



U.S. Department of Housing and Urban Development

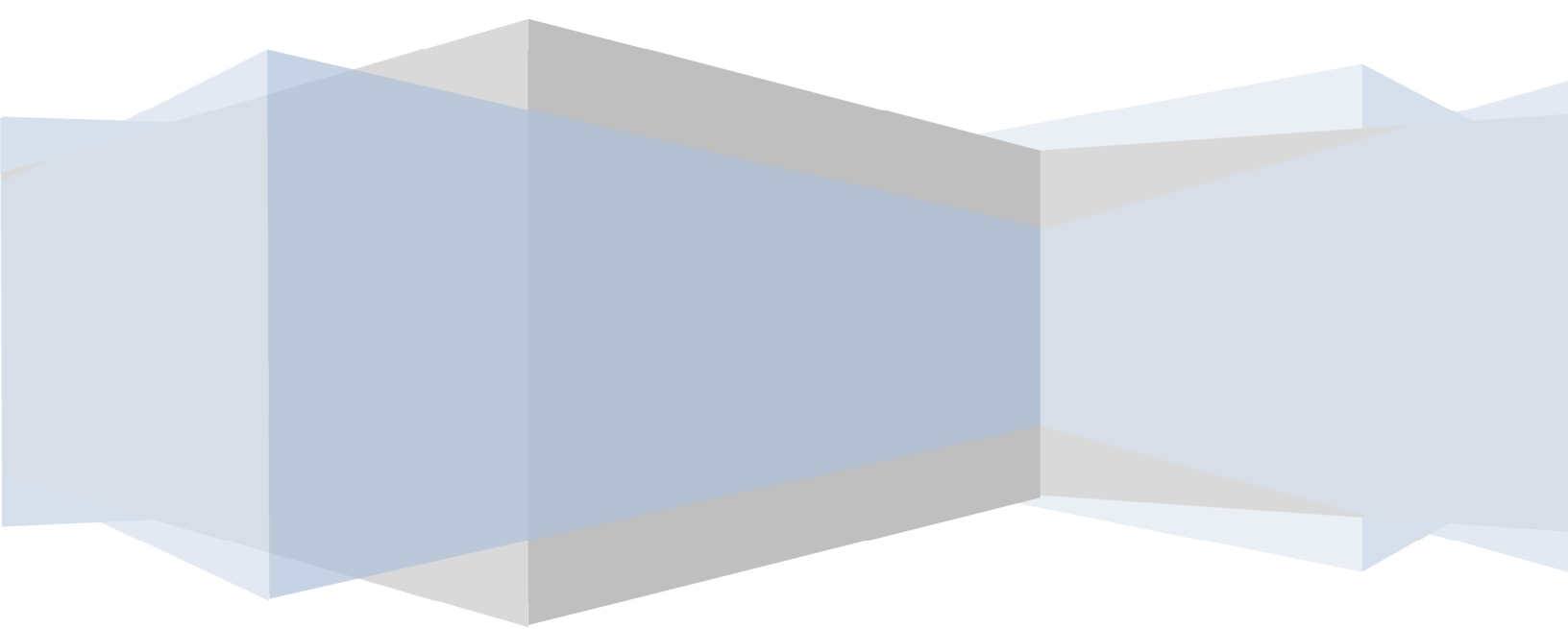
FHA Single-Family Mutual Mortgage Insurance Fund Programs

Quarterly Report to Congress

FY 2016 Q1

Delivered: March 21, 2016

Revised: April 27, 2016



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

FY 2016 Q1
Data as of December 31, 2015

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

FOREWORD

On behalf of Secretary Castro and Principal Deputy Assistant Secretary Edward Golding, 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, Page 122 Stat. 2834), I am herewith transmitting the Fiscal Year 2016 First Quarter Report. This report covers mortgages that are obligations of the Mutual Mortgage Insurance (MMI) Fund of the Federal Housing Administration. The reporting period covers October 1, 2015 through December 31, 2015.

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 the single-family loan-guarantee portfolio via the publication of other complementary reports. All FHA reports can be found in the [Office of Housing Reading Room](#).

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 2015 on November 16, 2015. The FY 2015 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,



Jason Stayanovich

Acting Deputy Assistant Secretary
Risk Management and Regulatory Affairs

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
<p>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</p>	<p>Single-family forward endorsements during the first quarter decreased by 21 percent (22 percent by volume) from the prior quarter, suggesting a slowing in endorsement numbers from earlier in the year. The HECM endorsement volume, at \$3.6 billion for the first quarter of FY 2016, represents a decrease of 20 percent from the previous quarter, and a decrease of 5 percent over the same period in FY 2015.</p>	<p>4, 16, 17</p>	<p>1, A-1, A-2</p>
<p>B) Types of loans insured, categorized by risk</p>	<p>The average credit score this quarter remained at 682, the same as the previous quarter. Share of 720+ credit score loans was nearly unchanged. Average borrower loan-to-value ratio decreased to 93.2 percent.</p>	<p>5, 6, 7, 18, 19, 20, 21</p>	<p>2, 3, 4, A-3, A-4, A-5, A-6</p>
<p>C) Any significant changes between actual and projected claim and prepayment activity</p>	<p>Prepayment speeds have slowed to 32 percent of predicted counts. Claim payments are running 70 percent below predicted levels by dollar amount.</p>	<p>8, 22</p>	<p>5, A-7</p>
<p>D) Projected versus actual loss rates</p>	<p>The year-to-date net loss rate on claim activity of 51.04 percent remained below the actuarial projection of 54.80 percent.</p>	<p>8</p>	<p>5</p>
<p>E) Updated projections of the annual subsidy rates</p>	<p>The budget execution credit subsidy rates (CSR) for FY 2016 Q1 are at -3.70 percent and -0.69 percent for forward loans and HECMs, respectively.</p>	<p>9</p>	<p>6</p>

