



U.S. Department of Housing and Urban Development

FHA Single-Family Mutual Mortgage Insurance Fund Programs

Quarterly Report to Congress FY 2012 Q2

Delivered: May 21, 2012

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 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 January 1, 2012 through March 31, 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, we continue to provide additional transparency on the FHA single-family loan-guarantee portfolios by posting a series of reports in the Office of Housing Reading Room on the www.hud.gov website. Each one of these reports provides details on new endorsement activity. Posted reports include:

- FHA Single Family Outlook Report
- Monthly Report to the FHA Commissioner
- Forward loan and HECM "Snapshot" reports
- Home-purchase and mortgage origination market-share reports

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 2011 in mid-November. The FY 2011 Annual Report includes an exhaustive analysis of the portfolio, including detailed projections of future performance and discussion of economic risk.

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

Acting Deputy Assistant Secretary

Risk Management and Regulatory Affairs





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

FY 2012 Q2

Data as of March 31, 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:

Ma	andated 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 endorsements increased 9% last quarter, driven by a refi boom. FHA estimates that this represents a gain of about 2% of total market share during the period. Purchase loan volume decreased by 5% this quarter, 7% year over year.	4	1
B)	Types of loans insured, categorized by risk	Average credit score increased slightly to 699, average LTV decreased by about 0.9% due to greater refinance activity.	5 - 7	2 - 4
C)	Significant changes between actual and projected claim and prepayment activity	Prepayments increased this quarter. Claims activity is lower than projected, most likely due to delays in foreclosure timelines.	8	5
D)	Projected versus actual loss rates	Loss severities averaged about 65% last quarter, down slightly last period as the share of short sales continues to rise.	8 - 9	5 - 7
E)	Updated projections of the annual subsidy rates	The credit subsidy rate remains unchanged at -2.16 this quarter. Recently announced premium adjustments will be reflected next quarter.	10	8

Other	Summary	Page	Exhibit
F) MMI Fund Balance	Fund balances decreased over the last quarter from \$33.3 billion to \$32.3 billion.	11	9
G) Cash flow from operations	Cash flow from operations funded more than 80% of net claims losses over the last year.	12	10
H) Early payment defaults	Early payment defaults (EPDs), still at historic lows, but starting to trend up, mirroring a shift in FHA's mix of credit scores that began occurring in 3Q 2011.	13	11
I) Seriously delinquent rate	Unadjusted serious delinquencies decreased slightly to 9.4%, likely due to seasonal trends.	14 -15	12 - 13

Forward loan endorsement volume increased 9% from last quarter, driven by an increase in prepayment activity

In the second quarter of Fiscal Year (FY) 2012, FHA endorsed for insurance 278,334 forward loans and 14,955 reverse mortgages (HECM product). Those counts represent quarterly increases of about 9% and 8%, respectively, in these two principal single-family product lines. On a year-over-year basis, forward-loan endorsements were down 3% while HECM activity was down 28%. Purchase loan activity was down 5% since last quarter, 7% year over year.

The increase in forward loan volume was driven by a large increase in refinance activity, as rates fell 50 basis points over the last two quarters. In addition, we believe many refinances were motivated by the upcoming fee increase, which took effect in April. We expect that this is a temporary increase in refinance volume and expect it to subside over the next few months.

Comparisons with overall market share are not straight forward because of reporting lags. However, FHA estimates a gain of about 2% of total market share during the period. Again, this is believed to be attributable to the increase in refinance activity ahead of the increase to FHA's premiums. See Exhibit A-3 in the Appendix for additional market share detail.

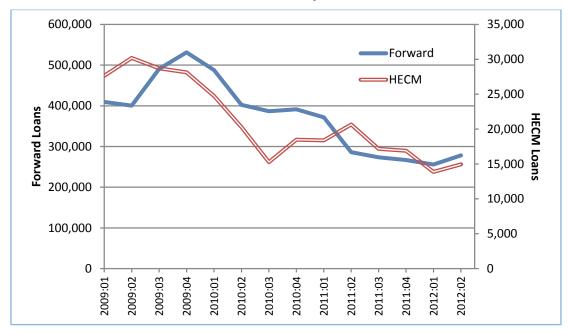


Exhibit 1: Endorsement Counts by Fiscal Year and Quarter

Source: US Department of HUD/FHA, April 2012¹

Average borrower credit scores increased slightly to 699

The overall average borrower credit score of 699 for FY 2012 Q2 is up slightly from 697 last quarter. The increase in overall average is attributed to an increase in the FICO scores of recent refinance activity, as well as an increase in the average FICO scores for refinances. The average for purchase stayed constant at 696 from last quarter. Overall scores have ranged between 697 and 703 since FY 2009 Q4.

