U.S. Department of Housing and Urban Development

FHA Single-Family Mutual Mortgage Insurance Fund Programs

Quarterly Report to Congress

FY 2015 Q3

Delivered: September 11, 2015

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 2015 Third 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 April 1, 2015 through June 30, 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 on the Office of Housing Reading Room on the www.hud.gov website.

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 2014 on November 17, 2014. The FY 2014 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 Vetrano

Deputy Assistant Secretary
Risk Management and Regulatory Affairs

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

FY 2015 Q3

Data as of June 30, 2015

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	Single-family forward endorsements during the third quarter increased by 67 percent (77 percent by volume) over the prior quarter, suggesting that the decrease in mortgage insurance premium has made an impact on endorsement activity. The HECM endorsement volume, at $3.9 billion for the third quarter of FY 2015, represents a decrease of one percent from the previous quarter, but an increase of 21 percent over the same period in FY 2014.	5, 17, 18	1, A-1, A-2
B) Types of loans insured, categorized by risk	The average credit score this quarter increased to 681 from 677 in the previous quarter. Share of 720+ credit score loans increased slightly this quarter from last quarter to 18.7 percent. Average borrower loan-to-value ratio increased slightly to 93.7 percent.	6, 7, 8, 19, 20, 21, 22	2, 3, 4, A-3, A-4, A-5, A-6
C) Any significant changes between actual and projected claim and prepayment activity	Continued low interest rates have yielded year-to-date prepayment activity that is 83 percent above actuarial predictions. Claim payments are running 37 percent below predicted levels for the year by dollar amount.	9, 23	5, A-7
D) Projected versus actual loss rates	The year-to-date net loss rate on claim activity of 50.36 percent remained below the actuarial projection of 54.19 percent.	9	5
E) Updated projections of the annual subsidy rates	The budget execution credit subsidy rate (CSR) for FY 2015 Q3 remains at -5.35 percent and -0.40 percent for forward loans and HECMs, respectively.	10	6

Other	Summary	Page	Exhibit
F) MMI Fund Balances	MMI Fund account balances at the end of FY 2015 Q3 were $46.5 billion, slightly higher than the prior quarter.	11	7
G) Business-Operations Cash Flow	Core business-operations cash flow in FY 2015 Q3 was $146 million. FHA paid $4.5 billion in claims and property expenses, while receiving $4.6 billion in revenues from premium collections, sale of notes and properties and other revenue.	12	8
H) Early Period Delinquency	Early period delinquency (EPD) rates decreased from the previous quarter from 0.43 to 0.35 percent.	13	9
I) Serious Delinquency Rates	The portfolio-level serious delinquency rate decreased this quarter to 6.12 percent, the lowest level since the beginning of the crisis.	14, 15	10, 11

