U.S. Department of Housing and Urban Development

FHA Single-Family Mutual Mortgage Insurance Fund Programs

Quarterly Report to Congress

FY 2012 Q4

April 24, 2013

FOREWORD

On behalf of Secretary Donovan and Acting FHA Commissioner Carol Galante, and pursuant to requirements of section 202(a)(5) of the National Housing Act , as amended by the FHA Modernization Act of 2008 (Public Law 110-289 (122 Stat. 2834), I am herewith transmitting the Fiscal Year 2012 fourth quarter report. This report covers mortgages that are obligations of the Mutual Mortgage Insurance (MMI) Fund of the Federal Housing Administration and the reporting period is from October 1, 2011 through September 30, 2012.

This quarterly report continues to provide detailed information on the composition and credit quality of new insurance, and on FHA's financial position. All graphical illustrations presented here have supporting data tables in an Appendix to the report.

In addition to this report to Congress, FHA also provides additional information regarding the status of FHA the single-family loan guarantee portfolio via the publication of other complementary reports. All FHA reports can be found on the Office of Housing Reading Room on the www.hud.gov website. FHA is presently in the process of streamlining its reporting and intends to improve the frequency and regularity of its publications.

Also posted in the Reading Room are annual independent actuarial reviews of the MMI Fund and HUD's Annual Report to Congress on the financial status of that Fund. HUD published the actuarial review and Annual Report to Congress for FY 2012 in mid-November. The FY 2012 Annual Report, which summarizes an independent actuary's exhaustive analysis of the portfolio, includes detailed projections of future performance and discussion of economic risk to the MMI Fund.

At the end of Fiscal Year 2012, the independent actuary determined that the MMI Fund had a negative economic value of 16.3 billion and a negative capital reserve ratio of 1.44 percent. We take this these findings extremely seriously. While this point-in-time valuation of the economic net worth of FHA's portfolio is obviously of concern, it does not in and of itself mean that FHA will have to draw from the Treasury to possess sufficient funds today to cover all future losses on FHA's existing portfolio. In addition to the reforms made thus far to strengthen FHA's health—the most sweeping in the nearly 80-year history of FHA—the Department has launched a series of other actions designed to strengthen the Fund while ensuring that no harm comes to borrowers or to the emerging housing recovery. These additional measures, combined with assistance we are seeking from Congress, will make the Fund even stronger over the long term.

The Department is pleased to provide details to the Congress on how this report was prepared or to answer any questions about the information presented.

Sincerely,

Frank Vetrano
Deputy Assistant Secretary
Risk Management and Regulatory Affairs

Quarterly Report to Congress on FHA Single-Family Mutual Mortgage Insurance Fund Programs

FY 2012 Q4

Data as of September 30, 2012

U.S. Department of Housing and Urban Development
Federal Housing Administration

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:

Mandated Item	**Summary**	**Page**	**Exhibit**
A) 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;	Forward loan endorsement volume increased 6% from last quarter. More than one-third of last quarter's production was a result of FHA-to FHA refinancings.	**4**	**1**
B) Types of loans insured, categorized by risk;	Average credit scores decreased by 3 points to 696.	**5 - 7**	**2 - 4**
C) Significant changes between actual and projected claim and prepayment activity;	Prepayments are higher than projected, 70% due to FHA-to-FHA refinancing. Claims losses still muted, but expected to increase in the upcoming year.	**8**	**5**
D) Projected versus actual loss rates	Loss severity decreased by 2% last quarter, over 7% for the year.	**8 - 9**	**5 - 7**
E) Updated projections of the annual subsidy rates	Subsidy rates remain unchanged from last quarter.	**10**	**8**

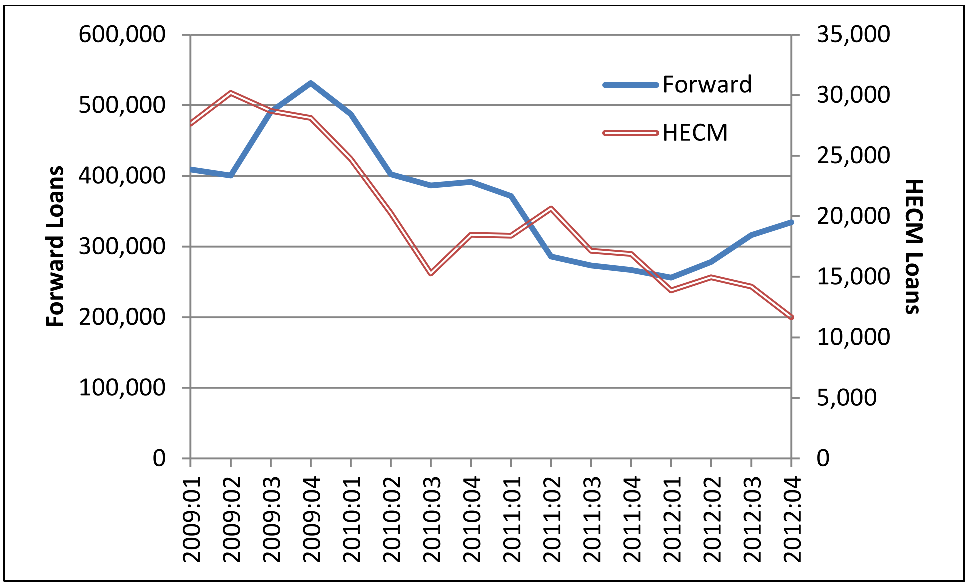
Other	**Summary**	**Page**	**Exhibit**
F) MMI Fund Balance	MMI fund balances ended FY2012 at $38.4 billion.	**11**	**9**
G) Cash flow from operations	FHA paid $19.5 billion in claims in FY2012, resulting in an outflow of $2.8 billion. Cash flow from operations covered the remaining $16.7 billion.	**12**	**10**
H) Early payment defaults	Early payment defaults decreased to 29 basis points.	**13**	**11**
I) Serious delinquent rate	Serious delinquencies increased to 9.65%	**14 -15**	**12 - 13**

Forward loan endorsement volume increased 6% from last quarter.

In the fourth quarter of Fiscal Year (FY) 2012, FHA endorsed for insurance 334,437 forward loans and 11,650 reverse mortgages (HECM product). Over 113,000 loans were the result of FHA-to-FHA refinancing. Forward-loan endorsements increased about 6% and HECM loans were down 18% since last quarter. On a year-over-year basis, forward-loan endorsements were up 25% and HECM activity was down 31%. Purchase loan activity was up 2% since last quarter but down about 6% year-over-year.