Other	Summary	Page	Exhibit
F) MMI Fund Balances	The MMI Fund account balance at the end of FY 2016 Q1 was \$45.5 billion, slightly less than last quarter.	10	7
G) Business-Operations Cash Flow	Core business-operations cash flow in FY 2016 Q1 was -\$121 million. FHA paid \$4.8 billion in claims and property expenses, while receiving \$4.7 billion in revenues from premium collections, sale of notes and properties and other revenue.	11	8
H) Early Payment Delinquency	The early payment delinquency (EPD) rate decreased from the previous quarter from 0.39 to 0.36 percent.	12	9
I) Serious Delinquency Rates	The portfolio-level serious delinquency rate decreased this quarter to 5.79 percent, near the lowest level since the beginning of the crisis.	13, 14	10, 11

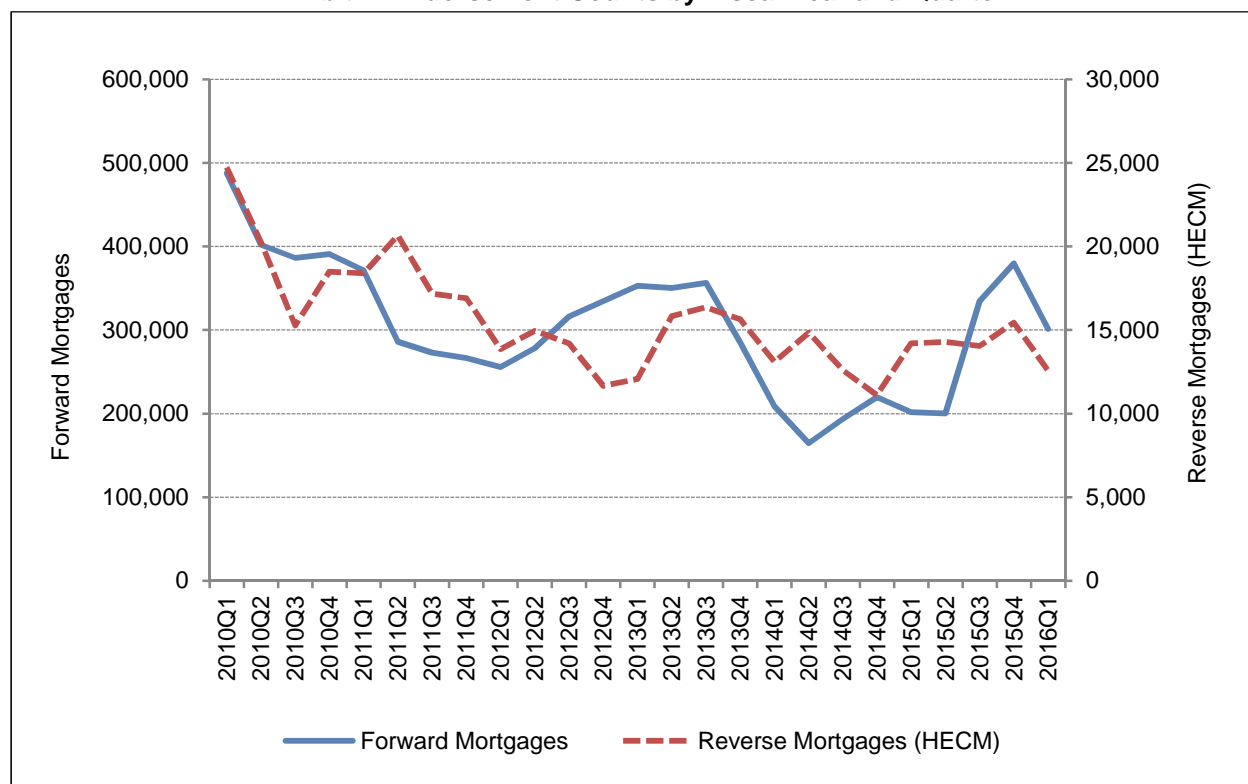
Endorsement Activity

During the first quarter of fiscal year (FY) 2016, the FHA endorsed 301,173 forward mortgages for insurance, down 21 percent from the prior quarter. This suggests a slowing in endorsement volume in the latter part of the year from an earlier surge, likely resulting from a decrease in the FHA forward loan mortgage insurance premium (MIP), which went into effect in January 2015. Recent application activity has indicated endorsement volume may increase at a slower rate than in 2015. FHA-to-FHA refinance activity, in terms of endorsed loans, still increased by 105 percent from the year-earlier period, from 30,965 to 63,466. Overall, refinance levels increased by 94 percent from the year-earlier period (Exhibit 1, Exhibit A-1).

The dollar volume of refinance endorsements (Conventional to FHA, FHA to FHA) in this quarter was 131 percent above the year-earlier period, while the volume of all forward-loan endorsements was up 65 percent (Exhibit A-2).

The HECM endorsement volume, \$3.6 billion for the first quarter of FY 2016, represents a decrease of 5 percent from the same period in FY 2015. HECM endorsement counts in FY 2016 Q1 (12,578) were down 11 percent from FY 2015 Q1.

