capital Ratio Under Alternative Scenarios

Scenario	Forward NPV ($ billions)	HECM NPV ($ billions)	Capital Resources ($ billions)	IIF ($ billions)	Capital Ratio
	A	B	C	D	E = (A + B + C) / D
PEA	32.3	1.4	148.9	1,773.7	10.29%
2007Q2 Replay	(51.4)	(11.8)	148.9	1,773.7	4.84%
2007Q2 Replay Flat	(72.5)	(29.4)	148.9	1,773.7	2.65%
Interest +1	33.3	0.8	148.9	1,773.7	10.32%
Interest +2	34.1	2.0	148.9	1,773.7	10.43%
Interest +3	34.6	3.1	148.9	1,773.7	10.53%
Interest -1	31.8	0.1	148.9	1,773.7	10.20%
Interest -2	30.5	0.4	148.9	1,773.7	10.14%
Interest -3	28.7	0.6	148.9	1,773.7	10.05%
Down 5% HPA	21.3	(5.6)	148.9	1,773.7	9.28%
Down 10% HPA	9.6	(10.5)	148.9	1,773.7	8.35%
Down 15% HPA	(3.4)	(15.3)	148.9	1,773.7	7.35%
Down 20% HPA	(18.3)	(19.9)	148.9	1,773.7	6.24%
Down 25% HPA	(35.3)	(22.9)	148.9	1,773.7	5.12%

Source: RMCAP

The MMI Fund portfolio is regularly tested against the economic conditions of over 100 historical scenarios. Exhibit II-28, below, shows the impact of the most severe economic conditions upon the MMI Fund Capital Ratio over each of the last seven years. Comparing the highest loss scenarios each year, the FY 2019 MMI Fund Capital Ratio was negative 1.40 percent and increased each year up until FY 2022, reaching positive 6.31 percent. Since FY 2022, the Capital Ratio under the highest loss scenario fell most years before declining to 2.65 percent in FY 2026. Once again, these results indicate the MMI Fund is well capitalized and prepared to withstand a substantial economic downturn.

Exhibit II-28: Highest Loss Scenario Stress Test Analysis – MMI Fund Capital Ratio Impact (Year of Annual Report from FY 2019 – FY 2026)



Source: U.S. Department HUD/FHA, October 2026.
Refer to data table C-28 in Appendix C.

Independent Actuarial Review

Federal law (12 USC § 1708(a)(4)) requires FHA to conduct an annual independent actuarial study of the MMI Fund and to submit a report to Congress describing the results of the study. The actuarial study serves as an independent verification of FHA's methodology and calculation of the MMI Fund Capital Ratio. The FY 2026 independent actuarial studies concluded that FHA's cash flow NPV is reasonable and within a reasonable range of Actuarial Estimates. The Independent Actuarial Studies for the forward and HECM portfolios are available at: https://www.hud.gov/stat/sfh/mortgage-insurance-fund.

Chapter III:
Key Policy Reforms

Under President Trump, FHA has prioritized increasing affordable, successful homeownership opportunities for all Americans while ensuring the financial soundness of the Mutual Mortgage Insurance Fund. Through policy reforms undertaken in FY 2026, FHA continued to make meaningful progress in pursuit of these objectives. The following sections summarize FHA's key policy reforms and initiatives undertaken this past fiscal year to eliminate barriers to homeownership, reduce the costs of home financing, and improve the efficiency of Single Family insurance operations, while protecting the MMI Fund.

These reforms and initiatives included:

- Increasing Housing Supply and Affordability
- 21st Century Renewing Opportunity in the American Dream (ROAD) to Housing Act
- Modernization of Credit Scores
- Protecting the MMI Fund
- Partial Claim Reform: Reinstatement Advance Payment (RAP)
- Lowering Housing Costs
- Contract Funding Reallocation for Assigned HECM Property Preservation Expenses
- Supporting Borrowers Impacted by Natural Disasters
- FHA System Enhancements

Increasing Housing Supply and Affordability

This section describes a series of actions that FHA undertook in FY 2026 to increase housing supply and affordability, including implementation of Executive Orders focused on removing regulatory barriers impacting home construction, promoting access to mortgage credit, and preserving single family homes for creditworthy homebuyers. To date, FHA has taken over 150 streamlining measures under the Trump Administration, cutting red tape and tackling the cost structure of FHA origination and servicing for the current market and for future generations. FHA also took the first step in decades to modernize its Minimum Property Requirements and returned housing inventory directly to the market through asset sales, furthering housing supply and affordability objectives.

• Removing Regulatory Barriers to Affordable Home Construction

On March 13, 2026, President Trump issued Executive Order 14394, "Removing Regulatory Barriers to Affordable Home Construction", directing federal agencies to improve housing affordability by reducing regulatory and permitting barriers, lowering construction costs, and encouraging the development of new homes. The Executive Order (EO) directs HUD to take several actions to reduce regulatory barriers to housing development and improve housing affordability, particularly by promoting the construction of affordable single family homes and

development in suburban and exurban communities. Among other things, the EO directs HUD to eliminate unduly burdensome regulations and reform programs that constrain residential development.

In furtherance of Executive Order 14394, FHA has initiated a broad update of its Minimum Property Requirements (MPRs), eliminated burdensome energy code regulations, and is evaluating removing prohibitive heightened elevation requirements, all of which are described in greater detail below.

On May 20, 2026, HUD released its "State and Local Best Practices for Home Construction Report,"[20] a series of recommended regulatory actions for state and local governments to increase efficiency and ease regulatory barriers to housing construction and affordability. The report provides a clear starting point for all state and local governments to begin or continue an active effort to remove unnecessary burdens to home construction.

On July 27, 2026, FHA announced a waiver streamlining well water distance requirements that may have been a barrier to affordable housing supply. FHA issued a broad waiver of well distance requirements for Individual Water Supply Systems, which are part of FHA's MPRs for Existing Construction set forth in the Single Family Housing Policy Handbook 4000.1.

- ## Promoting Access to Mortgage Credit

On March 13, 2026, President Trump issued Executive Order 14393, "Promoting Access to Mortgage Credit," directing federal agencies to consider reducing statutory and regulatory burdens that have accumulated over the past two decades as well as address specific areas the EO identifies as increasing the cost and complexity of mortgage lending and limiting creditworthy borrowers' access to mortgage credit.

Among other topics, the EO directs HUD to modernize its appraisal standards and align them with the VA Home Loan Program where risks are comparable, and to support portfolio mortgage servicing, including by simplifying loss mitigation requirements.

Promptly after issuance of the Executive Order, FHA and VA established a working group of subject matter experts and leaders to target areas for alignment, clarification, and flexibility with their respective appraisal standards. In collaboration with the VA, FHA is working to finalize policy which will promote greater consistency between the two agencies as well as other federal housing programs.

On June 23, 2026, FHA published a comprehensive series of policy updates through Mortgagee Letters (ML) designed to reduce costs, mitigate risk, and make mortgage credit more accessible

[20]https://www.hud.gov/sites/default/files/Main/documents/State-and-Local-Best-Practices-for-Home-Construction.pdf

to prospective homebuyers seeking FHA-insured mortgages in furtherance of Executive Order 14393. The updates include:

- **ML 2026-10: *Updates to FHA Quality Control Requirements for Appraisal Field Reviews*.** Through this ML, FHA made field reviews an optional quality control (QC) component, eliminating the prior requirement that mortgagees obtain appraisal field reviews on at least 10 percent of their origination and underwriting QC samples. Appraisal field reviews represent one of the most expensive quality control components, averaging $425 per field review. FHA's elimination of this requirement will save industry partners an estimated $3.3 million annually.

- **ML 2026-06: *Increase in the Maximum Number of Draw Requests for Limited 203(k) Rehabilitation Mortgage Insurance Program*.** Through this ML, FHA increased the maximum number of allowable draws under its Limited 203(k) program from two to four per contractor, making FHA-insured financing easier and more practical for homeowners who need to repair or rehabilitate a home, while maintaining safeguards and strengthening controls for the MMI Fund. FHA also clarified draw disbursement procedures for both the Limited and Standard 203(k) programs to strengthen risk controls that will protect FHA's MMI Fund and align with industry standards.

- **ML 2026-09: Eliminating Unnecessary Requirements for FHA Mortgagee Approval and Quality Control.** This ML eliminated outdated, redundant, or unnecessary requirements that increased mortgage costs, limited borrower access, and contributed to some smaller lenders leaving the market. Specifically, this ML:
  - Created a permanent exception to exempt Early Payment Defaults from the required monthly Quality Control review sample for certain mortgages impacted by a Presidentially Declared Major Disaster Area (PDMDA), eliminating the need for FHA to issue a waiver for each PDMDA;
  - Removed outdated policy that required mortgagees to provide their staff with online access or hard copies of current FHA guidance;
  - Removed section V.A.2.c. Identifying Patterns from *Single Family Housing Policy Handbook 4000.1*. Other FHA policy requires mortgagees to expand the scope of loan-level Quality Control when fraud or patterns of deficiencies are identified, making the "Identifying Patterns" section redundant; and
  - Removed the requirement for the mortgagee officer in charge to be a full-time corporate officer exclusively employed by the mortgagee.

- **ML 2026-07: *Rescission of the Important Notice to Homebuyers Form HUD-92900-B Requirement*.** This ML reduced paperwork burdens for lenders and homebuyers by formally and permanently eliminating the requirement that mortgagees provide borrowers with Form

HUD-92900-B, Important Notice to Homebuyers and retain the executed copy in the case binder.

- **ML 2026-08: *Updates to Loss Mitigation Requirements*.** Through this ML, FHA clarified its loss mitigation requirements governing TPPs and borrower evaluation for loss mitigation assistance. Specifically, the ML established a new reason for TPP failure, permitted payments under a permanent home retention option to increase following a TPP to account for increases in taxes or insurance, limited borrower requests for re-review of loss mitigation in certain circumstances, and revised requirements for making TPP payments in advance of the month due. In addition, FHA issued a waiver clarifying and streamlining the acceptance of TPP payments.

Preserving Single Family Homes for Individual Homebuyers

On January 20, 2026, President Trump issued Executive Order 14376, "Stopping Wall Street from Competing with Main Street Homebuyers," establishing a policy to preserve single family homes for individual occupants by limiting the ability of large institutional investors (LII) to acquire homes that could otherwise be purchased by families.

Under Executive Order 14376, President Trump directed HUD to issue guidance preventing actions that facilitate LIIs' ability to purchase single family homes, including the disposition of federal assets in ways that transfer single family homes to LIIs. President Trump also directed HUD to promote sales to individual owner-occupants through anti-circumvention provisions, first-look policies, and disclosure requirements.

Consistent with FHA's mission to meet the needs of first-time and other homebuyers not adequately served by the larger market, FHA already requires exclusive listing periods for owner-occupant borrowers in its REO sales. FHA is also actively developing policies to exclude LIIs from post-foreclosure sales efforts and REO transactions, aligning FHA policies with the EO. These efforts will help ensure that available housing stock is returned to local homebuyers rather than acquired by large corporations.

In response to Executive Order 14376, HUD's 2026-1 HUD-held Non-Vacant Loan Sale (HNVLS 2026-1) required qualifying purchasers to certify their compliance with the LII requirements. The sale also included post-sale restrictions requiring that any purchased loan that converts to REO through foreclosure or deed-in-lieu of foreclosure be offered for sale through a first look program, providing an exclusive listing period for owner occupants. HUD has previously imposed similar post-sale restrictions on HUD asset sale purchasers as part of its commitment to promoting homeownership.

Following issuance of Executive Order 14376, Congress enacted the 21st Century ROAD to Housing Act (the Act) which prohibits LIIs, defined as companies that own 350 or more homes, from purchasing additional single family homes. HUD subsequently shifted towards

implementing the Act's LII standard in its post-foreclosure and REO policymaking and imposed additional requirements on HUD asset sale purchasers, as discussed below.

Overall, FHA's actions to implement Executive Order 14376 during FY 2026 together with its ongoing implementation planning for the Act, will help increase the supply of housing available to local and first-time homebuyers and ensure that the benefits of increased housing supply accrue to owner occupants rather than large institutional investors.

• Modernizing Single Family Housing Minimum Property Requirements

In furtherance of Executive Orders 14393 and 14394, FHA has continued its efforts to remove regulatory barriers that increase housing costs, restrict access to mortgage credit, and undermine the American Dream of quality, affordable homeownership.

On May 29, 2026, FHA published a Request for Information (RFI) seeking public feedback on modernizing its Single Family MPRs. These requirements have not been substantially revised in more than 20 years. Modernizing them would bring FHA standards closer to current industry practices and reduce requirements that may unnecessarily increase housing costs or limit access to FHA-insured financing.

On September 22, 2026, FHA posted proposed revisions to its MPRs on the Single Family Housing Drafting Table web page, requesting feedback from stakeholders by November 6, 2026. FHA plans to review this feedback with the goal of finalizing updated MPRs in FY 2027.

The proposed changes would simplify and reorganize the standards, clarify property eligibility requirements, and focus requirements on measures reasonably necessary to protect the safety and soundness of FHA-insured homes. Overall, the efforts are intended to reduce regulatory burdens, lower costs, make FHA programs easier to use, and protect the MMI Fund.

• Returning Housing Inventory to the Market Through Asset Sales

HECM asset sales are an important tool for maximizing recoveries for the MMI Fund while reducing taxpayer exposure to foreclosure, property-value, maintenance, and holding costs. Competitive private-market sales convert HUD-held reverse mortgage assets into cash proceeds, provide market-based recovery information for the MMI Fund's actuarial valuation, and help return affordable single family homes to the market more quickly.

In FY 2026, FHA completed the HUD-held Vacant Loan Sale (HVLS 2026-1), selling 1,061 HECM loans through competitive auction to 22 winning bidders. The loans represented approximately $321 million in loan balances, with aggregate bids equal to 69.4 percent of Broker Price Opinion values. HNVLS 2026-1 generated approximately $192.8 million in awarded proceeds, reflecting continued investor demand and supporting recoveries for the FHA MMI Fund.

FHA is also strengthening safeguards to ensure HECM dispositions support homeownership and comply with Executive Order 14376 and the 21st Century ROAD to Housing Act. Future sales will incorporate:

- First-look opportunities providing owner-occupants, nonprofit organizations, governmental entities, and other prospective buyers as permitted by HUD an exclusive period to purchase properties that become REO through foreclosure or deed-in-lieu of foreclosure;
- Certification of compliance with the Act's LII requirements;
- Restrictions on institutional buyers that own 350 or more single family homes, consistent with the Act; and
- Post-sale protections, requiring properties that convert to REO to be offered through a first-look program before broader marketing.

These reforms preserve the benefits of competitive private-market sales, strengthen recoveries, lower holding costs, and return affordable housing supply to the market faster —while strengthening opportunities for individual homebuyers and protecting taxpayer resources.

21st Century ROAD to Housing Act

The 21st Century Renewing Opportunity in the American Dream to Housing Act became public law on July 11, 2026. Under the Act, Congress provided FHA with new authorities and obligations that include the opportunity to develop a small dollar mortgage pilot, developing a framework for licensed appraisers to again perform appraisals for FHA-insured transactions, inclusion of information about VA loans on FHA's Informed Consumer Choice Disclosure, FHA appraisal modernization, coordination with VA and the U.S. Department of Agriculture, monthly MMI Fund capital ratio reporting, various manufactured housing reforms, and preventing LIIs from purchasing single family homes. FHA is working to implement the Act provisions, some of which complement the housing affordability efforts that FHA had underway prior to enactment of the Act.

Modernization of Credit Scores

FHA is modernizing its approach to evaluating borrower credit risk, as part of the broader implementation of the Credit Score Competition Act of 2018. On April 22, 2026, Secretary Turner announced that FHA is implementing its first new credit score models for mortgages in decades.

On August 25, 2026, FHA announced that it will permit VantageScore 4.0 and FICO Score 10T as eligible credit scoring models for FHA-insured mortgage underwriting, while still accepting Classic FICO®, the only credit scoring model that is currently accepted. The change, which becomes effective January 1, 2027, is intended to increase competition and reduce costs while allowing FHA to incorporate more modern approaches to measuring borrower credit risk.

The new models provide more predictive measures of credit risk and may expand access to mortgage credit for borrowers whose creditworthiness may not be fully reflected by legacy scoring models. By permitting the use of new alternative credit scores alongside Classic FICO®, FHA can foster long-delayed competition, reduce systemic dependency on a single legacy model, encourage disciplined pricing in the credit reporting market, and better reflect contemporary consumer credit behavior. In doing so, FHA will not only modernize its credit framework, but also demonstrate decisive leadership in advancing access, innovation, and long-term safety and soundness in mortgage finance, in line with the Administration's goals and Executive Orders. Expanding the available models may also provide FHA with additional tools to better differentiate credit risk and assess borrowers' likelihood of repayment.

Protecting the MMI Fund

FHA's actions during FY 2026 have focused on the financial soundness of the MMI Fund while removing costly operational barriers. This section details the rigorous compliance, risk-management, and default-servicing efforts undertaken over the past year to ensure lender accountability and market stability. It examines critical enforcement tools including fraud detection, Credit Watch monitoring, and Mortgagee Review Board actions alongside operational restructuring across the loss mitigation waterfall, the forthcoming RAP demonstration, and Homeownership Center (HOC) field alignments.

• Fraud Detection, Data Analytics, and Remediation

On March 16, 2026, President Trump signed Executive Order 14395, "Establishing the Task Force to Eliminate Fraud," which tightens how individuals and organizations qualify for and receive federal assistance.

In response to the EO, FHA has continued to implement sound fraud risk management and anti-fraud control measures to protect the MMI Fund against fraud, waste, and abuse, including:

- Completion of the FY 2026 FHA Fraud Risk Management Maturity Assessment, which identified opportunities to strengthen FHA's preventive and detective anti-fraud controls, mature its governance and oversight structure, and optimize resources and opportunities to collaborate with stakeholders on cross-functional threats and vulnerabilities, modernization of automation and data analytics, and continuous improvement of operational efficiencies and effectiveness;
- Update of FHA's Fraud Risk Inventory, which included the mapping of anti-fraud control activities to fraud risk exposure, collaboration with stakeholders to ensure the inventory accurately represented FHA's vulnerabilities to fraud risk, and the enhancement of fraud trend and pattern analysis and methods;

- Continuation of Business Process Mapping and Narrative reports that provide a visual representation of key processes that may be vulnerable to fraudulent activity, and the identification of controls that prevent, deter, detect, and remediate fraudulent activity and undesirable outcomes; and
- Completion of FHA's FY 2026 Fraud Risk Management Employee Awareness Initiative, which included more than 580 FHA employees receiving Fraud Risk Management Training on August 13, 2026, and 370+ FHA employees receiving Fraud Risk Management, Anti-Fraud Control, and Developing Fraud Risk Schemes training on August 27, 2026.

• Credit Watch Termination Efforts and Efforts to Protect the Fund

In FY 2026, FHA strengthened oversight of lender performance through continued monitoring and targeted enforcement actions to mitigate early-default and insurance-claim risks and protect the MMI Fund.

FHA's Credit Watch initiative is a performance-monitoring and enforcement mechanism for FHA-approved mortgagees. It is designed to identify lenders whose FHA loans experience unusually high rates of early defaults and insurance claims compared with local peers and national FHA benchmarks. Poor performance does not automatically result in loss of FHA approval; FHA considers mitigating factors and other performance information before acting. The process can ultimately lead to termination of a lender's Direct Endorsement (DE) origination and underwriting authority in a particular geographic area.

Throughout FY 2026, FHA conducted quarterly performance analyses, issued 21 Proposed Credit Watch Termination Notices, held informal conferences with each lender, and ultimately terminated underwriting authority for six high-risk lenders across 20 HUD field office jurisdictions. These actions aimed to address and deter unsustainable lending practices that can harm communities and expose the MMI Fund to additional risk.

