

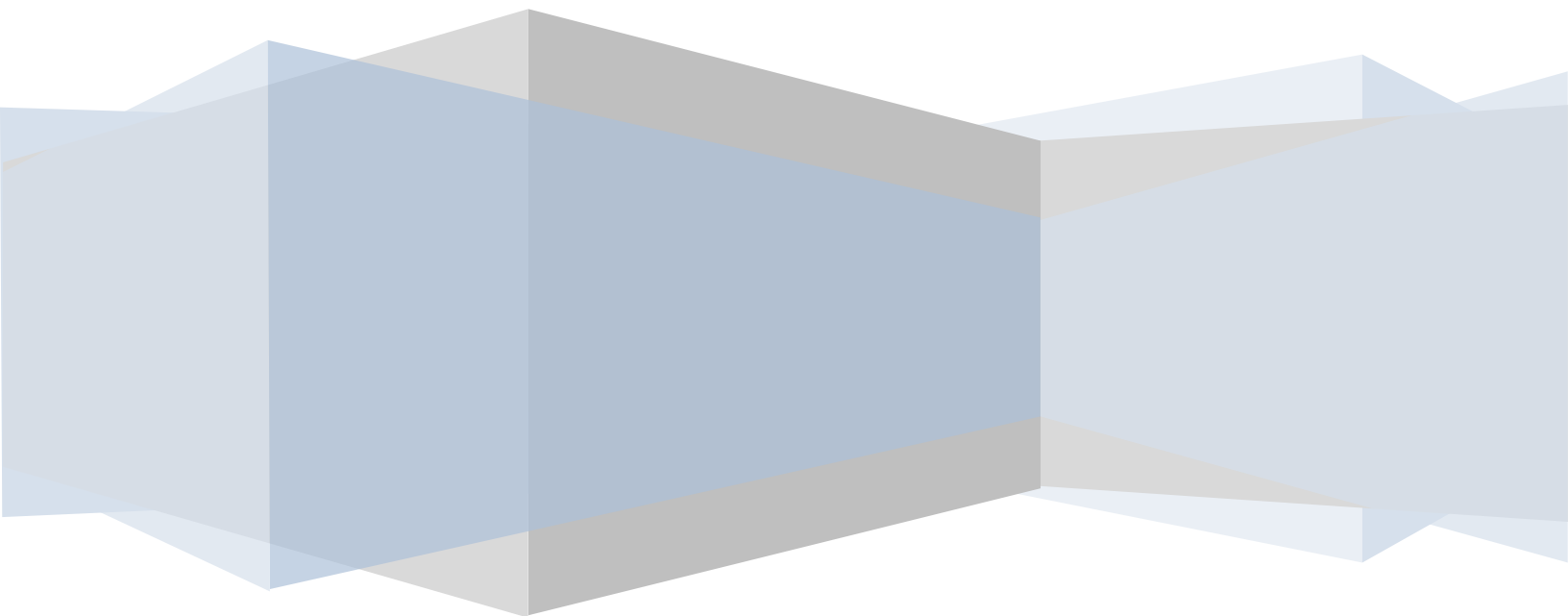


U.S. Department of Housing and Urban Development

FHA Single-Family Mutual Mortgage Insurance Fund Programs

***Quarterly Report to Congress
FY 2013 Q2***

Delivered: July 11, 2013



FOREWORD

On behalf of Secretary Donovan and 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 2013 second 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, 2012 through March 31, 2013.

This quarterly report provides detailed information on the composition and credit quality of new insurance, and on FHA's financial position. In addition to this report to Congress, FHA provides 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 regularity of its publications.

Also posted in the Office of Housing 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 posted 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.

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 Vetran
Deputy Assistant Secretary
Risk Management and Regulatory Affairs



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

FY 2013 Q2

Data as of March 31, 2013

**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;	The forward-loan endorsement count for the quarter was 350,356 with a dollar volume of \$63.7 billion. This represents a one percent decrease in number of loans, but no change in dollar volume from the previous quarter. The HECM endorsement count was 15,831 and volume was \$3.8 billion, representing increases of 35 percent and 40 percent, respectively.	5, 17 - 18	1, A-1, A-2
B) Types of loans insured, categorized by risk;	The average credit score this quarter was 695 and the average borrower loan-to-value ratio 94.0%. Both were slight decreases from the previous quarter.	6 - 8, 19-22	2 - 4, A-3 - A-6
C) Significant differences between actual and projected claim and prepayment activity persisted;	Q2 prepayment activity was 147 percent above actuarial predictions, due to interest rates remaining near historical lows. Over 58 percent of those prepayments returned to FHA as new refinance loans. Claim activity continued to trend well below predicted levels due to continued delays in foreclosure processing.	9	5
D) Projected versus actual loss rates	The year-to-date net loss rate on claim activity (58.6 percent) remained below actuarial projections (67.8 percent).	9, 23	5, A-7
E) Updated projections of the annual subsidy rates	There were no changes in the budget credit subsidy rates during this quarter.	11	6