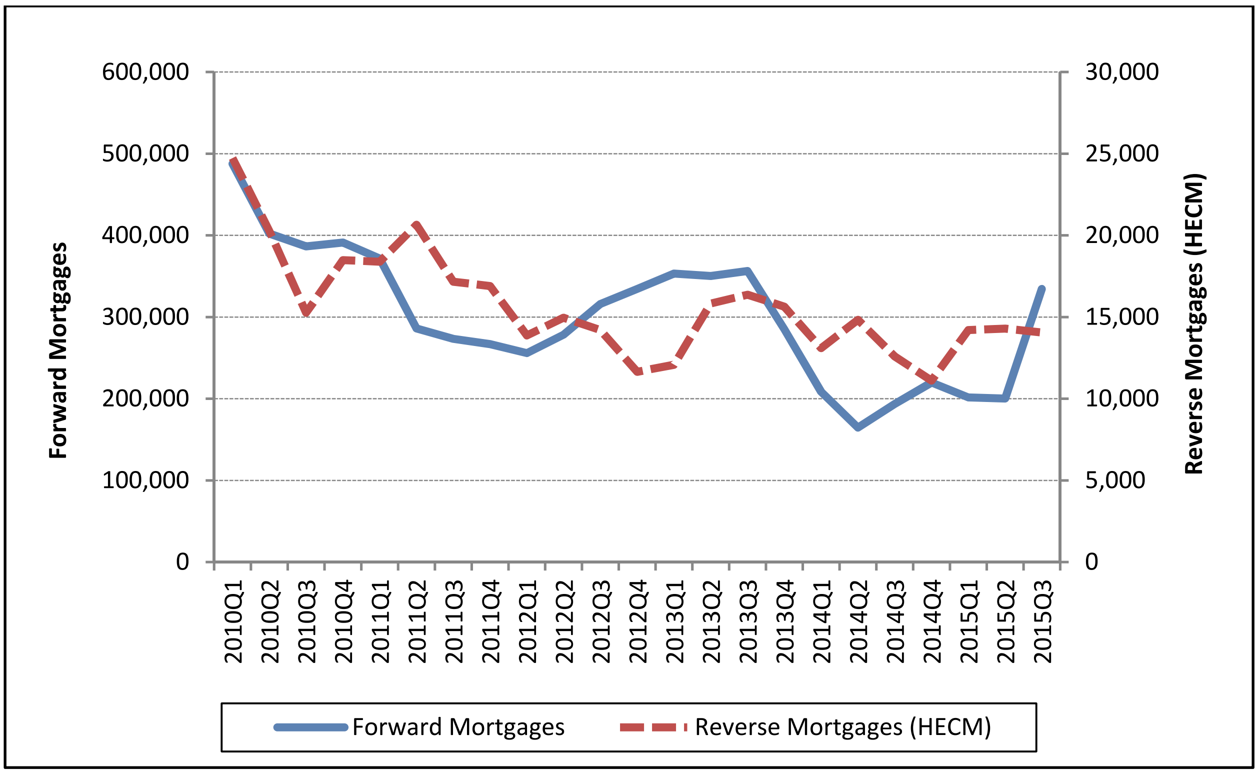
Endorsement Activity

During the third quarter of Fiscal Year (FY) 2015, the FHA endorsed 334,399 forward mortgages for insurance, up 67 percent from the prior quarter. This suggests that the decrease in FHA forward loan mortgage insurance premium (MIP), which went into effect on January 26, 2015, has been realized in endorsement activity. Recent application activity has indicated endorsement volume may continue at the current level in coming quarters. FHA-to-FHA refinance activity, in terms of endorsed loans, increased by 257 percent from the year-earlier period, from 32,042 to 114,267. Overall, refinance levels increased by 198 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 317 percent above the year-earlier period, while the volume of all forward-loan endorsements was up 101 percent. (Exhibit A-2)

The HECM endorsement volume, $3.9 billion for the third quarter of FY 2015, represents an increase of 21 percent from the same period in FY 2014. HECM endorsement counts in Q3 (14,058) were up 12 percent from FY 2014 Q3.