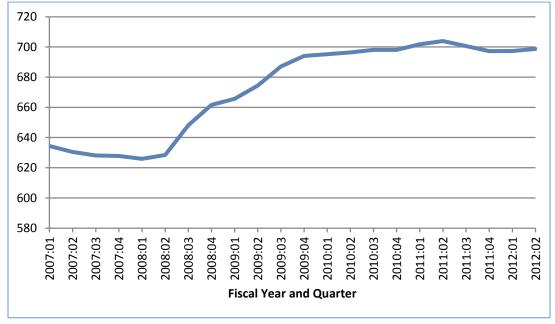


Exhibit 2: Average Borrower Credit Score

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

Source: US Department of HUD/FHA, April 2012.1

A breakdown by FICO band suggests that production shifted toward the 720+ cohort after decreasing over the last three quarters. After peaking at a 37.4% share a year ago, share of the 720+ cohort since fell about 5% before rebounding a bit to 33.5% this quarter. The 620-679 cohort, which characterizes FHA's traditional borrower base, continues to lead new production, exceeding 39% of total production for the third straight quarter.

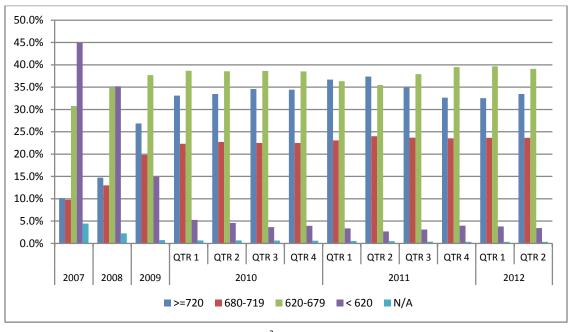


Exhibit 3: Average Borrower Credit Score

Source: US Department of HUD/FHA, April 2012.²

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

FHA MMIF Programs Quarterly Report to Congress FY 2012 02

Average Loan-to-Value (LTV) ratios decreased 0.9% over the last two quarters due to increased refinance activity

Average LTV has decreased 0.9% over the last two quarters, even though average LTVs for purchase and refinance remained relatively stable. The drop was driven by an increase in refinance share, which almost doubled from 21% to 40% over that period. Rates fell 50 basis points over the last two quarters, which has spurred refinancing activity from borrowers who originated their loans over the last two years. FHA estimates that up to 200,000 borrowers became refinanceable from the 2010 and 2011 vintages alone.

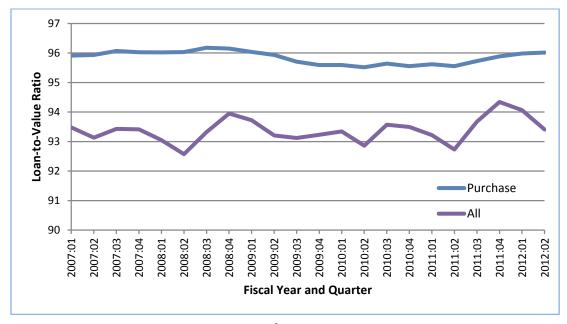


Exhibit 4: Average Loan-to-Value (LTV) Ratios on New Endorsements

Source: US Department of HUD/FHA, April 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 - December 2011

	Year-To- Date Predicted ^a	Year-To-Date Actual	Deviation (Actual - Predicted)	Percentage Deviation (Actual vs. Predicted)
Prepayments - Number	192,845	254,808	61,963	32%
Claims - Number ^b	114,449	61,213	(53,236)	-47%
Claims – Dollars (mil) ^b	\$15,953	\$7,581	(\$8,372)	-52%
Net Loss-on-Claims (%) ^c	63.6%	64.3%	-0.76%	

^a Projections of prepayment and claim counts are from the FY2011 annual independent actuarial study; dollar predictions are from forecasts used in the FY 2011 FHA financial statements; quarterly predictions shown here use straight-line interpolation techniques and thus reflect expected trend trajectories across the year. YTD data as of January 11, 2012.