Comparisons with overall market share are not applicable because of reporting lags. See Exhibit A-3 in the Appendix for additional market share detail.

Exhibit 1: Endorsement Counts by Fiscal Year and Quarter

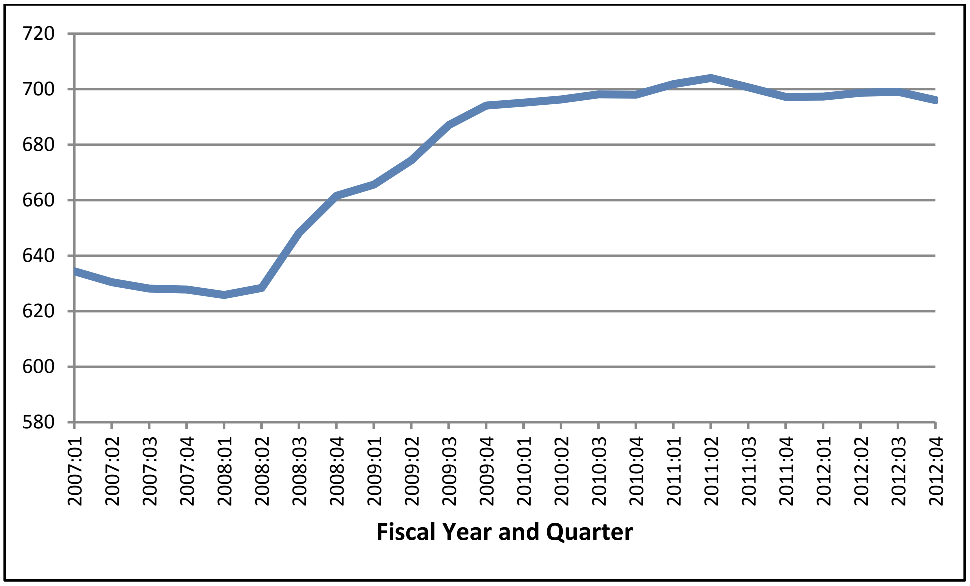


Source: US Department of HUD/FHA, October 2012[1]

Average borrower credit score is down 3 points at 696.

The overall average borrower credit score of 696 for FY 2012 Q4 is 3 points down from last quarter. Scores have ranged between 696 and 703 since FY 2009 Q4.

Exhibit 2: Average Borrower Credit Score

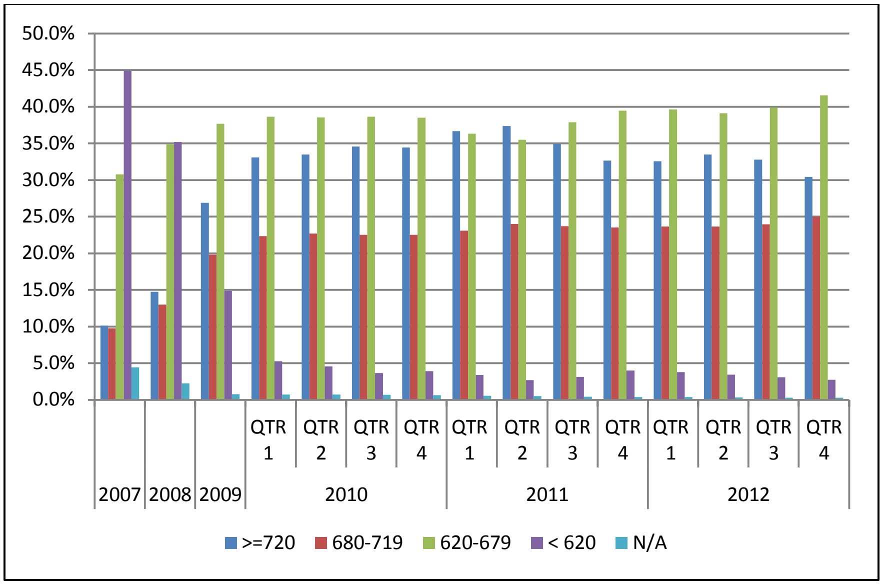


Source: US Department of HUD/FHA, October 2012.[1]

[1] See Exhibits A-4 and A-5 in the Appendix for additional detail.

A breakdown by FICO band suggests that the 720+ cohort decreased 3 percentage points to 30% over the last quarter, which is a 7 percentage point decline from its peak 37% share during the first two quarters of FY 2011. The 620–679 credit score band, which characterizes FHA's traditional borrower base, continues to constitute the greatest portion of new production, exceeding 39% of total production for the fifth straight quarter. In total, almost 70% of FHA's production this quarter came from loans to borrowers with credit scores between 620-719.

Exhibit 3: Average Borrower Credit Score



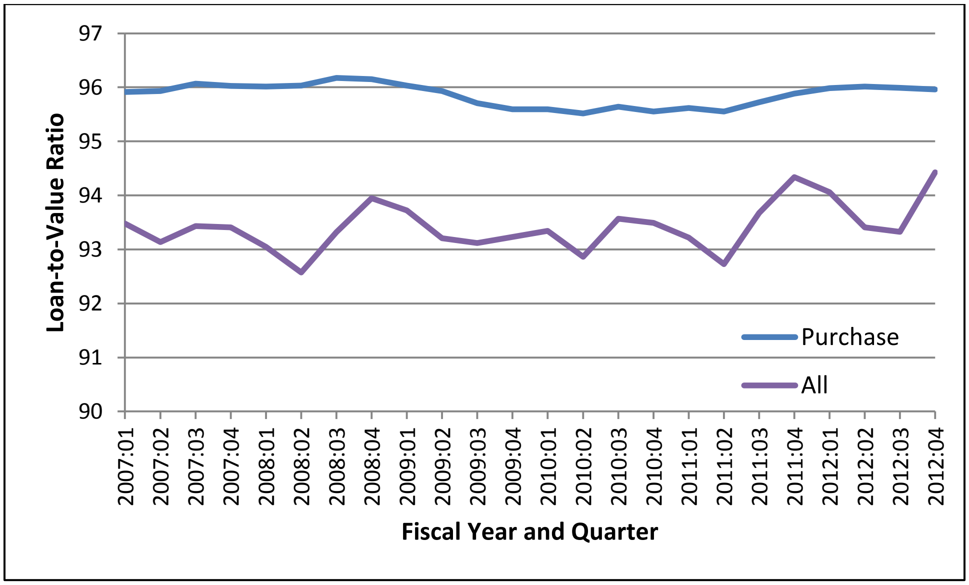
Source: US Department of HUD/FHA, October 2012.[2]

[2] See Exhibits A-4 and A-5 in the Appendix for more detail.

