



US Department of Housing and Urban Development

***FHA Single-Family Mutual
Mortgage Insurance Fund
Programs***

***Quarterly Report to Congress
FY 2010 Q2
March 31, 2010***



US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL HOUSING ADMINISTRATION

QUARTERLY REPORT TO CONGRESS ON THE MUTUAL MORTGAGE INSURANCE FUND

FY 2010 Q2

DATA AS OF MARCH 31, 2010

This report is in fulfillment of the requirement under section 2118 of the Housing and Economic Recovery Act of 2008 (12 USC 1708(a)(5)) that HUD report to the Congress on a quarterly basis respecting mortgages that are an obligation of the Mutual Mortgage Insurance Fund. The specific items requested under the Act are:

- (A) the cumulative volume of loan guarantee commitments that have been made during such fiscal year through the end of the quarter for which the report is submitted;
- (B) the types of loans insured, categorized by risk;
- (C) any significant changes between actual and projected claim and prepayment activity;
- (D) projected versus actual loss rates; and
- (E) updated projections of the annual subsidy rates to ensure that increases in risk to the Fund are identified and mitigated by adjustments to underwriting standards, program participation, or premiums, and the financial soundness of the Fund is maintained.

Table A					
FHA Single-Family Mortgage Insurance Commitments					
Endorsements by Year and Quarter					
Time Period	Number of New Insurance Cases				
	Forward Mortgages ^a				Reverse Mortgages (HECM) ^b
	Home Purchase	Conventional Loan Refinance	FHA-to-FHA Refinance	All Forward Loans	
<i>Fiscal Year</i>					
2000	763,063	30,352	38,131	831,546	6,637
2001	730,106	43,802	188,644	962,552	7,789
2002	787,093	61,100	319,985	1,168,178	13,049
2003	602,452	59,499	556,983	1,218,934	18,084
2004	540,313	53,939	298,168	892,420	37,790
2005	328,542	31,958	117,849	478,349	43,082
2006	293,258	58,226	48,419	399,903	76,281
2007	261,165	104,578	36,600	402,343	107,368
2008	591,324	349,136	91,128	1,031,588	112,015
2009	995,105	468,775	367,419	1,831,299	114,641
2010 (Oct-Mar)	550,466	174,831	164,102	889,399	45,010
<i>Calendar Year and Quarter</i>					
2009Q1	182,563	120,022	97,834	400,419	30,190
2009Q2	228,666	118,679	143,295	490,640	28,686
2009Q3	322,615	107,947	100,653	531,215	28,114
2009Q4	304,826	86,518	96,147	487,491	24,729
2010Q1	245,640	88,313	67,955	401,908	20,281

^aStarting in 2008Q4, these counts include 203(K) purchase and rehabilitation loans and 234(C) condominium loans.

^bThe FHA reverse-mortgage insurance program is called Home Equity Conversion Mortgage (HECM).

Starting in FY 2009 (2008 Q4) all new HECM endorsements are in the Mutual Mortgage Insurance Fund.

Previous endorsements, by law, remain in the General and Special Risk Insurance Fund.

Source: US Dept of HUD, Office of Housing/FHA.

Table B.1
FHA Single-Family Mortgage Insurance
Borrower Credit Score^a Distribution on Fully-Underwritten Loans
 By Fiscal Year (FY) and Quarter
(Shares in each row add to 100%)