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

Prepayments pick up

Prepayments picked up last quarter in response to a 50 basis point drop in rates. In addition, we believe many refinances were motivated by the upcoming fee increase, which is to take effect in April. We expect this is a temporary increase in refinance volume and expect it to subside over next few months.

The actuarial methodology assumes all prepayments leave the portfolio in the year that the prepayments occur, with an attendant decrease in revenue to the Fund. However, about 123,000 prepays for FY 2012 were FHA-to-FHA. This means that roughly half of all prepays through the first two quarters of FY 2012 were recycled back into the portfolio immediately with no loss of revenue. Thus, even though prepayments so far have exceeded the actuarial projections, revenue projections are still in line.

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 saw a mild ramp-up in foreclosure activity toward the end of the quarter, most likely due to the recent settlement. We expect the pace of foreclosures to increase over the next few quarters.

^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. Last quarter they were calculated as losses as a percentage of the claim payment. Due to delays in accounting for the final net loss on REO sales, the Actual Rate reported here is subject to revision.

Average loss rate decreases slightly due to increased share of short sales

The actual year-to-date net loss rate on claims is about 65% percent, down about 1% from last quarter, as short sales increased as a share of all claims. The loss rate on this quarter's REO and pre-foreclosure sales is 72 percent and 48 percent, respectively.

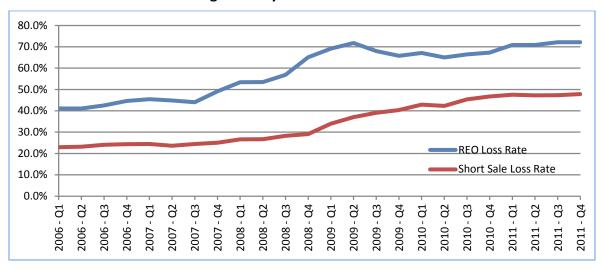


Exhibit 6: FHA Single-Family Loss Rates for REO and Short Sales

30.0% 50,000 45,000 25.0% 40,000 35,000 20.0% 30,000 25,000 15.0% 20,000 10.0% 15,000 10,000 5.0% 5,000 0.0% 2006 - Q4 2007 - Q1 2008 - Q3 2008 - Q4 2009 - Q1 2009 - Q2 2009 - Q3 2009 - Q4 2010 - Q1 2010 - Q3 2010 - Q4 2011 - Q1 2010 - Q2 2011 - Q2 2007 - Q4 2006 - Q3 2007 - Q2 2007 - Q3 2008 - Q2 2008 - Q1 REO Dispositions PFS Dispositions Short Sale Share

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

Source: US Department of HUD/FHA, April 2012.4

-

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

Budget execution credit subsidy remains unchanged.

The credit subsidy rate held steady at -2.16. Recently announced premium adjustments will change the credit subsidy rates in future quarters.

Exhibit 8: Budget Execution Credit Subsidy Rates

FHA Single-Family Mortgage Insurance				
Budget Execution Credit Subsidy Rates ^a FY 2012				
Forward Loans	-2.16			
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.

MMI fund balances decreased by \$1.0 billion over the last quarter

Total capital resources decreased from \$33.3 billion to \$32.3 billion in FY 2012 Q2. Financing Account balances, which reflect day-to-day business operation cash flows, decreased by \$2.3 billion. We expect this trend to continue in the near term as foreclosure activity ramps up.

Exhibit 9: MMI Fund Balances by Quarter, FY 2009 - FY 2012 Q1

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

		Capital Reserve	Financing	Total Capital
Fiscal Year	Quarter	Account ^b	Account	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

^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.

Cash flows from operations covered 80% of net claims losses

The core business-operations cash flow in FY 2012 Q2 was negative \$1.2 billion, resulting in a net outflow of \$1.9 billion over the last four quarters. Premium collections contributed \$7.6 billion. Claims activity has been muted relative to expectations over the last year. Toward the end of the quarter we began to see a breaking of the foreclosure back-log that has been affecting the entire mortgage industry since the start of FY 2011. We expect this trend to continue.