Exhibit 1: Endorsement Counts by Fiscal Year and Quarter

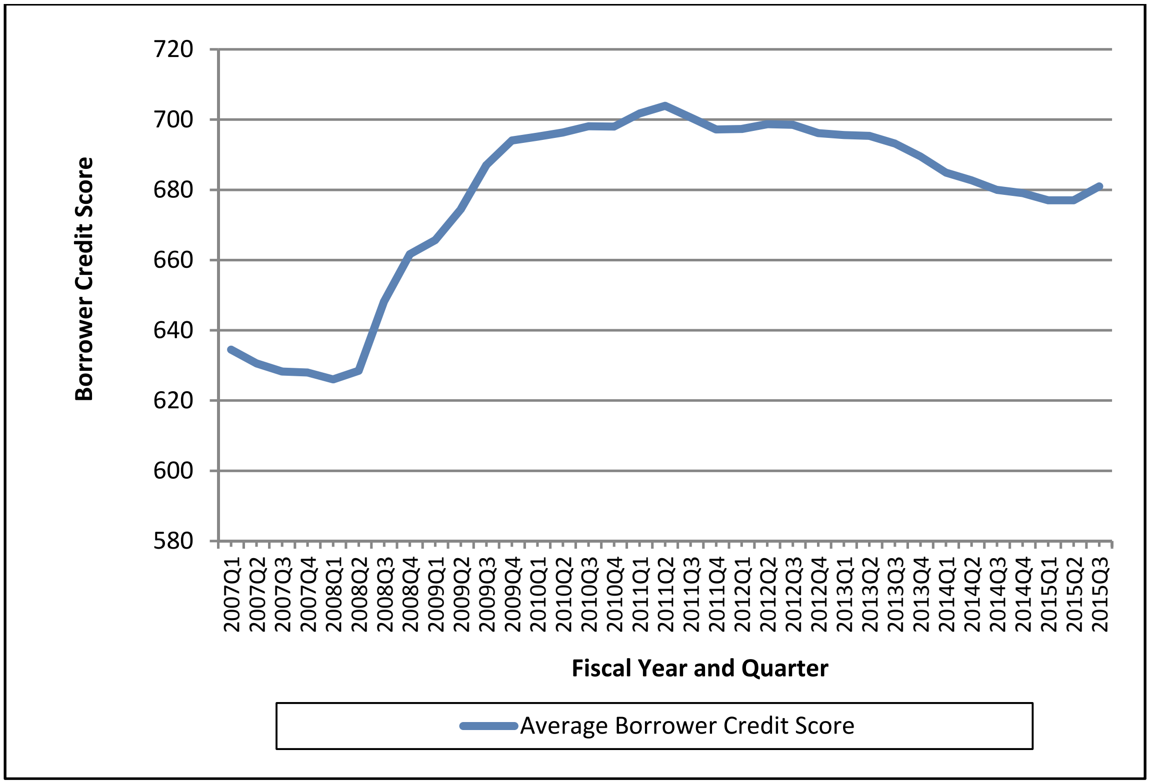


SOURCE: U.S. Department of HUD/FHA, July 2015.

Borrower Credit Scores

Borrower credit scores increased slightly this quarter to 681 and remain well above the levels preceding the mortgage and credit crisis. The Q3 score of 681 was four points higher than FY 2015 Q2 scores and one point above the FY 2014 Q3 score. (Exhibit 2, Exhibit A-4)