Average Loan-to-Value (LTV) ratios increased 1% due to an increase in purchase activity as a share of total originations.

Average LTVs for purchase loans remained stable at 96%. The one percentage increase in the overall average LTV over the last two quarters was driven by an increase in the average LTV for conventional-to-FHA refinance loans and the 8 percentage point increase in the purchase share of fully-underwritten FHA loans.

Exhibit 4: Average Loan-to-Value (LTV) Ratios on New Endorsements



Source: US Department of HUD/FHA, October 2012.[3]

[3] See Exhibits A-6 and A-7 in the Appendix for more detail.

Exhibit 5: Termination and Claim Loss Experience Compared to Forecasts

FHA Single-Family Mortgage Insurance Termination and Claim Loss Experience to-date in Current Fiscal Year October 2011 – September 2012				
	FY 2012 Predicted[a]	FY 2012 Actual	Deviation (Actual - Predicted)	Percentage Deviation (Actual vs. Predicted)
Prepayments - Number	370,285	610,755	240,470	65%
Claims - Number[b]	233,052	136,750	($96,302)	-41%
Claims – Dollars (mil)[b]	$32,459	$17,220	($15,239)	-47%
Net Loss-on-Claims (%)[c]	57.1%	62.0%	4.9%	

[a] Projections of prepayment and claim counts are from the FY 2011 annual independent actuarial study of the FHA MMI Fund; dollar predictions are from forecasts used in the FY 2011 FHA financial statements; YTD data as of September 30, 2012, except for net loss on claims (see note c).

[b] Claim payments (and counts) reported here include those for conveyance (foreclosure) claims, pre-foreclosure (short) sales, and claims paid in connection with sales of delinquent mortgages. They do not include payments for loss mitigation loan-workout actions.

[c] These rates are losses as a percentage of the defaulted loan balance, for both conveyance (REO) and pre-foreclosure-sale claims. Because of delays in property dispositions after claim payments, these rates are subject to revision.

Source: US Dept of HUD, Office of Housing/FHA, October 2012

Prepayments pick up

Prepayments were about 65% higher than projected. Although the actuarial methodology assumes all prepayments leave the portfolio in the year prepays occur, about 321,000 prepays for FY 2012 were FHA-to-FHA, as policies were implemented to allow current FHA borrowers the opportunity to take advant. This means that roughly half of all prepays were essentially recycled back into the portfolio immediately.

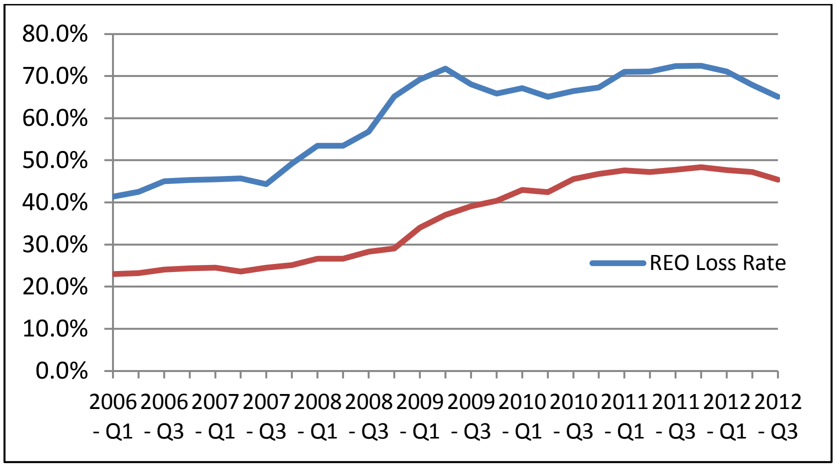
Claims activity lower than projected due to nationwide delays in foreclosure activity

The gap between predicted and actual claims paid shows little variation from the previous quarters, with year-to-date counts 47% below forecast. The principal contributing factor to this gap continues to be delays in foreclosure processing in many areas of the country. We expect the pace of foreclosures to increase over the next few quarters.

Average loss severity decreased by 7% in the past year.

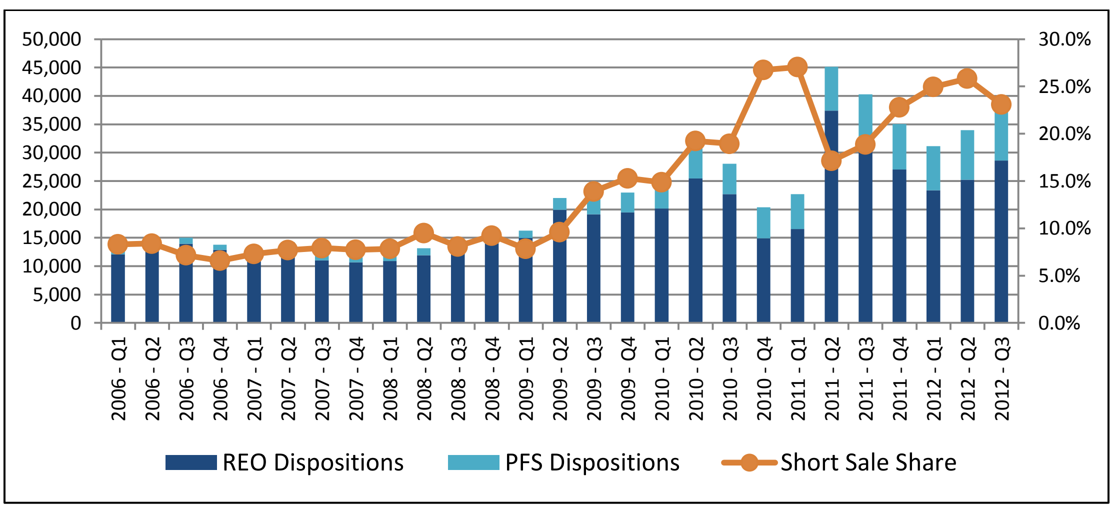
The actual year-to-date net loss rate on claims is about 61%, down about 2% from last quarter. The loss rates on this quarter's REO and pre-foreclosure sales were 65% and 45%, respectively. Short sales as a share of total dispositions exceed 20%.

Exhibit 6: FHA Single-Family Loss Rates for REO and Short Sales



Source: US Department of HUD, Office of Housing/FHA, October 2012.