Fiscal Year	FY Quarter	Credit Score Categories ^a						
		720 ⁺	680 ⁺	620 ⁺	580 ⁺	500 ⁺	300 ⁺	N/A ^b
2007	1	11.2%	10.9%	31.7%	22.6%	17.8%	1.2%	4.6%
	2	10.3	10.2	31.1	23.1	19.4	1.4	4.5
	3	9.9	9.6	30.7	23.5	20.4	1.5	4.4
	4	9.9	9.3	31.0	23.7	20.8	1.5	3.8
2008	1	9.3	9.1	31.2	23.9	21.3	1.7	3.4
	2	9.9	9.9	31.9	23.3	20.4	1.7	2.9
	3	15.2	13.3	35.7	20.9	12.3	0.7	2.0
	4	19.2	16.1	37.6	19.0	6.7	0.2	1.2
2009	1	20.5	17.2	37.7	18.7	5.1	0.1	0.6
	2	24.4	19.0	37.1	15.6	3.4	0.0	0.5
	3	29.9	21.3	38.4	8.5	1.5	0.0	0.4
	4	33.6	22.2	38.0	4.9	1.0	0.0	0.3
2010	1	33.7	22.6	38.7	4.0	0.7	0.0	0.3
	2	34.1	22.9	38.6	3.5	0.5	0.0	0.4

^aCredit scores are co-branded between the three major credit repositories (Equifax, Experian, Transunion) and Fair-Isaac Corporation. Values can range from 300 to 850. They are grouped here according to the “decision” score used for loan underwriting. That score represents the weakest borrower on a loan application, when there are multiple applicants. Streamline refinance loans do not require underwriting and so they are not represented here.

^bBorrowers without credit histories can be underwritten for FHA insurance using alternative criteria.

Source: US Dept of HUD, Office of Housing/FHA.

Table B.2
FHA Single-Family Mortgage Insurance
Average Borrower Credit Scores^a on New Endorsements
By Fiscal Year, Quarter, and Loan Purpose

FY	FY Quarter	Loan Purpose			
		Home Purchase	Conventional Loan Refinance	FHA-to- FHA Refinance ^b	All ^b
2007	1	639	620	625	634
	2	635	620	628	631
	3	632	618	628	628
	4	634	615	625	628
2008	1	633	615	626	626
	2	635	620	633	629
	3	655	637	643	648
	4	669	645	647	662
2009	1	673	652	649	666
	2	678	669	663	674
	3	688	685	676	687
	4	697	688	678	694
2010	1	697	690	680	695
	2	697	696	686	696

^aCredit scores are co-branded between the three major credit repositories (Equifax, Experian, Transunion) and Fair-Isaac Corporation. Values can range from 300 to 850. They are grouped here according to the “decision” score used for loan underwriting. That score represents the weakest borrower on a loan application, when there are multiple applicants. Streamline refinance loans do not require underwriting and so they are not represented here.

^bThese include only fully-underwritten loans and not streamline refinancing.

Source: US Dept of HUD, Office of Housing/FHA.

Table B.3 FHA Single-Family Mortgage Insurance Loan-to-Value (LTV) Ratio^a Distribution on Fully-Underwritten Loans By Fiscal Year and Quarter <i>(Shares in each row add to 100%)</i>					
FY	FY Qtr	LTV Categories ^a			
		Up to 90	91-95	96-98 ^b	DPA Loans ^c
2007	1	17.7%	16.3%	41.1%	24.9%
	2	19.0	18.3	37.7	25.0
	3	17.8	18.9	39.1	24.2
	4	17.8	19.7	39.2	23.3
2008	1	19.6	22.9	35.3	22.2
	2	21.7	25.6	33.9	18.8
	3	18.4	22.7	40.0	18.8
	4	15.8	19.3	43.5	21.4
2009	1	17.4	21.1	48.8	12.7
	2	20.3	23.4	55.3	1.0
	3	20.8	17.7	61.3	0.2
	4	21.2	11.5	67.1	0.1
2010	1	20.6	10.1	69.1	0.2
	2	23.7	10.9	65.3	0.1

^aHUD measures LTV without including any financed mortgage insurance premium in the loan balance. This accords with statutory requirements for determining eligibility of loans for FHA insurance. Nearly all borrowers finance their upfront insurance premium in the final loan balance. The upfront premium charged since October 1, 2008, is 1.75 percent for fully-underwritten loans and 1.50 percent on streamline refinance loans.