Exhibit 2: Average Borrower Credit Scores by Quarter

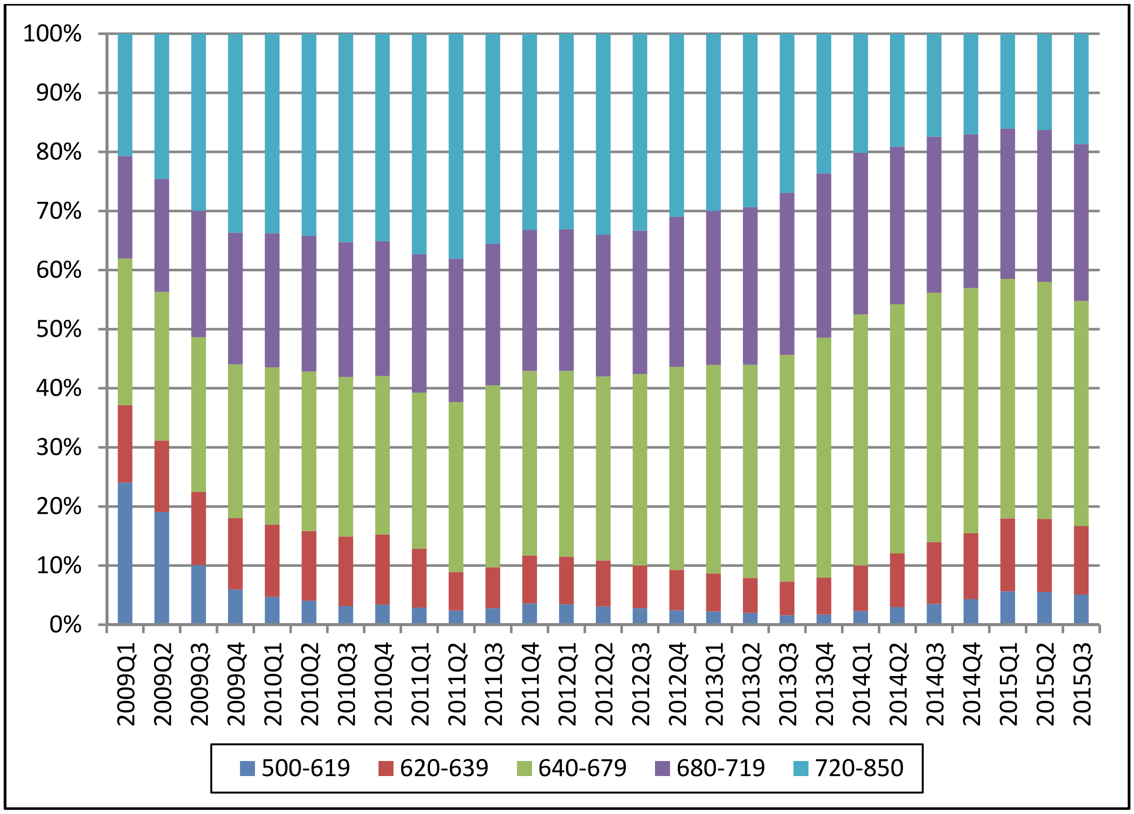


SOURCE: U.S. Department of HUD/FHA, July 2015.

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 (38.1 percent). In the most recent quarter, the 680–850 scores also saw a small increase after reaching a near historical low. (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 around five 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 Quarter

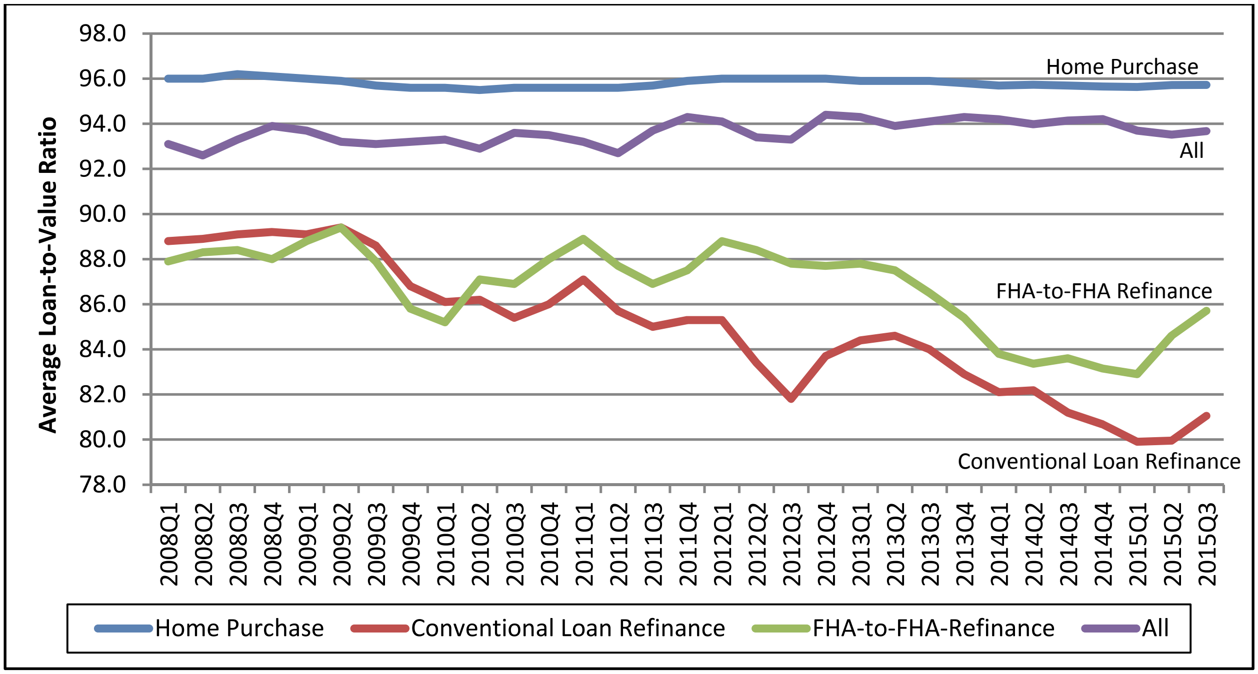


SOURCE: U.S. Department of HUD/FHA, July 2015.