Exhibit 7: FHA Single-Family Dispositions and Short Sale Share



Source: US Department of HUD/FHA, October 2012.[4]

[4] See Exhibit A-8 in the Appendix for more detail.

Budget execution credit subsidy rate changes in FY2012.

Effective April 9, 2012, the credit subsidy rate for forward-loan endorsements increased from -2.16 to -3.00 percent. This followed a 75 basis point increase in the upfront premium rate and a 10 basis point increase in the annual premium rate.

Effective June 11, 2012, the same credit subsidy rate decreased to -2.75 percent, following a 25 basis point increase in the annual premium rate for large loans (above $625,500) and a reduction in the premium rates charged to new streamline refinance loans where the prior FHA-insured loan was endorsed before June 1, 2009.

Exhibit 8: Budget Execution Credit Subsidy Rates

FHA Single-Family Mortgage Insurance Budget Execution Credit Subsidy Rates[a] FY 2012	
Forward Loans	-2.75
Reverse Loans (HECM)	-1.52

[a] Budget execution credit subsidy rates are the expected net present value, per dollar of new 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 credit subsidy. Loans with negative credit subsidies are expected to produce receipts for the Federal budget. These initial budget-execution rates are those approved by the Office of Management and Budget for budget accounting. They will be updated on an annual basis, once the guarantees are in place, to reflect both actual experience and updated forecasts of future loan performance and insurance cash flows.

Source: US Department of HUD, Office of Housing/FHA, June 2012.

MMI fund balances $38.4 billion at the end of FY 2012.

Exhibit 9: MMI Fund Balances by Quarter, FY 2009 – FY 2012[a]

FHA Single-Family Insurance MMI Fund Balances by Quarter, FY 2009 – FY 2012[a] ($billions)

Fiscal Year	Quarter	Capital Reserve Account[b]	Financing Account[c]	Total Capital Resources[d]
2009	Oct-Dec	$19.6	$9.3	$28.9
2009	Jan-Mar	19.9	9.7	29.6
2009	Apr-Jun	10.0	20.9	30.9
2009	Jul-Sep	10.7	21.1	31.8
2010	Oct-Dec	11.4	21.2	32.6
2010	Jan-Mar	12.0	20.2	32.2
2010	Apr-Jun	3.5	29.6	33.1
2010	Jul-Sep	4.4	28.9	33.3
2011	Oct-Dec	6.3	26.4	32.7
2011	Jan-Mar	7.7	23.9	31.6
2011	Apr-Jun	2.8	28.9	31.7
2011	Jul-Sep	4.7	29.0	33.7
2012	Oct-Dec	5.7	27.6	33.3
2012	Jan-Mar	7.0	25.3	32.3
2012[e]	Apr-Jun	9.8	21.9	31.6
2012	Jul-Sep	3.3	35.1	38.4

[a]Only end-of-year balances represent audited figures.

[b]This is an on-budget account that records net receipts provided by FHA to the federal budget, over time. Balances are held in cash and Treasury securities. The securities earn interest for FHA. Periods in which there are large changes in the balance represent transfers of funds to the Financing Accounts to effect the re-balancing required under annual budget re-estimates.

[c]This is a series of off-budget cash accounts used to manage insurance operation collections and disbursements.

[d]Total Capital Resources is the sum of Capital Reserve and Financing Account balances, and it represents the sum of cash and investments at the Treasury that can be immediately liquidated into cash. It does not represent total assets of the MMI Fund.

[e]Under the requirements of Federal Credit Reform accounting, $6.8 billion was transferred in June 2012 from the Capital Reserve Account to the Financing Account, as part of the annual budget re-estimate process. Those transferred amounts became earmarked funds to cover possible future net claim losses. If they are not needed, they will be transferred back to the Capital Reserve Account in a future budget re-estimate.

Source: U.S. Dept of HUD/FHA; October 2012.

Cash flows from operations over the last year covered 80% of default losses.

The core business-operations cash flow in FY 2011 Q4 was $0.5 billion. FHA paid $19.5 billion in claims in FY2012, resulting in an outflow of $2.8 billion. Cash flow from operations covered the remaining $16.7 billion.

Exhibit 10: Business Operations Cash Flows FY 2012

FHA MMI Fund Financing Account

Business Operations Cash Flows in FY2012, by Quarter[a]

(millions)

	FY 2012				
	FY 2012 Quarter 1	FY 2012 Quarter 2	FY 2012 Quarter 3	FY 2012 Quarter 4	Past 4 Quarters
Collections					
Premiums	$ 1,942	$ 2,019	$ 2,329	$ 2,393	$ 8,683
Property Sale Receipts	1,648	1,435	1,606	2,090	6,779
Note Sale Collections	(1)	-	5	23	27
Other	42	20	16	1,136	1,214
Total	3,631	3,474	3,956	5,642	16,703
Disbursements					
Claims[b]	$ (3,733)	$ (4,358)	$ (5,370)	$ (4,783)	$ (18,244)
Property Maintenance	(326)	(270)	(291)	(364)	(1,251)
Other	-	-	(1)	-	(1)
Total	(4,059)	(4,628)	(5,662)	(5,147)	(19,496)
Net Operations Cash Flow	$ (428)	$ (1,154)	$ (1,706)	$ 495	$ (2,793)

[a] These are unaudited figures; totals may not add due to rounding.

[b] Claim payments shown here include conveyance, pre-foreclosure sale, note sales, and loss mitigation (home retention) actions, and all HECM claims (assignment and short-fall claims).

Source: US Department of HUD, Office of Housing/FHA, October 2012.

Early-period delinquency (EPD) rates decreased to 29 basis points in the first quarter of 2012.

Early payment defaults (EPDs), decreased by 12 basis points from the 4th quarter of FY 2011 to the 1st quarter of FY 2012. The decrease is seasonal and similar to the 1st quarter decrease in FY 2011. (See Exhibit A-5 in the Appendix for more detail on mix of credit scores.)