Exhibit 1. Endorsement Counts by Fiscal Year and Quarter

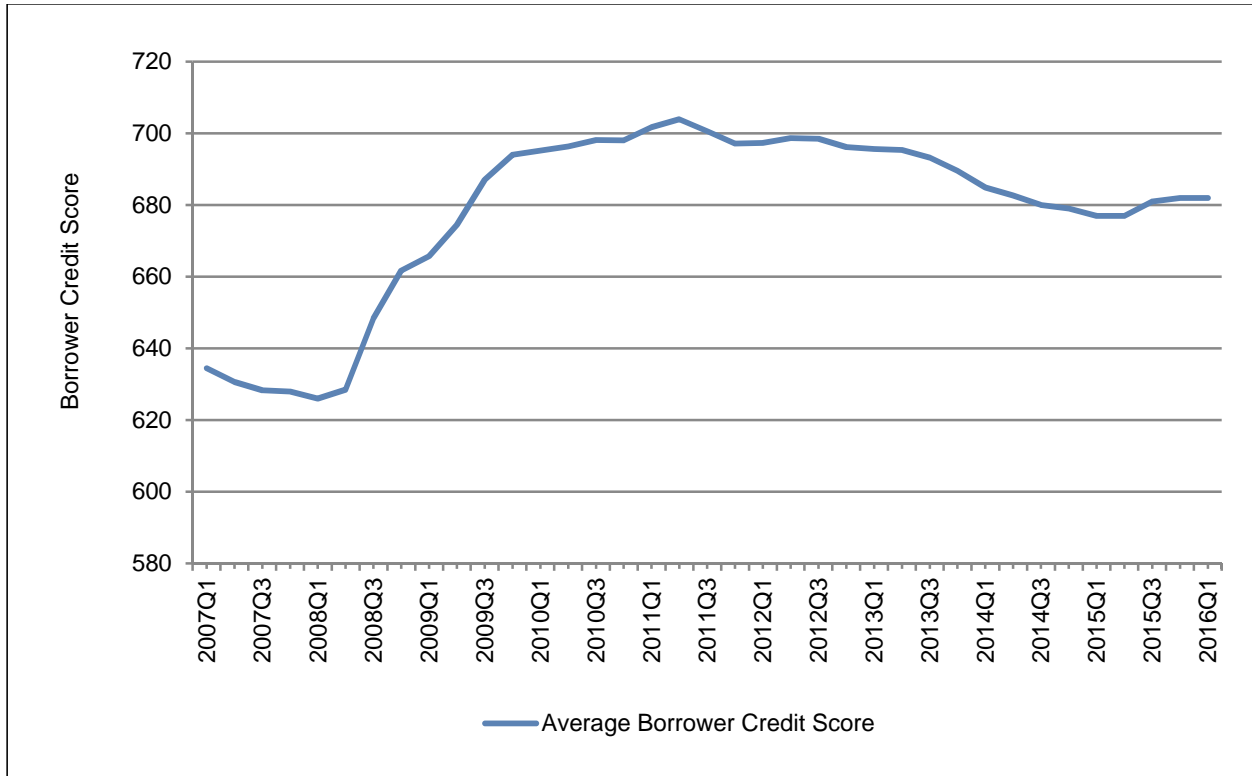


SOURCE: U.S. Department of HUD/FHA, January 2016.

Borrower Credit Scores

Average borrower credit scores remained at 682, five points above the FY 2015 Q1 average. This continues to be well above the levels preceding the mortgage and credit crisis (Exhibit 2, Exhibit A-4).

Exhibit 2. Average Borrower Credit Scores by Fiscal Year and Quarter

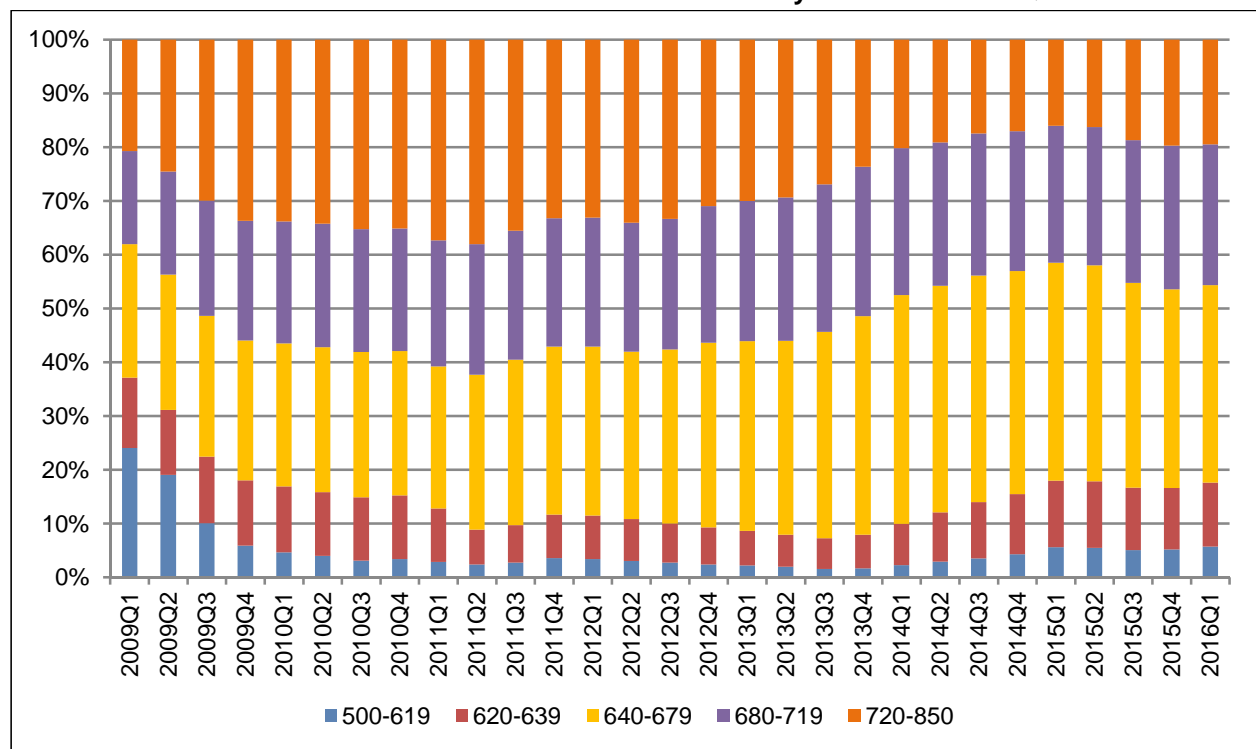


SOURCE: U.S. Department of HUD/FHA, January 2016.

As shown in Exhibit 3, the distribution of borrower credit scores remained fairly consistent over the past two years. The core of the distribution is in the 640–679 range (36.7 percent). In the most recent quarter, the 680–850 scores also saw a small decrease after reaching a near historical low in early FY 2015 (Exhibit 3, Exhibit A-3).

A shift in FHA’s risk profile could easily be lost by focusing on average credit score alone. As shown in Exhibit 3, loans with less than 620 credit score accounted for almost 25 percent of total originations in 2009, compared to less than 6 percent today. On the other hand, the share of loans with credit scores exceeding 720, which accounted for more than one-third of FHA’s production in 2011, is now under 20 percent. The distribution has normalized with the core business of FHA in the 640–679 range.