Average Loan-to-Value (LTV)

The average LTV remained unchanged for home purchase loans, but slightly higher 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 last quarter were 41 percent of all endorsements, up from 33 percent in FY 2015 Q2. (Exhibit 4, Exhibit A-5, A-6)

Exhibit 4: Average Loan-to-Value (LTV) Ratios on New Insurance Endorsements[1]



SOURCE: U.S. Department of HUD/FHA, July 2015.

[1] Excludes streamline refinance activity.

Predicted and Actual Termination and Claim-Loss Rates

The predicted-versus-actual comparisons for FY 2015 are presented in Exhibit 5. As interest rates continue to stay below forecast values, prepayment speeds continue to be higher than anticipated by the 2014 Actuarial Study. Recent refinance activity within the portfolio has also increased the level of prepayments. Claims, however, continue to be well below actuarial predictions, though the deviation is smaller than in past years. The number of claims during FY 2015 (87,192) is 30 percent less than predicted (124,927). 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

FHA Single-Family Mortgage Insurance Termination and Claim Loss Experience to Date in Current Fiscal Year				
Oct 2014 - June 2015	Year-To-Date Predicted[2]	Year-To-Date Actual	Deviation (Actual minus Predicted)	Percentage Deviation (Actual vs. Predicted)
Prepayments (number)	404,764	742,737	337,973	83
Claims (number)[3]	124,927	87,192	-37,735	-30
Claims ($ millions)[3]	16,784	10,602	-6,182	-37
Net Loss-on-Claims (%)[4]	54.19	50.36	-3.83	

SOURCE: U.S. Department of HUD/FHA, August 2015.

[2] Projections of prepayment counts, claim counts, and claim dollars are from the FY 2015 FHA financial statements. All projections shown here use quarterly forecasts and thus reflect cyclical trends throughout the year.
[3] 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.
[4] 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.

Budget Execution Credit Subsidy Rates

Budget execution subsidy rates for forward loans remained at -5.35 percent. Subsidy rates for HECM loans remained at -0.40 as of FY 2015 Q3. (Exhibit 6)

Exhibit 6: Budget Execution Credit Subsidy Rates

FHA Single-Family Mortgage Insurance Budget Execution Credit Subsidy Rates (in percent)[5] FY 2015 Q3	
Forward Loans	-5.35
Reverse Loans (HECM)	-0.40

SOURCE: U.S. Department of HUD/FHA, July 2015.

[5] 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.

MMI Fund Balances

As Exhibit 7 shows, MMI Fund account balances increased slightly to $46.5 billion in FY 2015 Q3. $12.0 billion is held in the Capital Reserve account, and the other $34.5 billion is held in the Financing account.

Exhibit 7: MMI Fund Balances by Quarter, FY 2010–FY 2015

FHA Single-Family Insurance
MMI Fund Account Balances by Quarter, FY 2010–FY 2015[6]
($ billions)

Fiscal Year	Quarter	Capital Reserve Account[7]	Financing Account[8]	Total [9]
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

SOURCE: U.S. Department of HUD/FHA, July 2015.

[6] Only end-of-year balances represent audited figures.
[7] 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.
[8] This is a series of off-budget cash accounts used to manage insurance operation collections and disbursements.
[9] 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.

Cash Flows from Business Operations

FY 2015 Q3 net cash flow was $146 million compared to FY 2015 Q2 of $132 million. The Q3 positive cash flow represents two consecutive quarters of net positive inflows.

HUD has been proactive in reducing average losses per claim through a more diversified asset disposition strategy that now includes the Distressed Asset Disposition Program, 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 2014 Q4 - FY 2015 Q3

FHA MMI Fund Financing Account
Business Operations Cash Flows, FY 2014 Q4–FY 2015 Q3, by Quarter[10]
($ millions)

	FY 2014 Q4 through FY 2015 Q3				Past 4 Quarters
	FY 2014 Q4	FY 2015 Q1	FY 2015 Q2	FY 2015 Q3	
Collections					
Premiums	2,903	2,888	2,910	3,414	12,115
Property Sale Receipts	960	941	974	1,171	4,046
Note Sale Proceeds	1,931	1,089	366	(12)	3,374
Other	506	784	111	53	1,454
Total	6,300	5,702	4,361	4,626	20,989
Disbursements					
Claims[11]	(6,909)	(5,640)	(4,148)	(4,371)	-21,068
Property Maintenance	(74)	(76)	(79)	(103)	-332
Other	(1)	(1)	(2)	(6)	-10
Total	(6,984)	(5,717)	(4,229)	(4,480)	-21,410
Net Operations Cash Flow	(684)	(15)	132	146	-421

SOURCE: U.S. Department of HUD/FHA, August 2015.