Exhibit 11: Early Period Delinquency Rates by Origination Quarter and Loan Type/Purpose

FHA Single-Family Insurance

Early Period Delinquency Rates[a] by Origination Quarter and Loan Type/Purpose

Fiscal Year	Origination Quarter	Loan Type/Purpose		
		Purchase	Refinance[b]	All
2007	Jan-Mar	2.42	1.17	2.01
	Apr-Jun	2.78	1.63	2.42
	Jul-Sep	2.69	2.15	2.52
2008	Oct-Dec	2.51	1.80	2.21
	Jan-Mar	2.46	1.73	2.10
	Apr-Jun	1.92	1.86	1.90
	Jul-Sep	1.66	2.24	1.84
2009	Oct-Dec	1.20	1.68	1.36
	Jan-Mar	1.02	1.04	1.03
	Apr-Jun	0.64	0.66	0.65
	Jul-Sep	0.49	0.63	0.53
2010	Oct-Dec	0.32	0.51	0.36
	Jan-Mar	0.40	0.34	0.38
	Apr-Jun	0.35	0.36	0.35
	Jul-Sep	0.44	0.31	0.42
2011	Oct-Dec	0.32	0.20	0.28
	Jan-Mar	0.37	0.19	0.31
	Apr-Jun	0.46	0.28	0.42
	Jul-Sep	0.40	0.41	0.41
2012	Oct-Dec	0.31	0.17	0.29

[a] Early period delinquency is defined here as having had a 90-day delinquency within the first six months of required mortgage payments. The first payment-due month is the second month after loan closing. Thus, these rates indicate the percentage of loans experiencing a 90-day delinquency within 7 months of loan closing.

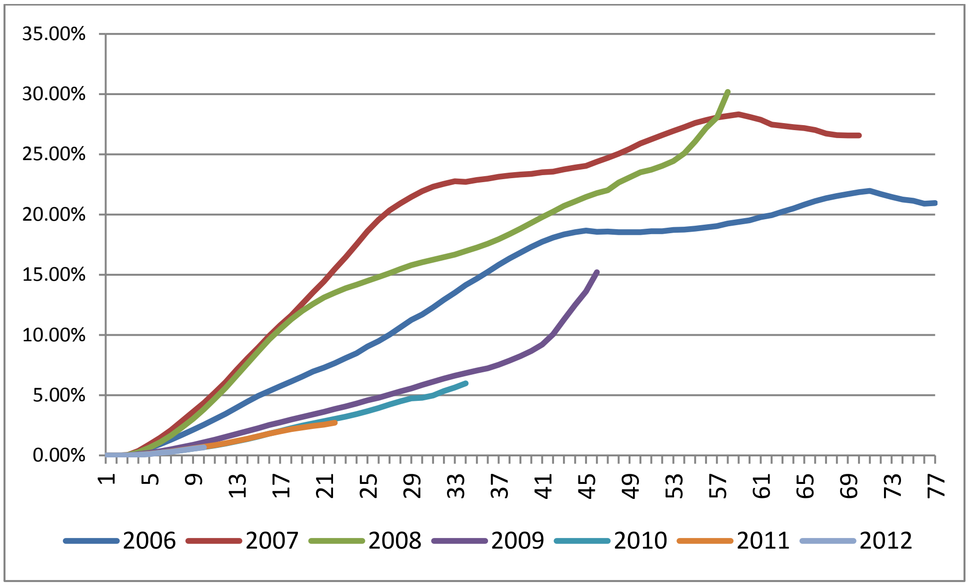
[b] Loans in this column are fully-underwritten conventional-to-FHA and FHA- to-FHA refinancings.

Source: US Department of HUD/FHA, October 2012.

Serious delinquency rates increased to 9.65%.

That level is about 1% higher than this time a year ago. The historically large FY 2009 and FY 2010 books-of-business are at the age where their serious delinquency rates are increasing toward their life-cycle peaks. Because those books are much larger than is the new FY 2011 book, their loan-age seasoning patterns are not offset by the low default rates on recent endorsements.

Exhibit 12: Serious Delinquency Rates by Origination (Calendar) Year and Months of Seasoning All Endorsements (Excludes Streamline Refinances)



Source: US Department of HUD/FHA, October 2012.

Exhibit 13: Serious Delinquency Rates[a] by Endorsement Fiscal Year and Activity Quarter[b]

Endorsement Fiscal Year	Activity Period													
	FY2012 Q4	FY2012 Q3	FY2012 Q2	FY2012 Q1	FY2011 Q4	FY2011 Q3	FY2011 Q2	FY2011 Q1	FY2010 Q4	FY2010 Q3	FY2010 Q1	FY2009 Q1	FY2008 Q1	FY2007 Q1
Pre-2007	12.99%	12.60%	12.33%	12.58%	11.57%	10.77%	10.98%	11.59%	11.41%	11.15%	11.89%	8.90%	7.14%	5.77%
2007	26.88	25.82	25.55	25.59	23.36	21.83	21.71	22.44	21.49	21.11	21.55	11.66	3.48	0.05
2008	26.38	24.88	24.25	23.83	21.38	19.97	19.49	19.65	18.37	17.35	16.22	3.91	0.09	
2009	13.45	12.18	11.41	10.92	9.13	8.05	7.58	7.23	6.08	4.94	3.05	0.05		
2010	5.88	5.18	4.52	4.07	2.96	2.13	1.61	1.2	0.65	0.33	0.02			
2011	2.49	1.81	1.28	0.93	0.45	0.22	0.08	0.01						
All years	9.65%	9.44%	9.42%	9.59%	8.70%	8.18%	8.31%	8.78%	8.66%	8.59%	9.44%	7.23%	6.46%	5.63%
All years – Seasonally Adjusted[c]	9.86%	9.94%	9.48%	9.05%	8.89%	8.59%	8.34%	8.29%	8.84%	9.05%	8.90%	6.69%	5.57%	5.01%

[a] This rate is the sum of 90+-day delinquencies, bankruptcies, and cases in foreclosure processing. These rates are not seasonally adjusted.

[b] As of the last day of each quarter.

[c] These rates are seasonally adjusted using the Census X-12 procedure.

Source: US Department of HUD/FHA, October 2012.

APPENDIX

Exhibit A-1: Endorsement Counts by Fiscal Year and Quarter

FHA Single-Family Mortgage Insurance

Endorsement Counts by Fiscal 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	
Fiscal Year					
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	13,048
2003	602,452	59,499	556,983	1,218,934	18,084
2004	540,313	53,939	298,169	892,421	37,790
2005	328,542	31,958	117,853	478,353	43,082
2006	293,257	58,226	48,422	399,905	76,280
2007	261,165	104,578	36,601	402,344	107,367
2008	591,325	349,127	91,131	1,031,584	112,013
2009	995,551	468,942	367,506	1,831,999	114,639
2010	1,109,581	305,543	252,485	1,667,609	78,758
2011	777,428	195,560	224,826	1,197,814	73,093
2012	733,864	129,230	321,647	1,184,741	54,676
Fiscal Year and Quarter					
2010Q2	245,881	88,380	67,998	402,259	20,278
2010Q3	289,775	65,643	31,048	386,466	15,266
2010Q4	268,997	64,951	57,276	391,224	18,484
2011Q1	196,801	65,317	109,449	371,567	18,387
2011Q2	168,775	58,571	58,705	286,051	20,646
2011Q3	201,157	41,252	30,892	273,301	17,161
2011Q4	210,695	30,420	25,780	266,895	16,899
2012Q1	176,168	31,850	47,886	255,904	13,867
2012Q2	166,169	36,617	75,553	278,339	14,955
2012Q3	193,557	38,078	84,426	316,061	14,204
2012Q4	197,970	22,685	113,782	334,437	11,650

[a] Starting in 2008 Q4, these counts include 203(K) purchase and rehabilitation loans and 234(C) condominium loans.