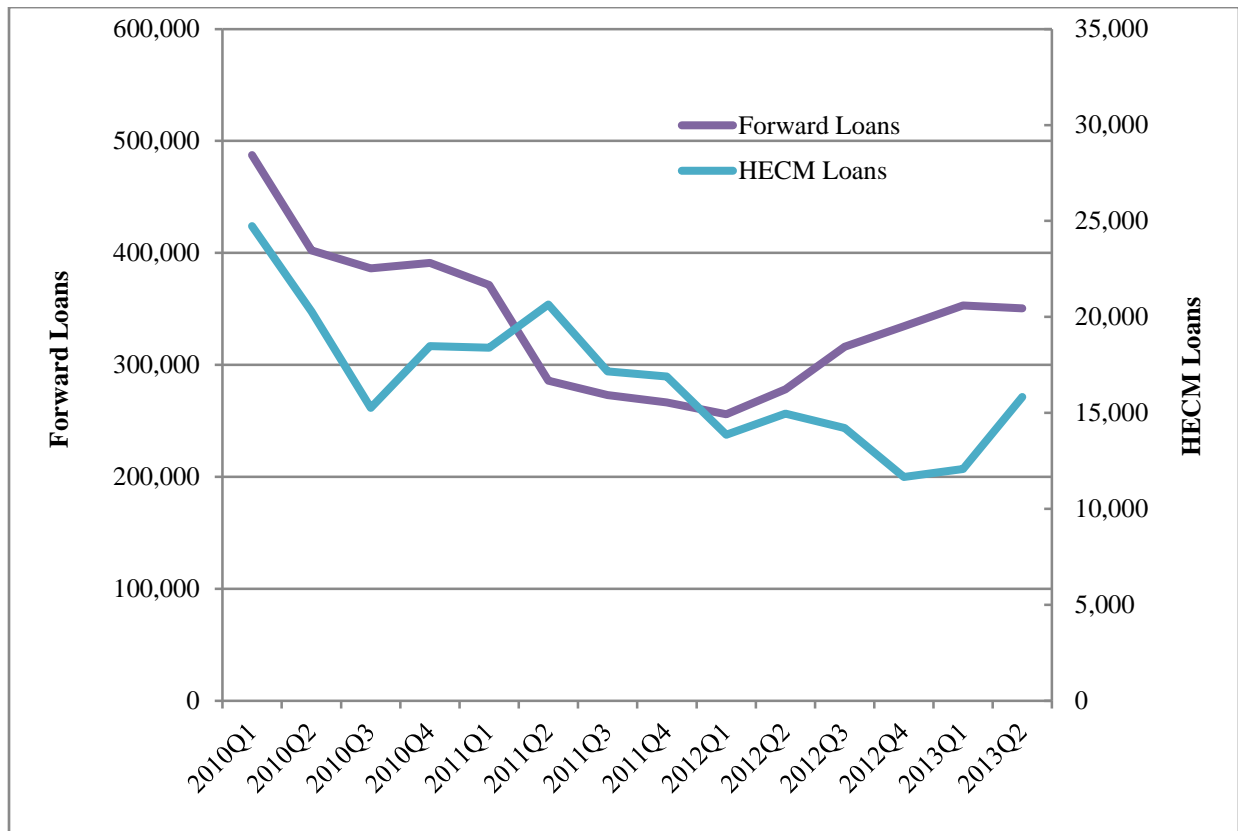
Other	Summary	Page	Exhibit
F) MMI Fund Balances	MMI Fund balances at the end of FY 2013 Q2 were \$36.1 billion, a decline of \$1.0 billion from the previous quarter.	12	7
G) Business Operations Cash Flows	Core business-operations cash flow in FY 2013 Q2 was -\$1.0 billion. FHA paid \$6.0 billion in claims and property expenses, while receiving \$4.9 billion in revenues from premium income and sale	13	8

	of notes and properties.		
H) Early Period Delinquency	Early period delinquency rates for the most recently available quarter (FY 2012 Q4) decreased slightly from the previous quarter (from 0.35 to 0.34 percent); an increase in the rate for refinance loans was offset by a decrease in the rate for home purchase loans.	14	9
I) Serious Delinquent Rates	The portfolio-level seasonally-adjusted serious delinquency rate (SD) declined for the third consecutive quarter. At 8.91 percent, it represents the first year-over-year decline in nearly two years. By vintage, the non-seasonally adjusted SD rates for the 2009-2012 cohorts continue to show improvements when compared to earlier cohorts at the same age. This is seen by comparing cohort level rates in 2013 Q2 to the year-earlier rates (2012 Q2) for preceding cohorts. The 2012 vintage is performing better than 2011 at the same age; 2011 is performing better than 2010; 2010 is performing better than 2009, and 2009 is performing better than 2008.	15 - 16	10 - 11

Endorsement Activity

In the second quarter of Fiscal Year (FY) 2013, FHA endorsed for insurance 350,356 forward loans, including 167,483 in FHA-to-FHA refinances and 15,831 reverse (Home Equity Conversion) mortgages (HECM). Forward-loan endorsements decreased about one percent, while HECM loans increased 35 percent from the previous quarter. On a year-over-year basis, forward-loan endorsements increased by 26 percent and HECM increased six percent. The year-over-year increase in forward-loan activity was all due to refinance actions, while home-purchase loan endorsements declined five percent. (See Exhibits A-1 and A-2.)