• Indemnification

During FY 2026, FHA's compliance reviews resulted in the execution of 2,827 indemnification agreements, representing an estimated loss avoidance value of over $300 million. Nearly $60 million of the $300 million in indemnifications was estimated loss avoidance due to Tier 1 Fraud Indemnifications. In addition, the Mortgagee Review Board (MRB) secured indemnifications in connection with their enforcement activities as discussed below. In the event FHA identifies loan-level findings through its Quality Assurance Division's Loan Review System (LRS) and other remedies are not applicable or have been exhausted, lenders may resolve findings by indemnifying HUD against the risk of financial loss. As specified in each indemnification agreement, the lender agrees to abstain from submitting an insurance claim to FHA in connection with the loan, or to reimburse FHA for any loss due to claims paid by FHA. Demands for indemnification agreements may also be made by FHA's MRB, which is discussed below.

• Mortgagee Review Board Actions

The MRB actively pursued public administrative and civil enforcement actions to maintain strict oversight of approved mortgagees, protect the MMI Fund, and ensure program integrity. During FY 2026, the MRB formally reviewed 48 cases and imposed immediate operational restrictions on noncompliant institutions. These enforcement actions included suspending three lenders, placing two lenders on probation, and withdrawing FHA approval for seven lenders.

Through administrative enforcement, the MRB:

- Successfully negotiated and executed formal settlement agreements totaling $2,678,934;
- Successfully secured 11 indemnifications representing an estimated loss avoidance value of $803,000; and
- Successfully finalized one post-claim loss recovery action, clawing back an additional $41,496 from improper loan administration practices.

• Suspension of Virgin Islands Housing Finance Authority

On July 20, 2026, HUD announced the immediate suspension of funding to the Virgin Islands Housing Finance Authority (VIHFA) following a HUD-initiated investigation that alleged financial mismanagement, inadequate fraud controls, false certifications, and improper payments.

Additionally, the MRB took decisive action to align its enforcement with government-wide oversight, voting to suspend the VIHFA from FHA program participation. By coordinating with this broader intervention, the MRB reinforced critical fraud controls and legally isolated the department from severe operational risks, false certifications, and improper payments identified at VIHFA.

• Revisions to the FHA Loss Mitigation Waterfall

During FY 2026, FHA advanced reforms to its loss mitigation policies to strengthen borrower assistance, promote sustainable homeownership, and protect the Mutual Mortgage Insurance Fund (MMIF).

On October 1, 2025, FHA's sunset of the COVID-19 era loss mitigation options marked a strategic shift toward stabilizing the housing market while protecting the Mutual Mortgage Insurance Fund (MMIF) and public funds. As discussed in the Overview section, the permanent loss mitigation waterfall has provided several key benefits:

- Preventing "Churn." Under the COVID-19 Recovery Loss Mitigation framework, FHA experienced high re-default rates following repeated loss mitigation interventions. ML 2025-12, issued in April 2025, established a general limit of one permanent home retention loss mitigation option within a 24-month period, aligning with a standard that existed prior to the COVID-19 pandemic. The limit reduces repeated

interventions and redefaults while preserving access to assistance for borrowers who have fallen behind but are working to get back on track.

- Promoting Sustainable Resolutions. The permanent framework streamlines servicing requirements while emphasizing meaningful, long-term affordability. Standardized loss mitigation tools are designed to achieve a targeted 25 percent reduction in principal and interest payments, where applicable, to improve the likelihood that borrowers can sustain their modified payments.
- Improving Financial Outcomes. The permanent waterfall reduces reliance on costly temporary measures and provides structured home-retention options, including standalone partial claims and loan modifications. By balancing foreclosure avoidance with stronger controls on repeated assistance, the framework is intended to mitigate risk to the MMI Fund.
- Improving Performance Transparency. Replacing fragmented COVID-19 Recovery Loss Mitigation with a consistent framework gives FHA a more uniform basis for evaluating loan performance and determining whether individual loss mitigation tools, such as the Payment Supplement, produce sustainable long-term results.

Following implementation of the permanent waterfall, HUD continued its broader effort to reduce administrative burdens, lower costs, and eliminate duplicative requirements across its single family programs. On June 23, 2026, FHA published ML 2026-08, “Updates to Loss Mitigation Requirements”, which built on the reforms established by ML 2025-12, strengthening controls over repeated loss mitigation activity, clarifying requirements for TPPs, and establishing clearer points at which mortgagees may proceed toward other resolution options.

Key changes implemented by ML 2026-08 include:

- Clarifying TPP Requirements. The ML establishes clearer requirements for TPPs, including standardized three-month trial periods and guidance on how escrow increases affect the borrower’s monthly payment and trial period.
- Establishing a Clear Failure Threshold. When a borrower fails to accept a TPP three times during the same default episode, FHA will treat the third failure as a failed plan. This provides mortgagees with a defined point at which they may move toward other appropriate resolution options rather than repeatedly offering the same loss mitigation opportunity.
- Limiting Repeated Loss Mitigation Reviews. The guidance restricts repetitive pre-foreclosure reviews and clarifies when mortgagees may proceed with foreclosure. This is intended to prevent successive review requests from indefinitely delaying resolution while preserving legitimate opportunities for borrowers who can successfully complete loss mitigation.

Together, ML 2025-12 and ML 2026-08 strengthen FHA’s permanent loss mitigation framework by reducing serial loss mitigation activity, establishing clearer requirements for borrower participation, and limiting unnecessary delays. The reforms are designed to preserve assistance

for borrowers who have a realistic ability to sustain homeownership while reducing avoidable servicing costs, redefaults, and potential losses to the MMI Fund.

Partial Claim Reform: Reinstatement Advance Payment

On July 20, 2026, FHA posted the draft ML, RAP, to the Single Family Housing Drafting Table for feedback. Under the proposed ML, FHA proposes to restructure Partial Claims, an integral FHA loss mitigation home retention option that enables the servicer to advance funds on behalf of the borrower to cure their delinquency, and, where applicable, provide a principal reduction.

The Partial Claim is currently structured as a zero-interest loan secured by a subordinate lien and becomes due and payable at certain events such as the termination or refinance of the first Mortgage or when the Borrower sells the Property. Under the proposed RAP, FHA would allow servicers to provide the same Partial Claim relief to borrowers but treat it as a servicing advance secured under the FHA-insured first mortgage. The RAP structure eliminates the need for a Partial Claim Note and subordinate Mortgage and replaces these documents with a RAP Repayment Agreement, including a rider in the case of a Payment Supplement, a type of Partial Claim that both cures the borrower's arrearage and provides principal reduction.

FHA expects the RAP will address several issues that were exacerbated by the dramatic increase in Partial Claim usage during the COVID-19 pandemic. It will reduce the burden on servicers in obtaining and recording the Notes and subordinate Mortgages and align with standard industry practice. The RAP will facilitate the sale, refinance, assumption, and transfer processes as there will no longer be a subordinate lien to resolve and remove challenges associated with nonjudicial foreclosures of FHA-insured first Mortgages. Also, the RAP will improve the collectability of Partial Claim amounts, which will protect the MMI Fund.

FHA placed the RAP ML on its Single Family Housing Drafting Table on July 20, 2026, and the feedback period ended on September 18, 2026. The RAP ML would be part of a larger RAP demonstration incorporating the Single Family Housing Drafting Table feedback received.

Lowering Housing Costs

In FY 2026, HUD engaged in additional actions to eliminate burdensome environmental requirements and regulations that would have dramatically increased the cost of building single family homes and decreased affordable housing supply. These efforts were also consistent with FHA's actions undertaken to carry out Executive Order 14394, "Removing Regulatory Barriers to Affordable Home Construction".

- ### Eliminating Burdensome Energy Code Regulations

In 2024, under President Biden, HUD and USDA published a Final Determination that rendered all new home construction ineligible for an FHA or USDA-backed mortgage financing unless the

home was built according to the burdensome and expensive 2021 International Energy Conservation Code (IECC) that had only been deployed in a few states. Since taking office, the Trump Administration delayed the compliance date for the 2024 Final Determination. In 2025, HUD and USDA published an RFI seeking additional comments from stakeholders to help inform the agencies' review of the 2024 standard. On April 28, 2026, following an extensive review of RFI comments, HUD and USDA issued a Joint Determination which rescinded the 2024 Final Determination in its entirety. As a result, FHA and USDA loan programs will comply with the energy efficiency standards that were in effect prior to the publication of the 2024 Final Determination. This determination is also in alignment with a ruling from the U.S. District Court for the Eastern District of Texas which found that the Biden-era determination would decrease housing availability. Rolling back this requirement enables FHA homebuyers to avoid unnecessary costs of between $20,000 and $31,000 on a newly constructed home, while returning flexibility to the States to articulate appropriate building standards.

- ### Deregulation of Prohibitive, Heightened Elevation Requirements

On February 20, 2025, following the issuance of Executive Order 14148, "Initial Rescissions of Harmful Executive Orders and Actions", HUD acted to lower costs and issued a one-year, partial regulatory waiver of elevation standards at 24 CFR 200.926d(c)(4) for one- to-four-unit housing under HUD's mortgage insurance and low-rent public housing programs. This partial waiver removed the two-foot above base flood elevation requirement for insured single family new construction and reverted to the previous requirement that the lowest floor be constructed above the base flood elevation. HUD extended this partial waiver for another year on February 20, 2026.

In addition, on July 17, 2026, HUD published a Proposed Rule: Rescission of Floodplain Management and Protection of Wetlands; Minimum Property Standards for Flood Hazard Exposure; Building the Federal Flood Risk Management Standard (Proposed Rule). Under the Proposed Rule, HUD would return the flood elevation requirements for FHA-insured new construction in 24 CFR 200.926d(c)(4) to require the base flood elevation only. The proposed rule would remove burdensome Biden-era elevation requirements to lower development costs, expand the affordable housing supply, and eliminate unnecessary layers of regulatory complexity.

Contract Funding Reallocation for Assigned HECM Property Preservation Expenses

In FY 2026, FHA secured additional capacity to finance ongoing property preservation expenses within its post-assignment Secretary-held HECM portfolio. Securing this additional financing capacity is crucial as FHA projects a significant uptick in HECM assignments beginning in the late 2020s and early 2030s, which will require additional funding.

Under OMB Circular A-11 budget rules, FHA identified additional HECM asset management activities eligible for financing-account funding, increasing the share of contract costs covered by that account from 25 to 50 percent. This change allows certain expenses to come directly from the MMI Fund and reduces reliance on annual appropriations, helping ensure essential servicing continues during funding lapses, with minimal expected impact on the overall MMI Fund.

Prior to this change, 75 percent of HUD's property preservation expenses within its post-assignment Secretary-held HECM portfolio depended upon the Administrative Contract Expenses account appropriated annually by Congress. This permanent adjustment in the way the program is funded will preserve the long-term viability of the HECM program, support more reliable servicing and management of FHA-insured reverse mortgages, and protect essential services that support HECM borrowers once the loan has been assigned to HUD.

Supporting Borrowers Impacted by Natural Disasters

In FY 2026, FHA strengthened and clarified its support for borrowers and communities affected by PDMDAs. Effective October 1, 2025, FHA's revised loss mitigation framework clarified disaster-forbearance requirements, allowing servicers to offer eligible borrowers reduced or suspended mortgage payments, including when foreclosure proceedings have begun, and requiring late fees to be waived during disaster forbearance. Existing protections include an automatic 90-day foreclosure moratorium and an additional 90-day extension to allow servicers to evaluate borrowers for loss mitigation or take other appropriate action. FHA also provides disaster recovery financing through Section 203(h), which insures mortgages for eligible disaster victims to purchase or reconstruct homes, and Section 203(k), which supports the purchase or rehabilitation of damaged properties. Following a presidential disaster declaration, FHA may also issue guidance to mortgagees and other stakeholders on servicing and originating FHA-insured Title II forward mortgages and HECMs in affected areas.

Additionally, on June 23, 2026, FHA issued ML 2026-09, *Eliminating Unnecessary Requirements for FHA Mortgagee Approval and Quality Control*, which established a permanent exception from certain Early Payment Default review requirements for loans affected by PDMDAs. This eliminated the need for FHA to issue a separate waiver for each new disaster declaration, streamlining FHA's response and reducing administrative burdens while supporting disaster recovery.

FHA System Enhancements

In FY 2026, FHA continued its ongoing technology modernization effort, building on the investment in the FHA Catalyst platform during the first Trump Administration. FHA enhanced its FHA Catalyst platform and related technology to streamline and improve customer experience for lenders, while better facilitating FHA's oversight capabilities. Below are three examples of key improvements.

- ## Implementation of UAD 3.6

On June 25, 2026, FHA announced the launch of its adoption of Uniform Appraisal Dataset (UAD) 3.6. Following the successful completion of beta testing, FHA's Electronic Appraisal Delivery (EAD) portal is now available for an optional broad production period for mortgagees to submit appraisals using UAD 3.6. This optional phase gives mortgagees flexibility to transition to UAD 3.6 at their own pace.

- ## FHA Catalyst: Electronic Appraisal Delivery Module

The FHA Catalyst: EAD Module is FHA's cloud-based, digital platform for the electronic submission, tracking, and management of single family property appraisal reports. FHA's use of the EAD module has eliminated HUD's reliance on its legacy appraisal processing system, the Loan Application Management System (LAMS). EAD handles single family forward and HECM property appraisals. Ongoing updates will align the platform with modern data frameworks, such as UAD version 3.6 and Mortgage Industry Standards Maintenance Organization (MISMO) standards.

- ## FHA Catalyst: Claims Module

Launched in 2019 and expanded in 2020, FHA's digital claims platform replaced paper-based submissions with streamlined electronic filing for Single Family forward mortgage insurance claims. The platform supports Single Family Title II forward mortgage claims—including conveyance and pre-foreclosure sale claims—as well as home-retention loss mitigation claims, such as loan modifications and partial claims.

The FHA Catalyst: Claims Module enables servicers to streamline their operations through Application Programming Interface (API) and Extensible Markup Language (XML) bulk-upload capabilities, allowing their internal systems to communicate directly with FHA. An API provides a standardized connection between two computer systems, enabling automated, secure, and efficient exchange of information.

Several major servicers are now fully live on the Claims API end-to-end, with many others in active integration. Servicer activity has climbed steadily, month-over-month, from approximately 500 claims filed via API in January 2026 to over 10,000 in August 2026. This rate of activity demonstrates both lender adoption (including over a dozen new lenders and platforms) and the API's ability to absorb growing volume. This reduces manual data entry, minimizes errors, improves data integrity, and allows servicers to receive real-time claim status updates and error notifications.

Appendix A:
Data Tables for Overview

There is no appendix table for Exhibit O-1: MMI Fund Balance and Capital Ratio FY 2020 through FY 2026, ($ millions)

Table A-2: Data Table for Exhibit O-2: MMI Fund Capital Ratio, FY 2013 through FY 2026

FY	MMI Fund Capital Ratio
FY 2013	-0.11%
FY 2014	0.41%
FY 2015	2.10%
FY 2016	2.35%
FY 2017	2.18%
FY 2018	2.76%
FY 2019	4.84%
FY 2020	6.10%
FY 2021	8.03%
FY 2022	11.11%
FY 2023	10.51%
FY 2024	11.47%
FY 2025	11.47%
FY 2026	10.29%

Source: U.S. Department of HUD/FHA, October 2026.

Table A-3: Data Table for Exhibit O-3: Forward and HECM Stand-Alone Capital Ratios, FY 2016 through FY 2026

Fiscal Year	Forward Stand-Alone	HECM Stand-Alone
2016	3.11%	-11.81%
2017	3.33%	-18.30%
2018	3.93%	-18.83%
2019	5.44%	-9.22%
2020	6.31%	-0.79%
2021	7.99%	6.08%
2022	10.47%	22.77%
2023	10.20%	16.72%
2024	10.88%	24.50%
2025	10.95%	24.06%
2026	10.47%	5.43%

Source: U.S. Department of HUD/FHA, October 2026.

Table A-4: Data Table for Exhibit O-4: FHA Share of Market, Calendar Years 2000-2025

FHA Mortgage Market Shares (Percentage of Dollar Volume)			
Origination Calendar Year	**FHA Share**		
	Purchase	**Refinance**	**All**
2000	10%	3%	7%
2001	10%	6%	8%
2002	9%	3%	5%
2003	6%	3%	4%
2004	4%	2%	3%
2005	3%	1%	2%
2006	3%	1%	2%
2007	4%	3%	3%
2008	20%	13%	16%
2009	28%	13%	18%
2010	27%	9%	15%
2011	25%	6%	13%
2012	21%	7%	11%
2013	16%	8%	11%
2014	14%	6%	11%
2015	17%	11%	14%
2016	16%	8%	12%
2017	15%	10%	13%
2018	13%	9%	12%
2019	13%	9%	11%
2020	13%	6%	9%
2021	11%	5%	7%
2022	11%	8%	10%
2023	14%	16%	14%
2024	14%	15%	14%
2025	15%	10%	13%

Source: U.S. Department of HUD/FHA and Cotality/TrueStandings

Table A-5: Data Table for Exhibit O-5: FHA Single Family Forward Mortgage Insurance in Force, FY End 2000 – 2026

Fiscal Year	IIF ($ billions)	Mortgage Count (thousands)
FY 2000	$491	6,786
FY 2001	$499	6,597
FY 2002	$506	6,318
FY 2003	$438	5,345
FY 2004	$412	4,840
FY 2005	$359	4,238
FY 2006	$339	3,892
FY 2007	$343	3,738
FY 2008	$474	4,376
FY 2009	$674	5,295
FY 2010	$878	6,421
FY 2011	$1,003	7,120
FY 2012	$1,069	7,547
FY 2013	$1,087	7,677
FY 2014	$1,075	7,672
FY 2015	$1,065	7,642
FY 2016	$1,100	7,752
FY 2017	$1,154	7,909
FY 2018	$1,192	7,990
FY 2019	$1,224	8,055
FY 2020	$1,232	7,941
FY 2021	$1,189	7,458
FY 2022	$1,209	7,229
FY 2023	$1,317	7,479
FY 2024	$1,442	7,781
FY 2025	$1,583	8,122
FY 2026	$1,711	8,424

Source: U.S. Department of HUD/FHA, October 2026.

There is no appendix table for Exhibit O-6: FY 2026 Forward Endorsements by Loan Purpose and by Borrower Type

Table A-7: Data Table for Exhibit O-7: FHA Purchase Mortgage Share of First-Time Homebuyers, Cohorts 2000 – 2026

Insurance in Force Fiscal Year	First-Time Homebuyer Percentage	First Time Homebuyers	Repeat Buyer
2000	81.56%	684,999	154,871
2001	79.78%	643,640	163,178
2002	79.22%	683,582	179,317
2003	79.21%	521,723	136,916
2004	77.50%	454,241	131,869
2005	79.15%	280,082	73,763
2006	79.26%	248,884	65,114
2007	79.55%	221,473	56,922
2008	77.94%	492,288	139,368
2009	78.52%	781,681	213,869
2010	79.50%	882,099	227,483
2011	75.25%	585,005	192,421
2012	77.65%	569,826	164,038
2013	78.74%	553,078	149,337
2014	81.19%	483,051	111,947
2015	81.54%	614,313	139,074
2016	82.10%	722,069	157,443
2017	82.22%	725,218	156,859
2018	82.69%	641,910	134,365
2019	82.84%	615,708	127,570
2020	83.10%	679,619	138,213
2021	84.61%	716,024	130,219
2022	83.52%	578,661	114,180
2023	82.21%	478,230	103,496
2024	82.64%	498,352	104,679
2025	83.03%	538,634	110,122
2026	83.09%	530,198	107,921

Source: U.S. Department of HUD/FHA, October 2026.