Exhibit 3. Distribution of Borrower Credit Scores by Fiscal Year and Quarter

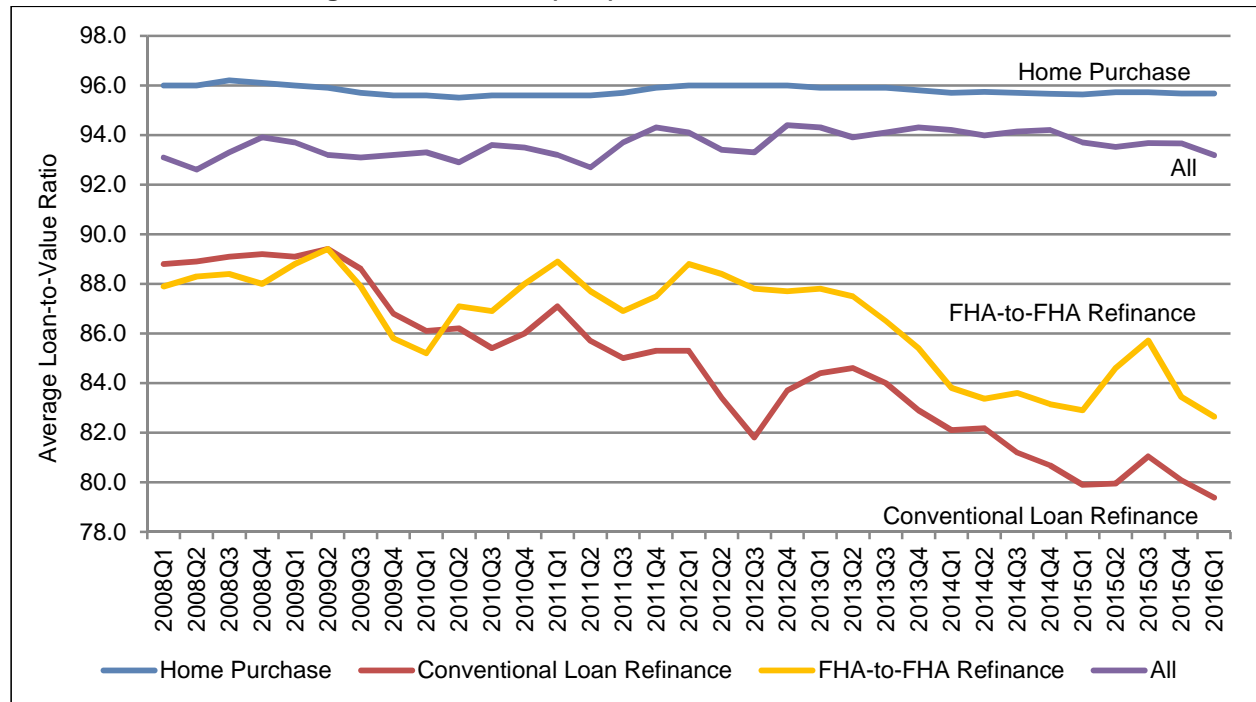


SOURCE: U.S. Department of HUD/FHA, January 2016.

Average Loan-to-Value (LTV)

The average LTV remained unchanged for home purchase loans, but slightly lower for all FHA loans combined. The recent jump in endorsement volume came in large part from refinance activity. Because LTV ratios of refinance loans are typically lower than home purchase loans, the portfolio-wide LTV may benefit from an increase in refinance activity. Refinance loans in the most recent quarter were 30 percent of all endorsements, up from 23 percent in FY 2015 Q1 (Exhibit 4, Exhibit A-1, Exhibit A-5, Exhibit A-6).

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



^a Excludes streamline refinance activity.

SOURCE: U.S. Department of HUD/FHA, January 2016.

Predicted and Actual Termination and Claim-Loss Rates

The predicted-versus-actual comparisons for the first quarter FY 2016 are presented in Exhibit 5. For the first time in many quarters, prepayment speeds are slower than predicted. This is likely a result of refinancing “burn-out” within the portfolio and increasing primary mortgage rates. Claims continue to be well below actuarial predictions. The number of claims during 2016 Q1 (28,623) is 65 percent less than predicted (82,013). That deviation comes from a combination of continued foreclosure-processing delays in many states and more aggressive servicing actions to promote home retention. Neither of these is a factor that can easily be captured in the actuarial forecast models, which are based upon behavioral relationships observed over many years. When institutional and/or borrower behaviors change, it can take a number of years for the actuarial models to have enough data to reset the behavioral patterns to adapt to those changes (Exhibit 5).

Exhibit 5. Termination and Claim Loss Experience Compared to Forecasts

Oct 2015–Dec 2015	Year to Date Predicted ^a	Year to Date Actual	Deviation (Actual minus Predicted)	Percentage Deviation (Actual versus Predicted)
Prepayments (number)	355,134	241,681	-113,455	-32
Claims (number) ^b	82,013	28,623	-53,390	-65
Claims (\$ millions) ^b	10,576	3,129	-7,447	-70
Net Loss on Claims (%) ^c	54.80	51.04	-3.76	

^a Projections of prepayment counts, claim counts, and claim dollars are modeled for the FY 2016 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. Includes only loans in the MMI Fund.

SOURCE: U.S. Department of HUD/FHA, January 2016.

Budget Execution Credit Subsidy Rates

The budget execution subsidy rate for forward loans for FY 2016 Q1 is -3.70 percent. The subsidy rate for HECM loans is -0.69 percent as of FY 2016 Q1 (Exhibit 6).

Exhibit 6. Budget Execution Credit Subsidy Rates, FY 2016 Q1

Type of Loan	Rate (%) ^a
Forward Loans	-3.70
Reverse Loans (HECM)	-0.69

^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 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 are 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: U.S. Department of HUD/FHA, January 2016.

MMI Fund Balances

As Exhibit 7 shows, MMI Fund account balances decreased slightly to \$45.5 billion in FY 2016 Q1. \$18.2 billion is held in the Capital Reserve account, and the other \$27.3 billion is held in the Financing account.