[b] The FHA reverse-mortgage insurance program is called the Home Equity Conversion Mortgage (HECM).

[c] Starting in FY 2009 (2008 Q4), all new HECM endorsements are now in the Mutual Mortgage Insurance Fund. Previous endorsements, by law, remain in the General and Special Risk Insurance Fund.

Source: US Department of HUD/FHA, October 2012

Exhibit A-2: Endorsement Volumes by Fiscal Year and Quarter

FHA Single-Family Mortgage Insurance Endorsement Volumes by Fiscal Year and Quarter					
Time Period	Volumes (billion$)				
	Forward Mortgages[a]				Reverse Mortgages (HECM)[b]
	Home Purchase	Conventional Loan Refinance	FHA-to-FHA Refinance	All Forward Loans	
Fiscal Year					
2000	$79,397	$3,181	$3,697	$86,276	$827
2001	79,709	4,947	22,894	107,550	1,095
2002	91,025	7,404	37,713	136,141	1,975
2003	73,026	7,602	66,682	147,310	3,001
2004	66,835	6,998	33,787	107,620	6,885
2005	40,196	4,258	13,521	57,975	8,877
2006	37,102	8,521	6,109	51,732	17,973
2007	35,002	16,095	5,418	56,516	24,623
2008	95,373	61,525	14,907	171,806	24,240
2009	171,672	86,984	71,727	330,382	30,161
2010	191,602	56,431	49,465	297,498	20,974
2011	134,357	36,847	46,437	217,641	18,208
2012	56,977	12,310	25,328	94,615	13,113
Fiscal Year and Quarter					
2010Q2	42,794	16,402	12,885	72,081	5,492
2010Q3	49,578	12,145	5,902	67,625	3,859
2010Q4	47,279	12,041	12,078	71,398	4,676
2011Q1	35,084	12,785	24,216	72,086	4,612
2011Q2	29,731	11,224	11,831	52,786	5,273
2011Q3	34,044	7,511	5,720	47,275	4,207
2011Q4	35,497	5,328	4,669	45,494	4,115
2012Q1	29,238	5,733	9,662	44,633	3,268
2012Q2	27,739	6,576	15,666	49,982	3,646
2012Q3	32,982	7,064	17,774	57,819	3,466
2012Q4	34,515	4,111	22,239	60,866	2,733

[a] Starting in 2008 Q4, these amounts include 203(K) purchase and rehabilitation loans and 234(C) condominium loans.

[b] The FHA reverse-mortgage insurance program is called the Home Equity Conversion Mortgage (HECM).

[c] Starting in FY 2009 (2008 Q4), all new HECM endorsements are now in the Mutual Mortgage Insurance Fund. Previous endorsements, by law, remain in the General and Special Risk Insurance Fund.

Source: US Department of HUD, Office of Housing/FHA, October 2012.

Exhibit A-3: Mortgage Market Share by Loan Count

FHA Single-Family Mortgage Insurance Mortgage Market Share by Loan Count			
	Share	FHA Loans	Market Loans
Annual Summaries			
2003	5.5%	1,268,461	23,103,684
2004	4.7%	695,399	14,871,660
2005	3.1%	456,176	14,485,093
2006	3.3%	411,120	12,329,578
2007	5.1%	528,274	10,293,991
2008	19.8%	1,405,660	7,091,783
2009	21.1%	1,984,914	9,390,525
2010	17.5%	1,462,730	8,358,544
2011	14.0%	1,071,771	7,638,683
2012	14.6%	1,259,095	8,638,167
Quarterly Activity			
2009 - Q1	23.3%	429,288	1,839,129
2009 - Q2	19.6%	545,661	2,789,910
2009 - Q3	21.6%	503,186	2,328,180
2009 - Q4	20.8%	506,779	2,433,307
2010 - Q1	16.7%	310,609	1,856,619
2010 - Q2	22.1%	449,749	2,038,941
2010 - Q3	17.0%	354,247	2,082,526
2010 - Q4	14.6%	348,125	2,380,458
2011 - Q1	13.3%	247,296	1,853,430
2011 - Q2	15.6%	285,044	1,825,359
2011 - Q3	14.4%	267,502	1,856,527
2011 - Q4	12.9%	271,929	2,103,368
2012 - Q1	13.3%	282,552	2,123,393
2012 - Q2	14.9%	325,144	2,185,316
2012 - Q3	13.9%	336,957	2,420,180
2012 - Q4	16.5%	314,442	1,909,278

Source: Data from FHA, Mortgage Bankers Association, and CoreLogic; October 2012[5].

[5] Exhibit A-3 reports loans according to their closing date. Typically, the endorsement date for an FHA-insured is approximately 1-2 months after the closing date.

Exhibit A-4: Borrower Credit Score Distributions on New Endorsements

FHA Single-Family Mortgage Insurance

Borrower Credit Score[a] Distribution on New Endorsements[b]

By Fiscal Year (FY) and Quarter

(Shares in each row add to 100%)