Exhibit 1: Endorsement Counts by Fiscal Year and Quarter

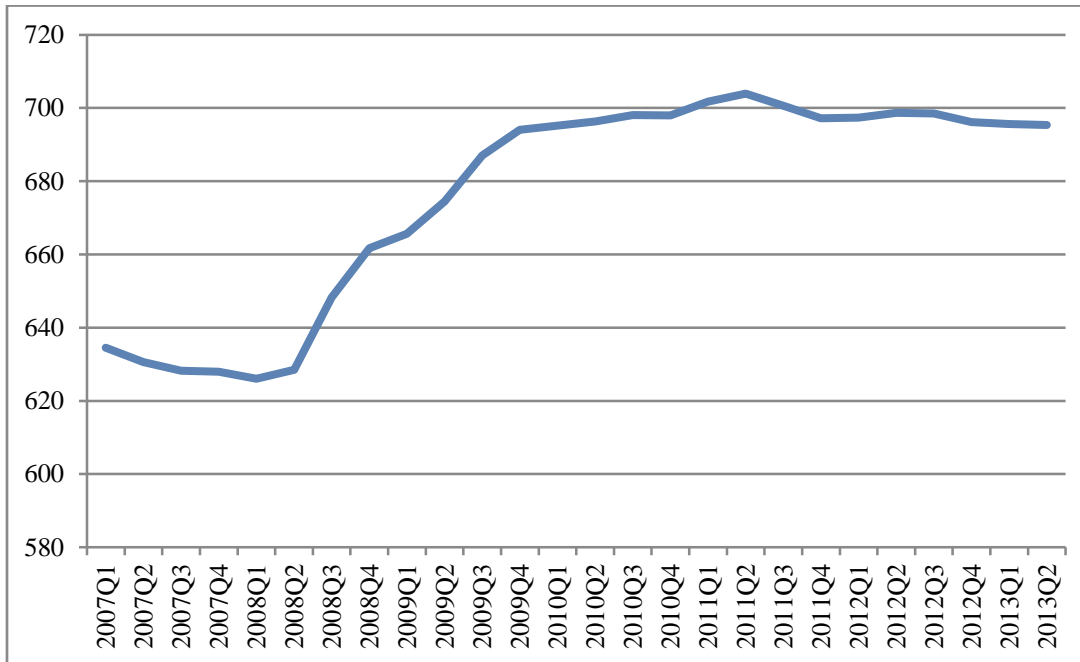


Source: US Department of HUD/FHA, March 2013

Borrower Credit Scores

The overall average borrower credit score for FY 2013 Q2 was 695, indicating virtually no change from the previous quarter and four points lower than in the year-earlier period. The average score has been in the range of 694 and 703 since FY 2009 Q4. (See Exhibits A-3 and A-4.)

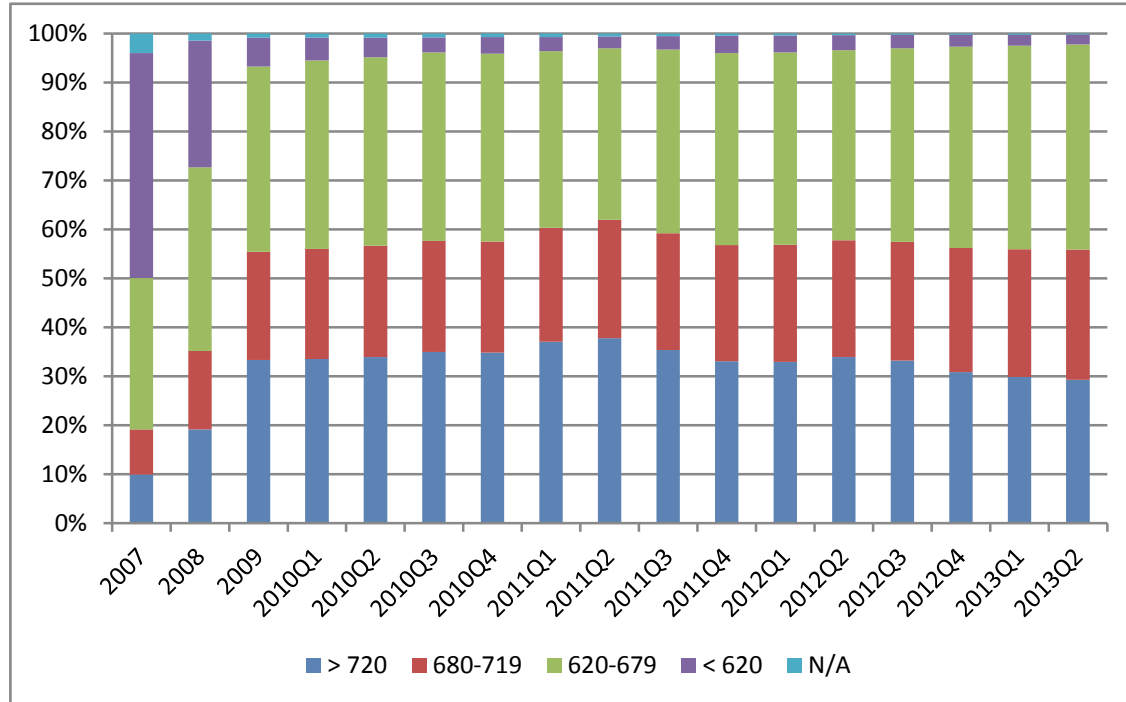
Exhibit 2: Average Borrower Credit Scores by Quarter



Source: US Department of HUD/FHA, March 2013.

A breakout of endorsements by credit-score ranges shows small movements from the previous quarter. Those movements increased concentrations in the 680-719 and 620-679 ranges with 0.60 percent moving from 720+ to 680+ and 0.30 percent moving from 580+ to 620+. (See Exhibit A-3 and A-4.)