Exhibit 7. MMI Fund Balances^a by Quarter, FY 2010–FY 2016

Fiscal Year	Quarter	Capital Reserve Account ^b (\$ billions)	Financing Account ^c (\$ billions)	Total ^d (\$ billions)
2010	Oct–Dec	11.4	21.2	32.6
	Jan–Mar	12.0	20.2	32.2
	Apr–Jun	3.5	29.6	33.1
	Jul–Sep	4.4	28.9	33.3
2011	Oct–Dec	6.3	26.4	32.7
	Jan–Mar	7.7	23.9	31.6
	Apr–Jun	2.8	28.9	31.7
	Jul–Sep	4.7	29.0	33.7
2012	Oct–Dec	5.7	27.6	33.3
	Jan–Mar	7.0	25.3	32.3
	Apr–Jun	9.8	21.9	31.6
	Jul–Sep	3.3	35.1	38.4
2013	Oct–Dec	7.1	30.0	37.1
	Jan–Mar	11.0	25.1	36.1
	Apr–Jun	15.8	17.3	33.1
	Jul–Sep	0	48.4	48.4
2014	Oct–Dec	2.6	44.5	47.1
	Jan–Mar	2.2	43.6	45.8
	Apr–Jun	4.9	40.4	45.3
	Jul–Sep	7.3	38.9	46.2
2015	Oct–Dec	10.4	35.8	46.2
	Jan–Mar	12.9	33.5	46.3
	Apr–Jun	12.0	34.5	46.5
	Jul–Sep	16.0	29.6	45.6
2016	Oct–Dec	18.2	27.3	45.5

^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 irregular changes to the balance are seen represent times when HUD transfers funds to the Financing account for the rebalancing required by annual budget reestimates.

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

^d Total is the sum of Capital Reserve and Financing account balances. 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.

SOURCE: U.S. Department of HUD/FHA, January 2016.

Cash Flows from Business Operations

FY 2016 Q1 net cash flow was -\$121 million compared to FY 2015 Q4 of \$59 million. The Q1 negative cash flow represents the first net outflow in four quarters.

HUD has been proactive in reducing average losses per claim through a more diversified asset disposition strategy that now includes the Distressed Asset Stabilization Program (DASP), promotion of third-party sales at foreclosure auctions, Claims Without Conveyance of Title (CWCOT), and expanded eligibility for pre-foreclosure (short) sales. Claim costs have decreased from a high of 67 percent in 2011 to around 50 percent over the last four quarters (Exhibit A-7).

Exhibit 8. Business Operations Cash Flows, FY 2015 Q2–FY 2016 Q1 (\$ millions)

	FY 2015 Q2	FY 2015 Q3	FY 2015 Q4	FY 2016 Q1	Past 4 Quarters
Collections					
Premiums	2,910	3,414	3,375	3,230	15,817
Property Sale Receipts	974	1,171	1,226	1,168	5,480
Note Sale Proceeds	366	(12)	571	110	2,124
Other	111	53	97	189	1,234
Total	4,361	4,626	5,269	4,697	24,655
Disbursements					
Claims ^a	(4,148)	(4,371)	(5,110)	(4,723)	(23,992)
Property Maintenance	(79)	(103)	(99)	(92)	(449)
Other	(2)	(6)	(1)	(3)	(13)
Total	(4,229)	(4,480)	(5,210)	(4,818)	(24,454)
Net Operations Cash Flow	132	146	59	(121)	201

^a Claim payments shown here include conveyance, pre-foreclosure sale, note sales, loss mitigation (home retention) actions, and all HECM claims (assignment and shortfall claims).

NOTE: Unaudited figures; details may not sum to total due to rounding.

SOURCE: U.S. Department of HUD/FHA, January 2016.

Early-Payment Delinquency (EPD)

The EPD rate for loans originated in FY 2015 Q3 is down three basis points from the previous quarter.

Exhibit 9. Early Payment Delinquency Rates

Fiscal Year	Origination Quarter	Loan Type / Purpose (%)		
		Purchase	Refinance	All ^a
2007	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	0.32	0.35
	Jul–Sep	0.36	0.26	0.34
2013	Oct–Dec	0.26	0.20	0.23
	Jan–Mar	0.29	0.20	0.24
	Apr–Jun	0.32	0.22	0.27
	Jul–Sep	0.36	0.26	0.33
2014	Oct–Dec	0.32	0.29	0.31
	Jan–Mar	0.37	0.33	0.36
	Apr–Jun	0.46	0.37	0.44
	Jul–Sep	0.46	0.34	0.43
2015	Oct–Dec	0.37	0.28	0.35
	Jan–Mar	0.42	0.29	0.39
	Apr–Jun	0.44	0.26	0.36

^a Percent of loans originated in each quarter for FHA insurance that experience a three-month delinquency in the first six payment cycles.

SOURCE: U.S. Department of HUD/FHA, January 2016.

Serious Delinquency Rates

Serious delinquency rates (SDQ) fell to near their lowest point since at least 2008 (Exhibit 10). Rates for those vintages most affected by the recent economic recession (2006–2008) continue to decline, as the number of loans that are new serious delinquencies is smaller than the number of serious delinquencies that cure or become current.

