

*FHA Single-Family  
Mutual Mortgage Insurance Fund Programs  
Quarterly Report to Congress  
FY 2011 Q4*

*The FY 2011 Q4 report shows that the MMI Fund continues to build capital resources, and has done so while paying out a record \$15 billion in claims for the second year in a row. Borrower credit quality remains high and prepayment speeds remain lower than projected for the fiscal year. Endorsement activity in FY 2011 Q4 was down slightly from the previous quarter, with purchase loan endorsements rising and refinance activity falling. Overall dollar volumes for the past two quarters have been about half of what they were during the peak periods in FY 2009. We remain cautious about the health of the MMI Fund, given unstable economic conditions and specific issues affecting the broader housing market. However, the higher quality books of business endorsed in FY 2010 and 2011 are performing well and are mitigating the impacts of poorer performing books from 2006-2008.*

- In the fourth quarter of Fiscal Year (FY) 2011, FHA endorsed for insurance 266,350 forward loans and 16,899 reverse mortgages (HECM product). Those counts represent quarterly changes of -2.5 and -1.5 percent, respectively, in these two principal single-family product lines. On a year-over-year basis, forward-loan endorsements were down 31.9 percent and HECM activity was down 8.6 percent.
- Changes in the credit-score distribution of new insurance activity noted for FY 2011 Q3 continued again this quarter. The share of borrowers with credit scores of 720 or greater declined, while the share with scores below 680 increased. The share below 680 is now at 43 percent, matching where it was in FY 2010 Q2.
- The overall average credit score of 697 for FY 2011 Q4 is down from the peak of 704 in FY 2011 Q2, and from a value of 701 in Q3. It is now very close to where it was in FY 2010 Q4, though on a product level, FHA-to-FHA refinance loans have a better average score (698 vs. 694), and conventional-to-FHA refinance loans have a lower average score (695 vs. 701).
- The distribution of LTV ratios within major product lines—purchase and refinance loans—changed very little this quarter. However, the shift of product shares toward purchase loans led to a shift in the overall distribution toward LTVs above 95 percent. Driving this movement was a decline of 5 percentage points in the refinance-loan share of endorsements, from 26 to 21 percent. This resulted in a decline of 3 percentage points in the share of loans with LTVs of 90 percent or less. This was counter-balanced by an increase in the share of loans with LTV ratios above 95 percent of three percentage points, to 74.7 percent.
- The latest loan-originations reported here (FY 2011 Q2) had an early-period delinquency (EPD) rate of just 0.37 percent, which is the second lowest for recent history, after FY 2011 Q1. The slight increase in FY 2011 Q2 is reflective of an increase in the rate for purchase loans from 0.32 to 0.39 percent. That rate is still well within the EPD range that has existed since the last quarter of FY 2009. The principal movement since that time has been continued declines in the EPD rates of fully-underwritten and streamline refinances.
- Note from Table 11 that the FY 2010 book is performing significantly better than did the FY 2009 book at this point in its lifecycle. The Serious Delinquency (SD) rate after its second year of seasoning is now 2.96 percent, whereas the FY 2009 cohort had an SD rate of 6.08 percent at the same point (FY 2010 Q4). The same comparison can be made between the 2011 and 2010 books. The current SD rate for 2011 is 0.45 percent, whereas the rate for the 2010 book one year ago was 0.65 percent.