Exhibit 10: Business Operations Cash Flows FY 2011 Q3 – FY2012 Q2

FHA MMI Fund Financing Account						
Business O	perations Cash	Flows in FY20	11 Q3 -FY201	2 Q2, by Qua	rter ^a	
		(millions)	1			
	FY	2011 and First	Quarter FY 20	12		
	FY 2011 Quarter 3	FY 2011 Quarter 4	FY 2012 Quarter 1	FY 2012 Quarter 2	Past 4 Quarters	
Collections						
Premiums	\$1,798	\$1,848	\$1,942	\$2,019	\$7,607	
Property Sale Receipts	2,378	1,960	1,648	1,435	7,421	
Note Sale Collections	50	28	(1)	-	77	
Other	14	18	42	20	94	
Total	4,240	3,854	3,631	3,474	15,199	
Disbursements						
Claims ^b	\$(3,830)	\$(3,715)	\$ (3,733)	\$(4,358)	\$(15,636)	
Property Maintenance	(452)	(388)	(326)	(270)	(1,436)	
Other	-	-	-	-	-	
Total	(4,282)	(4,103)	(4,059)	(4,628)	(17,072)	

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

Net Operations Cash

\$(249)

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

	Past 4 Quarters
Source claims payments	(billions)
Net Default Losses	\$9.6
Disbursements	
Premiums (MIP)	\$7.6
Other income	\$0.1
Reserves	\$ 1.9
Total Disbursements	\$9.4

\$(42)

More than 80% of net claims that FHA paid out last year in net claims losses was funded through current income.

\$(1,154)

\$(428)

\$(1.87

Less than \$2 billion was needed from the \$30+ billion in total capital resources.

^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).

Early-period delinquency (EPD) rates increased to 42 basis points.

Early payment defaults (EPDs), still at historic lows, continue to trend up. Some of the increase can be attributed to a shift in the credit score mix that occurred in Q3 2011, away from 720+ and more toward FHA's traditional borrower base. (See Exhibit A-5 in the Appendix for more detail on mix of credit scores.). FHA is investigating whether other factors may be driving the result. As discussed in the last Quarterly report, FHA will report EPDs excluding streamlined refinances going forward, as their default behavior more closely resembles seasoned loans rather than new originations.

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							
		Loan	n Type/Purpos	se			
Fiscal Year	Origination Quarter	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			

^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.

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

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

Serious delinquency rates decreased to 9.4%.

Although serious delinquency rate fell from 9.6% to 9.4% this quarter, it may be more a result of seasonal factors rather than the beginning of a turnaround. The level is about 1% higher than this time a year ago. Two factors appear to be driving this result. The first is the persistency of loans in 90-day delinquency as lenders attempt to craft workout plans, and persistency of loans in foreclosure processing. The second is that 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.

30.0% 2008 25.0% 2007 20.0% 2006 15.0% 2009 10.0% 5.0% 2010 2011 0.0% **—**2008 **—**2009 **—**2010 **—**2011 **-2**007

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

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

Note from Exhibit 13 that the FY 2010 book is performing significantly better than did the FY 2009 book at this point in its lifecycle. The serious delinquent rate at the end of its second year of seasoning is 4.07%, whereas the FY 2009 cohort had a rate of 7.23% at the same point (FY 2011 Q1). The same comparison between the 2011 and 2010 books yields the result that the current serious delinquent rate for 2011 is 0.93%, whereas the rate for the 2010 book one year ago was 1.20%.

Exhibit 13: Serious Delinquency Rates by Endorsement Fiscal Year and Activity Quarter

FHA Single-Family Insurance Serious Delinquency Rates^a by Endorsement Fiscal Year And Activity Quarter^b

		Activity Period										
Endorsement	FY2012	FY2012	FY2011	FY2011	FY2011	FY2011	FY2010	FY2010	FY2010	FY2009	FY2008	FY2007
Fiscal Year	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q1	Q1	Q1	Q1
Pre-2007	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	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	24.25	23.83	21.38	19.97	19.49	19.65	18.37	17.35	16.22	3.91	0.09	
2009	11.41	10.92	9.13	8.05	7.58	7.23	6.08	4.94	3.05	0.05		
2010	4.52	4.07	2.96	2.13	1.61	1.20	0.65	0.33	0.02			
2011	1.28	0.93	0.45	0.22	0.08	0.01						
All years	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	9.48%	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.