Exhibit 3: Distribution of Borrower Credit Scores by Quarter

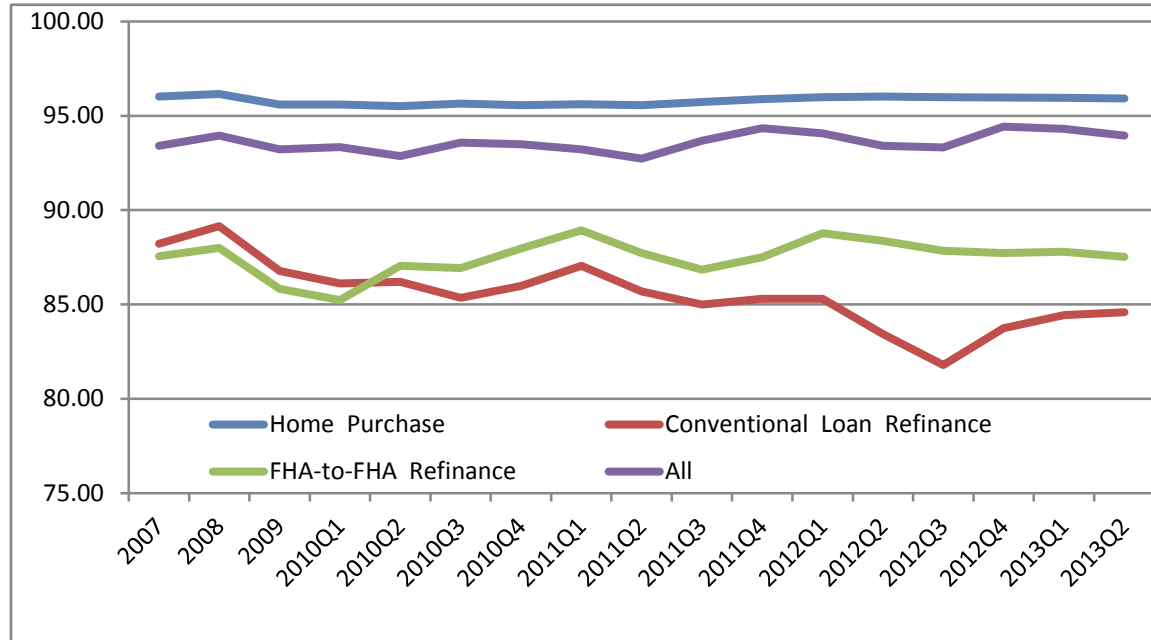


Source: US Department of HUD/FHA, March 2013.

Average Loan-to-Value (LTV)

The average LTV for new endorsements declined slightly to 94.0 percent from 94.3 percent reported for the previous quarter, with similarly small changes in the average LTV for any major product group. (See Exhibits A-5 and A-6.)

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



^a Excludes Streamline refinance activity.

Source: US Department of HUD, Office of Housing/FHA, March 2013.

Predicted and Actual Termination and Claim-Loss Rates

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 2012 – March 2013				
	Year-To-Date Predicted ^a	Year-To-Date Actual	Deviation (Actual - Predicted)	Percentage Deviation (Actual vs. Predicted)
Prepayments - Number	211,817	522,950	311,133	147%
Claims - Number ^b	154,004	78,620	(75,384)	-49
Claims – Dollars (mil) ^b	\$ 27,203	\$ 10,238	(\$16,965)	-62
Net Loss-on-Claims (%) ^c	67.81%	58.57%	-9.25%	

^a Projections of prepayment counts, claim counts, and claim dollars are from the FY 2012 FHA financial statements; all projections shown here use quarterly forecasts and thus reflect cyclical trends throughout the year.

^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 and pre-foreclosure-sale claims.

Source: US Department of HUD/FHA, March 2013.

Prepayment Activity Remains at Elevated Levels

Prepayments in FY 2013 Q2 (522,950) were the highest seen since FY 2004 Q4. Continued low interest rates, along with FHA permitting borrowers with loans endorsed before June 2009 to streamline refinance without an increase in their annual premium rate, have led to year-to-date prepayments that were 147 percent above what was predicted by the independent actuaries. At the same time, the rate at which prepayments are returning as new refinance endorsements is a high 58 percent, down from 62 percent in the previous quarter and 60 percent in the year-earlier period.

Claims Activity Lower than Projected

The difference between predicted and actual claims paid shows little variation from the previous quarter, with year-to-date counts 49 percent below forecast. The principal contributing factor to this variance continues to be delays in foreclosure processing in many areas of the country, though HUD is accelerating claims through its Distressed Asset Stabilization Program (DASP). Claims activity should move closer to the actuarial predictions as HUD continues its efforts to sell delinquent mortgages out of the foreclosure pipeline through DASP.

Net Loss Rate on Claims Lower than Projected

Net loss rates on (full) claim actions are trending downward due to several factors and currently outperforming the predicted rates by over nine percent. First is an increase in home prices for distressed properties, which is helping recoveries on REO sales.

A second important driver of the reduction in loss severity stems from FHA's recent efforts to increase the use of pre-REO alternatives. In past years, pre-foreclosure sales (PFS) have typically comprised the majority of FHA's pre-REO alternatives. However, FHA has recently enhanced its pre-REO offerings via two additional alternatives: 1) the Distressed Asset Stabilization Program (DASP), wherein pools of non-performing loans are sold to purchasers prior to foreclosure, and 2) Claim Without Conveyance of Title (CWCOT), whereby foreclosed properties are sold to third party purchasers prior to the properties being conveyed to FHA. As these programs have expanded, the share of pre-REO dispositions has exceeded 30% the past two quarters, as shown on table A-7.

HUD held its first large-scale DASP auction of \$1.7 billion distressed notes in September 2012, with most of the claims being paid in FY 2013 Q1. September DASP assets had concentrations in distressed markets with below-average REO recovery rates such as Illinois and Arizona. Actual DASP recovery rates, though below the national average REO recovery rate, were above recovery rates for REO in the same jurisdictions. Both of these factors were included in the actuarial predictions. The next auction of \$2.8 billion of distressed notes occurred in March 2013 and consisted of National Stabilization Outcome Mortgage Loan Pools, which are geographically concentrated, and pools composed of mortgages on a nationwide basis. Claims on these loans are expected to be paid during FY 2013 Q3.