Table A-8: Data Table for Exhibit O-8: HECM Endorsement Activity, Cohorts 2009-2026

Endorsement Fiscal Year	Mortgage Counts by Product Type		Mortgage Counts by Purpose Type			All Mortgage Counts	MCA ($ billions)
	Adjustable Rate	Fixed Rate	Purchase	Refinance	Traditional		
2009	101,110	13,311	559	8,973	104,889	114,421	30.07
2010	24,583	54,469	1,389	4,835	72,828	79,052	21.07
2011	23,372	49,737	1,538	2,737	68,834	73,109	18.21
2012	16,766	38,046	1,627	1,444	51,741	54,812	13.16
2013	23,594	36,329	2,091	1,835	55,997	59,923	14.68
2014	41,978	9,638	1,825	2,406	47,385	51,616	13.52
2015	48,857	9,132	2,411	5,571	50,007	57,989	16.13
2016	43,667	5,201	2,367	5,398	41,103	48,868	14.66
2017	49,574	5,716	2,634	8,016	44,640	55,290	17.69
2018	43,428	4,901	2,615	5,860	39,854	48,329	16.19
2019	29,382	1,890	2,295	1,679	27,298	31,272	10.86
2020	41,037	798	2,472	8,614	30,749	41,835	16.29
2021	45,647	3,549	2,228	20,661	26,307	49,196	21.35
2022	61,623	2,849	2,236	29,004	33,232	64,472	32.12
2023	32,670	304	2,034	4,017	26,923	32,974	16.17
2024	26,451	51	1,686	2,074	22,742	26,502	13.36
2025	28,107	42	1,540	3,065	23,544	28,149	14.96
2026	24,151	11	1,328	2,601	20,233	24,162	12.81
Total	705,997	235,974	34,875	118,790	788,306	941,971	313

Source: U.S. Department of HUD/FHA, October 2026.

There is no appendix table for Exhibit O-9: Criteria for "Churning Borrowers"

Table A-10: Data Table for Exhibit O-10: Historical Seriously Delinquent Rates, September 2015-September 2026

Calendar Month/Year	Rate (%)	Calendar Month/Year	Rate (%)	Calendar Month/Year	Rate (%)	Calendar Month/Year	Rate (%)
Sep-15	5.86	Jan-19	4.16	May-22	5.19	Sep-25	4.53
Oct-15	5.79	Feb-19	4.10	Jun-22	5.00	Oct-25	4.56
Nov-15	5.82	Mar-19	3.88	Jul-22	4.93	Nov-25	5.21
Dec-15	5.79	Apr-19	3.74	Aug-22	4.82	Dec-25	5.81
Jan-16	5.80	May-19	3.67	Sep-22	4.77	Jan-26	6.24
Feb-16	5.55	Jun-19	3.76	Oct-22	4.77	Feb-26	6.74
Mar-16	5.31	Jul-19	3.78	Nov-22	4.79	Mar-26	6.63
Apr-16	5.16	Aug-19	3.82	Dec-22	4.91	Apr-26	6.53
May-16	5.07	Sep-19	3.88	Jan-23	4.90	May-26	6.53
Jun-16	5.02	Oct-19	3.93	Feb-23	4.86	Jun-26	6.48
Jul-16	4.96	Nov-19	4.06	Mar-23	4.53	Jul-26	6.38
Aug-16	4.95	Dec-19	4.35	Apr-23	4.39	Aug-26	6.48
Sep-16	4.92	Jan-20	4.12	May-23	4.30	Sep-26	6.51
Oct-16	4.91	Feb-20	4.04	Jun-23	4.21		
Nov-16	4.94	Mar-20	3.97	Jul-23	4.12		
Dec-16	4.99	Apr-20	4.04	Aug-23	3.97		
Jan-17	4.97	May-20	4.91	Sep-23	3.93		
Feb-17	4.81	Jun-20	8.96	Oct-23	3.86		
Mar-17	4.54	Jul-20	10.58	Nov-23	3.91		
Apr-17	4.47	Aug-20	11.35	Dec-23	4.04		
May-17	4.36	Sep-20	11.59	Jan-24	4.08		
Jun-17	4.28	Oct-20	11.73	Feb-24	3.97		
Jul-17	4.20	Nov-20	11.90	Mar-24	3.74		
Aug-17	4.24	Dec-20	11.89	Apr-24	3.58		
Sep-17	4.32	Jan-21	11.83	May-24	3.52		
Oct-17	4.42	Feb-21	11.37	Jun-24	3.68		
Nov-17	4.83	Mar-21	11.61	Jul-24	3.84		
Dec-17	5.19	Apr-21	11.06	Aug-24	3.98		
Jan-18	5.18	May-21	10.59	Sep-24	4.15		
Feb-18	5.06	Jun-21	10.11	Oct-24	4.23		
Mar-18	4.66	Jul-21	9.66	Nov-24	4.41		
Apr-18	4.54	Aug-21	9.17	Dec-24	4.70		
May-18	4.35	Sep-21	8.81	Jan-25	4.79		
Jun-18	4.28	Oct-21	8.35	Feb-25	4.79		
Jul-18	4.08	Nov-21	7.83	Mar-25	4.47		
Aug-18	4.11	Dec-21	7.28	Apr-25	4.29		
Sep-18	4.11	Jan-22	6.81	May-25	4.27		
Oct-18	4.06	Feb-22	6.48	Jun-25	4.30		
Nov-18	4.06	Mar-22	6.00	Jul-25	4.36		
Dec-18	4.08	Apr-22	5.23	Aug-25	4.44		

Source: U.S. Department of HUD/FHA, October 2026.

Table A-11: Data Table for Exhibit O-11: Rate of First Time SDQ Borrowers, September 2015 – September 2026

Month	Total SDQs	First-Time SDQs	First-Time SDQ Rate	First-Time SDQ Rate - 12 Month Rolling Avg	SDQ Rate
Sep-15	443,616	14,834	3.34%	2.95%	5.86%
Sep-16	369,940	14,184	3.83%	3.24%	4.92%
Sep-17	328,508	16,089	4.90%	3.91%	4.32%
Sep-18	320,003	15,337	4.79%	5.13%	4.11%
Sep-19	307,743	16,821	5.47%	4.69%	3.88%
Sep-20	914,544	57,118	6.25%	10.30%	11.59%
Sep-21	650,140	15,372	2.36%	3.18%	8.81%
Sep-22	338,410	17,894	5.29%	4.06%	4.77%
Sep-23	286,753	17,955	6.26%	5.29%	3.93%
Sep-24	317,679	21,808	6.86%	6.29%	4.15%
Sep-25	371,781	22,129	5.95%	5.85%	4.53%
Sep-26	549,813	22,911	4.17%	4.30%	6.51%

Source: U.S. Department of HUD/FHA, October 2026.

Table A-12: Data Table for Exhibit O-12: SDQ Rates Excluding "Churning" Populations, January 2022 – September 2026

Month	All Loans	Exclude Churn 1	Exclude Churn 2	Month	All Loans	Exclude Churn 1	Exclude Churn 2
31-Jan-22	6.7%	5.6%	6.5%	30-Jun-24	3.6%	2.5%	3.3%
28-Feb-22	6.3%	5.3%	6.1%	31-Jul-24	3.7%	2.5%	3.4%
31-Mar-22	5.8%	4.8%	5.7%	31-Aug-24	3.9%	2.6%	3.5%
30-Apr-22	5.1%	4.2%	4.9%	30-Sep-24	4.1%	2.8%	3.7%
31-May-22	5.0%	4.1%	4.8%	31-Oct-24	4.1%	2.8%	3.8%
30-Jun-22	4.9%	4.0%	4.7%	30-Nov-24	4.3%	3.0%	4.0%
31-Jul-22	4.8%	3.9%	4.6%	31-Dec-24	4.6%	3.2%	4.3%
31-Aug-22	4.7%	3.7%	4.5%	31-Jan-25	4.7%	3.3%	4.4%
30-Sep-22	4.7%	3.7%	4.5%	28-Feb-25	4.7%	3.3%	4.4%
31-Oct-22	4.7%	3.6%	4.4%	31-Mar-25	4.5%	3.1%	4.1%
30-Nov-22	4.7%	3.6%	4.5%	30-Apr-25	4.3%	3.0%	4.0%
31-Dec-22	4.8%	3.7%	4.6%	31-May-25	4.3%	3.0%	4.0%
31-Jan-23	4.8%	3.6%	4.5%	30-Jun-25	4.3%	3.1%	4.0%
28-Feb-23	4.8%	3.5%	4.5%	31-Jul-25	4.4%	3.1%	4.0%
31-Mar-23	4.4%	3.2%	4.2%	31-Aug-25	4.5%	3.3%	4.2%
30-Apr-23	4.3%	3.1%	4.1%	30-Sep-25	4.6%	3.4%	4.2%
31-May-23	4.2%	3.0%	3.9%	31-Oct-25	4.6%	3.4%	4.3%
30-Jun-23	4.1%	2.9%	3.8%	30-Nov-25	5.2%	3.9%	4.9%
31-Jul-23	4.0%	2.8%	3.7%	31-Dec-25	5.9%	4.2%	5.4%
31-Aug-23	3.8%	2.7%	3.5%	31-Jan-26	6.3%	4.5%	5.7%
30-Sep-23	3.8%	2.7%	3.5%	28-Feb-26	6.8%	4.8%	6.1%
31-Oct-23	3.5%	2.5%	3.2%	31-Mar-26	6.7%	4.8%	6.1%
30-Nov-23	3.8%	2.7%	3.5%	30-Apr-26	6.6%	4.7%	6.0%
31-Dec-23	4.0%	2.8%	3.7%	31-May-26	6.6%	4.8%	6.0%
31-Jan-24	4.0%	2.8%	3.7%	30-Jun-26	6.5%	4.9%	6.1%
29-Feb-24	3.9%	2.7%	3.6%	31-Jul-26	6.4%	4.9%	6.0%
31-Mar-24	3.7%	2.6%	3.4%	31-Aug-26	6.5%	5.0%	6.1%
30-Apr-24	3.5%	2.5%	3.2%	30-Sep-26	6.5%	5.1%	6.2%
31-May-24	3.4%	2.4%	3.2%				

Source: U.S. Department of HUD/FHA, October 2026.

Table A-13: Data Table for Exhibit O-13: TPPs Ending with Borrowers Receiving Home Retention Options, October 2025 – August 2026

TPP Start Date	HR Success	HR Failure
Oct-25	54%	46%
Nov-25	56%	44%
Dec-25	60%	40%
Jan-26	64%	36%
Feb-26	70%	30%
Mar-26	79%	21%
Apr-26	87%	13%
May-26	92%	8%
Jun-26	95%	5%
Jul-26	99%	1%
Aug-26	91%	9%

Source: U.S. Department of HUD/FHA, October 2026.

Table A-14: Data Table for Exhibit O-14: TPPs Ending with Borrowers NOT Receiving Home Retention Options, October 2025 – August 2026

TPP Start Date	NHR Success	NHR Failure
Oct-25	27%	73%
Nov-25	25%	75%
Dec-25	26%	74%
Jan-26	26%	74%
Feb-26	26%	74%
Mar-26	32%	68%
Apr-26	44%	56%
May-26	37%	63%
Jun-26	22%	78%
Jul-26	12%	88%
Aug-26	10%	90%

Source: U.S. Department of HUD/FHA, October 2026.

Table A-15: Data Table for Exhibit O-15: 1-Year Ever 30+ Delinquent Redefault Rates, FY 2010 – FY 2025

Fiscal Quarter	Ever 30-Day	Ever 60-Day	Ever 90+-Day	Claim	Total	2010-2019 Average
Sep-09	14%	11%	54%	2%	79%	59%
Sep-10	16%	11%	42%	2%	68%	59%
Sep-11	14%	10%	44%	2%	68%	59%
Sep-12	16%	10%	35%	1%	61%	59%
Sep-13	15%	9%	26%	1%	50%	59%
Sep-14	16%	9%	25%	0%	50%	59%
Sep-15	17%	10%	23%	0%	49%	59%
Sep-16	18%	11%	24%	0%	53%	59%
Sep-17	19%	11%	28%	0%	58%	59%
Sep-18	18%	10%	21%	0%	48%	59%
Sep-19	7%	3%	14%	0%	24%	59%
Sep-20	7%	3%	14%	0%	24%	59%
Sep-21	13%	7%	18%	0%	38%	59%
Sep-22	17%	11%	34%	0%	62%	59%
Sep-23	16%	14%	46%	0%	76%	59%
Sep-24	14%	13%	55%	0%	81%	58%
Sep-25	13%	9%	57%	0%	78%	59%

Source: U.S. Department of HUD/FHA, October 2026.

Table A-16: Data Table for Exhibit O-16: Three-Month Redefault Rates after Home Retention Option, FY 2021 – FY 2026

Fiscal Quarter	Ever 30	Ever 60	Ever 90
2021Q1	4%	2%	4%
2021Q2	5%	2%	3%
2021Q3	8%	3%	4%
2021Q4	10%	4%	6%
2022Q1	9%	4%	6%
2022Q2	13%	5%	7%
2022Q3	15%	8%	10%
2022Q4	18%	9%	12%
2023Q1	16%	8%	11%
2023Q2	18%	9%	10%
2023Q3	20%	11%	13%
2023Q4	21%	13%	16%
2024Q1	20%	10%	13%
2024Q2	22%	13%	14%
2024Q3	20%	13%	20%
2024Q4	21%	14%	21%
2025Q1	19%	11%	17%
2025Q2	21%	12%	14%
2025Q3	19%	12%	18%
2025Q4	20%	13%	21%
2026Q1	16%	9%	28%
2026Q2	18%	8%	6%
2026Q3	20%	10%	10%

Source: U.S. Department of HUD/FHA, October 2026.

Table A-17: Data Table for Exhibit O-17: Six-Month Redefault Rates after Home Retention Option, FY 2021 – FY 2026

Fiscal Quarter	Ever 30	Ever 60	Ever 90
2021Q1	6%	2%	7%
2021Q2	8%	3%	6%
2021Q3	10%	4%	9%
2021Q4	11%	5%	11%
2022Q1	12%	6%	10%
2022Q2	14%	7%	14%
2022Q3	17%	10%	20%
2022Q4	18%	10%	22%
2023Q1	18%	11%	22%
2023Q2	19%	12%	22%
2023Q3	20%	14%	29%
2023Q4	20%	14%	29%
2024Q1	21%	14%	28%
2024Q2	20%	15%	32%
2024Q3	18%	14%	39%
2024Q4	19%	14%	37%
2025Q1	19%	14%	33%
2025Q2	19%	14%	31%
2025Q3	17%	11%	38%
2025Q4	17%	11%	38%
2026Q1	16%	10%	42%
2026Q2	20%	11%	17%

Source: U.S. Department of HUD/FHA, October 2026.

Table A-18: Data Table for Exhibit O-18: Payment Increasing Mods as a Percent of All Loan Modifications, FY 2021 – FY 2026

Fiscal Qtr.	As % of Total Mods (Incl Combos)
2021Q1	6.6%
2021Q2	2.4%
2021Q3	2.6%
2021Q4	4.0%
2022Q1	3.7%
2022Q2	4.9%
2022Q3	14.3%
2022Q4	31.7%
2023Q1	48.9%
2023Q2	62.0%
2023Q3	65.3%
2023Q4	55.7%
2024Q1	57.9%
2024Q2	58.9%
2024Q3	57.4%
2024Q4	59.1%
2025Q1	48.5%
2025Q2	58.4%
2025Q3	62.1%
2025Q4	65.4%
2026Q1	61.3%
2026Q2	41.2%
2026Q3	35.2%
2026Q4	30.1%

Source: U.S. Department of HUD/FHA, October 2026.

Table A-19: Data Table for Exhibit O-19: Count of Home Retention Options Given in a Fiscal Quarter, FY 2024 – FY 2026

Fiscal Quarter	Total Loan Count
2024Q1	115,836
2024Q2	116,127
2024Q3	104,485
2024Q4	108,598
2025Q1	118,914
2025Q2	127,664
2025Q3	125,251
2025Q4	125,200
2026Q1	53,929
2026Q2	35,800
2026Q3	88,405
2026Q4	76,806

Source: U.S. Department of HUD/FHA, October 2026.

Table A-20: Data Table for Exhibit O-20: Foreclosure Actions, Calendar Year 2010 – Present

Calendar Quarter	First legal action to begin FCL	FCL sale held	Avg FCL Starts (2010-2019)	Avg FCL Sale (2010-2019)
2010 1	52,057	28,483	34,198	20,236
2010 3	43,272	32,922	34,198	20,236
2011 1	33,948	21,863	34,198	20,236
2011 3	29,564	19,519	34,198	20,236
2012 1	47,542	24,502	34,198	20,236
2012 3	63,484	40,219	34,198	20,236
2013 1	43,965	19,069	34,198	20,236
2013 3	42,983	32,860	34,198	20,236
2014 1	36,742	24,220	34,198	20,236
2014 3	31,626	21,320	34,198	20,236
2015 1	34,095	18,690	34,198	20,236
2015 3	29,520	17,772	34,198	20,236
2016 1	29,887	19,223	34,198	20,236
2016 3	25,475	16,580	34,198	20,236
2017 1	28,708	16,700	34,198	20,236
2017 3	21,993	13,788	34,198	20,236
2018 1	25,735	13,013	34,198	20,236
2018 3	23,051	12,066	34,198	20,236
2019 1	27,235	12,256	34,198	20,236
2019 3	22,524	10,623	34,198	20,236
2020 1	22,827	9,589	34,198	20,236
2020 3	1,991	1,883	34,198	20,236
2021 1	1,719	2,166	34,198	20,236
2021 3	3,294	2,350	34,198	20,236
2022 1	20,055	4,462	34,198	20,236
2022 3	15,480	5,361	34,198	20,236
2023 1	17,029	5,144	34,198	20,236
2023 3	12,734	4,050	34,198	20,236
2024 1	15,983	4,222	34,198	20,236
2024 3	14,692	3,951	34,198	20,236
2025 1	17,120	4,200	34,198	20,236
2025 3	22,097	4,466	34,198	20,236
2026 1	28,143	6,289	34,198	20,236
2026 3	34,454	8,468	34,198	20,236

Source: U.S. Department of HUD/FHA, October 2026.

Table A-21: Data Table for Exhibit O-21: Foreclosure Starts, FY 2026 Exhibit O-22: Foreclosure Sales, FY 2026 and Exhibit O-23: Mean Time in all Foreclosure (Months), Ending in FY 2026

State	FCL Starts	FCL Sales	Time (in months)	State	FCL Starts	FCL Sales	Time (in months)
AL	2,416	974	2	NC	3,105	737	8
AR	1,371	527	5	ND	137	34	13
AZ	3,114	809	4	NE	581	129	7
CA	6,357	906	8	NH	299	46	3
CO	2,567	722	6	NJ	3,704	319	20
CT	1,601	110	17	NM	804	110	16
DC	156	28	26	NV	1,044	198	7
DE	561	66	16	NY	3,785	645	44
FL	11,896	1,786	17	OH	5,845	1,237	12
GA	4,823	1,476	1	OK	1,884	516	13
IA	1,117	290	9	OR	634	184	7
ID	551	41	8	PA	5,011	828	17
IL	7,399	1,415	15	RI	214	30	7
IN	4,307	732	12	SC	3,035	580	11
KS	1,030	250	8	SD	255	29	15
KY	2,094	351	15	TN	1,842	576	2
LA	2,898	885	9	TX	13,856	3,734	2
MA	1,122	103	10	UT	1,209	199	6
MD	2,875	630	10	VA	2,266	673	2
ME	272	53	28	VT	131	19	20
MI	3,849	1,265	3	WA	1,207	238	7
MN	1,930	558	5	WI	1,214	149	11
MO	1,849	696	3	WV	419	205	2
MS	928	429	2	WY	149	71	1
MT	188	40	6	AK	143	40	4
				HI	30	8	38

Source: U.S. Department of HUD/FHA, October 2026.