[10] Unaudited figures; details may not sum to total due to rounding.
[11] Claim payments shown here include conveyance, pre-foreclosure sale, note sales, loss mitigation (home retention) actions, and all HECM claims (assignment and shortfall claims).

Early-Period Delinquency (EPD)

The EPD rate, which is the delinquency rate for loans originated in FY 2015 Q1, is down eight basis points from the previous quarter.

Exhibit 9: Early Period Delinquency Rates

FHA Single-Family Insurance
Early Period Delinquency Rates by Origination Quarter and Loan Type/Purpose (%)

Fiscal Year	Origination Quarter	Loan Type/Purpose		
		Purchase	Refinance	All[12]
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

SOURCE: U.S. Department of HUD/FHA, July 2015.

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

Serious Delinquency Rates

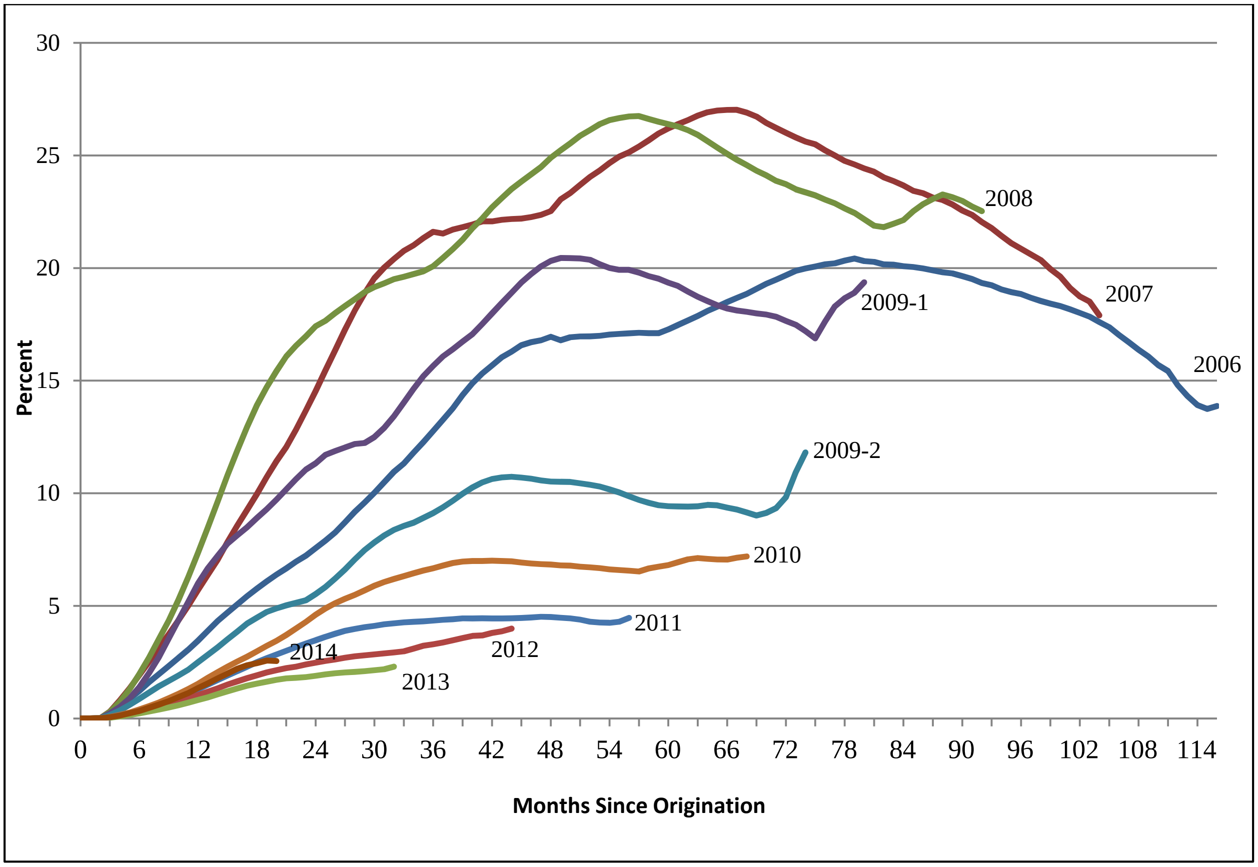
Serious delinquency rates (SDQ) (Exhibit 10) fell to their lowest point since at least 2008. Rates for those vintages most affected by the recent economic recession (2006–2008) continue to decline, as the number of loans that are new serious delinquencies is smaller than the number of serious delinquencies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