CWCOT also reduced net loss rates in this quarter. FHA completed a pilot program to encourage third-party sales at foreclosure auctions. The pilot program involved 12 servicers and loans in 10 states. Based on the results of the pilot program, the program was expanded during the second quarter of 2013 to include all states with the 12 servicers in the program servicing approximately 90 percent of the insurance in-force portfolio.

Budget Execution Credit Subsidy Rates

There were no changes in the budget execution credit subsidy rates in Q2.

Exhibit 6: Budget Execution Credit Subsidy Rates

FHA Single-Family Mortgage Insurance Budget Execution Credit Subsidy Rates^a FY 2013	
Forward Loans	-5.98%
Reverse Loans (HECM)	-0.92

^aBudget 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 *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. The rates 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/FHA; March 2013.

MMI Fund Balances

Total capital resources declined this quarter by \$1.0 billion to \$36.1 billion. The Capital Reserve Account balance increased by \$3.9 billion, while the Financing Account balance decreased by \$4.9 billion.

Exhibit 7: MMI Fund Balances by Quarter, FY2009 – FY2013

FHA Single-Family Insurance MMI Fund Balances by Quarter, FY2009 – FY2013 Second Quarter ^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	Apr-Jun	9.8	21.9	31.6
2012	Jul-Sep	3.3	35.1	38.4
2013	Oct-Dec	7.1	30.0	37.1
2013	Jan-Mar	11.0	25.1	36.1

^aOnly end-of-year balances represent audited figures.

^bThis 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.

^cThis is a series of off-budget cash accounts used to manage insurance operation collections and disbursements.

^dTotal Capital Resources is the sum of Capital Reserve and Financing Account balances, and it represents the sum of cash and investments, including funds from Treasury. The funds borrowed from Treasury will be repaid with future mortgage insurance premiums receipts. It does not represent total assets of the MMI Fund.

Source: US Department of HUD/FHA; March 2013.

Cash Flows from Business Operations

MMI Fund core business operations cash flow in FY 2013 Q2 was -\$1.0 billion. Net Realized losses were \$3.7 billion and premium revenues were 2.7 billion.

Exhibit 8: Business Operations Cash Flows FY 2012 Q2 - FY2013 Q2

FHA MMI Fund Financing Account					
Business Operations Cash Flows in FY 2012 Q2 - FY 2013 Q2, by Quarter^a					
(millions \$)					
	Fiscal Year and Quarter				Past 4 Quarters
	FY 2012 Quarter 3	FY 2012 Quarter 4	FY 2013 Quarter 1	FY 2013 Quarter 2	
Collections					
Premiums	\$ 2,329	\$ 2,393	\$ 2,735	\$ 2,710	\$ 10,167
Property Sale Receipts	1,606	2,090	1,861	1,954	7,511
Note Sale Collections	5	23	76	233	337
Other ^c	16	1,136	15	18	1,185
Total	3,956	5,642	4,687	4,915	19,200
Disbursements					
Claims ^b	\$ (5,370)	\$ (4,783)	\$ (5,666)	\$ (5,555)	\$ (21,374)
Property Maintenance	(291)	(364)	(294)	(358)	(1,307)
Other	(1)	-	-	-	(1)
Total	(5,662)	(5,147)	(5,960)	(5,913)	(22,682)
Net Operations Cash Flow	\$ (1,706)	\$ 495	\$ (1,273)	\$ (998)	\$ (3,482)

^a Unaudited figures; totals may not add due to rounding.

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

^c This includes National Mortgage Settlement amounts of \$1.12 billion recognized in August 2012.

Source: US Department of HUD/FHA; March 2013.

Early-Period Delinquency (EPD)

Early payment delinquencies extending to three months in arrears (EPDs) were virtually unchanged again in the most recent period FY2012 Q4 at 0.34 percent. However, the EPD rate for purchase loans declined slightly, while that for refinance loans increased.

Exhibit 9: 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	0.19	0.28
	Jan-Mar	0.39	0.21	0.34
	Apr-Jun	0.47	0.33	0.45
	Jul-Sep	0.36	0.35	0.36
2012	Oct-Dec	0.33	0.16	0.29
	Jan-Mar	0.39	0.14	0.33
	Apr-Jun	0.39	0.22	0.35
	Jul-Sep	0.36	0.26	0.34

^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.