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

^b As of the last day of each quarter.

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

APPENDIX

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

	FHA Single-Family Mortgage Insurance							
	Endorsement Counts by Fiscal Year and Quarter							
	Number of New Insurance Cases							
		Forward N	Mortgages ^a					
Time Period	Home Purchase	Conventional Loan Refinance	FHA-to-FHA Refinance	All Forward Loans	Reverse Mortgages (HECM) ^b			
	1 dichase			Louis	(ILCIVI)			
		Fiscal	l 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	995,103	468,768	367,447	1,831,318	114,639			
2010	1,109,161	305,297	252,434	1,666,892	78,758			
2011	777,101	194,817	224,754	1,196,672	73,093			
2012	342,334	68,476	123,426	534,236	28,822			
		Fiscal Year	and Quarter					
2010Q1	304,827	86,516	96,152	487,495	24,729			
2010Q2	245,777	88,338	67,982	402,097	20,279			
2010Q3	289,683	65,578	31,037	386,298	15,266			
2010Q4	268,874	64,865	57,263	391,002	18,484			
2011Q1	196,712	65,207	109,430	371,349	18,387			
2011Q2	168,703	58,451	58,684	285,838	20,646			
2011Q3	201,080	41,109	30,878	273,067	17,161			
2011Q4	210,606	30,050	25,762	266,418	16,899			
2012Q1	176,167	31,852	47,883	255,902	13,867			
2012Q2	166,167	36,624	75,543	278,334	14,955			

²⁰¹²Q2 166,167 36,624 75,543 278,334 a Starting in 2008 Q4, these counts include 203(K) purchase and rehabilitation loans and 234(C) condominium loans.

Source: US Department of HUD/FHA, April 2012

^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.

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

FHA Single-Family Mortgage Insurance Endorsement Volumes by Fiscal Year and Quarter

	Volumes (billion\$)							
		Forward N	Mortgages ^a					
		Conventional		All	Reverse			
Time	Home	Loan	FHA-to-FHA	Forward	Mortgages			
Period	Purchase	Refinance	Refinance	Loans	(HECM) ^b			
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	6,914			
		Fiscal Year	and Quarter					
2010Q1	51,950	15,843	18,601	86,394	6,947			
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			

^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.

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%	1,268,459	23,101,785					
2004	4.7	695,399	14,869,169					
2005	3.1	456,175	14,483,643					
2006	3.3	411,118	12,328,987					
2007	5.1	528,276	10,358,647					
2008	19.8	1,405,656	7,092,212					
2009	21.1	1,982,611	9,392,784					
2010	17.4	1,462,730	8,393,311					
2011	15.6	1,067,998	6,865,759					
	Quarterl	y Activity						
2009 - Q1	23.3%	428,854	1,838,766					
2009 - Q2	19.5	545,116	2,789,526					
2009 - Q3	21.6	502,234	2,327,427					
2009 - Q4	20.8	506,407	2,437,066					
2010 - Q1	16.7	310,609	1,863,584					
2010 - Q2	21.9	449,749	2,049,618					
2010 - Q3	16.9	354,247	2,092,438					
2010 - Q4	14.6	348,125	2,387,671					
2011 - Q1	14.9	247,210	1,663,161					
2011 - Q2	17.4	284,901	1,640,012					
2011 - Q3	16.0	267,502	1,667,985					
2011 - Q4	14.4	271,929	1,893,792					
2012 – Q1	16.3	275,507	1,689,762					

Source: Data from FHA, Mortgage Bankers Association, and CoreLogic; March 2012⁵.

⁵ Exhibit A-3 reports loans according to their closing date. Typically, the endorsement date for an FHA-insured is approximately one month 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		Credit Score Categories ^a							
Year	Quarter	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%	23.7%	39.7%	3.5%	0.2%	0.0%	0.4%	
	Jan-Mar	33.5%	23.7%	39.1%	3.2%	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.