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

SOURCE: U.S. Department of HUD/FHA, July 2015.

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[13]



SOURCE: U.S. Department of HUD/FHA, July 2015.

[13] 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.

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 Mortgages[14]				
Time Period	Home Purchase	Conventional Loan Refinance	FHA-to-FHA Refinance	All Forward Loans	Reverse Mortgages (HECM)[15]
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	298,170	892,423	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	367,449	1,831,319	114,639
2010	1,109,163	305,297	252,446	1,666,906	78,758
2011	777,102	194,811	224,760	1,196,673	73,093
2012	733,698	129,186	321,613	1,184,497	54,677
2013	702,416	91,500	550,925	1,344,841	59,917
2014	594,999	55,356	135,998	786,353	51,616
2015	485,990	52,734	197,411	736,135	42,544
Fiscal Year and Quarter					
2012Q2	166,087	36,594	75,529	278,210	14,956
2012Q3	193,556	38,078	84,425	316,059	14,204
2012Q4	197,970	22,678	113,787	334,435	11,650
2013Q1	177,852	22,754	152,519	353,125	12,079
2013Q2	157,439	25,428	167,487	350,354	15,830
2013Q3	181,297	24,176	150,904	356,377	16,371
2013Q4	185,828	19,142	80,015	284,985	15,637
2014Q1	152,965	14,611	40,912	208,488	13,094
2014Q2	119,832	13,456	31,201	164,489	14,828
2014Q3	148,017	13,574	32,040	193,631	12,589
2014Q4	174,185	13,715	31,845	219,745	11,105
2015Q1	154,793	15,825	30,959	201,577	14,199
2015Q2	132,530	15,427	52,180	200,137	14,287
2015Q3	198,653	21,479	114,267	334,399	14,058

SOURCE: U.S. Department of HUD/FHA, July 2015.

[14] Starting in FY 2008 Q4, these counts include 203(K) purchase and rehabilitation loans and 234(C) condominium loans.
[15] 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.

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

FHA Single-Family Mortgage Insurance Endorsement Volumes by Fiscal Year and Quarter					
	Volumes ($ millions)				
	Forward Mortgages[16]				Reverse Mortgages (HECM)[17]
Time Period	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	107,621	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	330,384	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	9,411	20,084	135,216	13,521
2015	88,528	9,272	40,571	138,372	11,590
Fiscal Year and Quarter					
2012Q2	$27,730	$6,572	$15,666	$49,968	$3,647
2012Q3	32,981	7,061	17,777	57,819	3,466
2012Q4	34,515	4,109	22,241	60,865	2,733
2013Q1	30,994	4,135	28,595	63,724	2,819
2013Q2	27,887	4,793	30,991	63,671	3,839
2013Q3	32,330	4,510	26,445	63,284	4,090
2013Q4	33,724	3,494	12,217	49,435	3,932
2014Q1	27,346	2,577	5,903	35,826	3,434
2014Q2	21,424	2,316	4,559	28,299	3,997
2014Q3	25,849	2,212	4,754	32,816	3,202
2014Q4	31,102	2,306	4,867	38,275	2,887
2015Q1	27,593	2,604	4,972	35,169	3,802
2015Q2	23,975	2,658	10,561	37,194	3,916
2015Q3	36,956	4,010	25,036	66,003	3,871

SOURCE: U.S. Department of HUD/FHA, July 2015.