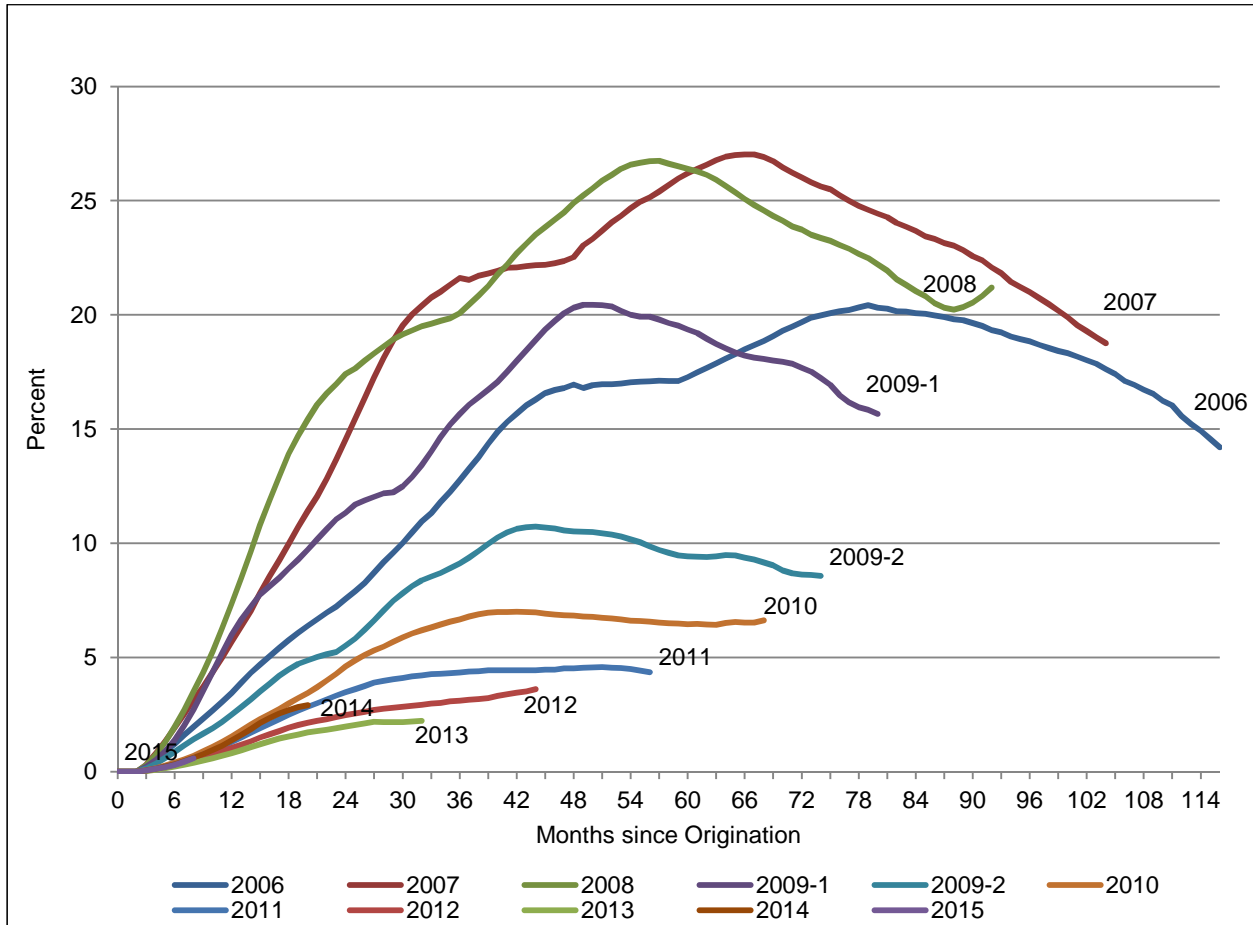
Exhibit 10. Serious Delinquency Rates, All Single-Family Forward Endorsements



SOURCE: U.S. Department of HUD/FHA, January 2016.

Exhibit 11 follows the serious delinquency rates of recent vintages over the last eight quarters. Serious delinquency rates have declined slightly in the older vintages but risen in the more recent vintages. This is consistent with past behavior of delinquency rates, which tend to rise in the early months and then taper off as they season.

Exhibit 11. Serious Delinquency Rates by Fiscal Year of Loan Origination and Months of Seasoning, All Endorsements



NOTE: The 2009 cohort is separated into two parts, representing loan originations from October through March in 2009-1 and loan originations from April through September in 2009-2.
 SOURCE: U.S. Department of HUD/FHA, January 2016.

APPENDIX

Exhibit A-1. New Endorsement Counts

	Forward Mortgages ^a				Reverse Mortgages (HECM) ^b
	Home Purchase	Conventional Loan Refinance	FHA-to-FHA Refinance	All Forward Loans	
Fiscal Year					
2000	763,064	30,352	38,131	831,547	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	540,314	53,939	298,169	892,422	37,791
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	591,326	349,124	91,133	1,031,583	112,013
2009	995,102	468,768	367,450	1,831,320	114,639
2010	1,109,163	305,296	252,448	1,666,907	78,758
2011	777,102	194,811	224,760	1,196,673	73,093
2012	733,698	129,185	321,615	1,184,498	54,677
2013	702,415	91,500	550,924	1,344,839	59,917
2014	594,998	55,352	136,003	786,353	51,616
2015	753,389	80,015	282,811	1,116,215	57,990
2016	210,544	27,163	63,466	301,173	12,578
Fiscal Year and Quarter					
2012 Q3	193,556	38,077	84,426	316,059	14,204
2012 Q4	197,970	22,678	113,787	334,435	11,650
2013 Q1	177,852	22,754	152,519	353,125	12,079
2013 Q2	157,439	25,428	167,486	350,353	15,830
2013 Q3	181,297	24,176	150,904	356,377	16,371
2013 Q4	185,827	19,142	80,015	284,984	15,637
2014 Q1	152,965	14,610	40,912	208,487	13,094
2014 Q2	119,833	13,456	31,203	164,492	14,827
2014 Q3	148,016	13,573	32,042	193,631	12,590
2014 Q4	174,184	13,713	31,846	219,743	11,105
2015 Q1	154,807	15,827	30,965	201,599	14,199
2015 Q2	132,529	15,429	52,180	200,138	14,288
2015 Q3	198,802	21,485	114,357	334,644	14,058
2015 Q4	267,251	27,274	85,309	379,834	15,445
2016 Q1	210,544	27,163	63,466	301,173	12,578

^a Starting in FY 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). 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: U.S. Department of HUD/FHA, January 2016.