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

^b Excludes streamline refinance loans.

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

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

		Loan Purpose					
Fiscal Year	Quarter	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		

^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.

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		LTV Categories ^a					
Year	Quarter	Up to 90	91-95	96-98°	DPA Loans ^d		
2007	Oct-Dec	17.7%	16.3%	41.1%	24.9%		
	Jan-Mar	19.0	18.3	37.7	25.0		
	Apr-Jun	17.7	18.9	39.1	24.2		
	Jul-Sep	17.8	19.7	39.2	23.3		
2008	Oct-Dec	19.6	22.9	35.3	22.2		
	Jan-Mar	21.7	25.6	33.9	18.8		
	Apr-Jun	18.4	22.7	40.0	18.8		
	Jul-Sep	15.8	19.3	43.5	21.4		
2009	Oct-Dec	17.4	21.1	48.8	12.7		
	Jan-Mar	20.3	23.4	55.3	1.0		
	Apr-Jun	20.8	17.7	61.3	0.2		
	Jul-Sep	21.2	11.5	67.1	0.1		
2010	Oct-Dec	20.6	10.1	69.1	0.2		
	Jan-Mar	23.7	10.9	65.3	0.1		
	Apr-Jun	18.6	9.5	71.7	0.2		
	Jul-Sep	19.8	10.0	70.1	0.1		
2011	Oct-Dec	22.0	11.0	66.9	0.1		
	Jan-Mar	24.4	10.4	65.0	0.1		
	Apr-Jun	19.2	9.0	71.5	0.2		
	Jul-Sep	16.2	8.8	74.7	0.3		
2012	Oct-Dec	17.8	9.4	72.4	0.4		
	Jan-Mar	19.2	9.0	70.4	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.

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

		Loan Purpose					
Fiscal Year	Quarter	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		

^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.

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	41.1%	23.0%	38.9%	11,463	1,096	12,559	8.7%
2006 - Q2	41.1%	23.2%	39.0%	13,355	1,266	14,621	8.7%
2006 - Q3	42.5%	24.1%	40.7%	13,556	1,076	14,632	7.4%
2006 - Q4	44.6%	24.4%	42.7%	12,623	910	13,533	6.7%
2007 - Q1	45.5%	24.5%	43.3%	11,606	925	12,531	7.4%
2007 - Q2	44.9%	23.6%	42.6%	12,989	1,098	14,087	7.8%
2007 - Q3	44.0%	24.5%	41.9%	10,947	950	11,897	8.0%
2007 - Q4	49.1%	25.1%	46.5%	10,604	894	11,498	7.8%
2008 - Q1	53.4%	26.6%	50.5%	10,871	928	11,799	7.9%
2008 - Q2	53.4%	26.7%	49.9%	11,858	1,252	13,110	9.5%
2008 - Q3	56.8%	28.3%	53.6%	12,827	1,134	13,961	8.1%
2008 - Q4	65.1%	29.1%	60.3%	14,000	1,427	15,427	9.3%
2009 - Q1	69.1%	34.0%	65.2%	14,920	1,273	16,193	7.9%
2009 - Q2	71.8%	37.0%	66.8%	19,875	2,118	21,993	9.6%
2009 - Q3	68.0%	39.1%	62.2%	19,105	3,087	22,192	13.9%
2009 - Q4	65.8%	40.4%	60.3%	19,435	3,512	22,947	15.3%
2010 - Q1	67.1%	42.9%	61.9%	20,155	3,516	23,671	14.9%
2010 - Q2	65.0%	42.3%	59.1%	25,445	6,006	31,451	19.1%
2010 - Q3	66.4%	45.4%	60.9%	22,708	5,215	27,923	18.7%
2010 - Q4	67.3%	46.8%	60.1%	14,926	5,435	20,361	26.7%
2011 - Q1	70.9%	47.5%	62.6%	16,537	6,064	22,601	26.8%
2011 - Q2	70.9%	47.2%	65.3%	37,373	7,659	45,032	17.0%
2011 - Q3	72.1%	47.3%	66.1%	32,659	6,937	39,596	17.5%
2011 - Q4	72.1%	47.8%	65.1%	27,025	7,319	34,344	21.3%