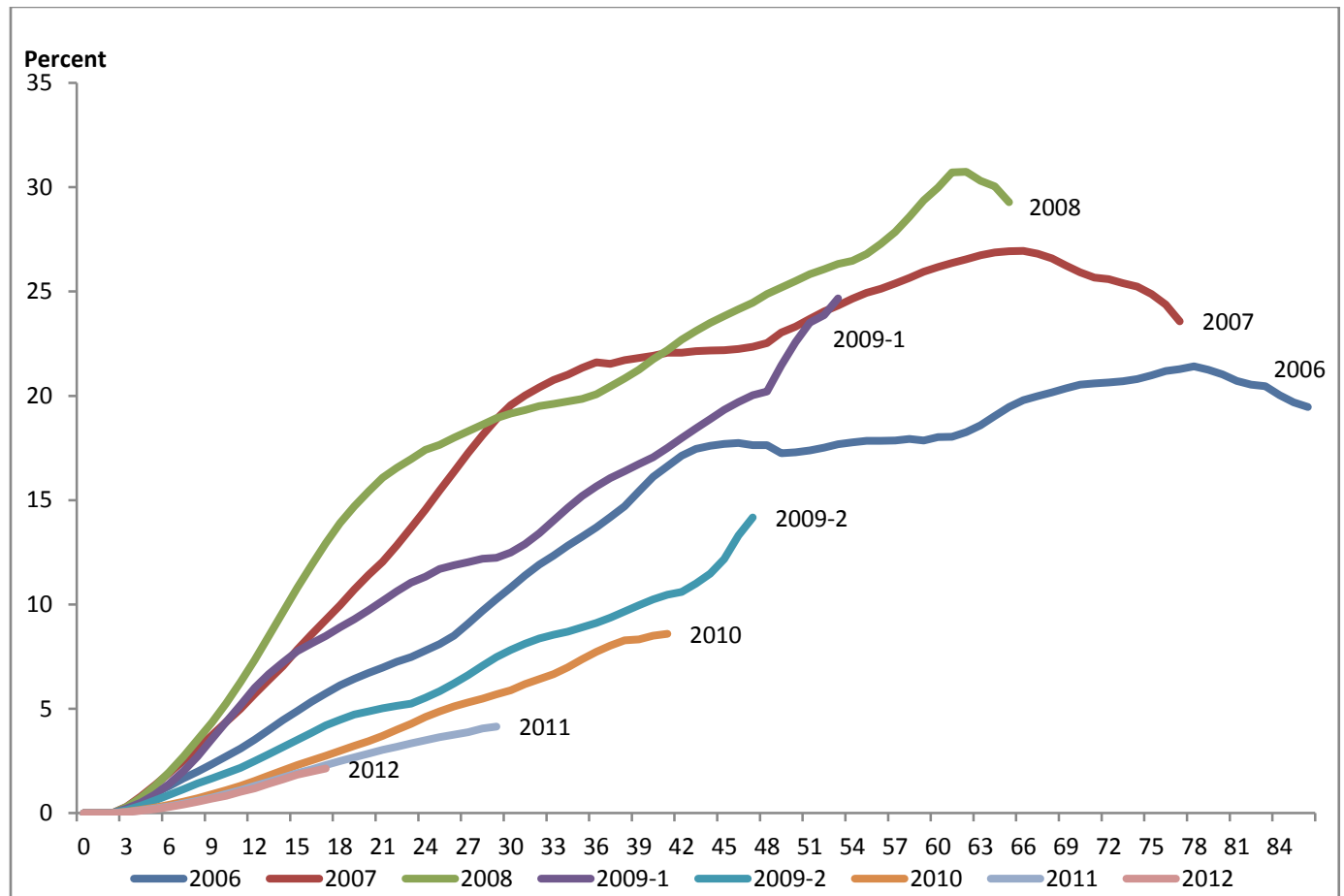
^b Loans in this column are fully-underwritten conventional-to-FHA and FHA- to-FHA refinancings.

Source: US Department of HUD/FHA, March 2013.

Serious Delinquency Rates

Serious delinquency rates for those vintages most heavily impacted by the recent economic recession (2006-2008) are now stabilizing. Most notable are improvements seen in the 2007 portfolio. In Exhibit 10 we separate the 2009 cohort into two parts, representing loan originations from October through March in 2009-1 and loan originations from April through October in 2009-2. This is because the composition of that cohort changed dramatically throughout the year due to improvements in borrower credit quality and reductions in mortgage interest rates. The “tails” on the end of each of the two 2009 vintage curves represent the lower quality of loans originated toward the start of each six-month period. We expect to see a lessening of those effects as each group continues to season (i.e., a flattening of the tails). The post-2009 vintages are still within the age range where defaults are rising and so increases in their rates are as expected.

Exhibit 10: Serious Delinquency Rates by Fiscal Year of Loan Origination and Months of Seasoning, All Endorsements



Source: US Department of HUD/FHA, March 2013

The seasonally-adjusted serious delinquency rate is at its lowest end-of-quarter point since FY2011 Q4. Each endorsement cohort starting with 2009 is performing markedly better than did the previous cohort at the same point of seasoning. This is seen by comparing each cohort's FY2013 Q2 experience with the next earlier cohort in FY2012 Q2.

Exhibit 11: Serious Delinquency Rates^a by Endorsement Fiscal Year and Activity Quarter^b

Endorsement Fiscal Year	Activity Period													
	FY2013 Q2	FY2013 Q1	FY2012 Q4	FY2012 Q3	FY2012 Q2	FY2012 Q1	FY2011 Q4	FY2011 Q3	FY2011 Q2	FY2011 Q1	FY2010 Q4	FY2010 Q3	FY2010 Q2	FY2010 Q1
Pre-2007	12.29%	11.80%	12.99%	12.60%	12.33%	12.58%	11.57%	10.77%	10.98%	11.59%	11.41%	11.15%	11.56%	11.89%
2007	24.88	23.09	26.88	25.82	25.55	25.59	23.36	21.83	21.71	22.44	21.49	21.11	21.40	21.55
2008	24.56	22.02	26.38	24.88	24.25	23.83	21.38	19.97	19.49	19.65	18.37	17.35	17.13	16.22
2009	13.13	11.61	13.45	12.18	11.41	10.92	9.13	8.05	7.58	7.23	6.08	4.94	4.07	3.05
2010	6.36	5.80	5.88	5.18	4.52	4.07	2.96	2.13	1.61	1.20	0.65	0.33	0.16	0.02
2011	3.32	2.86	2.49	1.81	1.28	0.93	0.45	0.22	0.08	0.01				
2012	0.99	0.68												
2013	0.11													
All years	8.87%	9.59%	9.58%	9.44%	9.42%	9.59%	8.70%	8.18%	8.31%	8.78%	8.66%	8.61%	9.05%	9.44%
All years – Seasonally Adjusted ^c	8.91%	9.09%	9.80%	9.94%	9.48%	9.05%	8.89%	8.59%	8.34%	8.32%	8.85%	9.05%	9.08%	8.90%

^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, March 2013.