Exhibit A-2. Endorsement Volumes

	Volumes (\$ millions)				
	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	3,000
2004	66,835	6,998	33,787	107,620	6,886
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	24,622
2008	95,374	61,525	14,907	171,806	24,240
2009	171,672	86,984	71,729	330,385	30,172
2010	191,602	56,431	49,468	297,501	20,974
2011	134,357	36,846	46,440	217,642	18,208
2012	124,454	23,473	65,344	213,271	13,113
2013	124,934	16,932	98,248	240,114	14,680
2014	105,721	9,410	20,086	135,216	13,520
2015	140,262	14,429	58,423	213,114	16,130
2016	40,562	5,038	12,478	58,077	3,625
Fiscal Year and Quarter					
2012 Q3	32,981	7,061	17,777	57,819	3,466
2012 Q4	34,515	4,109	22,241	60,865	2,733
2013 Q1	30,994	4,135	28,595	63,724	2,819
2013 Q2	27,887	4,793	30,991	63,671	3,839
2013 Q3	32,330	4,510	26,445	63,284	4,090
2013 Q4	33,724	3,494	12,217	49,435	3,932
2014 Q1	27,346	2,577	5,903	35,826	3,434
2014 Q2	21,424	2,316	4,560	28,300	3,997
2014 Q3	25,849	2,212	4,755	32,816	3,202
2014 Q4	31,102	2,305	4,868	38,275	2,887
2015 Q1	27,596	2,604	4,975	35,175	3,802
2015 Q2	23,975	2,658	10,561	37,194	3,916
2015 Q3	36,989	4,012	25,060	66,061	3,871
2015 Q4	51,702	5,155	17,828	74,684	4,540
2016 Q1	40,562	5,038	12,478	58,077	3,625

^a Starting in FY 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). 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: U.S. Department of HUD/FHA, January 2016.

Exhibit A-3. Borrower Credit Score Distributions on New Endorsements (%)

Fiscal Year	Quarter	Credit Scores ^a				
		500–619	620–639	640–679	680–719	720–850
2009	Oct–Dec	23.8	13.0	24.6	17.2	20.5
	Jan–Mar	18.8	12.0	24.9	18.9	24.3
	Apr–Jun	10.0	12.3	25.9	21.2	29.6
	Jul–Sep	5.9	12.0	25.7	22.1	33.3
2010	Oct–Dec	4.6	12.1	26.3	22.5	33.5
	Jan–Mar	4.0	11.7	26.7	22.8	33.9
	Apr–Jun	3.1	11.7	26.7	22.6	34.9
	Jul–Sep	3.4	11.7	26.6	22.6	34.8
2011	Oct–Dec	2.9	9.9	26.2	23.2	37.0
	Jan–Mar	2.4	6.4	28.6	24.1	37.7
	Apr–Jun	2.8	6.9	30.6	23.8	35.3
	Jul–Sep	3.6	8.1	31.0	23.7	33.0
2012	Oct–Dec	3.4	8.0	31.3	23.9	32.9
	Jan–Mar	3.1	7.7	31.0	23.9	33.9
	Apr–Jun	2.8	7.2	32.3	24.2	33.2
	Jul–Sep	2.4	6.8	34.2	25.3	30.9
2013	Oct–Dec	2.2	6.4	35.2	26.0	29.9
	Jan–Mar	2.0	5.9	36.0	26.6	29.2
	Apr–Jun	1.6	5.7	38.3	27.4	26.9
	Jul–Sep	1.7	6.2	40.5	27.7	23.6
2014	Oct–Dec	2.3	7.7	42.4	27.3	20.1
	Jan–Mar	3.0	9.1	42.0	26.6	19.1
	Apr–Jun	3.5	10.4	42.1	26.4	17.4
	Jul–Sep	4.3	11.2	41.4	26.0	17.0
2015	Oct–Dec	5.6	12.3	40.4	25.4	16.0
	Jan–Mar	5.5	12.4	40.0	25.7	16.3
	Apr–Jun	5.1	11.6	38.1	26.5	18.7
	Jul–Sep	5.2	11.4	36.9	26.6	19.7
2016	Oct–Dec	5.8	11.9	36.7	26.1	19.5

^a Credit scores are cobranded 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; therefore, they are not represented here.

NOTES: Shares in each row may not sum to 100% due to rounding; excludes streamline refinance loans.

SOURCE: U.S. Department of HUD/FHA, January 2016.

Exhibit A-4. Average Borrower Credit Scores^a on New Endorsements

Fiscal Year	Quarter	Loan Purpose			
		Home Purchase	Conventional Loan Refinance	FHA-to-FHA Refinance ^b	All
2008	Oct-Dec	633	615	626	626
	Jan-Mar	635	620	633	629
	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
	Apr-Jun	693	694	699	693
	Jul-Sep	690	686	690	690
2014	Oct-Dec	686	677	680	685
	Jan-Mar	684	675	675	683
	Apr-Jun	681	672	673	680
	Jul-Sep	680	671	671	679
2015	Oct-Dec	678	669	669	677
	Jan-Mar	678	673	675	677
	Apr-Jun	681	678	679	681
	Jul-Sep	683	677	674	682
2016	Oct-Dec	682	676	673	682

^a Credit scores are cobranded 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; therefore, they are not represented here.

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

SOURCE: U.S. Department of HUD/FHA, January 2016.