There are no appendix tables B-22 and B-23 since they are represented in appendix table B-21

Table A-24: Data Table for Exhibit O-24: Distribution of FHA Forward Borrower Credit Score by FY, Cohorts 2015 – 2026

Endorsement Fiscal Year	Missing	579 or lower	580-619	620–679	680–719	720 or higher	Average Borrower Credit Score
2015	0.41%	0.24%	5.05%	50.16%	26.11%	18.02%	680
2016	0.39%	0.26%	5.54%	49.13%	25.95%	18.73%	680
2017	0.36%	0.43%	7.31%	49.62%	24.78%	17.48%	676
2018	0.31%	0.83%	10.36%	51.70%	22.42%	14.37%	670
2019	0.26%	1.03%	11.68%	53.12%	21.03%	12.88%	666
2020	0.30%	0.61%	8.36%	53.04%	23.04%	14.66%	672
2021	0.41%	0.32%	6.36%	56.99%	22.67%	13.26%	671
2022	0.41%	0.95%	11.20%	57.05%	19.76%	10.63%	664
2023	0.28%	1.53%	10.44%	50.36%	22.45%	14.94%	670
2024	0.27%	1.82%	9.71%	43.78%	23.22%	21.19%	677
2025	0.32%	2.38%	10.65%	40.29%	22.48%	23.88%	679
2026	0.43%	2.34%	11.20%	39.67%	22.03%	24.33%	679

Source: U.S. Department of HUD/FHA, October 2026.

Table A-25: Data Table for Exhibit O-25: Average FHA Forward LTV Ratio by Mortgage Purpose, Cohorts 2015-2026

Endorsement Fiscal Year	Purchase	FHA-to-FHA No Cashout	FHA-to-FHA Cashout	Conventional-to-FHA No Cashout	Conventional-to-FHA Cashout	Overall
2015	95.69	88.11	80.38	85.35	75.10	93.65
2016	95.71	86.11	80.03	84.18	75.58	93.25
2017	95.72	85.67	80.09	83.72	75.81	92.70
2018	95.70	85.99	80.53	83.36	76.33	92.52
2019	95.58	87.83	80.65	82.29	76.39	92.27
2020	95.63	88.31	76.91	83.49	73.52	92.45
2021	95.54	84.11	74.43	79.00	71.30	92.08
2022	95.01	76.92	73.67	71.90	69.33	89.78
2023	94.68	77.49	73.25	73.02	67.95	89.75
2024	94.67	82.85	72.83	75.32	67.43	89.83
2025	94.74	86.51	72.56	80.42	67.46	89.87
2026	94.99	86.76	72.51	83.25	68.26	90.22

Source: U.S. Department of HUD/FHA, October 2026.

Table A-26: Data Table for Exhibit O-26: Borrower DTI Ratio for FHA Purchase Mortgages, Cohorts 2005-2026

Endorsement Fiscal Year	Share of FHA-Endorsed Purchase Mortgages				Average DTI
	<=36	>36 to 43	>43 to 50	> 50	
2005	37.70	32.63	23.67	6.00	38.25
2006	34.89	31.19	24.84	9.07	38.99
2007	33.58	30.92	26.02	9.48	39.25
2008	30.28	29.10	27.43	13.20	40.28
2009	29.84	25.18	26.02	18.97	41.00
2010	30.62	25.55	27.08	16.76	40.65
2011	30.40	25.18	27.73	16.69	40.66
2012	31.44	25.70	27.44	15.42	40.34
2013	32.08	26.83	27.56	13.54	40.03
2014	29.00	28.61	28.02	14.37	40.59
2015	29.88	28.82	26.72	14.58	40.44
2016	28.70	27.91	27.06	16.33	40.85
2017	25.27	25.60	28.82	20.30	41.93
2018	21.69	23.70	29.81	24.80	43.09
2019	20.19	23.26	29.82	26.73	43.58
2020	21.47	24.14	30.19	24.20	43.08
2021	20.66	24.12	31.51	23.71	43.18
2022	17.56	22.24	32.24	27.95	44.19
2023	14.47	21.08	33.32	31.12	45.10
2024	14.46	21.08	33.09	31.38	45.14
2025	15.44	21.10	32.34	31.12	44.91
2026	16.92	21.92	31.64	29.52	44.42

Source: U.S. Department of HUD/FHA, October 2026.

Table A-27: Data Table for Exhibit O-27: Share of Forward Loans Containing Risk Layers, Cohorts 2005-2026

Cohort	Share of FHA Layers	Total Loan Count
2005	16.7%	512,327
2006	15.8%	425,491
2007	16.8%	424,724
2008	13.5%	1,087,394
2009	8.7%	1,831,998
2010	6.2%	1,667,609
2011	4.0%	1,197,809
2012	3.9%	1,184,740
2013	2.6%	1,344,846
2014	4.3%	786,352
2015	5.6%	1,116,230
2016	6.3%	1,258,048
2017	8.0%	1,246,434
2018	10.5%	1,014,600
2019	11.6%	990,425
2020	9.1%	1,333,149
2021	8.5%	1,432,864
2022	10.0%	982,194
2023	8.9%	732,318
2024	8.1%	766,932
2025	8.4%	876,490
2026	8.5%	863,356

Source: U.S. Department of HUD/FHA, October 2026.

Table A-28: Data Table for Exhibit O-28: EPD Rate for Loans With and Without Risk Layers, Cohorts 2014 – 2026

Cohort	Without 3 Risk Layers	With 3 Risk Layers
2014	0.36%	1.21%
2015	0.34%	1.02%
2016	0.32%	1.12%
2017	0.68%	2.09%
2018	0.54%	1.69%
2019	0.62%	1.81%
2020	3.71%	7.70%
2021	1.49%	3.73%
2022	1.75%	4.75%
2023	1.51%	4.08%
2024	1.36%	4.17%
2025	1.28%	3.72%
2026	1.14%	3.00%

Source: U.S. Department of HUD/FHA, October 2026.

Table A-29: Data Table for Exhibit O-29: Loss Rates for Loans With and Without Risk Layers, Cohorts 2014 – 2026

Cohort	Without 3 Risk Layers	With 3 Risk Layers
2014	1.25%	2.87%
2015	1.25%	3.09%
2016	1.34%	3.39%
2017	1.46%	3.80%
2018	1.59%	3.87%
2019	1.63%	3.84%
2020	1.62%	3.97%
2021	1.62%	4.04%
2022	2.25%	5.10%
2023	2.10%	4.80%
2024	0.94%	2.41%
2025	0.19%	0.52%
2026	0.00%	0.00%

Source: U.S. Department of HUD/FHA, October 2026.

Appendix B:
Data Tables for Chapter I

Table B-1: Data Table for Exhibit I-1: Historical Forward Mortgage Activity, Cohorts 2015 – 2026

Endorsement Fiscal Year	Mortgage Amount ($ Billions)	Purchase	FHA Streamline Refinance	FHA to FHA Refinance	Conventional-to-FHA Refinance
2015	213.12	753,387	232,811	50,018	80,014
2016	245.41	879,512	210,629	60,443	107,464
2017	250.95	882,077	161,308	76,172	126,877
2018	209.05	776,275	51,254	77,616	109,455
2019	214.62	743,278	56,432	86,766	103,949
2020	310.32	817,832	315,558	105,208	94,552
2021	342.82	846,243	397,595	104,454	84,572
2022	255.5	692,841	83,985	114,574	90,794
2023	208.73	581,726	1,041	66,212	83,339
2024	231.53	603,031	13,708	65,243	84,950
2025	274.75	648,756	52,096	84,248	91,390
2026	296.26	638,119	107,146	97,945	92,073

Source: U.S. Department of HUD/FHA, October 2026.

Table B-2: Data Table for Exhibit I-2: Forward Purchase Mortgages and First-Time Homebuyer Share, Cohorts 2015 – 2026

Endorsement Fiscal Year	First-Time Homebuyer (count)	Repeat Buyer (count)	First-Time Homebuyer (percent)
2015	614,313	139,074	81.54
2016	722,069	157,443	82.10
2017	725,218	156,859	82.22
2018	641,910	134,365	82.69
2019	615,708	127,570	82.84
2020	679,619	138,213	83.10
2021	716,024	130,219	84.61
2022	578,661	114,180	83.52
2023	478,230	103,496	82.21
2024	498,352	104,679	82.64
2025	538,634	110,122	83.03
2026	530,198	107,921	83.09

Source: U.S. Department of HUD/FHA, October 2026.

Table B-3: Data Table for Exhibit I-3: Forward Endorsement Activity by Loan Purpose, Cohorts 2015-2026

Endorsement Fiscal Year	FHA Forward Endorsed Mortgage Counts			
	Purchase	No Cash-Out Refinance	Cash-Out Refinance	Total
2015	753,387	299,063	63,780	1,116,230
2016	879,512	279,588	98,948	1,258,048
2017	882,077	222,472	141,885	1,246,434
2018	776,275	87,441	150,884	1,014,600
2019	743,278	87,298	159,849	990,425
2020	817,832	391,243	124,075	1,333,150
2021	846,243	472,842	113,779	1,432,864
2022	692,841	111,504	177,849	982,194
2023	581,726	9,251	141,341	732,318
2024	603,031	24,297	139,604	766,932
2025	648,756	77,952	149,782	876,490
2026	638,119	156,010	141,154	935,283

Source: U.S. Department of HUD/FHA, October 2026.

Table B-4: Data Table for Exhibit I-4: FHA Forward Refinance Activity by Refinance Type, Cohorts 2015-2026

Endorsement Fiscal Year	Share of FHA Forward Refinance Mortgages (percent)				
	Conventional-to-FHA Cash-Out	FHA-to-FHA Cash-Out	Conventional-to-FHA No Cash-Out	FHA-to-FHA No Cash-Out	Streamline
2015	10.88	6.70	11.17	7.09	64.16
2016	16.49	9.65	11.90	6.32	55.64
2017	23.38	15.56	11.44	5.34	44.27
2018	35.05	28.26	10.87	4.31	21.51
2019	34.75	29.93	7.31	5.18	22.83
2020	13.18	10.90	5.17	9.51	61.24
2021	9.73	9.67	4.69	8.14	67.78
2022	26.60	34.86	4.78	4.73	29.03
2023	51.24	42.61	4.10	1.35	0.69
2024	47.84	37.33	3.99	2.47	8.36
2025	35.19	30.58	4.94	6.41	22.88
2026	24.67	22.83	6.31	10.13	36.06

Source: U.S. Department of HUD/FHA, October 2026.

Table B-4A: Data Table for Exhibit I-4: FHA Forward Refinance Endorsement Activity by Refinance Type (Counts), Cohorts 2015-2026

Endorsement Fiscal Year	FHA Forward Refinance Mortgage Counts				
	Conventional Cash-Out	FHA Cash-Out	Conventional No Cash-Out	FHA No Cash-Out	Streamline
2015	39,472	24,308	40,542	25,710	232,811
2016	62,433	36,515	45,031	23,928	210,629
2017	85,181	56,704	41,696	19,468	161,308
2018	83,540	67,344	25,915	10,272	51,254
2019	85,884	73,965	18,065	12,801	56,432
2020	67,898	56,177	26,654	49,031	315,558
2021	57,053	56,726	27,519	47,728	397,595
2022	76,972	100,877	13,822	13,697	83,985
2023	77,168	64,173	6,171	2,039	1,041
2024	78,414	61,190	6,536	4,053	13,708
2025	80,138	69,644	11,252	14,604	52,096
2026	73,315	67,839	18,758	30,106	107,146

Source: U.S. Department of HUD/FHA, October 2026.

Table B-5: Data Table for Exhibit I-5: Distribution of Forward Borrower Credit Scores, Cohorts 2015-2026

Endorsement Fiscal Year	Share of FHA Forward Mortgages (percent)						
	720 or Higher	680-719	620-679	580-619	579 or Lower	Missing	Average Credit Score
2015	18.02	26.11	50.16	5.05	0.24	0.41	680
2016	18.73	25.95	49.13	5.54	0.26	0.39	680
2017	17.48	24.78	49.62	7.31	0.43	0.36	676
2018	14.37	22.42	51.70	10.36	0.83	0.31	670
2019	12.88	21.03	53.12	11.68	1.03	0.26	666
2020	14.66	23.04	53.04	8.36	0.61	0.30	672
2021	13.26	22.67	56.99	6.36	0.32	0.41	671
2022	10.63	19.76	57.05	11.20	0.95	0.41	664
2023	14.94	22.45	50.36	10.44	1.53	0.28	670
2024	21.19	23.22	43.78	9.71	1.82	0.27	677
2025	23.88	22.48	40.29	10.65	2.38	0.32	679
2026	24.33	22.03	39.67	11.20	2.34	0.43	679

Note: Excludes streamline refinance mortgages.
Source: U.S. Department of HUD/FHA, October 2026.

Table B-6: Data Table for Exhibit I-6: Average Borrower Credit Score for FHA Forward Mortgages, Cohorts 2015-2026

Fiscal Year	Purchase	FHA-to-FHA Refinance	Conventional-to-FHA Refinance	Average Borrower Credit Score
2015	680	675	675	680
2016	681	673	677	680
2017	678	668	674	676
2018	671	661	665	670
2019	667	660	663	666
2020	673	666	666	672
2021	673	664	667	671
2022	668	647	651	664
2023	675	645	653	670
2024	683	647	654	677
2025	686	650	654	679
2026	685	657	661	679

Note: Excludes streamline refinance mortgages.
Source: U.S. Department of HUD/FHA, October 2026.

Table B-7: Data Table for Exhibit I-7: Borrower DTI Ratios for FHA Forward Purchase Mortgages, Cohorts 2000-2026

Endorsement Fiscal Year	Share of FHA Endorsed Purchase Mortgages (%)				Average DTI (percent)
	<=36%	>36% to 43%	>43% to 50%	>50%	
2000	39.28	35.76	19.20	5.76	37.59
2001	39.30	34.07	20.37	6.25	37.72
2002	38.45	33.76	21.88	5.91	37.97
2003	38.12	33.34	23.55	4.99	38.04
2004	36.81	32.79	24.90	5.50	38.36
2005	37.70	32.63	23.67	6.00	38.25
2006	34.89	31.19	24.84	9.07	38.99
2007	33.58	30.92	26.02	9.48	39.25
2008	30.28	29.10	27.43	13.20	40.28
2009	29.84	25.18	26.02	18.97	41.00
2010	30.62	25.55	27.08	16.76	40.65
2011	30.40	25.18	27.73	16.69	40.66
2012	31.44	25.70	27.44	15.42	40.34
2013	32.08	26.83	27.56	13.54	40.03
2014	29.00	28.61	28.02	14.37	40.59
2015	29.88	28.82	26.72	14.58	40.44
2016	28.70	27.91	27.06	16.33	40.85
2017	25.27	25.60	28.82	20.30	41.93
2018	21.69	23.70	29.81	24.80	43.09
2019	20.19	23.26	29.82	26.73	43.58
2020	21.47	24.14	30.19	24.20	43.08
2021	20.66	24.12	31.51	23.71	43.18
2022	17.56	22.24	32.24	27.95	44.19
2023	14.47	21.08	33.32	31.12	45.10
2024	14.46	21.08	33.09	31.38	45.14
2025	15.44	21.10	32.34	31.12	44.91
2026	16.92	21.92	31.64	29.52	44.42

Source: U.S. Department of HUD/FHA, October 2026.

Table B-7A: Data Table for Exhibit I-7: Borrower DTI Ratios for FHA Forward Purchase Mortgages (Counts), Cohorts 2000-2026

Endorsement Fiscal Year	Forward Purchase Mortgage Counts			
	<=36%	>36% to 43%	>43% to 50%	>50%
2000	329,889	300,356	161,273	48,352
2001	317,105	274,908	164,344	50,461
2002	331,805	291,327	188,807	50,960
2003	251,095	219,575	155,112	32,857
2004	215,737	192,187	145,955	32,231
2005	133,396	115,458	83,756	21,235
2006	109,558	97,945	78,011	28,484
2007	93,477	86,075	72,448	26,395
2008	191,245	183,791	173,258	83,362
2009	297,038	250,692	259,002	188,818
2010	339,708	283,443	300,479	185,952
2011	236,330	195,744	215,601	129,751
2012	230,713	188,603	201,368	113,180
2013	225,314	188,438	193,583	95,080
2014	172,541	170,247	166,720	85,490
2015	225,141	217,094	201,309	109,843
2016	252,401	245,483	237,964	143,664
2017	222,930	225,812	254,242	179,093
2018	168,351	184,006	231,372	192,546
2019	150,041	172,877	221,663	198,697
2020	175,606	197,438	246,904	197,884
2021	174,813	204,094	266,659	200,677
2022	121,690	154,107	223,402	193,642
2023	84,193	122,628	193,850	181,055
2024	87,178	127,111	199,527	189,215
2025	100,195	136,884	209,805	201,872
2026	107,947	139,897	201,910	188,365
Total	5,345,437	5,166,220	5,248,324	3,349,161

Source: U.S. Department of HUD/FHA, October 2026.

There is no Table B-8: for Exhibit I-8: U.S. Wage Growth vs. Home Price Appreciation from August 2014 to July 2026

Table B-9: Data Table for Exhibit I-9: Share of DTI Above 50 Percent, by Credit Score Bucket, September 2015-September 2026

Month/Year	Missing	<620	620-639	640-679	680-679	720+
SEP15	0.03%	0.00%	1.69%	6.05%	4.71%	3.62%
SEP16	0.04%	0.01%	2.10%	6.62%	5.17%	3.64%
SEP17	0.04%	1.41%	2.73%	7.84%	5.70%	3.94%
SEP18	0.02%	2.51%	3.60%	9.46%	6.53%	3.97%
SEP19	0.02%	2.17%	3.58%	9.67%	6.51%	3.93%
SEP20	0.04%	0.76%	2.30%	8.80%	6.28%	4.01%
SEP21	0.05%	1.58%	3.69%	10.07%	5.48%	3.04%
SEP22	0.03%	3.05%	4.53%	11.67%	6.94%	3.79%
SEP23	0.01%	2.69%	3.49%	10.25%	7.90%	6.05%
SEP24	0.00%	2.83%	3.38%	9.24%	7.59%	6.83%
SEP25	0.00%	3.50%	3.35%	8.86%	7.22%	7.65%
SEP26	0.00%	3.12%	2.99%	8.19%	7.19%	7.46%

Note: Excludes streamline refinance mortgages.
Source: U.S. Department of HUD/FHA, October 2026.

Table B-10: Data Table for Exhibit I-10: Average Forward LTV by Mortgage Purpose and Cashout Status, Cohorts 2015-2026

Endorsement Fiscal Year	Purchase	FHA-to-FHA No Cashout	FHA-to-FHA Cashout	Conventional-to-FHA No Cashout	Conventional-to-FHA Cashout	Overall
2015	95.69	88.11	80.38	85.35	75.10	93.65
2016	95.71	86.11	80.03	84.18	75.58	93.25
2017	95.72	85.67	80.09	83.72	75.81	92.70
2018	95.70	85.99	80.53	83.36	76.33	92.52
2019	95.58	87.83	80.65	82.29	76.39	92.27
2020	95.63	88.31	76.91	83.49	73.52	92.45
2021	95.54	84.11	74.43	79.00	71.30	92.08
2022	95.01	76.92	73.67	71.90	69.33	89.78
2023	94.68	77.49	73.25	73.02	67.95	89.75
2024	94.67	82.85	72.83	75.32	67.43	89.83
2025	94.74	86.51	72.56	80.42	67.46	89.87
2026	94.99	86.76	72.51	83.25	68.26	90.22

Source: U.S. Department of HUD/FHA, October 2026.