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	
<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	61,101	319,985	1,168,179	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	261,166	104,578	36,601	402,345	107,367
2008	591,325	349,126	91,133	1,031,584	112,013
2009	995,103	468,767	367,448	1,831,318	114,639
2010	1,109,161	305,297	252,440	1,666,898	78,758
2011	777,102	194,809	224,761	1,196,672	73,093
2012	733,699	129,187	321,608	1,184,494	54,676
2013	335,296	48,189	319,996	703,481	27,565
<i>Fiscal Year and Quarter</i>					
2010Q1	304,827	86,516	96,154	487,497	24,730
2010Q2	245,777	88,338	67,986	402,101	20,278
2010Q3	289,683	65,577	31,037	386,297	15,266
2010Q4	268,874	64,866	57,263	391,003	18,484
2011Q1	196,712	65,206	109,428	371,346	18,387
2011Q2	168,703	58,450	58,685	285,838	20,646
2011Q3	201,081	41,106	30,879	273,066	17,161
2011Q4	210,606	30,047	25,769	266,422	16,899
2012Q1	176,085	31,834	47,871	255,790	13,867
2012Q2	166,088	36,594	75,528	278,210	14,955
2012Q3	193,556	38,078	84,426	316,060	14,204
2012Q4	197,970	22,681	113,783	334,434	11,650
2013Q1	177,855	22,757	152,513	353,125	11,734
2013Q2	157,441	25,432	167,483	350,356	15,831

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

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

^c Starting in FY 2009 (2008 Q4), all new HECM endorsements are included 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; March 2013.

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 (million\$)				
	Forward Mortgages ^a				Reverse Mortgages (HECM) ^b
	Home Purchase	Conventional Loan Refinance	FHA-to-FHA Refinance	All Forward Loans	
<i>Fiscal Year</i>					
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	35,003	16,095	5,418	56,516	24,623
2008	95,373	61,525	14,907	171,806	24,240
2009	171,672	86,984	71,728	330,383	30,161
2010	191,602	56,431	49,467	297,500	20,974
2011	134,357	36,845	46,440	217,642	18,208
2012	124,454	23,474	65,342	213,270	13,113
2013	58,882	8,930	59,582	127,394	6,578
<i>Fiscal Year and Quarter</i>					
2010Q1	51,950	15,843	18,601	86,395	6,948
2010Q2	42,794	16,402	12,886	72,082	5,491
2010Q3	49,578	12,145	5,902	67,624	3,859
2010Q4	47,279	12,041	12,078	71,399	4,676
2011Q1	35,084	12,785	24,216	72,085	4,612
2011Q2	29,731	11,223	11,832	52,786	5,273
2011Q3	34,045	7,510	5,721	47,275	4,207
2011Q4	35,497	5,327	4,672	45,496	4,115
2012Q1	29,227	5,731	9,661	44,619	3,268
2012Q2	27,730	6,572	15,665	49,967	3,646
2012Q3	32,981	7,061	17,776	57,819	3,466
2012Q4	34,515	4,110	22,240	60,865	2,733
2013Q1	30,994	4,136	28,593	63,723	2,738
2013Q2	27,888	4,794	30,989	63,671	3,840

^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 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; March 2013.

Exhibit A-3: 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								
Fiscal Year	Quarter	Credit Score Categories ^a						
		720+	680+	620+	580+	500+	300+	N/A ^c
2007	Oct-Dec	11.2%	10.9%	31.6%	22.5%	17.8%	1.2%	4.8%
	Jan-Mar	10.3	10.2	31.1	23.0	19.3	1.4	4.7
	Apr-Jun	9.8	9.6	30.6	23.4	20.4	1.5	4.7
	Jul-Sep	9.9	9.2	30.9	23.6	20.8	1.5	4.0
2008	Oct-Dec	9.3	9.1	31.2	23.9	21.2	1.7	3.7
	Jan-Mar	9.9	9.9	31.8	23.2	20.4	1.7	3.2
	Apr-Jun	15.2	13.2	35.6	20.8	12.2	0.7	2.3
	Jul-Sep	19.1	16.0	37.5	18.9	6.7	0.2	1.5
2009	Oct-Dec	20.5	17.2	37.6	18.6	5.1	0.1	0.9
	Jan-Mar	24.3	18.9	36.9	15.5	3.4	0.0	0.9
	Apr-Jun	29.7	21.2	38.2	8.5	1.5	0.0	0.9
	Jul-Sep	33.4	22.1	37.8	4.9	1.0	0.0	0.9
2010	Oct-Dec	33.5	22.5	38.5	4.0	0.7	0.0	0.8
	Jan-Mar	33.9	22.8	38.4	3.5	0.5	0.0	0.8
	Apr-Jun	35.0	22.7	38.5	2.7	0.4	0.0	0.8
	Jul-Sep	34.9	22.6	38.4	3.0	0.4	0.0	0.8
2011	Oct-Dec	37.1	23.2	36.1	2.5	0.3	0.0	0.7
	Jan-Mar	37.8	24.2	35.0	2.2	0.2	0.0	0.6
	Apr-Jun	35.4	23.8	37.5	2.6	0.2	0.0	0.5
	Jul-Sep	33.1	23.7	39.2	3.3	0.2	0.0	0.5
2012	Oct-Dec	33.0	23.9	39.3	3.2	0.2	0.0	0.4
	Jan-Mar	33.9	23.9	38.8	2.8	0.2	0.0	0.4
	Apr-Jun	33.2	24.2	39.5	2.5	0.2	0.0	0.3
	Jul-Sep	30.9	25.3	41.1	2.3	0.2	0.0	0.3
2013	Oct-Dec	29.9	26.0	41.6	2.1	0.2	0.0	0.3
	Jan-Mar	29.3	26.6	41.9	1.8	0.2	0.0	0.2

^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: US Department of HUD, Office of Housing/FHA, March 2013.

