FHA Single-Family
Mutual Mortgage Insurance Fund Programs
Quarterly Report to Congress
FY 2011 Q2

Through several metrics, the FY 2011 Q2 report shows that the MMI portfolio continues to improve and the Fund is being managed appropriately. We remain cautious given the uncertainty in housing prices. However, halfway through the fiscal year, the Fund is currently outperforming forecasts from the most recent actuarial review.

- FHA endorsed 285,725 forward loans and 20,644 reverse mortgages (HECM product) in the second quarter of Fiscal Year 2011. These counts represent quarterly changes of -23 percent and +12 percent in the two major single-family product lines, respectively. On a year-over-year basis, forward-loan endorsements were down 29 percent while HECM activity was up two percent.

- The share of borrowers with credit scores of 620 or higher was 97.2 percent for the quarter; only 2.8 percent of borrowers had credit scores below 620. In stark contrast, 50.4 percent of borrowers had credit scores below 620 during the first quarter of 2008. The percentage of borrowers with credit scores of 720 or higher also continues to rise and is more than four times the level seen in the first quarter of 2008.

- In this quarter, 24.4 percent of all newly endorsed, fully-underwritten loans had LTVs below 90 percent. This is almost 10 percentage points greater than the 2008 Q4 low of 15.8% and also reflects a trend over the past ten years of fully-underwritten (non-streamline) refinance loans becoming more a core component of FHA's insurance activity.

- The serious delinquency rate for the single-family portfolio at the end of Q2 2011 is 8.31 percent. This is substantially lower than the 9.05 percent rate observed one year earlier. Although the seasonally adjusted series (currently at 8.34 percent) rose slightly from the previous quarter, it is still trending downward over the longer horizon.

- Although the early-period delinquency rate rose a marginal 0.02% in the recent period, the overall quality of newly originated FHA loans, as measured by early-period delinquency rates, continues to be significantly stronger than historical levels. The much improved early-delinquency rates are an indication that the FY2010 book should perform substantially better than did the FY 2009 book, which itself is performing substantially better than have the FY2007 and FY 2008 books

- In an effort to further strengthen its capital reserves, on April 18, 2011 FHA implemented an increase in the annual mortgage insurance premium for newly endorsed loans. The annual premium increased from 0.85 bps to 110 bps for loans with LTVs up to 95 percent and from 0.90 bps to 115 bps for loans with LTVs of 95 percent and above. The initial impacts of the new premium structure will first be reported in the FY 2011-Q3 quarterly report.