Fiscal Year	Quarter	Credit Score Categories[a]						
		720+	680+	620+	580+	500+	300+	N/A[c]
2007	Oct-Dec	11.0%	10.7%	31.4%	22.7%	18.2%	1.3%	4.8%
	Jan-Mar	10.1%	10.1%	30.8%	23.2%	19.7%	1.5%	4.6%
	Apr-Jun	9.7%	9.4%	30.3%	23.6%	20.8%	1.6%	4.6%
	Jul-Sep	9.8%	9.1%	30.7%	23.7%	21.2%	1.6%	3.9%
2008	Oct-Dec	9.1%	8.9%	30.8%	24.0%	21.7%	1.8%	3.6%
	Jan-Mar	9.7%	9.7%	31.5%	23.4%	20.8%	1.8%	3.1%
	Apr-Jun	15.0%	13.1%	35.4%	21.1%	12.6%	0.7%	2.2%
	Jul-Sep	18.8%	15.9%	37.4%	19.2%	7.1%	0.2%	1.4%
2009	Oct-Dec	20.2%	17.0%	37.5%	19.0%	5.4%	0.1%	0.8%
	Jan-Mar	24.0%	18.8%	37.0%	15.8%	3.6%	0.1%	0.8%
	Apr-Jun	29.3%	21.1%	38.3%	8.9%	1.6%	0.0%	0.7%
	Jul-Sep	33.0%	22.0%	37.9%	5.4%	1.0%	0.0%	0.7%
2010	Oct-Dec	33.1%	22.3%	38.6%	4.5%	0.7%	0.0%	0.7%
	Jan-Mar	33.5%	22.7%	38.6%	4.0%	0.5%	0.0%	0.7%
	Apr-Jun	34.6%	22.5%	38.6%	3.3%	0.4%	0.0%	0.6%
	Jul-Sep	34.4%	22.5%	38.5%	3.5%	0.4%	0.0%	0.6%
2011	Oct-Dec	36.7%	23.1%	36.3%	3.0%	0.4%	0.0%	0.5%
	Jan-Mar	37.4%	24.0%	35.5%	2.4%	0.2%	0.0%	0.5%
	Apr-Jun	34.9%	23.7%	37.9%	2.9%	0.2%	0.0%	0.4%
	Jul-Sep	32.7%	23.5%	39.5%	3.7%	0.3%	0.0%	0.4%
2012	Oct-Dec	32.5%	23.6%	39.6%	3.5%	0.2%	0.0%	0.4%
	Jan-Mar	33.5%	23.7%	39.1%	3.2%	0.2%	0.0%	0.4%
	Apr-Jun	32.8%	24.0%	39.9%	2.8%	0.2%	0.0%	0.3%
	Jul-Sep	30.4%	25.0%	41.5%	2.5%	0.2%	0.0%	0.3%

[a] Credit 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 full underwriting, and therefore, they are not represented here.

[b] Excludes streamline refinance loans.

[c] Borrowers without credit histories can be underwritten for FHA insurance using alternative criteria.

Source: Data from FHA, Mortgage Bankers Association, and CoreLogic; October 2012.

Exhibit A-5: Average Borrower Credit Scores on New Endorsements

FHA Single-Family Mortgage Insurance

Average Borrower Credit Scores[a] on New Endorsements

By Fiscal Year, Quarter, and Loan Purpose

Fiscal Year	Quarter	Loan Purpose: Home Purchase	Conventional Loan Refinance	FHA-to-FHA Refinance[b]	All[b]
2007	Oct-Dec	639	620	625	634
	Jan-Mar	635	620	628	631
	Apr-Jun	632	618	628	628
	Jul-Sep	634	615	625	628
2008	Oct-Dec	633	615	626	626
	Jan-Mar	635	620	633	628
	Apr-Jun	655	638	643	648
	Jul-Sep	669	645	647	662
2009	Oct-Dec	673	652	649	666
	Jan-Mar	678	669	663	674
	Apr-Jun	688	685	676	687
	Jul-Sep	697	688	678	694
2010	Oct-Dec	697	690	680	695
	Jan-Mar	697	696	686	696
	Apr-Jun	698	699	689	698
	Jul-Sep	698	701	694	698
2011	Oct-Dec	701	705	701	702
	Jan-Mar	703	708	704	704
	Apr-Jun	700	703	700	701
	Jul-Sep	698	695	698	697
2012	Oct-Dec	696	702	706	697
	Jan-Mar	696	708	709	699
	Apr-Jun	695	711	709	699
	Jul-Sep	696	698	704	696

[a] Credit 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 full underwriting, and therefore, they are not represented here.

[b] These include only fully-underwritten loans and exclude streamline refinancing.

Source: US Department of HUD, Office of Housing/FHA, October 2012.

Exhibit A-6: Loan-to-Value (LTV) Ratio Distribution on New Endorsements

FHA Single-Family Mortgage Insurance

Loan-to-Value (LTV) Ratio[a] Distribution on New Endorsements[b]

By Fiscal Year and Quarter

(Shares in each row add to 100%)

Fiscal Year	Quarter	LTV Categories[a]			
		Up to 90	91-95	96-98[c]	DPA Loans[d]
2008	Oct-Dec	19.5%	22.8%	35.3%	22.2%
	Jan-Mar	21.5%	25.5%	34.0%	18.8%
	Apr-Jun	18.3%	22.7%	40.0%	18.8%
	Jul-Sep	15.7%	19.2%	43.4%	21.4%
2009	Oct-Dec	17.1%	21.1%	48.7%	12.7%
	Jan-Mar	19.8%	23.3%	55.3%	1.0%
	Apr-Jun	20.2%	17.6%	61.3%	0.2%
	Jul-Sep	20.8%	11.4%	67.1%	0.1%
2010	Oct-Dec	20.2%	9.9%	69.1%	0.2%
	Jan-Mar	23.1%	10.7%	65.2%	0.1%
	Apr-Jun	18.1%	9.3%	71.6%	0.2%
	Jul-Sep	19.2%	9.7%	70.0%	0.1%
2011	Oct-Dec	21.5%	10.7%	66.7%	0.1%
	Jan-Mar	23.8%	10.1%	65.2%	0.1%
	Apr-Jun	18.5%	8.7%	71.6%	0.2%
	Jul-Sep	15.4%	8.5%	74.7%	0.3%
2012	Oct-Dec	17.0%	9.0%	72.4%	0.4%
	Jan-Mar	19.2%	9.0%	70.4%	0.2%
	Apr-Jun	18.4%	8.7%	71.8%	0.2%
	Jul-Sep	13.9%	9.4%	75.5%	0.2%

[a] In accordance with statutory requirements for determining eligibility of loans for FHA insurance, HUD measures LTV without including any financed mortgage insurance premium in the loan balance. The upfront insurance premium charged since the start of FY 2011 has been 1.00 percent; for FY 2009 and through March 2010 it was 1.75 percent for fully-underwritten loans and 1.50 percent on streamline refinance loans. The premium rate was temporarily raised to 2.25 percent in April 2010, for all loans, for the remainder of FY 2010. Prior to FY 2009, the upfront premium rate varied depending on a number of factors.

[b] Excludes streamline refinance loans.

[c] The statutory maximum LTV since October 1, 2008, is 96.5 percent. Prior to October 1, 2008, the statutory maximum was 97 percent, with higher allowances for borrowers financing 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 geographic location and price of the property.