Table B-11: Data Table for Exhibit I-11: Share of FHA Loans Containing Risk Layers, Cohorts 2005-2026

Fiscal Year	Share of FHA Layers	Total Loan Count
2005	16.67%	512,327
2006	15.78%	425,491
2007	16.82%	424,724
2008	13.49%	1,087,394
2009	8.68%	1,831,998
2010	6.24%	1,667,609
2011	4.00%	1,197,809
2012	3.86%	1,184,740
2013	2.62%	1,344,846
2014	4.27%	786,352
2015	5.61%	1,116,230
2016	6.25%	1,258,048
2017	8.00%	1,246,434
2018	10.54%	1,014,600
2019	11.56%	990,425
2020	9.06%	1,333,150
2021	8.53%	1,432,864
2022	9.95%	982,194
2023	8.89%	732,318
2024	8.08%	766,932
2025	8.35%	876,490
2026	8.53%	935,283

Source: U.S. Department of HUD/FHA, October 2026

Table B-12: Data Table for Exhibit I-12: EPD Rates for Loans With and Without Risk Layers, Cohorts 2015-2026

Cohort	Without 3 Risk Layers	With 3 Risk Layers
2015	0.34%	1.02%
2016	0.32%	1.12%
2017	0.68%	2.09%
2018	0.54%	1.69%
2019	0.62%	1.81%
2020	3.71%	7.70%
2021	1.49%	3.73%
2022	1.75%	4.75%
2023	1.51%	4.08%
2024	1.36%	4.17%
2025	1.28%	3.72%
2026	1.14%	3.00%

Source: U.S. Department of HUD/FHA, October 2026.

Table B-13: Data Table for Exhibit I-13: Loss Rates for FHA Loans With and Without EPDs, Cohorts 2015-2026

Cohort	Non-EPD Ever 90s	EPDs
2015	8.23%	16.5%
2016	7.59%	15.9%
2017	7.66%	11.2%
2018	8.01%	15.0%
2019	8.14%	14.1%
2020	7.88%	9.5%
2021	7.61%	13.6%
2022	8.66%	15.9%
2023	9.61%	16.8%
2024	6.56%	12.7%
2025	2.45%	4.1%
2026	0.02%	0.1%

Source: U.S. Department of HUD/FHA, October 2026.

Table B-14: Data Table for Exhibit I-14: Loss Rates for Mortgages With and Without Risk Layers, Cohorts 2015-2026

Cohort	Without Risk Layers	With Risk Layers
2015	1.25%	3.09%
2016	1.34%	3.39%
2017	1.46%	3.80%
2018	1.59%	3.87%
2019	1.63%	3.84%
2020	1.62%	3.97%
2021	1.62%	4.04%
2022	2.25%	5.10%
2023	2.10%	4.80%
2024	0.94%	2.41%
2025	0.19%	0.52%
2026	0.00%	0.00%

Source: U.S. Department of HUD/FHA, October 2026.

Table B-15: Data Table for Exhibit I-15: Racial/Ethnicity Composition of Forward Mortgages, Cohorts 2015-2026

Endorsement Fiscal Year	Share of FHA Forward Endorsed Mortgages (percent)					
	Native American	Asian	Black	Hispanic	White	Not Reported
2015	0.43	3.35	10.39	17.35	60.13	8.35
2016	0.39	3.13	10.90	17.48	58.79	9.31
2017	0.41	3.02	11.69	18.12	57.06	9.71
2018	0.36	2.60	12.62	18.16	55.47	10.79
2019	0.34	2.27	12.82	17.74	53.01	13.82
2020	0.36	2.20	12.73	17.28	50.05	17.39
2021	0.37	2.04	13.41	16.08	43.66	24.44
2022	0.37	1.71	12.84	14.06	37.05	33.97
2023	0.41	2.07	12.69	15.45	37.72	31.66
2024	0.44	2.38	12.07	16.77	38.05	30.30
2025	0.64	2.65	13.10	20.17	44.46	18.98
2026	0.72	2.38	13.56	20.28	48.05	15.01

Source: U.S. Department of HUD/FHA, October 2026.

Table B-15A: Data Table for Exhibit I-15: Racial/Ethnicity Composition of Forward Mortgages (Counts), Cohorts 2015-2026

Endorsement Fiscal Year	FHA Forward Mortgage Counts					
	Native American	Asian	Black	Hispanic	White	Not Reported
2015	4,810	37,339	116,030	193,671	671,192	93,188
2016	4,889	39,413	137,135	219,872	739,601	117,138
2017	5,056	37,589	145,654	225,906	711,163	121,066
2018	3,670	26,345	128,016	184,267	562,791	109,511
2019	3,319	22,472	126,995	175,732	524,988	136,919
2020	4,745	29,348	169,740	230,306	667,237	231,774
2021	5,312	29,284	192,097	230,366	625,562	350,243
2022	3,634	16,788	126,126	138,117	363,890	333,639
2023	3,034	15,123	92,926	113,146	276,223	231,866
2024	3,353	18,218	92,607	128,579	291,825	232,350
2025	5,611	23,252	114,855	176,756	389,687	166,329
2026	6,724	22,221	126,800	189,691	449,440	140,407
Total	54,157	317,392	1,568,981	2,206,409	6,273,599	2,264,430

Source: U.S. Department of HUD/FHA, October 2026.

Table B-16: Data Table for Exhibit I-16: Share of Mortgages Originated for Manufactured Homes, Calendar Years 2018-2025

Calendar Year	FHA	Conventional	VA	USDA
2018	3.1%	2.3%	2.0%	0.5%
2019	2.8%	1.9%	1.6%	0.6%
2020	2.6%	1.2%	1.1%	0.7%
2021	3.3%	1.4%	1.4%	0.8%
2022	4.4%	2.4%	2.2%	1.2%
2023	4.1%	3.5%	2.6%	1.4%
2024	4.3%	3.4%	2.7%	2.0%
2025	4.7%	3.2%	2.9%	3.5%

Source: U.S. Department of HUD/FHA, October 2026. Data includes HMDA data and is only available up until 2025.

Table B-17: Exhibit I-17: Purchase Activity by Type of DPA, Cohorts 2015-2026

Endorsement Fiscal Year	Share of Forward Purchase Mortgages (percent)			
	Government	Eligible Family Member	Non-Government/ Non-Relative	No DPA
2015	9.88	25.91	1.54	62.67
2016	10.27	26.33	1.86	61.55
2017	10.56	26.10	1.70	61.64
2018	11.40	26.16	1.24	61.21
2019	12.91	25.41	1.02	60.66
2020	15.43	23.44	0.93	60.20
2021	15.09	23.30	0.97	60.64
2022	13.65	25.36	1.12	59.87
2023	14.98	23.40	1.15	60.46
2024	16.91	21.58	1.34	60.16
2025	17.74	23.16	1.41	57.69
2026	19.99	23.12	1.36	55.53

Note: Data does not account for instances where down payment assistance data was missing from origination data submitted to FHA.
Source: U.S. Department of HUD/FHA, October 2026.

Table B-17A: Exhibit I-17: Purchase Activity by Type of DPA (Counts), Cohorts 2015-2026

Endorsement Fiscal Year	Forward Purchase Mortgage Counts			
	Government	Eligible Family Member	Non-Government/ Non-Relative	No DPA
2015	74,437	195,202	11,566	472,182
2016	90,311	231,542	16,348	541,311
2017	93,118	230,231	14,983	543,745
2018	88,471	203,064	9,610	475,130
2019	95,990	188,849	7,587	450,852
2020	126,203	191,667	7,623	492,339
2021	127,719	197,147	8,222	513,155
2022	94,562	175,706	7,784	414,789
2023	87,161	136,147	6,691	351,727
2024	101,978	130,156	8,100	362,797
2025	115,070	150,269	9,152	374,265
2026	127,545	147,530	8,693	354,351
Total	1,222,565	2,177,510	116,359	5,346,643

Note: Data does not account for instances where down payment assistance data was missing from origination data submitted to FHA.
Source: U.S. Department of HUD/FHA, October 2026.

Table B-18: Data Table for Exhibit I-18: Lender Type, Cohorts 2010-2026

Endorsement Fiscal Year	Share of Forward Mortgages (percent)		
	Depository	Non-Depository	Other
2010	43.48	56.37	0.15
2011	41.26	58.65	0.09
2012	35.72	64.23	0.05
2013	35.83	64.11	0.07
2014	28.59	71.32	0.09
2015	21.19	78.73	0.07
2016	17.70	82.22	0.08
2017	15.48	84.44	0.08
2018	14.91	84.99	0.10
2019	13.92	85.99	0.09
2020	10.69	89.23	0.08
2021	9.22	90.71	0.07
2022	10.80	89.13	0.07
2023	11.51	88.39	0.09
2024	10.89	89.02	0.08
2025	9.81	90.12	0.06
2026	8.71	91.22	0.07

Source: U.S. Department of HUD/FHA, October 2026. This includes all endorsements, including streamline refinances.

Table B-18A: Data Table for Exhibit I-18: Lender Type (Counts), Cohorts 2010-2026

Endorsement Fiscal Year	Forward Mortgage Counts		
	Depository	Non-Depository	Other
2010	725,017	940,112	2,480
2011	494,266	702,459	1,084
2012	423,194	760,904	642
2013	481,798	862,168	880
2014	224,827	560,787	738
2015	236,550	878,856	824
2016	222,708	1,034,381	959
2017	192,927	1,052,525	982
2018	151,294	862,260	1,046
2019	137,860	851,654	911
2020	142,494	1,189,566	1,090
2021	132,160	1,299,723	981
2022	106,067	875,393	734
2023	84,308	647,324	686
2024	83,547	682,742	643
2025	86,024	789,909	557
2026	81,465	853,210	608

Source: U.S. Department of HUD/FHA, October 2026.

Table B-19: Data Table for Exhibit I-19: Forward Mortgage Concentration by State, Cohort 2026

State	Share of Forward Mortgages by Endorsement FY		State	Share of Forward Mortgages by Endorsement FY	
	2025	2026		2025	2026
Alabama	2.29%	2.33%	Montana	0.25%	0.25%
Alaska	0.16%	0.16%	Nebraska	0.52%	0.50%
Arizona	3.51%	3.39%	Nevada	1.44%	1.42%
Arkansas	1.15%	1.18%	New Hampshire	0.28%	0.29%
California	6.70%	6.81%	New Jersey	2.03%	1.98%
Colorado	2.04%	1.92%	New Mexico	0.79%	0.79%
Connecticut	0.72%	0.74%	New York	1.73%	1.63%
Delaware	0.43%	0.41%	North Carolina	3.81%	3.90%
District Of Columbia	0.05%	0.05%	North Dakota	0.19%	0.18%
Florida	9.78%	9.03%	Ohio	3.72%	3.95%
Georgia	4.98%	4.93%	Oklahoma	1.52%	1.54%
Guam	0.00%	0.00%	Oregon	1.08%	1.10%
Hawaii	0.08%	0.11%	Pennsylvania	2.89%	3.02%
Idaho	0.75%	0.79%	Puerto Rico	0.69%	0.61%
Illinois	2.75%	2.73%	Rhode Island	0.33%	0.35%
Indiana	2.92%	2.94%	South Carolina	2.67%	2.80%
Iowa	0.66%	0.67%	South Dakota	0.24%	0.23%
Kansas	0.76%	0.77%	Tennessee	3.02%	3.06%
Kentucky	1.60%	1.69%	Texas	12.02%	11.95%
Louisiana	1.56%	1.64%	U.S. Virgin Islands	0.00%	0.00%
Maine	0.35%	0.38%	Utah	1.39%	1.28%
Maryland	2.07%	2.05%	Vermont	0.07%	0.08%
Massachusetts	1.05%	1.05%	Virginia	2.60%	2.64%
Michigan	2.54%	2.65%	Washington	1.77%	1.77%
Minnesota	1.10%	1.14%	West Virginia	0.56%	0.57%
Mississippi	1.07%	1.08%	Wisconsin	0.96%	1.02%
Missouri	2.10%	2.21%	Wyoming	0.27%	0.28%

Source: U.S. Department of HUD/FHA, October 2026.

Table B-19A: Data Table for Exhibit I-19: Forward Mortgage Concentration by State (Counts), Cohort 2026

State	Forward Mortgage Counts by Endorsement FY		State	Forward Mortgage Counts by Endorsement FY	
	2025	2026		2025	2026
Alabama	20,047	21,758	Montana	2,172	2,364
Alaska	1,376	1,476	Nebraska	4,515	4,713
Arizona	30,796	31,716	Nevada	12,645	13,236
Arkansas	10,071	11,080	New Hampshire	2,475	2,741
California	58,709	63,706	New Jersey	17,827	18,519
Colorado	17,917	18,001	New Mexico	6,912	7,379
Connecticut	6,314	6,879	New York	15,123	15,263
Delaware	3,763	3,826	North Carolina	33,403	36,522
District Of Columbia	464	421	North Dakota	1,650	1,701
Florida	85,688	84,464	Ohio	32,576	36,922
Georgia	43,643	46,100	Oklahoma	13,303	14,439
Guam	37	35	Oregon	9,480	10,257
Hawaii	666	990	Pennsylvania	25,315	28,214
Idaho	6,604	7,389	Puerto Rico	6,008	5,728
Illinois	24,147	25,537	Rhode Island	2,926	3,236
Indiana	25,559	27,464	South Carolina	23,414	26,144
Iowa	5,792	6,244	South Dakota	2,133	2,129
Kansas	6,693	7,224	Tennessee	26,509	28,593
Kentucky	13,991	15,810	Texas	105,344	111,745
Louisiana	13,698	15,294	U.S. Virgin Islands	14	19
Maine	3,056	3,547	Utah	12,226	11,964
Maryland	18,151	19,140	Vermont	651	712
Massachusetts	9,185	9,795	Virginia	22,821	24,656
Michigan	22,264	24,743	Washington	15,494	16,533
Minnesota	9,605	10,654	West Virginia	4,882	5,334
Mississippi	9,358	10,101	Wisconsin	8,373	9,546
Missouri	18,389	20,626	Wyoming	2,327	2,654

Source: U.S. Department of HUD/FHA, October 2026.

Table B-20: Data Table for Exhibit I-20: Forward Mortgage EPD Rates by Mortgage Purpose, Cohorts 2015-2026

Endorsement Fiscal Year	Early Payment Default Rate (percent)		
	Purchase	Refinance	All
2015	0.41	0.29	0.37
2016	0.40	0.29	0.37
2017	0.86	0.49	0.76
2018	0.74	0.40	0.66
2019	0.87	0.44	0.76
2020	4.29	4.84	4.50
2021	1.92	1.03	1.55
2022	2.37	1.11	2.00
2023	1.89	1.19	1.74
2024	1.67	1.32	1.60
2025	1.58	1.31	1.51
2026[1]	1.41	1.03	1.28

Source: U.S. Department of HUD/FHA, October 2026.
Data through February 2026 endorsement dates.

Table B-21: Data Table for Exhibit I-21: Seriously Delinquent Rates for Forward Mortgages, Cohorts September 2015-September 2026

Calendar Month/Year	Rate (%)	Calendar Month/Year	Rate (%)	Calendar Month/Year	Rate (%)	Calendar Month/Year	Rate (%)
Sep-15	5.86	Jan-19	4.16	May-22	5.19	Sep-25	4.53
Oct-15	5.79	Feb-19	4.10	Jun-22	5.00	Oct-25	4.56
Nov-15	5.82	Mar-19	3.88	Jul-22	4.93	Nov-25	5.21
Dec-15	5.79	Apr-19	3.74	Aug-22	4.82	Dec-25	5.81
Jan-16	5.80	May-19	3.67	Sep-22	4.77	Jan-26	6.24
Feb-16	5.55	Jun-19	3.76	Oct-22	4.77	Feb-26	6.74
Mar-16	5.31	Jul-19	3.78	Nov-22	4.79	Mar-26	6.63
Apr-16	5.16	Aug-19	3.82	Dec-22	4.91	Apr-26	6.53
May-16	5.07	Sep-19	3.88	Jan-23	4.90	May-26	6.53
Jun-16	5.02	Oct-19	3.93	Feb-23	4.86	Jun-26	6.48
Jul-16	4.96	Nov-19	4.06	Mar-23	4.53	Jul-26	6.38
Aug-16	4.95	Dec-19	4.35	Apr-23	4.39	Aug-26	6.48
Sep-16	4.92	Jan-20	4.12	May-23	4.30	Sep-26	6.51
Oct-16	4.91	Feb-20	4.04	Jun-23	4.21		
Nov-16	4.94	Mar-20	3.97	Jul-23	4.12		
Dec-16	4.99	Apr-20	4.04	Aug-23	3.97		
Jan-17	4.97	May-20	4.91	Sep-23	3.93		
Feb-17	4.81	Jun-20	8.96	Oct-23	3.86		
Mar-17	4.54	Jul-20	10.58	Nov-23	3.91		
Apr-17	4.47	Aug-20	11.35	Dec-23	4.04		
May-17	4.36	Sep-20	11.59	Jan-24	4.08		
Jun-17	4.28	Oct-20	11.73	Feb-24	3.97		
Jul-17	4.20	Nov-20	11.90	Mar-24	3.74		
Aug-17	4.24	Dec-20	11.89	Apr-24	3.58		
Sep-17	4.32	Jan-21	11.83	May-24	3.52		
Oct-17	4.42	Feb-21	11.37	Jun-24	3.68		
Nov-17	4.83	Mar-21	11.61	Jul-24	3.84		
Dec-17	5.19	Apr-21	11.06	Aug-24	3.98		
Jan-18	5.18	May-21	10.59	Sep-24	4.15		
Feb-18	5.06	Jun-21	10.11	Oct-24	4.23		
Mar-18	4.66	Jul-21	9.66	Nov-24	4.41		
Apr-18	4.54	Aug-21	9.17	Dec-24	4.70		
May-18	4.35	Sep-21	8.81	Jan-25	4.79		
Jun-18	4.28	Oct-21	8.35	Feb-25	4.79		
Jul-18	4.08	Nov-21	7.83	Mar-25	4.47		
Aug-18	4.11	Dec-21	7.28	Apr-25	4.29		
Sep-18	4.11	Jan-22	6.81	May-25	4.27		
Oct-18	4.06	Feb-22	6.48	Jun-25	4.30		
Nov-18	4.06	Mar-22	6.00	Jul-25	4.36		
Dec-18	4.08	Apr-22	5.23	Aug-25	4.44		

Source: U.S. Department of HUD/FHA, October 2026.

Table B-22: Data Table for Exhibit I-22: Forward Disposition Count by Type and Average Loss Severity, Cohorts 2015-2026

Fiscal Year	Insurance in Force (count)	FHA Disposition Counts by Type					Loss Severity Rate (percent)
		REO	Note Sales/Distressed Asset Sales Program	Third Party Sales - CWCOT	Third Party Sales - Outbids	Pre-Foreclosure Sales	
2015	7,742,143	60,759	19,975	18,807	3,244	13,968	51.61%
2016	7,838,495	58,291	12,243	28,308	4,865	12,668	54.08%
2017	7,982,070	44,158	5,549	38,672	6,195	8,703	50.30%
2018	8,048,639	26,318	68	41,148	7,227	6,000	45.55%
2019	8,107,806	16,570	131	35,714	4,964	4,529	41.45%
2020	7,988,354	16,717	47	21,846	2,836	3,573	39.78%
2021	7,498,614	5,693	68	10,690	1,195	3,125	36.86%
2022	7,263,194	2,825	9	9,379	3,421	1,487	27.61%
2023	7,509,540	3,483	9	10,238	3,845	925	25.22%
2024	7,808,911	4,035	29	11,284	3,774	1,132	25.05%
2025	8,150,049	3,863	0	10,315	2,740	1,770	28.50%
2026	8,446,489	4,219	18	14,958	2,178	2,449	35.36%

Source: U.S. Department of HUD/FHA, October 2026.