^bThe statutory maximum LTV since October 1, 2008, is 96.5 percent. Prior to October 1, 2008, the statutory maximum was 97 percent, unless the borrower was financing any loan closing costs into the mortgage balance. If there was such financing, then the statutory maximum was between 97 and 98.15 percent, depending on the property state and the house price.

^cDPA represents Down Payment Assistance programs operating through tax exempt, charitable organizations. These are classified here as a separate LTV category because their risk profile is substantially different from other loans. The large shares of DPA-assisted loans endorsed through FY 2009 Q1 nearly all used organizations funded by property sellers. Such downpayment assistance was banned by the Housing and Economic Recovery Act of 2008, and the IRS has also banned such organizations from holding tax-exempt status. Insurance endorsements on DPA loans in FY2009 primarily represent loans originated prior to October 1, 2008. The small percentage of loans in this category that continue in FY 2010 are generally from truly charitable sources.

Source: US Dept of HUD, Office of Housing/FHA.

Table B.4 FHA Single-Family Mortgage Insurance Average Loan-to-Value (LTV) Ratios^a on New Endorsements By Fiscal Year, Quarter, and Loan Purpose					
FY	FY Quarter	Loan Purpose			
		Home Purchase	Conventional Loan Refinance	FHA-to-FHA Refinance ^b	All ^b
2007	1	95.9%	86.7%	87.0%	93.5%
	2	95.9	87.0	87.1	93.1
	3	96.1	87.7	87.5	93.4
	4	96.0	88.2	87.6	93.4
2008	1	96.0	88.8	87.9	93.0
	2	96.0	88.9	88.3	92.6
	3	96.2	89.1	88.4	93.3
	4	96.1	89.2	88.0	93.9
2009	1	96.0	89.1	88.8	93.7
	2	95.9	89.4	89.4	93.2
	3	95.7	88.6	87.9	93.1
	4	95.6	86.8	85.8	93.2
2010	1	95.6	86.1	85.2	93.3
	2	95.5	86.2	87.0	92.9

^aHUD measures LTV without including any financed mortgage insurance premium in the loan balance. This accords with statutory requirements for determining eligibility of loans for FHA insurance. Nearly all borrowers finance their upfront insurance premium in the final loan balance. The upfront premium charged since October 1, 2008, is 1.75 percent for fully-underwritten loans and 1.50 percent on streamline refinance loans.

^bThese include only fully-underwritten loans and not streamline refinancing.

Source: US Dept of HUD, Office of Housing/FHA.

Table C-D FHA Single-Family Mortgage Insurance Termination and Claim Loss Experience to-date in Current Fiscal Year October 2009 - March 2010				
	Predicted ¹	Actual	Deviation (Actual - Predicted)	Percentage Deviation (Actual vs. Predicted)
Prepayments - Number	399,152	218,893	-180,259	-45%
Claims - Number	63,168	48,889	-14,279	-23
Claims – Dollars (bil)	\$8,694	\$5,993	(\$2,701)	-31
Net Loss-on-Claims (%)	54.87%	58.13%	3.26%	

¹Predicted data is from the forecasts used in the FY 2009 FHA financial statements.

Source: US Dept of HUD, Office of Housing/FHA.

Table E FHA Single-Family Mortgage Insurance Budget Execution Credit Subsidy Rates^a October 2009 – March 2010	
Forward Loans	-0.62%
Reverse Loans (HECM)	-0.05

^aBudget execution credit subsidy rates are the rates approved by OMB for insurance operations. These rates are the expected net present value, per dollar of insurance endorsements, of all cash flows from insurance operations over the life of the loan guarantees, and as-of the year of the insurance commitments. A negative rate means that the present value of premium revenues is expected to be greater than the present value of net claim expenses, over the life of the guarantees, i.e., a negative budget subsidy. Credit subsidy rates are subsequently updated on an annual basis to reflect both actual experience and updated forecasts of future loan performance and insurance cash flows.

Source: US Dept of HUD, Office of Housing/FHA.