[d] DPA loans represent downpayment assistance programs that operated through charitable organizations. The large shares of such loans endorsed through FY 2009 Q1 were nearly all from organizations funded by property sellers. Downpayment assistance from seller-financed sources was banned by the Housing and Economic Recovery Act of 2008. Insurance endorsements on DPA loans in FY 2009 primarily represent loans originated prior to October 1, 2008, but endorsed in FY 2009. In this table, DPA loans are classified here as a separate LTV category because their risk profile is substantially different from other loans; however, nearly all DPA loans would be in the 96-98 LTV group. The small percentage of loans in this category that continue into FY 2010 are from truly charitable sources, which are still permitted.

Source: US Department of HUD, Office of Housing/FHA, October 2012.

Exhibit A-7: Average Loan-to-Value (LTV) Ratios on New Endorsements

FHA Single-Family Mortgage Insurance

Average Loan-to-Value (LTV) Ratios[a] on New Endorsements

By Fiscal Year, Quarter, and Loan Purpose

Fiscal Year	Quarter	Loan Purpose: Home Purchase	Conventional Loan Refinance	FHA-to-FHA Refinance[b]	All[b]
2007	Oct-Dec	95.91	86.75	86.97	93.48
	Jan-Mar	95.93	87.03	87.10	93.13
	Apr-Jun	96.07	87.69	87.51	93.43
	Jul-Sep	96.02	88.21	87.56	93.41
2008	Oct-Dec	96.02	88.77	87.88	93.05
	Jan-Mar	96.03	88.86	88.33	92.57
	Apr-Jun	96.18	89.15	88.40	93.32
	Jul-Sep	96.15	89.16	88.00	93.95
2009	Oct-Dec	96.03	89.14	88.83	93.72
	Jan-Mar	95.93	89.38	89.39	93.21
	Apr-Jun	95.71	88.57	87.90	93.12
	Jul-Sep	95.59	86.78	85.83	93.23
2010	Oct-Dec	95.59	86.11	85.23	93.34
	Jan-Mar	95.51	86.19	87.05	92.86
	Apr-Jun	95.64	85.36	86.93	93.57
	Jul-Sep	95.55	85.99	87.96	93.49
2011	Oct-Dec	95.62	87.06	88.94	93.22
	Jan-Mar	95.56	85.68	87.73	92.73
	Apr-Jun	95.73	85.00	86.85	93.67
	Jul-Sep	95.88	85.30	87.50	94.34
2012	Oct-Dec	95.98	85.29	88.79	94.06
	Jan-Mar	96.01	83.44	88.37	93.41
	Apr-Jun	95.99	81.79	87.84	93.32
	Jul-Sep	95.96	83.74	87.73	94.43

[a] In accordance with statutory requirements for determining eligibility of loans for FHA insurance, HUD measures LTV without including any mortgage insurance premium financed in the loan balance. The upfront insurance premium charged since the start of FY 2011 has been 1.00 percent; for FY 2009 and through March 2010 it was 1.75 percent for fully-underwritten loans and 1.50 percent on streamline refinance loans. The premium rate was temporarily raised to 2.25 percent in April 2010, for all loans, for the remainder of FY 2010. Prior to FY 2009, the upfront premium rate varied depending on a number of factors.

[b] These include only fully-underwritten loans and exclude streamline refinancing.

Source: US Department of HUD, Office of Housing/FHA, October 2012.

Exhibit A-8: Pre-Foreclosure and REO Dispositions and Loss Severity

FHA Single Family Mortgage Insurance Pre-Foreclosure and REO Dispositions and Loss Severity							
Period	REO Loss Rate	Short Sale Loss Rate	Overall Loss Rate	REO Dispositions	PFS Dispositions	Total Dispositions	Short Sale Market Share
2006 - Q1	41.4%	23.0%	39.8%	12,103	1,096	13,199	8.3%
2006 - Q2	42.5%	23.2%	40.9%	13,818	1,266	15,084	8.4%
2006 - Q3	45.0%	24.1%	43.5%	13,950	1,076	15,026	7.2%
2006 - Q4	45.3%	24.4%	43.9%	12,894	910	13,804	6.6%
2007 - Q1	45.4%	24.5%	43.9%	11,764	925	12,689	7.3%
2007 - Q2	45.7%	23.6%	44.0%	13,155	1,098	14,253	7.7%
2007 - Q3	44.3%	24.5%	42.8%	11,039	950	11,989	7.9%
2007 - Q4	49.2%	25.1%	47.3%	10,669	894	11,563	7.7%
2008 - Q1	53.4%	26.6%	51.3%	10,924	928	11,852	7.8%
2008 - Q2	53.4%	26.7%	50.9%	11,903	1,252	13,155	9.5%
2008 - Q3	56.8%	28.3%	54.5%	12,875	1,134	14,009	8.1%
2008 - Q4	65.1%	29.1%	61.8%	14,032	1,428	15,460	9.2%
2009 - Q1	69.2%	34.0%	66.4%	14,967	1,273	16,240	7.8%
2009 - Q2	71.8%	37.0%	68.5%	19,910	2,118	22,028	9.6%
2009 - Q3	68.0%	39.1%	64.0%	19,135	3,092	22,227	13.9%
2009 - Q4	65.8%	40.4%	61.9%	19,451	3,515	22,966	15.3%
2010 - Q1	67.1%	42.9%	63.5%	20,166	3,522	23,688	14.9%
2010 - Q2	65.1%	42.4%	60.7%	25,453	6,062	31,515	19.2%
2010 - Q3	66.4%	45.5%	62.5%	22,716	5,310	28,026	18.9%
2010 - Q4	67.3%	46.8%	61.8%	14,929	5,451	20,380	26.7%
2011 - Q1	71.0%	47.6%	64.7%	16,540	6,132	22,672	27.0%
2011 - Q2	71.1%	47.2%	67.0%	37,381	7,736	45,117	17.1%
2011 - Q3	72.3%	47.8%	67.7%	32,664	7,592	40,256	18.9%
2011 - Q4	72.4%	48.4%	67.0%	27,034	7,978	35,012	22.8%
2012 - Q1	71.1%	47.7%	65.2%	23,379	7,777	31,156	25.0%
2012 - Q2	67.9%	47.2%	62.5%	25,213	8,781	33,994	25.8%
2012 - Q3	65.1%	45.4%	60.5%	28,631	8,603	37,234	23.1%

Source: US Department of HUD, Office of Housing/FHA, October 2012.