Table B-23: Data Table for Exhibit I-23: Count and UPB Weighted Claim Rates, FY End 2015-2026

Fiscal Year	Forward Mortgage Counts		Claim Share of IIF Count (percent)	Claim UPB ($ billions)	Active Mortgages ($ billions, End-of-FY)	Claim Share of IIF UPB (percent)
	Claim Count	Active Mortgages (End-of-FY)				
2015	113,509	7,742,143	1.47	15.54	1,072.82	1.45
2016	111,510	7,838,495	1.42	14.88	1,106.28	1.35
2017	97,082	7,982,070	1.22	12.73	1,158.84	1.10
2018	73,534	8,048,639	0.91	9.65	1,196.30	0.81
2019	56,944	8,107,806	0.70	7.65	1,228.03	0.62
2020	42,183	7,988,354	0.53	5.74	1,235.41	0.46
2021	19,576	7,498,614	0.26	2.62	1,191.28	0.22
2022	13,700	7,263,194	0.19	1.71	1,210.88	0.14
2023	14,655	7,509,540	0.20	1.86	1,318.56	0.14
2024	16,480	7,808,911	0.21	2.44	1,443.20	0.17
2025	15,948	8,150,049	0.20	2.84	1,578.51	0.18
2026	21,644	8,446,489	0.26	4.72	1,711.26	0.28

Note: Data includes funds outside of MMI Fund and outbids.
Source: U.S. Department of HUD/FHA, October 2026. FY 2026 may have de minimis adjustments due to late reporting of disposition sales.

Table B-24: Data Table for Exhibit I-24: HECM Portfolio Statistics by Year of Endorsement, Cohorts 2009-2026

Endorsement Fiscal Year	Active HECM	Maximum Claim Amount ($ billions)	Current Principal Limit ($ billions)	Insurance in Force ($ billions)	Annual Home Price Appreciation	Interest Rates (%)
2009	3,950	1.06	1.57	1.41	-5.54%	5.04%
2010	2,271	0.66	1.00	0.91	-4.08%	4.32%
2011	2,331	0.64	0.93	0.78	-3.87%	4.01%
2012	1,881	0.50	0.76	0.64	-0.27%	3.40%
2013	2,389	0.61	0.87	0.72	3.73%	4.32%
2014	3,565	0.99	1.15	0.84	4.96%	4.20%
2015	4,960	1.43	1.63	1.16	5.13%	3.86%
2016	5,242	1.63	1.85	1.26	5.21%	3.42%
2017	8,547	2.75	2.94	2.08	5.39%	3.83%
2018	13,063	4.19	3.68	2.90	5.52%	4.72%
2019	10,786	3.59	2.70	2.24	4.64%	3.64%
2020	18,462	7.02	5.65	4.75	5.17%	2.90%
2021	29,683	12.89	10.22	8.83	13.73%	3.01%
2022	50,175	25.06	18.62	16.18	16.43%	6.70%
2023	25,220	12.26	7.35	5.96	5.16%	7.31%
2024	21,369	10.62	5.55	4.34	5.47%	6.08%
2025	25,192	13.28	6.60	4.85	3.84%	6.30%
2026	23,647	12.52	5.90	3.73	2.39%	7.03%
Total	252,733	112	79	64		

Source: U.S. Department of HUD/FHA, October 2026.

Table B-25: Data Table for Exhibit I-25: HECM Endorsement Activity, Cohorts 2009-2026

Endorsement Fiscal Year	Mortgage Counts by Product Type		Mortgage Counts by Purpose Type			All Mortgage Counts	MCA ($ billions)
	Adjustable Rate	Fixed Rate	Purchase	Refinance	Traditional		
2009	101,110	13,311	559	8,973	104,889	114,421	30.07
2010	24,583	54,469	1,389	4,835	72,828	79,052	21.07
2011	23,372	49,737	1,538	2,737	68,834	73,109	18.21
2012	16,766	38,046	1,627	1,444	51,741	54,812	13.16
2013	23,594	36,329	2,091	1,835	55,997	59,923	14.68
2014	41,978	9,638	1,825	2,406	47,385	51,616	13.52
2015	48,857	9,132	2,411	5,571	50,007	57,989	16.13
2016	43,667	5,201	2,367	5,398	41,103	48,868	14.66
2017	49,574	5,716	2,634	8,016	44,640	55,290	17.69
2018	43,428	4,901	2,615	5,860	39,854	48,329	16.19
2019	29,382	1,890	2,295	1,679	27,298	31,272	10.86
2020	41,037	798	2,472	8,614	30,749	41,835	16.29
2021	45,647	3,549	2,228	20,661	26,307	49,196	21.35
2022	61,623	2,849	2,236	29,004	33,232	64,472	32.12
2023	32,670	304	2,034	4,017	26,923	32,974	16.17
2024	26,451	51	1,686	2,074	22,742	26,502	13.36
2025	28,107	42	1,540	3,065	23,544	28,149	14.96
2026	24,151	11	1,328	2,601	20,233	24,162	12.81
Total	705,997	235,974	34,875	118,790	788,306	941,971	313

Source: U.S. Department of HUD/FHA, October 2026.

Table B-26: Data Table for Exhibit I-26: FHA HECM Endorsement Activity by Mortgage Purpose, Cohorts 2009-2026

Endorsement Fiscal Year	Share of Total MCA (percent)		
	Purchase	Refinance	Traditional
2009	0.47	11.90	87.63
2010	1.73	9.41	88.86
2011	2.21	6.16	91.64
2012	3.26	4.56	92.17
2013	3.95	5.03	91.02
2014	3.91	7.24	88.84
2015	4.33	13.48	82.19
2016	4.98	14.19	80.83
2017	4.93	17.11	77.97
2018	5.52	14.39	80.09
2019	7.40	7.44	85.16
2020	5.58	25.66	68.76
2021	4.17	46.72	49.11
2022	3.20	48.91	47.89
2023	6.08	13.71	80.21
2024	6.15	8.87	84.98
2025	5.02	12.26	82.72
2026	5.08	12.51	82.41

Source: U.S. Department of HUD/FHA, October 2026.

Table B-27: Data Table for Exhibit I-27: FHA HECMs by Payment Plan Option, Cohorts 2009-2026

Endorsement Fiscal Year	Share of Total MCA (percent)					
	Term	Line of Credit	Tenure	Term & Line of Credit	Tenure & Line of Credit	Lump Sum
2009	0.85	90.53	1.66	4.44	2.52	0.00
2010	0.55	92.57	1.04	3.66	2.18	0.00
2011	0.47	92.97	1.03	3.57	1.97	0.00
2012	0.32	93.56	0.94	3.33	1.85	0.00
2013	0.45	93.79	0.98	3.10	1.68	0.00
2014	0.72	92.11	1.56	3.59	2.00	0.02
2015	0.56	92.26	1.11	3.40	2.14	0.53
2016	0.58	88.31	1.06	3.36	2.01	4.69
2017	0.54	86.06	0.91	3.13	2.00	7.35
2018	0.52	86.16	0.73	3.05	1.92	7.61
2019	0.51	88.75	0.77	2.90	1.56	5.51
2020	0.44	93.46	0.41	2.61	1.22	1.86
2021	0.39	89.17	0.32	2.37	0.92	6.83
2022	0.36	92.57	0.50	2.38	1.03	3.16
2023	0.47	93.17	0.67	3.25	1.72	0.71
2024	0.51	93.36	0.85	3.33	1.83	0.13
2025	0.73	93.57	0.69	2.91	2.01	0.09
2026	0.84	93.05	1.05	2.84	2.19	0.02

Source: U.S. Department of HUD/FHA, October 2026.

Table B-28: Data Table for Exhibit I-28: HECM Mortgage Rate Types, Cohorts 2009-2026

Endorsement Fiscal Year	Share of Total MCA (percent)		
	Annual Adjustable-Rate Mortgage	Monthly Adjustable-Rate Mortgage	Fixed Rate Mortgage
2009	0.83	86.37	12.80
2010	0.03	35.08	64.89
2011	0.01	36.96	63.03
2012	0.01	34.85	65.14
2013	0.00	41.66	58.34
2014	2.63	78.10	19.26
2015	44.46	39.25	16.29
2016	76.70	12.45	10.84
2017	85.84	3.43	10.73
2018	87.67	1.33	11.00
2019	93.13	0.23	6.64
2020	97.48	0.10	2.42
2021	30.84	60.62	8.54
2022	0.84	94.25	4.91
2023	0.10	98.89	1.01
2024	0.07	99.73	0.20
2025	0.07	99.79	0.14
2026	0.13	99.82	0.05

Source: U.S. Department of HUD/FHA, October 2026.

Table B-29: Data Table for Exhibit I-29: Average Borrower Age at Endorsement, Cohorts 2009-2026

Endorsement Fiscal Year	HECMs Endorsed (count)	Average Borrower Age (years)
2009	114,421	73.03
2010	79,052	72.97
2011	73,109	72.30
2012	54,812	72.06
2013	59,923	71.77
2014	51,616	71.97
2015	57,989	72.35
2016	48,868	73.01
2017	55,290	73.16
2018	48,329	73.34
2019	31,272	73.59
2020	41,835	73.51
2021	49,196	73.95
2022	64,472	74.29
2023	32,974	74.84
2024	26,502	75.23
2025	28,149	75.31
2026	24,162	75.26

Source: U.S. Department of HUD/FHA, October 2026.

Table B-30: Data Table for Exhibit I-30: Average MCA for FHA-Endorsed HECMs, Cohorts 2009-2026

Endorsement Fiscal Year	HECMs Endorsed (count)	Average MCA ($)	Total MCA Endorsed ($)
2009	114,421	262,838	30,074,181,079
2010	79,052	266,560	21,072,065,164
2011	73,109	249,134	18,213,912,353
2012	54,812	240,138	13,162,427,359
2013	59,923	245,002	14,681,241,541
2014	51,616	261,948	13,520,722,085
2015	57,989	278,144	16,129,272,170
2016	48,868	300,000	14,660,406,133
2017	55,290	319,964	17,690,803,579
2018	48,329	334,986	16,189,558,432
2019	31,272	347,239	10,858,868,290
2020	41,835	389,375	16,289,502,411
2021	49,196	433,995	21,350,841,053
2022	64,472	498,195	32,119,647,772
2023	32,974	490,417	16,170,995,481
2024	26,502	504,016	13,357,433,837
2025	28,149	531,326	14,956,296,391
2026	24,162	530,013	12,806,167,189
Total	941,971		313,304,342,319

Source: U.S. Department of HUD/FHA, October 2026.

Table B-31: Data Table for Exhibits I-31: Average HECM PL, Cohorts 2009-2026

Endorsement Fiscal Year	HECMs Endorsed (count)	Average Principal Limit as a Share of MCA
2009	114,421	70.22%
2010	79,052	66.03%
2011	73,109	64.80%
2012	54,812	66.14%
2013	59,923	66.02%
2014	51,616	59.09%
2015	57,989	59.27%
2016	48,868	60.02%
2017	55,290	59.94%
2018	48,329	55.26%
2019	31,272	52.00%
2020	41,835	57.56%
2021	49,196	58.62%
2022	64,472	55.82%
2023	32,974	46.94%
2024	26,502	44.36%
2025	28,149	45.17%
2026	24,162	45.45%

Source: U.S. Department of HUD/FHA, October 2026.

Table B-32: Data Table for Exhibits I-32: Average Initial Cash Draws on HECMs, Cohorts 2009-2026

Endorsement Fiscal Year	HECMs Endorsed (count)	Average 1st Month Cash Draw as a Share of Principal Limit
2009	114,421	67.90%
2010	79,052	76.18%
2011	73,109	76.52%
2012	54,812	77.83%
2013	59,923	79.93%
2014	51,616	66.71%
2015	57,989	64.23%
2016	48,868	62.77%
2017	55,290	64.23%
2018	48,329	63.63%
2019	31,272	63.09%
2020	41,835	68.02%
2021	49,196	72.45%
2022	64,472	72.02%
2023	32,974	60.78%
2024	26,502	59.17%
2025	28,149	59.57%
2026	24,162	57.14%

Source: U.S. Department of HUD/FHA, October 2026.

Table B-33: Data Table for Exhibit I-33: Top Five States with the Highest Shares of HECM MCAs, Cohorts 2009-2026

Endorsement Fiscal Year	Share of Total MCA (percent)					
	California	Florida	Texas	Washington	Colorado	Other States
2009	20.89	11.41	4.23	3.40	1.94	58.13
2010	23.11	7.31	5.05	3.60	1.95	58.98
2011	22.52	5.52	5.94	2.89	2.18	60.95
2012	21.09	5.27	6.00	2.75	2.16	62.72
2013	23.73	5.69	5.89	2.68	2.32	59.69
2014	28.83	6.03	5.04	2.37	2.48	55.25
2015	31.92	7.24	4.85	2.61	2.59	50.79
2016	32.87	7.54	5.50	3.13	4.09	46.87
2017	34.86	7.25	5.45	3.88	5.94	42.61
2018	33.17	6.79	5.30	5.24	6.67	42.82
2019	31.26	6.92	5.17	4.87	6.90	44.88
2020	35.39	6.45	4.44	5.46	7.83	40.43
2021	36.03	6.19	4.07	6.46	7.52	39.73
2022	31.89	7.31	4.89	5.98	7.52	42.40
2023	27.12	9.65	6.34	5.02	5.92	45.94
2024	26.87	9.93	5.68	4.86	5.20	47.46
2025	27.34	8.43	5.20	5.05	5.03	48.96
2026	25.69	7.34	5.01	4.78	4.66	52.52

Source: U.S. Department of HUD/FHA, October 2026.

Table B-34: Data Table for Exhibit I-34: Sex and Count Composition of HECM Borrowers, Cohorts 2009-2026

Endorsement Fiscal Year	Total Endorsement Counts			
	Singular Male Borrower	Singular Female Borrower	Multiple Borrowers	Not Disclosed
2009	24,809	46,823	42,334	455
2010	16,951	33,098	28,212	791
2011	15,235	29,416	27,573	885
2012	11,611	21,449	20,934	818
2013	12,591	22,441	23,966	925
2014	10,553	19,909	20,402	752
2015	12,635	22,319	22,742	293
2016	10,553	17,982	20,206	127
2017	11,530	20,512	22,905	343
2018	9,934	17,700	19,940	755
2019	6,570	11,895	12,414	393
2020	8,326	14,722	17,475	1,312
2021	10,100	17,573	20,046	1,477
2022	12,565	22,713	27,332	1,862
2023	6,866	12,992	11,624	1,492
2024	5,735	10,891	8,837	1,039
2025	6,366	11,580	9,441	762
2026	5,403	9,688	7,892	1,179
Total	198,333	363,703	364,275	15,660

Source: U.S. Department of HUD/FHA, October 2026.

Table B-35: Data Table for Exhibit I-35: Race/Ethnicity Composition of HECM Borrowers, Cohorts 2009-2026

Endorsement Fiscal Year	Racial Composition (count)					
	American Indian	Asian	Black	Hispanic	White	Not Reported
2009	386	1,446	17,325	9,694	80,569	5,001
2010	272	1,200	11,940	6,286	57,520	1,834
2011	203	1,063	9,589	5,353	54,717	2,184
2012	184	781	6,847	4,081	40,806	2,113
2013	211	875	7,102	4,161	45,321	2,253
2014	168	833	5,629	3,478	39,827	1,681
2015	203	948	6,122	3,835	45,202	1,679
2016	160	723	4,174	2,949	39,261	1,601
2017	159	746	4,487	3,126	43,695	3,077
2018	140	607	3,272	2,360	35,786	6,164
2019	93	390	2,037	1,625	22,349	4,778
2020	95	592	2,702	2,438	31,008	5,000
2021	130	704	3,092	2,756	35,318	7,196
2022	160	680	3,888	3,341	45,851	10,552
2023	90	283	2,165	1,621	21,563	7,252
2024	68	205	1,827	1,204	17,492	5,706
2025	71	383	1,926	1,284	18,846	5,639
2026	54	298	1,598	985	15,650	5,577
Total	2,847	12,757	95,722	60,577	690,781	79,287

Source: U.S. Department of HUD/FHA, October 2026.

Table B-36: Data Table for Exhibit I-36: HECM Claims by Claim Type, FY of Claim 2009-2026

Claim Fiscal Year	Claim Amount Paid ($)			
	Claim Type 1	Claim Type 2	Supplemental	Total
2009	5,818	280,946	.	286,764
2010	2,429,944	511,603	6,088	2,947,636
2011	10,978,684	17,521,667	47,061	28,547,412
2012	81,388,383	123,067,358	5,479	204,461,219
2013	207,874,582	504,097,996	1,274,019	713,246,596
2014	224,709,170	676,797,426	644,761	902,151,357
2015	755,540,357	1,734,780,373	8,884,319	2,499,205,048
2016	636,745,200	3,529,360,512	47,313,221	4,213,418,933
2017	676,564,968	4,325,602,086	27,628,098	5,029,795,151
2018	612,273,102	5,502,089,113	34,182,468	6,148,544,683
2019	591,073,714	8,930,501,213	35,470,645	9,557,045,572
2020	468,935,669	5,728,949,124	28,786,484	6,226,671,278
2021	210,727,402	2,764,261,459	13,954,911	2,988,943,772
2022	183,944,711	1,909,954,869	10,309,283	2,104,208,863
2023	302,315,664	5,377,196,435	28,926,494	5,708,438,593
2024	267,405,544	5,170,459,688	35,460,990	5,473,326,222
2025	219,679,999	5,785,233,167	22,093,971	6,027,007,137
2026	211,789,433	4,642,876,015	13,699,640	4,868,365,088
Total	5,664,382,344	56,723,541,049	308,687,931	62,696,611,323

Note: The Claim Type 1 category represents the dollar volume of claims generated when the borrower no longer occupies the home, and the property is sold at a loss, with the mortgage never being assigned to the Secretary of HUD. The Claim Type 2 category represents the dollar volume of claims resulting from the assignment of the mortgage to the Secretary of HUD when the mortgage reaches 98 percent of the MCA. Supplemental claims are those claims submitted by lenders for other eligible expenses not included on original claims, such as property preservation expenses.
Source: U.S. Department of HUD/FHA, October 2026.

Appendix C:
Data Tables for Chapter II

There is no appendix table C-1 for Exhibit II-1: MMI Fund Balance and Capital Ratio FY 2020 through FY 2026, ($ millions)

Table C-2: Data Table for Exhibit II-2: MMI Fund Capital Ratio Components FY 2013 to FY 2026

Fiscal Year	MMI Fund Capital Ratio
2013	-0.11%
2014	0.41%
2015	2.10%
2016	2.35%
2017	2.18%
2018	2.76%
2019	4.84%
2020	6.10%
2021	8.03%
2022	11.11%
2023	10.51%
2024	11.47%
2025	11.47%
2026	10.29%

Source: U.S. Department of HUD/FHA, October 2026.

Table C-3: Data Table for Exhibit II-3: MMI Fund Capital Ratio Components FY 2017 to FY 2026

FY	Total Capital Resources (% of IIF)	Cash Flow NPV (% of IIF)	Capital Ratio
2017	3.33%	-1.15%	2.18%
2018	3.89%	-1.14%	2.76%
2019	4.50%	0.34%	4.84%
2020	5.46%	0.64%	6.10%
2021	6.68%	1.35%	8.03%
2022	7.72%	3.39%	11.11%
2023	7.99%	2.51%	10.51%
2024	8.29%	3.18%	11.47%
2025	8.48%	2.99%	11.47%
2026	8.40%	1.90%	10.29%

Source: U.S. Department of HUD/FHA, October 2026.

There is no appendix table for Exhibit II-4: MMI Fund Capital Ratio Components FY 2020 through FY 2026 ($ in millions)

Table C-5: Data Table for Exhibit II-5: Forward and HECM Stand-Alone Capital Ratios – FY 2016 through FY 2026

Fiscal Year	Forward Stand-Alone	HECM Stand-Alone
2015	2.00%	1.17%
2016	3.11%	-11.81%
2017	3.33%	-18.30%
2018	3.93%	-18.83%
2019	5.44%	-9.22%
2020	6.31%	-0.79%
2021	7.99%	6.08%
2022	10.47%	22.77%
2023	10.20%	16.72%
2024	10.88%	24.50%
2025	10.95%	24.06%
2026	10.47%	5.43%

Source: U.S. Department of HUD/FHA, October 2026.