[16] Starting in FY 2008 Q4, these counts include 203(K) purchase and rehabilitation loans and 234(C) condominium loans.
[17] 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.

Exhibit A-3: Borrower Credit Score Distributions on New Endorsements

FHA Single-Family Mortgage Insurance Borrower Credit Score[18] Distribution on New Endorsements[19] by Fiscal Year and Quarter (%)						
Fiscal Year	Quarter	Credit Score Categories (Shares in each row total 100%)				
		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

SOURCE: U.S. Department of HUD/FHA, July 2015.

[18] 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.
[19] Excludes streamline refinance loans.

Exhibit A-4: Average Borrower Credit Scores on New Endorsements

Average Borrower Credit Scores[20] on New Endorsements by Fiscal Year, Quarter, and Loan Purpose					
Fiscal Year	Quarter	Loan Purpose			
		Home Purchase	Conventional Loan Refinance	FHA-to-FHA Refinance[21]	All[25]
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

SOURCE: U.S. Department of HUD/FHA, July 2015.

[20] 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.

[21] These include only fully-underwritten loans and exclude streamline refinancing.

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

FHA Single-Family Mortgage Insurance Loan-to-Value (LTV) Ratio[22] Distribution on New Endorsements[23] by Fiscal Year and Quarter (%)					
Fiscal Year	Quarter	LTV Categories (Shares in each row add up to 100%)			
		Up to 80	81-90	91-95	96-98[24]
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

SOURCE: U.S. Department of HUD/FHA, July 2015.

[22] 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.

[23] Excludes streamline refinance loans.

[24] 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.

Exhibit A-6: Average Loan-to-Value (LTV) Ratios on New Endorsements

FHA Single-Family Mortgage Insurance Average Loan-to-Value (LTV) Ratios[25] on New Endorsements by Fiscal Year, Quarter, and Loan Purpose (%)					
		Loan Purpose			
Fiscal Year	Quarter	Home Purchase	Conventional Loan Refinance	FHA-to-FHA Refinance[26]	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

SOURCE: U.S. Department of HUD/FHA, July 2015.

[25] 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.

[26] These include only fully-underwritten loans and exclude streamline refinancing.

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

FHA Single-Family Mortgage Insurance Termination Claim Type and Loss Severity Rates by Fiscal Year and Quarter (%)								
Fiscal Year	Quarter	Loss Rates (% Unpaid Principal Balance)			Disposition Counts			REO Alternatives Share of Dispositions (%)
		REO[27]	REO Alternatives[28]	Overall[29]	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	71.1	47.7	65.2	23,379	7,777	31,156	25.0
	Jan-Mar	67.9	47.2	62.5	25,213	8,781	33,994	25.8
	Apr-Jun	65.1	45.4	60.5	28,631	8,603	37,234	23.1
	Jul-Sep	66.6	45.9	61.3	28,632	6,227	34,859	17.7
2013	Oct-Dec	65.6	54.5	60.9	25,209	13,341	38,550	34.6
	Jan-Mar	63.2	48.6	57.6	26,117	11,744	37,861	31.0
	Apr-Jun	59.2	53.2	56.0	28,025	23,646	51,671	45.8
	Jul-Sep	57.6	50.8	53.7	27,621	28,565	56,186	50.8
2014	Oct-Dec	60.9	46.7	53.4	23,897	20,293	44,190	45.9
	Jan-Mar	62.4	49.9	54.3	19,818	25,527	45,345	56.3
	Apr-Jun	58.5	44.0	49.9	15,824	17,842	33,666	53.0
	Jul-Sep	56.3	46.1	48.8	12,766	25,979	38,745	67.1
2015	Oct-Dec	57.3	43.9	48.5	12,832	19,550	32,382	60.4
	Jan-Mar	58.2	42.7	50.7	13,690	10,058	23,748	42.4
	Apr-Jun[30]	53.2	40.4	48.0	10,181	5,865	16,046	36.6

SOURCE: U.S. Department of HUD/FHA, July 2015.

[27] Real Estate Owned (REO) refers to properties that HUD has assumed ownership of through the conveyance of title.
[28] 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).
[29] Includes all single-family forward loans.
[30] Data through May 31, 2015.