Exhibit A-4: 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	698
	Jul-Sep	696	698	704	696
2013	Oct-Dec	695	697	703	696
	Jan-Mar	695	697	703	695

^a Credit scores are co-branded between the three major credit repositories (Equifax, Experian, Transunion) and Fair-Isaac Corporation (FICO). 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, March 2013.

Exhibit A-5: 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						
Fiscal Year	Quarter	LTV Categories ^a				
		Up to 80	81-90	91-95	96-98 ^c	DPA Loans ^d
2008	Oct-Dec	7.7%	11.9%	22.9%	35.3%	22.2%
	Jan-Mar	8.4	13.3	25.5	33.9	18.8
	Apr-Jun	6.9	11.6	22.7	40.0	18.8
	Jul-Sep	5.7	10.1	19.2	43.5	21.4
2009	Oct-Dec	6.2	11.2	21.1	48.8	12.7
	Jan-Mar	6.9	13.4	23.4	55.3	1.0
	Apr-Jun	6.4	14.4	17.7	61.3	0.2
	Jul-Sep	6.0	15.2	11.5	67.1	0.1
2010	Oct-Dec	5.8	14.8	10.1	69.1	0.2
	Jan-Mar	6.8	16.9	10.9	65.3	0.1
	Apr-Jun	5.7	12.9	9.5	71.7	0.2
	Jul-Sep	6.0	13.9	9.9	70.1	0.1
2011	Oct-Dec	6.2	15.9	10.9	66.9	0.1
	Jan-Mar	7.6	16.9	10.4	65.0	0.1
	Apr-Jun	6.2	13.1	9.0	71.5	0.2
	Jul-Sep	5.2	11.0	8.8	74.7	0.3
2012	Oct-Dec	5.8	12.0	9.3	72.4	0.4
	Jan-Mar	7.5	12.5	9.3	70.6	0.2
	Apr-Jun	7.7	11.3	8.9	71.9	0.2
	Jul-Sep	5.1	9.3	9.6	75.9	0.2
2013	Oct-Dec	5.2	10.0	10.1	74.6	0.2
	Jan-Mar	6.0	11.5	10.8	71.6	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, March 2013.

Exhibit A-6: 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
2008	Oct-Dec	96.0%	88.8%	87.8%	93.1%
	Jan-Mar	96.0	88.9	88.3	92.6
	Apr-Jun	96.2	89.2	88.4	93.3
	Jul-Sep	96.2	89.2	88.0	94.0
2009	Oct-Dec	96.0	89.1	88.8	93.7
	Jan-Mar	95.9	89.4	89.4	93.2
	Apr-Jun	95.7	88.6	87.9	93.1
	Jul-Sep	95.6	86.8	85.8	93.2
2010	Oct-Dec	95.6	86.1	85.2	93.3
	Jan-Mar	95.5	86.2	87.1	92.9
	Apr-Jun	95.6	85.4	86.9	93.6
	Jul-Sep	95.6	86.0	88.0	93.5
2011	Oct-Dec	95.6	87.1	88.9	93.2
	Jan-Mar	95.6	85.7	87.7	92.7
	Apr-Jun	95.7	85.0	86.9	93.7
	Jul-Sep	95.9	85.3	87.5	94.3
2012	Oct-Dec	96.0	85.2	88.8	94.0
	Jan-Mar	96.0	83.4	88.4	93.4
	Apr-Jun	96.0	81.8	87.9	93.3
	Jul-Sep	96.0	83.7	87.7	94.4
2013	Oct-Dec	96.0	84.4	87.8	94.3
	Jan-Mar	95.9	84.6	87.5	94.0

^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, March 2013

Exhibit A-7: Termination Claim Type and Loss Severity Rates

FHA Single Family Mortgage Insurance Termination Claim Dispositions and Loss Severity							
Period	REO Loss Rate ^a	REO Alternatives Loss Rate ^b	Overall Loss Rate	REO Dispositions	REO Alternatives Dispositions	Total Dispositions	REO Alternatives Share
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
2012 - Q4	66.6	45.9	61.3	28,632	6,227	34,859	17.7
2013 - Q1	64.8	53.2	60.2	26,500	12,843	39,343	32.7
2013 - Q2	61.8	52.9	58.3	27,366	11,961	39,327	30.4

^a REO – Real Estate Owned refers to properties that HUD has assumed ownership through the conveyance of title

^b REO Alternatives composes of Short Sales, Claims without Conveyance of Title (CWCOT) and Note Sales. Short sales refer to the sale of property defaulted Borrower to sell his/her home and use the net sale proceeds to satisfy the mortgage debt even though the proceeds are less than the amount owed. Short sales are part of the Preforeclosure Sale (PFS) program.. CWCOT- Claim without Conveyance of Title refers to a program approved under Section 426 of the Housing and Urban-Rural Recovery Act of 1983 designed to reduce the number of single family loans owned by HUD, by authorizing the payment of claims to mortgagees without conveying (transferring) the title to the property to HUD. Note Sale refers to the sale of defaulted mortgage notes designed to reduce foreclosure costs for borrowers. Notes sales are conducted through the Distressed Asset Stabilization Program (DASP)