There is no appendix table for Exhibit II-6: Forward Mortgage Stand-Alone Capital Ratio Components – FY 2020 to FY 2026 ($ millions)

There is no appendix table for Exhibit II-7: HECM Mortgage Stand-Alone Capital Ratio Components – FY 2020 to FY 2026 ($ millions)

Table C-8: Data Table for Exhibit II-8: Unpaid Principal Balance by Cohort, Cohorts 2010 & Prior to 2026

FY	Active UPB
2010 & Prior *	$60,045,902,452
2011	$16,060,177,167
2012	$21,345,418,707
2013	$33,363,960,814
2014	$12,749,246,603
2015	$26,214,011,937
2016	$41,080,298,769
2017	$49,293,827,814
2018	$42,154,181,913
2019	$46,478,942,048
2020	$110,572,959,471
2021	$210,700,178,285
2022	$192,037,788,784
2023	$152,655,677,270
2024	$168,597,910,596
2025	$236,141,523,605
2026	$290,673,469,889

*33 Active Cohorts
Source: U.S. Department of HUD/FHA, October 2026.

Table C-9: Data Table for Exhibit II-9: Distribution of Current Loan Status by Cohort, Cohorts 1975-2026

Cohort Year	Prepay or Matured Count	Claim Count	Active SDQ Count	Active and Current Count	Cohort Year	Prepay or Matured Count	Claim Count	Active SDQ Count	Active and Current Count
1975	196,683	11,854	0	0	2001	954,915	85,977	1,597	25,766
1976	216,309	11,595	0	0	2002	987,923	91,321	2,071	37,239
1977	250,145	12,591	0	0	2003	811,498	92,129	2,556	51,870
1978	288,033	21,509	0	1	2004	706,024	117,185	3,664	65,550
1979	359,414	44,301	1	4	2005	334,227	93,294	3,069	47,763
1980	262,159	50,316	2	5	2006	262,562	95,692	2,720	38,932
1981	141,068	37,837	1	2	2007	253,409	108,052	3,178	37,705
1982	139,850	31,725	0	3	2008	711,904	227,764	7,268	84,647
1983	441,887	81,009	3	22	2009	1,419,657	231,107	9,935	170,622
1984	208,191	49,003	3	11	2010	1,333,858	119,503	9,364	204,188
1985	346,554	68,646	9	44	2011	979,229	49,861	6,479	161,104
1986	774,223	107,084	45	281	2012	931,928	31,715	6,954	213,903
1987	1,067,127	116,436	70	506	2013	993,016	30,156	8,373	313,300
1988	593,561	67,780	43	414	2014	634,542	18,176	6,933	126,701
1989	546,688	59,656	53	468	2015	870,926	18,983	12,157	214,164
1990	658,687	59,477	61	531	2016	920,372	17,794	17,438	302,443
1991	576,538	44,981	81	622	2017	878,785	14,898	22,121	330,629
1992	574,850	36,809	81	709	2018	720,201	11,065	24,927	258,407
1993	912,242	52,350	125	1,301	2019	697,418	7,502	28,667	256,838
1994	1,038,669	66,024	205	2,186	2020	742,603	5,404	40,800	544,343
1995	459,860	44,763	207	1,674	2021	424,068	6,739	67,858	934,199
1996	693,167	63,639	385	3,337	2022	176,975	9,623	79,973	715,623
1997	681,989	60,094	661	9,494	2023	164,015	7,122	63,384	497,797
1998	910,750	67,845	945	17,370	2024	181,915	3,194	53,918	527,905
1999	1,020,685	84,734	1,448	23,998	2025	105,289	779	46,061	724,361
2000	719,349	71,706	1,097	14,984	2026	11,924	10	11,573	911,661

Source: U.S. Department of HUD/FHA, October 2026.

There is no appendix table for Exhibit II-10: Active Loan Attributes by Cohort, Cohorts 2010 & Prior to 2026

Table C-11: Data Table for Exhibit II-11: Cumulative HPA by Cohort, Cohorts 2010 & Prior to 2026

Cohort	Average HPA	Average HPA Per Year	Active UPB ($)
2010 & Prior *	151%		60,045,902,452
2011	154%	10%	16,060,177,167
2012	150%	10%	21,345,418,707
2013	134%	10%	33,363,960,814
2014	118%	9%	12,749,246,603
2015	106%	9%	26,214,011,937
2016	96%	9%	41,080,298,769
2017	84%	8%	49,293,827,814
2018	74%	8%	42,154,181,913
2019	65%	8%	46,478,942,048
2020	54%	8%	110,572,959,471
2021	35%	6%	210,700,178,285
2022	17%	3%	192,037,788,784
2023	10%	2%	152,655,677,270
2024	4%	1%	168,597,910,596
2025	2%	1%	236,141,523,605
2026	0%	0%	290,673,469,889

*33 Active Cohorts
Source: U.S. Department of HUD/FHA, October 2026.

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Table C-12: Data Table for Exhibit II-12: Average Premium Rate by Cohort, Cohorts 2012 & Prior to 2026

FY	Average Annual Premium Rate	Active UPB ($)
2012 & Prior*	0.00%	97,451,498,325
2013	1.05%	16,060,177,167
2014	1.18%	21,345,418,707
2015	0.92%	33,363,960,814
2016	0.82%	12,749,246,603
2017	0.82%	26,214,011,937
2018	0.83%	41,080,298,769
2019	0.83%	49,293,827,814
2020	0.83%	42,154,181,913
2021	0.83%	46,478,942,048
2022	0.83%	110,572,959,471
2023	0.65%	210,700,178,285
2024	0.53%	192,037,788,784
2025	0.53%	152,655,677,270
2026	0.53%	168,597,910,596

*35 Active Cohorts
Source: U.S. Department of HUD/FHA, October 2026.

Table C-13: Data Table for Exhibit II-13: Ultimate Claim and Home Retention Rates by Cohort, Cohort 2010 & Prior to 2026

FY	Ultimate Claim Rate	Ultimate Home Retention Rate	Total
2010 & Prior*	10%	7%	17%
2011	4%	8%	12%
2012	3%	8%	11%
2013	2%	8%	10%
2014	3%	9%	11%
2015	2%	10%	12%
2016	2%	13%	15%
2017	2%	15%	17%
2018	2%	18%	20%
2019	2%	20%	23%
2020	2%	20%	23%
2021	5%	21%	26%
2022	9%	29%	38%
2023	9%	26%	35%
2024	9%	18%	26%
2025	9%	13%	22%
2026	8%	12%	20%

*16 Active Cohorts
Source: U.S. Department of HUD/FHA, October 2026.

Table C-14: Data Table for Exhibit II-14: NPV of Cash Flows by Cohort, Cohort 2010 & Prior to 2026 (in billions)

FY	NPV Premium	NPV Claims + Loss Mitigation	NPV Net Cash Flow
2010 & Prior*	0.000015	0.09075	0.09076
2011	0.000002	0.01534	0.01534
2012	0.000005	0.03073	0.03074
2013	0.316119	0.04616	0.36228
2014	0.765670	-0.00769	0.75798
2015	1.301145	-0.01393	1.28722
2016	1.865638	-0.04748	1.81815
2017	2.307446	-0.13409	2.17336
2018	2.095691	-0.26886	1.82683
2019	2.437684	-0.40321	2.03448
2020	6.401338	-0.57658	5.82476
2021	12.235512	-1.94430	10.29122
2022	10.595183	-4.98193	5.61325
2023	5.962562	-5.26247	0.70009
2024	4.737895	-6.11510	-1.37721
2025	6.561517	-7.66097	-1.09945
2026	8.603646	-6.67053	1.93312

*19 Active Cohorts
Source: U.S. Department of HUD/FHA, October 2026.

Table C-15: Data Table for Exhibit II-15: HECM Budget Cohort Example ($)

Loan Age	Premiums	Claim Type 1	Claim Type 2	Conveyance Cost	Post Assignment Cash Draws	Recoveries
1	288,887,585	(2,181)	0	0	0	0
2	6,480,119	(14,885)	0	0	0	0
3	6,377,622	(36,098)	0	0	0	0
4	6,168,503	(70,465)	0	0	0	0
5	5,925,705	(133,703)	(501,404.34)	0	0	0
6	5,657,904	(228,945)	(1,709,836.66)	(9,677.51)	(1,792.63)	468,718
7	5,375,969	(384,486)	(3,111,277.35)	(22,526.80)	(4,497.50)	957,765
8	5,073,330	(598,676)	(6,166,063.79)	(49,381.00)	(12,603.71)	2,106,936
9	4,756,062	(870,901)	(8,069,770.03)	(91,102.03)	(24,818.93)	3,582,914
10	4,420,332	(1,217,790)	(14,773,308.46)	(151,199.95)	(43,364.35)	5,526,506
11	4,047,418	(1,382,944)	(23,440,417.77)	(247,116.83)	(76,049.19)	8,932,760
12	3,645,571	(1,322,319)	(39,487,357)	(375,497)	(114,570)	13,501,116
13	3,192,560	(1,159,050)	(57,775,509)	(557,229)	(164,414)	19,968,298
14	2,679,689	(951,786)	(90,467,171)	(801,477)	(232,825)	28,316,990
15	2,047,569	(668,704)	(97,100,193)	(1,119,187)	(349,871)	39,187,712
16	1,469,219	(445,010)	(90,649,577)	(1,431,977)	(494,739)	48,096,979
17	980,835	(270,619)	(67,524,468)	(1,704,298)	(681,617)	54,574,319
18	633,303	(156,374)	(50,302,883)	(1,901,052)	(895,650)	57,815,711
19	370,156	(79,693)	(36,954,346)	(2,062,518)	(1,048,542)	59,065,930
20	200,324	(35,947)	(20,889,947)	(2,186,885)	(1,092,201)	58,364,274
21	98,530	(12,698)	(14,418,878)	(2,265,683)	(1,244,072)	55,969,481
22	37,636	(3,091)	(6,553,520)	(2,309,222)	(1,053,571)	52,509,029
23	11,583	(617)	(2,936,351)	(2,301,778)	(429,178)	48,066,002
24	1,744	(27)	(639,919)	(2,246,537)	(117,661)	43,278,507
25	46	0	(26,511)	(2,159,716)	(104,253)	38,441,736
26	0	0	0	(2,043,342)	(54,984)	33,749,605
27	0	0	0	(1,899,404)	0	29,279,090
28	0	0	0	(1,729,979)	0	25,084,505
29	0	0	0	(1,547,452)	0	21,189,335
30	0	0	0	(1,357,368)	0	17,627,230
31	0	0	0	(1,165,329)	0	14,431,856
32	0	0	0	(978,609)	0	11,623,654
33	0	0	0	(804,155)	0	9,190,623
34	0	0	0	(644,319)	0	7,133,941
35	0	0	0	(504,981)	0	5,437,012
36	0	0	0	(386,353)	0	4,061,910
37	0	0	0	(288,674)	0	2,978,894
38	0	0	0	(210,738)	0	2,141,884
39	0	0	0	(150,155)	0	1,506,951
40	0	0	0	(104,348)	0	1,038,105
41	0	0	0	(70,736)	0	699,354
42	0	0	0	(46,527)	0	457,995
43	0	0	0	(29,738)	0	291,949
44	0	0	0	(18,504)	0	181,432

Loan Age	Premiums	Claim Type 1	Claim Type 2	Conveyance Cost	Post Assignment Cash Draws	Recoveries
45	0	0	0	(11,198)	0	109,968
46	0	0	0	(6,611)	0	65,048
47	0	0	0	(3,810)	0	37,635
48	0	0	0	(2,158)	0	21,416
49	0	0	0	(1,215)	0	12,134
50	0	0	0	(685)	0	6,881
51	0	0	0	(386)	0	3,906
52	0	0	0	(217)	0	2,219
53	0	0	0	(122)	0	1,262
54	0	0	0	(69)	0	718
55	0	0	0	(39)	0	409
56	0	0	0	(22)	0	233
57	0	0	0	(12)	0	133
58	0	0	0	(7)	0	76
59	0	0	0	(4)	0	43
60	0	0	0	(2)	0	25
61	0	0	0	(1)	0	14
62	0	0	0	(1)	0	8
63	0	0	0	(0)	0	5
64	0	0	0	(0)	0	3
65	0	0	0	(0)	0	2
66	0	0	0	(0)	0	1
67	0	0	0	(0)	0	0
68	0	0	0	(0)	0	0
69	0	0	0	(0)	0	0
70	0	0	0	(0)	0	1

Source: U.S. Department of HUD/FHA, October 2026.

Table C-16: Data Table for Exhibit II-16: HECM Historical Loan Status by Cohort, Cohorts 2009-2026

FY	UPB Insurance in Force	UPB HUD-Held
2009	$1,415.00	$9,625.90
2010	$907.05	$8,617.32
2011	$780.88	$7,710.55
2012	$636.86	$5,740.69
2013	$717.95	$6,233.09
2014	$845.00	$3,340.16
2015	$1,164.00	$3,675.17
2016	$1,255.24	$3,353.42
2017	$2,079.04	$3,729.24
2018	$2,898.97	$1,259.02
2019	$2,237.39	$12.69
2020	$4,749.81	$40.00
2021	$8,832.89	$55.35
2022	$16,181.76	$39.15
2023	$5,960.42	$1.15
2024	$4,344.32	$0.00
2025	$4,853.32	$0.00
2026	$3,738.81	$0.00

Source: U.S. Department of HUD/FHA, October 2026.

Table C-17: Data Table for Exhibit II-17: HECM Loan Status by Cohort, Normalized to 100% by Count, Cohorts 2009-2026

FY	Insured Gain	HUD-Held Gain	Insured Loss	HUD-Held Loss	Active Insured	Active HUD-Held
2009	39,984	12,185	29,622	6,026	3,954	23,793
2010	25,563	10,534	15,166	7,091	2,272	19,595
2011	26,363	10,096	10,567	4,821	2,332	19,912
2012	20,112	8,074	6,599	3,034	1,884	15,895
2013	23,706	8,402	5,727	2,232	2,390	18,081
2014	31,650	2,278	2,837	343	3,571	11,161
2015	35,926	2,219	2,115	232	4,962	12,674
2016	29,968	1,747	1,089	185	5,246	10,755
2017	32,986	1,459	719	140	8,557	11,526
2018	30,710	436	306	27	13,070	3,796
2019	20,381	13	60	2	10,786	32
2020	23,224	6	56	1	18,461	87
2021	19,289	12	96	0	29,683	116
2022	14,052	2	166	3	50,175	77
2023	7,711	0	41	0	25,220	2
2024	5,120	0	13	0	21,369	0
2025	2,957	0	0	0	25,192	0
2026	433	0	0	0	23,647	0

Source: U.S. Department of HUD/FHA, October 2026.

Table C-18: Data Table for Exhibit II-18: HECM Origination Statistics by Cohort, Cohorts 2009-2026

Cohort	MIP	PLF
2009	0.50%	67%
2010	0.50%	63%
2011	1.02%	63%
2012	1.25%	65%
2013	1.25%	65%
2014	1.25%	58%
2015	1.25%	57%
2016	1.25%	58%
2017	1.25%	58%
2018	0.94%	54%
2019	0.50%	51%
2020	0.50%	57%
2021	0.50%	58%
2022	0.50%	55%
2023	0.50%	46%
2024	0.50%	44%
2025	0.50%	45%
2026	0.50%	45%

Source: U.S. Department of HUD/FHA, October 2026.

Table C-19: Data Table for Exhibit II-19: Average LTV Ratio on Assigned HECM Loans, Cohorts 2009-2022

FY	LTV
2009	69%
2010	77%
2011	73%
2012	72%
2013	69%
2014	58%
2015	57%
2016	60%
2017	62%
2018	63%
2019	65%
2020	67%
2021	76%
2022	91%

Source: U.S. Department of HUD/FHA, October 2026.

Table C-20: Data Table for Exhibit II-20: Average LTV Ratio on Active Insured HECM Loans, Cohorts 2009-2026

FY	Average LTV
2009	62%
2010	67%
2011	59%
2012	60%
2013	57%
2014	43%
2015	42%
2016	41%
2017	43%
2018	41%
2019	39%
2020	45%
2021	52%
2022	58%
2023	45%
2024	39%
2025	36%
2026	30%

Source: U.S. Department of HUD/FHA, October 2026.

Table C-21: Data Table for Exhibit II-21: Forecast of NPV of HECM Cash Flows by Cohort, Cohorts 2009-2026

Cohort	NPV Premium ($)	Pre-Assignment Claims ($)	NPV Assignment Claim ($)	NPV Recoveries ($)	NPV Total ($)
2009	38,881,503	(363,854,561)	(139,072,627)	142,035,898	(322,437,942)
2010	27,504,291	(255,674,610)	(105,341,273)	124,603,158	(209,219,999)
2011	44,560,726	(168,206,061)	(115,317,068)	120,514,068	(118,695,967)
2012	45,495,430	(139,074,123)	(71,051,770)	79,454,556	(85,379,082)
2013	52,177,542	(139,322,465)	(105,369,803)	120,056,742	(72,716,911)
2014	45,980,259	(72,481,949)	(337,699,443)	386,460,930	21,828,609
2015	59,089,722	(91,497,716)	(573,488,817)	729,360,962	122,955,030
2016	54,126,284	(74,799,435)	(817,687,457)	1,171,671,965	332,610,888
2017	75,767,614	(86,717,356)	(1,518,314,492)	2,063,490,112	533,194,212
2018	81,041,225	(59,114,993)	(1,918,855,989)	2,316,639,457	418,379,449
2019	51,718,966	(31,830,013)	(1,268,946,952)	1,478,874,019	228,681,574
2020	102,136,080	(96,660,786)	(3,426,871,077)	4,337,945,557	914,111,740
2021	232,094,520	(306,753,997)	(5,463,323,419)	6,172,987,286	631,186,471
2022	505,764,417	(972,882,496)	(9,082,367,197)	8,592,764,324	(962,150,385)
2023	223,297,751	(198,488,022)	(2,393,355,309)	2,382,232,706	10,861,261
2024	164,125,565	(89,281,565)	(1,113,011,230)	1,014,011,109	(25,889,111)
2025	196,636,171	(81,667,060)	(1,097,048,638)	985,021,902	1,035,880
2026	211,142,313	(152,130,689)	(1,858,655,922)	1,738,016,068	(63,831,897)

Source: U.S. Department of HUD/FHA, October 2026.

Table C-22: Data Table for Exhibit II-22: Cumulative HPA Calendar Year 2000 Through Calendar Year 2026

Calendar Year/Quarter	FHA Purchase-Only Home Price Index	Calendar Year/Quarter	FHA Purchase-Only Home Price Index
2000Q1	100.00	2014Q1	146.34
2000Q2	101.69	2014Q2	147.59
2000Q3	103.28	2014Q3	149.19
2000Q4	105.08	2014Q4	151.09
2001Q1	107.01	2015Q1	153.18
2001Q2	108.74	2015Q2	155.15
2001Q3	110.39	2015Q3	157.03
2001Q4	112.14	2015Q4	159.25
2002Q1	113.97	2016Q1	161.21
2002Q2	116.07	2016Q2	163.52
2002Q3	118.29	2016Q3	165.96
2002Q4	120.66	2016Q4	168.52
2003Q1	122.77	2017Q1	170.69
2003Q2	124.74	2017Q2	173.60
2003Q3	127.21	2017Q3	176.22
2003Q4	130.06	2017Q4	178.90
2004Q1	132.94	2018Q1	182.18
2004Q2	136.29	2018Q2	184.27
2004Q3	139.81	2018Q3	186.62
2004Q4	143.25	2018Q4	188.65
2005Q1	146.80	2019Q1	190.93
2005Q2	150.69	2019Q2	193.15
2005Q3	154.65	2019Q3	195.69
2005Q4	157.95	2019Q4	198.97
2006Q1	160.25	2020Q1	202.77
2006Q2	161.35	2020Q2	203.97
2006Q3	161.59	2020Q3	211.65
2006Q4	162.36	2020Q4	221.09
2007Q1	163.32	2021Q1	229.06
2007Q2	162.87	2021Q2	239.36
2007Q3	160.77	2021Q3	250.11
2007Q4	157.83	2021Q4	259.55
2008Q1	154.21	2022Q1	270.55
2008Q2	149.86	2022Q2	279.11
2008Q3	146.10	2022Q3	278.80
2008Q4	141.79	2022Q4	279.47
2009Q1	140.90	2023Q1	281.62
2009Q2	138.94	2023Q2	286.96
2009Q3	138.31	2023Q3	293.17

Calendar Year/Quarter	FHA Purchase-Only Home Price Index	Calendar Year/Quarter	FHA Purchase-Only Home Price Index
2009Q4	138.23	2023Q4	296.58
2010Q1	136.98	2024Q1	299.69
2010Q2	136.26	2024Q2	303.31
2010Q3	134.04	2024Q3	306.21
2010Q4	132.70	2024Q4	310.12
2011Q1	129.73	2025Q1	312.36
2011Q2	128.62	2025Q2	312.65
2011Q3	129.02	2025Q3	313.73
2011Q4	129.22	2025Q4	316.42
2012Q1	129.79	2026Q1	318.22
2012Q2	131.83	2026Q2	319.33
2012Q3	133.42		
2012Q4	135.43		
2013Q1	138.24		
2013Q2	140.97		
2013Q3	143.15		
2013Q4	144.61		

Source: U.S. Department HUD/FHA, FHFA House Price Index, October 2026.