Exhibit A-5. Loan-to-Value (LTV) Ratio Distribution on New Endorsements

Fiscal Year	Quarter	LTV Ratio ^a (%)			
		Up to 80	81–90	91–95	96–98 ^b
2009	Oct–Dec	6.28	11.25	21.38	61.09
	Jan–Mar	6.88	13.46	23.42	56.23
	Apr–Jun	6.41	14.38	17.73	61.48
	Jul–Sep	6.01	15.23	11.54	67.21
2010	Oct–Dec	5.82	14.83	10.11	69.24
	Jan–Mar	6.86	16.89	10.89	65.37
	Apr–Jun	5.73	12.94	9.53	71.81
	Jul–Sep	5.97	13.88	9.95	70.20
2011	Oct–Dec	6.21	15.87	10.95	66.97
	Jan–Mar	7.58	16.88	10.40	65.14
	Apr–Jun	6.21	13.08	9.00	71.70
	Jul–Sep	5.21	11.03	8.80	74.97
2012	Oct–Dec	5.85	12.02	9.33	72.80
	Jan–Mar	7.52	12.50	9.27	70.72
	Apr–Jun	7.67	11.34	8.96	72.04
	Jul–Sep	5.08	9.31	9.59	76.03
2013	Oct–Dec	5.17	9.99	10.14	74.71
	Jan–Mar	5.97	11.52	10.77	71.73
	Apr–Jun	5.63	10.27	9.75	74.35
	Jul–Sep	5.26	9.71	8.94	76.10
2014	Oct–Dec	5.58	9.94	9.00	75.47
	Jan–Mar	6.08	10.91	9.41	73.59
	Apr–Jun	5.63	9.61	9.04	75.72
	Jul–Sep	5.46	9.46	9.13	75.95
2015	Oct–Dec	6.71	10.79	8.93	73.57
	Jan–Mar	7.10	11.65	8.96	72.29
	Apr–Jun	6.14	11.58	8.76	73.51
	Jul–Sep	6.44	11.13	8.35	74.08
2016	Oct–Dec	7.53	12.56	8.24	71.67

^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 and continued for the remainder of FY 2010. Prior to FY 2009, the upfront premium rate varied depending on a number of factors.

^b 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 were such financing, the statutory maximum was between 97 and 98.15 percent, depending on the geographic location and price of the property.

NOTES: Shares in each row sum to 100%; excludes streamline refinance loans.

SOURCE: U.S. Department of HUD/FHA, January 2016.

Exhibit A-6. Average Loan-to-Value (LTV) Ratios^a on New Endorsements (%)

Fiscal Year	Quarter	Loan Purpose			
		Home Purchase	Conventional Loan Refinance	FHA-to-FHA Refinance	All
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	85.3	88.8	94.1
	Jan-Mar	96.0	83.4	88.4	93.4
	Apr-Jun	96.0	81.8	87.8	93.3
	Jul-Sep	96.0	83.7	87.7	94.4
2013	Oct-Dec	95.9	84.4	87.8	94.3
	Jan-Mar	95.9	84.6	87.5	93.9
	Apr-Jun	95.9	84.0	86.5	94.1
	Jul-Sep	95.8	82.9	85.4	94.3
2014	Oct-Dec	95.7	82.1	83.8	94.2
	Jan-Mar	95.7	82.2	83.4	94.0
	Apr-Jun	95.7	81.2	83.6	94.1
	Jul-Sep	95.7	80.7	83.1	94.2
2015	Oct-Dec	95.6	79.9	82.9	93.7
	Jan-Mar	95.7	80.0	84.6	93.5
	Apr-Jun	95.7	81.1	85.7	93.7
	Jul-Sep	95.7	80.1	83.4	93.7
2016	Oct-Dec	95.7	79.4	82.6	93.2

^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 and continued for the remainder of FY 2010. Prior to FY 2009, the upfront premium rate varied depending on a number of factors. SOURCE: U.S. Department of HUD/FHA, January 2016.

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

Fiscal Year	Quarter	Loss Rates (% Unpaid Principal Balance)			Disposition Counts			REO Alternatives Share of Dispositions (%)
		REO ^a	REO Alternatives ^b	Overall	REO	REO Alternatives	Total	
2010	Oct–Dec	67.1	42.9	63.5	20,166	3,522	23,688	14.9
	Jan–Mar	65.1	42.4	60.7	25,453	6,062	31,515	19.2
	Apr–Jun	66.4	45.5	62.5	22,716	5,310	28,026	18.9
	Jul–Sep	67.3	46.8	61.8	14,929	5,451	20,380	26.7
2011	Oct–Dec	71.0	47.6	64.7	16,540	6,132	22,672	27.0
	Jan–Mar	71.1	47.2	67.0	37,381	7,736	45,117	17.1
	Apr–Jun	72.3	47.8	67.7	32,664	7,592	40,256	18.9
	Jul–Sep	72.4	48.4	67.0	27,034	7,978	35,012	22.8
2012	Oct–Dec	72.1	47.0	63.2	25,336	9,389	34,725	27.0
	Jan–Mar	70.9	47.8	62.7	22,009	8,022	30,031	26.7
	Apr–Jun	69.2	48.7	61.3	23,906	10,138	34,044	29.8
	Jul–Sep	67.8	48.2	60.6	27,305	11,164	38,469	29.0
2013	Oct–Dec	66.1	55.4	61.6	25,245	12,966	38,211	33.9
	Jan–Mar	63.8	49.6	58.4	26,164	11,362	37,526	30.3
	Apr–Jun	60.3	54.1	57.0	28,093	22,940	51,033	45.0
	Jul–Sep	59.2	51.5	54.9	27,734	27,777	55,511	50.0
2014	Oct–Dec	61.0	47.6	54.0	23,647	19,683	43,330	45.4
	Jan–Mar	62.5	50.8	54.9	19,518	24,733	44,251	55.9
	Apr–Jun	58.7	45.3	50.7	15,608	17,080	32,688	52.3
	Jul–Sep	56.9	46.8	49.5	12,593	25,287	37,880	66.8
2015	Oct–Dec	58.9	45.1	49.9	12,720	18,763	31,483	59.6
	Jan–Mar	59.9	45.3	53.0	13,486	9,322	22,808	40.9
	Apr–Jun	56.0	42.8	50.4	15,410	8,927	24,337	36.7
	Jul–Sep	54.7	47.7	50.9	16,276	14,458	30,734	47.0
2016	Oct–Dec ^c	56.0	46.3	50.3	9,743	10,747	20,490	52.4

NOTE: Includes all single-family forward loans.

^a Real Estate Owned (REO) refers to properties that HUD has assumed ownership of through the conveyance of title.^b REO alternatives comprise short sales, claims without conveyance of title (CWCOT), and note sales. Short sales refer to the sale of property where the defaulted borrower sells his/her home and uses 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 is a program approved under Section 426 of the Housing and Urban-Rural Recovery Act of 1983. It is 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 in order to reduce foreclosure costs for borrowers. Notes sales are conducted through the Distressed Asset Stabilization Program (DASP).^c Data through November 2015.

SOURCE: U.S. Department of HUD/FHA, February 2016.