Table C-23: Data Table for Exhibit II-23: NPV Projected Losses for the MMI Fund FY 2017 to FY 2026

Fiscal Year	NPV of Projected Losses in MMI Fund
FY 2017	-6.03%
FY 2018	-5.19%
FY 2019	-3.65%
FY 2020	-3.13%
FY 2021	-2.57%
FY 2022	-0.79%
FY 2023	-1.73%
FY 2024	-1.24%
FY 2025	-1.06%
FY 2026	-1.96%

Source: U.S. Department of HUD/FHA, October 2026.

Table C-24: Data Table for Exhibit II-24: Seriously Delinquent Rate of the Forward Portfolio– From September 2022-September 2026

Calendar Quarter	SDQ Rate
Sep-22	4.68%
Dec-22	4.84%
Mar-23	4.42%
Jun-23	4.09%
Sep-23	3.83%
Dec-23	3.97%
Mar-24	3.66%
Jun-24	3.62%
Sep-24	4.08%
Dec-24	4.62%
Mar-25	4.49%
Jun-25	4.31%
Sep-25	4.58%
Dec-25	5.86%
Mar-26	6.67%
Jun-26	6.53%
Sep-26	6.52%

Source: U.S. Department of HUD/FHA, October 2026.

Table C-25: Data Table for Exhibit II-25: Loss Severity for the Forward Portfolio FY 2017 to FY 2026

Fiscal Year	Loss Severity Rate
FY 2017	50.30%
FY 2018	45.55%
FY 2019	41.45%
FY 2020	39.78%
FY 2021	36.86%
FY 2022	27.61%
FY 2023	25.22%
FY 2024	25.05%
FY 2025	28.50%
FY 2026	35.36%

Source: U.S. Department HUD/FHA, October 2026.

Table C-28: Data Table for Exhibit II-28: 2007 Stress Test Analysis – MMI Capital Impact (FY 2019 – FY 2026)

Fiscal Year	Stress Level Capital
FY 2019	-1.40%
FY 2020	-0.63%
FY 2021	1.54%
FY 2022	6.31%
FY 2023	5.43%
FY 2024	5.48%
FY 2025	4.42%
FY 2026	2.65%

Source: U.S. Department of HUD/FHA, October 2026.

Table C-29: FY 2026 Forward Discounted Cash Flow (in dollars $)

Estimation FY	Premiums	Claims	Recoveries	Loss Mitigation	Total
2027	$9,911,471,777.59	-$7,422,928,301.96	$1,141,920,839.83	-$3,799,937,840.78	-$169,473,525.32
2028	$8,523,882,333.42	-$6,944,435,734.88	$2,475,717,403.04	-$3,324,956,063.89	$730,207,937.69
2029	$7,329,009,255.90	-$5,789,183,063.93	$2,127,790,579.52	-$2,668,564,997.45	$999,051,774.04
2030	$6,308,992,962.03	-$4,675,917,886.21	$1,748,201,870.40	-$2,020,532,396.47	$1,360,744,549.75
2031	$5,411,762,111.55	-$3,710,324,608.72	$1,415,933,814.81	-$1,462,044,407.81	$1,655,326,909.83
2032	$4,597,565,544.98	-$2,982,997,123.35	$1,151,503,008.84	-$972,465,428.10	$1,793,606,002.37
2033	$3,838,006,906.98	-$2,395,541,118.09	$942,373,956.26	-$578,688,240.23	$1,806,151,504.91
2034	$3,237,632,407.65	-$1,899,120,841.50	$776,228,469.69	-$243,195,251.29	$1,871,544,784.56
2035	$2,780,927,391.13	-$1,490,538,396.73	$640,193,065.82	$23,966,442.08	$1,954,548,502.30
2036	$2,385,471,395.16	-$1,158,720,858.26	$528,525,632.90	$201,675,566.29	$1,956,951,736.10
2037	$2,030,101,464.09	-$891,838,797.26	$437,092,902.98	$308,429,997.18	$1,883,785,566.99
2038	$1,734,850,576.32	-$667,996,270.48	$360,597,008.79	$379,506,632.23	$1,806,957,946.85
2039	$1,498,677,286.04	-$499,859,814.46	$298,611,484.41	$408,487,765.79	$1,705,916,721.78
2040	$1,287,216,057.99	-$374,563,565.80	$247,725,349.33	$413,217,367.47	$1,573,595,209.00
2041	$1,097,391,687.70	-$276,667,281.65	$206,003,098.99	$395,702,759.00	$1,422,430,264.03
2042	$926,636,095.52	-$202,481,609.52	$171,770,956.74	$374,275,675.23	$1,270,201,117.97
2043	$772,844,377.08	-$149,485,300.35	$143,297,729.92	$352,775,154.11	$1,119,431,960.77
2044	$635,118,385.15	-$110,759,534.64	$119,595,469.36	$321,148,603.89	$965,102,923.76
2045	$513,115,508.02	-$79,844,238.47	$99,849,524.76	$312,205,677.38	$845,326,471.69
2046	$406,146,010.46	-$56,801,556.34	$83,206,061.68	$309,339,859.96	$741,890,375.76
2047	$313,564,967.83	-$39,540,654.17	$69,206,559.35	$297,458,466.78	$640,689,339.78
2048	$234,069,992.16	-$26,399,534.41	$57,424,714.20	$272,254,748.38	$537,349,920.33
2049	$165,876,104.80	-$17,440,563.01	$47,479,966.93	$272,608,718.53	$468,524,227.25
2050	$108,739,816.92	-$10,700,338.46	$38,890,904.52	$418,926,103.14	$555,856,486.12
2051	$65,253,043.67	-$4,796,397.20	$31,236,001.43	$685,757,683.93	$777,450,331.82
2052	$36,915,712.54	$73,283.31	$23,793,694.62	$582,735,205.29	$643,517,895.77
2053	$20,347,218.56	$1,506,224.08	$18,170,201.95	$252,541,510.72	$292,565,155.30
2054	$10,411,519.54	$1,858,993.95	$14,432,951.13	$152,850,307.98	$179,553,772.60
2055	$4,170,760.76	$2,211,084.22	$11,631,134.19	$182,098,254.31	$200,111,233.48
2056	$899,897.21	$2,166,807.80	$9,399,422.01	$244,704,549.33	$257,170,676.36

Estimation FY	Premiums	Claims	Recoveries	Loss Mitigation	Total
2057	$0.00	$1,695,296.55	$7,616,964.15	$30,689,483.35	$40,001,744.05
2058	$0.00	$1,244,954.69	$6,267,106.50	$29,876,396.25	$37,388,457.45
2059	$0.00	$902,580.07	$5,165,700.82	$28,130,895.09	$34,199,175.98
2060	$0.00	$638,113.31	$4,257,315.36	$26,666,229.51	$31,561,658.18
2061	$0.00	$436,151.20	$3,507,679.75	$24,860,914.79	$28,804,745.73
2062	$0.00	$286,414.47	$2,889,363.00	$23,943,270.99	$27,119,048.46
2063	$0.00	$185,096.94	$2,373,301.63	$25,021,741.89	$27,580,140.45
2064	$0.00	$124,181.92	$1,933,349.45	$23,472,991.72	$25,530,523.09
2065	$0.00	$107,431.96	$1,552,181.51	$26,114,383.86	$27,773,997.33
2066	$0.00	$145,449.80	$1,213,642.77	$28,428,529.06	$29,787,621.63
2067	$0.00	$71,514.33	$944,601.99	$13,421,429.30	$14,437,545.62
2068	$0.00	$33,146.90	$776,666.15	$12,086,603.20	$12,896,416.25
2069	$0.00	$5,679.97	$639,153.02	$11,202,333.60	$11,847,166.58
2070	$0.00	-$13,567.62	$526,666.02	$10,186,677.30	$10,699,775.70
2071	$0.00	-$26,729.89	$434,645.33	$8,133,614.44	$8,541,529.89
2072	$0.00	-$34,900.58	$359,303.43	$7,144,249.55	$7,468,652.41
2073	$0.00	-$39,473.37	$297,559.68	$6,601,239.14	$6,859,325.45
2074	$0.00	-$41,930.73	$246,927.16	$5,988,424.82	$6,193,421.26
2075	$0.00	-$42,284.59	$205,337.76	$5,291,309.20	$5,454,362.36
2076	$0.00	-$41,202.42	$171,214.05	$4,666,193.41	$4,796,205.05
2077	$0.00	-$37,802.90	$141,089.75	$4,794,568.96	$4,897,855.81
2078	$0.00	-$29,644.64	$96,676.59	$5,491,763.88	$5,558,795.83
2079	$0.00	-$23,933.24	$63,932.94	$4,911,599.09	$4,951,598.79
2080	$0.00	-$19,681.11	$42,856.26	$4,404,857.58	$4,428,032.72
2081	$0.00	-$17,042.35	$30,390.92	$3,863,270.53	$3,876,619.10
2082	$0.00	-$15,040.65	$22,549.41	$3,252,007.19	$3,259,515.95
2083	$0.00	-$12,869.49	$17,682.06	$2,649,145.96	$2,653,958.53
2084	$0.00	-$12,092.00	$15,003.49	$2,091,976.57	$2,094,888.06
2085	$0.00	-$11,236.50	$12,840.41	$1,606,014.47	$1,607,618.38
2086	$0.00	-$10,521.19	$11,260.21	$1,205,543.36	$1,206,282.37
2087	$0.00	-$9,939.46	$10,112.89	$887,179.30	$887,352.73
2088	$0.00	-$9,406.12	$9,175.37	$650,931.74	$650,700.99
2089	$0.00	-$8,782.38	$8,177.96	$539,218.43	$538,614.01
2090	$0.00	-$7,735.58	$6,528.79	$562,942.76	$561,735.97
2091	$0.00	-$6,033.65	$3,961.77	$444,122.17	$442,050.29
2092	$0.00	-$5,095.26	$2,709.32	$134,712.73	$132,326.79
2093	$0.00	-$4,399.61	$2,057.87	$56,785.62	$54,443.88
2094	$0.00	-$3,900.83	$1,706.66	$35,470.74	$33,276.57
2095	$0.00	-$2,974.22	$1,201.02	$40,405.29	$38,632.09
2096	$0.00	-$651.50	$186.61	$11,679.49	$11,214.60
2097	$0.00	-$0.59	$8.00	$0.00	$7.40
Total	$66,187,068,568.77	-$41,865,679,856.83	$15,479,682,566.21	-$7,518,156,470.72	$32,282,914,807.43

Source: U.S. Department of HUD/FHA, October 2026.

Table C-30: FY 2026 HECM Discounted Cash Flow (in dollars $)

Estimation FY	Premiums	Claims	Recoveries	Total
2027	$346,242,972.13	-$2,695,201,252.37	$59,243,703.02	-$2,289,714,577.22
2028	$311,976,494.01	-$2,705,321,505.66	$354,276,374.04	-$2,039,068,637.61
2029	$273,843,383.26	-$3,766,430,980.44	$676,741,269.96	-$2,815,846,327.21
2030	$233,590,653.96	-$4,548,143,335.39	$1,059,996,615.73	-$3,254,556,065.70
2031	$193,994,346.58	-$4,296,921,473.67	$1,432,973,374.60	-$2,669,953,752.49
2032	$159,657,481.80	-$3,364,705,826.61	$1,702,892,183.28	-$1,502,156,161.53
2033	$132,359,557.53	-$2,449,719,019.66	$1,854,898,845.07	-$462,460,617.06
2034	$110,483,789.26	-$2,001,444,649.02	$1,922,837,404.65	$31,876,544.88
2035	$92,052,908.50	-$1,703,471,026.09	$1,944,587,185.98	$333,169,068.40
2036	$76,267,331.96	-$1,490,684,632.61	$1,936,544,873.35	$522,127,572.70
2037	$62,820,278.93	-$1,260,418,932.04	$1,907,956,661.09	$710,358,007.98
2038	$51,497,811.62	-$1,061,321,038.92	$1,862,634,425.50	$852,811,198.20
2039	$42,048,541.09	-$860,488,503.14	$1,796,809,356.33	$978,369,394.28
2040	$34,362,648.62	-$679,161,538.49	$1,711,355,299.60	$1,066,556,409.73
2041	$28,116,871.58	-$520,986,988.11	$1,611,849,604.77	$1,118,979,488.24
2042	$23,101,907.97	-$408,775,613.54	$1,500,132,488.78	$1,114,458,783.20
2043	$19,022,622.64	-$300,414,235.28	$1,382,773,989.59	$1,101,382,376.95
2044	$15,776,367.87	-$221,352,209.00	$1,261,543,242.57	$1,055,967,401.44
2045	$13,147,011.13	-$163,492,833.81	$1,141,440,249.83	$991,094,427.15
2046	$10,987,637.47	-$124,657,151.64	$1,019,884,436.43	$906,214,922.26
2047	$9,193,263.20	-$96,233,040.70	$899,640,867.98	$812,601,090.47
2048	$7,692,701.67	-$76,440,960.10	$785,691,520.75	$716,943,262.33
2049	$6,425,354.21	-$62,430,574.30	$677,871,233.19	$621,866,013.10
2050	$5,351,894.85	-$50,844,217.73	$577,300,855.86	$531,808,532.97
2051	$4,451,216.92	-$41,446,251.62	$484,913,587.54	$447,918,552.84
2052	$3,693,500.40	-$33,830,304.13	$401,346,936.78	$371,210,133.06
2053	$3,061,770.97	-$27,054,957.04	$329,164,807.90	$305,171,621.83
2054	$2,531,567.40	-$21,912,690.85	$265,504,848.65	$246,123,725.20
2055	$2,101,368.11	-$17,264,173.28	$214,009,745.58	$198,846,940.40
2056	$1,726,368.93	-$14,511,143.43	$170,551,807.44	$157,767,032.95
2057	$1,419,952.39	-$11,973,169.66	$135,287,815.42	$124,734,598.16
2058	$1,153,435.48	-$9,804,347.97	$104,660,110.03	$96,009,197.54
2059	$913,629.84	-$7,989,295.80	$82,621,562.61	$75,545,896.64
2060	$711,780.98	-$5,088,496.92	$63,329,024.61	$58,952,308.67
2061	$555,448.96	-$3,305,378.27	$48,336,836.06	$45,586,906.76
2062	$431,961.92	-$2,373,859.34	$38,632,212.46	$36,690,315.04
2063	$326,560.72	-$1,764,050.22	$32,284,334.76	$30,846,845.26
2064	$249,854.47	-$1,282,379.56	$28,011,821.26	$26,979,296.16
2065	$206,250.55	-$759,999.93	$20,470,990.10	$19,917,240.72
2066	$180,040.15	-$544,093.63	$16,467,565.93	$16,103,512.45
2067	$151,209.85	-$465,599.46	$14,874,047.55	$14,559,657.95

Estimation FY	Premiums	Claims	Recoveries	Total
2068	$116,140.20	-$381,008.47	$15,252,158.74	$14,987,290.46
2069	$90,081.47	-$267,907.31	$10,008,203.30	$9,830,377.46
2070	$64,684.25	-$212,402.87	$9,650,406.75	$9,502,688.12
2071	$42,916.59	-$174,427.38	$8,686,333.11	$8,554,822.32
2072	$28,352.32	-$143,058.69	$7,475,905.31	$7,361,198.94
2073	$19,683.91	-$92,208.96	$4,047,390.89	$3,974,865.83
2074	$11,039.42	-$66,462.97	$4,245,380.96	$4,189,957.42
2075	$7,320.56	-$40,949.45	$2,815,345.98	$2,781,717.08
2076	$3,661.82	-$38,116.92	$1,378,208.32	$1,343,753.21
2077	$2,028.22	-$23,475.30	$750,517.31	$729,070.23
2078	$920.84	-$12,237.15	$280,928.57	$269,612.26
2079	$370.11	-$5,538.72	$41,129.33	$35,960.72
2080	$76.04	-$2,154.75	-$119,060.96	-$121,139.68
2081	$5.04	-$950.11	-$150,329.16	-$151,274.24
2082	$0.35	-$6.78	-$169,284.40	-$169,290.84
2083	$0.13	-$2.88	-$164,686.46	-$164,689.20
2084	$0.04	-$1.31	-$160,179.04	-$160,180.31
2085	$0.00	-$0.24	-$155,067.33	-$155,067.57
2086	$0.00	$0.00	-$147,152.70	-$147,152.70
2087	$0.00	$0.00	-$136,739.35	-$136,739.35
2088	$0.00	$0.00	-$125,686.69	-$125,686.69
2089	$0.00	$0.00	-$115,722.12	-$115,722.12
2090	$0.00	$0.00	-$103,605.50	-$103,605.50
2091	$0.00	$0.00	-$80,044.30	-$80,044.30
2092	$0.00	$0.00	-$50,646.49	-$50,646.49
2093	$0.00	$0.00	-$25,346.99	-$25,346.99
2094	$0.00	$0.00	-$13,485.66	-$13,485.66
2095	$0.00	$0.00	-$9,433.33	-$9,433.33
2096	$0.00	$0.00	-$5,078.05	-$5,078.05
Totals	$2,284,267,031.17	-$35,111,892,639.70	$33,595,244,476.68	$767,618,868.15

Source: U.S. Department of HUD/FHA, October 2026.

Appendix D:
FHA Single Family Housing Mortgagee Letters Published FY 2026

The Federal Housing Administration's (FHA) Office of Single Family Housing issues policy guidance by publishing Mortgagee Letters and/or publishing updates to its *Single Family Housing Policy Handbook* 4000.1 (SF Handbook).

In FY 2026, FHA published the Mortgagee Letters listed in the table below.

ML#	Publication Date	Title
2026-10	6/23/26	Updates to FHA Quality Control Requirements for Appraisal Field Reviews
2026-09	6/23/26	Eliminating Unnecessary Requirements for FHA Mortgagee Approval and Quality Control
2026-08	6/23/26	Updates to Loss Mitigation Requirements
2026-07	6/23/26	Rescission of the Important Notice to Homebuyers Form HUD-92900-B Requirement
2026-06	6/23/26	Increase in the Maximum Number of Draw Requests for Limited 203(k) Rehabilitation Mortgage Insurance Program.
2026-03	1/29/26	Updates to Bidding at Foreclosure and Post-Foreclosure Sales Efforts
2026-02	1/22/26	Requirements for a Mortgagee's Sale of a Beneficial Interest and Declaration of Trust Submission
2025-24	12/23/25	Updates to FHA Appraiser Roster Management
2025-23	12/11/25	2026 Nationwide Forward Mortgage Loan Limits
2025-22	12/11/25	2026 Home Equity Conversion Mortgage (HECM) Limits

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