U.S. Department of Housing and Urban Development

FHA Single-Family Mutual Mortgage Insurance Fund Programs

Quarterly Report to Congress

FY 2013 Q3

Delivered: August 23, 2013

FOREWORD

On behalf of Secretary Donovan and 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 2013 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 October 1, 2012 through June 30, 2013.

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 FHA 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. FHA is presently in the process of streamlining its reporting and intends to improve the regularity of its publications.

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 2012 in mid-November. The FY 2012 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.

As part of a larger overall effort to increase transparency, I would like to take this opportunity to announce that FHA has procured an additional independent analysis of the financial health of the MMI Fund, to be performed by Summit Consulting, LLC and Milliman, Inc. for Fiscal Year 2013. The results produced by the primary independent actuary, Integrated Financial Engineering, Group (IFE), will continue to provide the official view of the MMI Fund capital position used to develop the Annual Report to Congress on the Financial Health of the Mutual Mortgage Insurance Fund.

This second assessment will provide another view of the health of the MMI Fund, giving HUD a new independent analysis and a second actuarial model. This will enable FHA to view the MMI Fund through another lens, informing future policy decisions, as the agency continues work to develop more sophisticated and refined internal capabilities. This is an extension of an effort that began in FY 2012, when the independent actuary first applied a stochastic approach to underscore the range of potential outcomes of the Fund. The IFE-developed analysis will once again incorporate stochastic modeling in addition to any modeling refinements determined appropriate by that contractor. I believe that a second independent view of the Fund's expected value will provide valuable insights and look forward to making these findings available to you later this year.

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 2013 Q3

Data as of June 30, 2013

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;	The forward-loan endorsement count for the quarter was 355,988 with a dollar volume of $63.2 billion. This represents a two percent increase in number of loans, and a one percent decrease in dollar volume from the previous quarter. The HECM endorsement count was 16,372 and volume was $4.1 billion, representing increases of three percent and seven percent, respectively.	**5, 17 - 18**	**1, A-1, A-2**
B) Types of loans insured, categorized by risk;	The average credit score this quarter was 693 and the average borrower loan-to-value ratio 93.3%. Average LTV has declined for the fourth straight quarter from 94.3%.	**6 - 8, 19-22**	**2 - 4, A-3 – A-6**
C) Significant differences between actual and projected claim and prepayment activity persisted;	Q3 prepayment activity was 161 percent above actuarial predictions, due to interest rates remaining near historical lows. Over 37 percent of those prepayments returned to FHA as new refinance loans. Claim activity continued to trend well below predicted levels due to continued delays in foreclosure processing.	**9**	**5**
D) Projected versus actual loss rates	The year-to-date net loss rate on claim activity (57.8 percent) remained below actuarial projections (67.0 percent).	**9, 23**	**5, A-7**
E) Updated projections of the annual subsidy rates	The budget execution credit subsidy rate (CSR) for forward loans increased from -5.98 to -9.70 and the CSR for HECMs increased from -0.92 to -3.77 in Q3	**11**	**6**

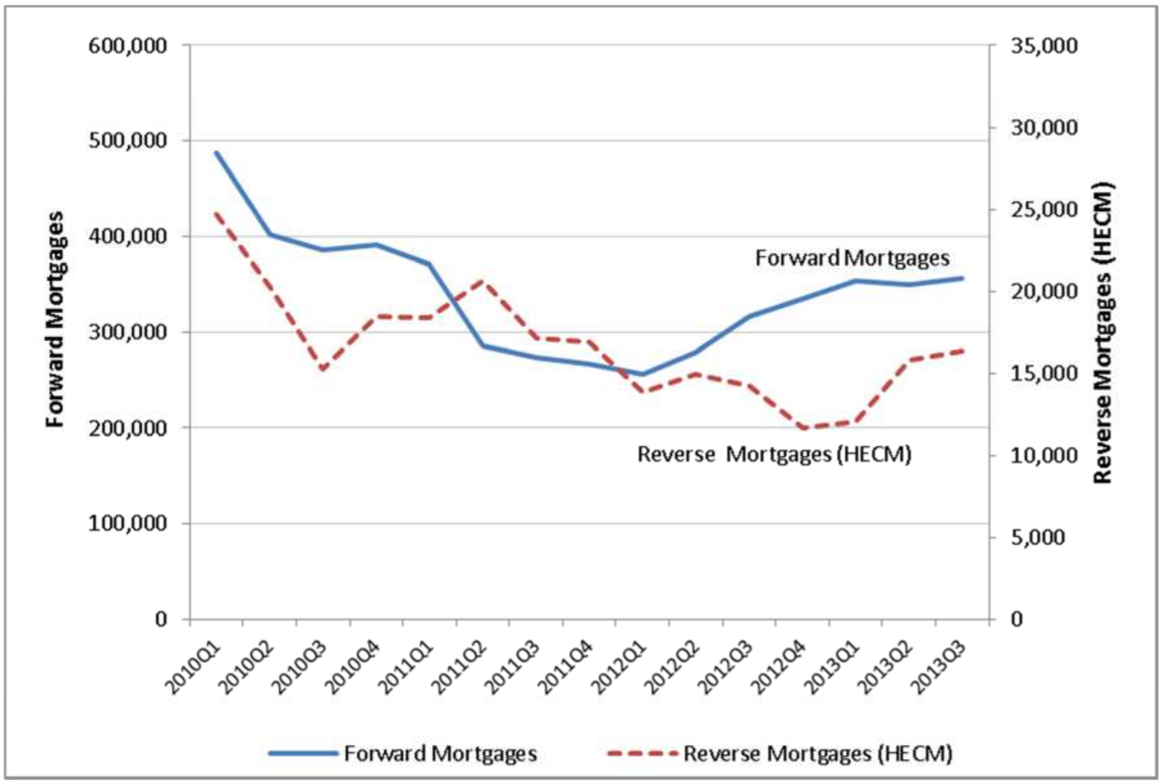
Other	Summary	Page	Exhibit
F) MMI Fund Balances	MMI Fund balances at the end of FY 2013 Q3 were $33.1 billion, a decline of $3.0 billion from the previous quarter.	**12**	**7**
G) Business Operations Cash Flows	Core business-operations cash flow in FY 2013 Q3 was -$3.0 billion. FHA paid $8.6 billion in claims and property	**13**	**8**

	expenses, while receiving $5.6 billion in revenues from premium income and sale of notes and properties.		
H) Early Period Delinquency	Early period delinquency rates for the most recently available quarter (FY 2013 Q1) decreased from the previous quarter (from 0.34 to 0.23 percent);	**14**	**9**
I) Serious Delinquent Rates	The portfolio-level serious delinquency rate (SD) declined for the fourth consecutive quarter to 8.47 percent. By vintage, SD rates for the 2007-2010 cohorts continue to show improvements.	**15 - 16**	**10 - 11**

Endorsement Activity

In the third quarter of Fiscal Year (FY) 2013, FHA endorsed for insurance 355,988 forward loans, including 150,752 in FHA-to-FHA refinances and 16,372 reverse (Home Equity Conversion) mortgages (HECM). Forward-loan endorsements increased about two percent, while HECM loans increased three percent from the previous quarter. On a year-over-year basis, forward-loan endorsements increased by 12 percent and HECM increased by 15 percent. The year-over-year increase in forward-loan activity was all due to home-purchase loan endorsements as refinances declined by nine percent. (See Exhibits A-1 and A-2.)

Exhibit 1: Endorsement Counts by Fiscal Year and Quarter

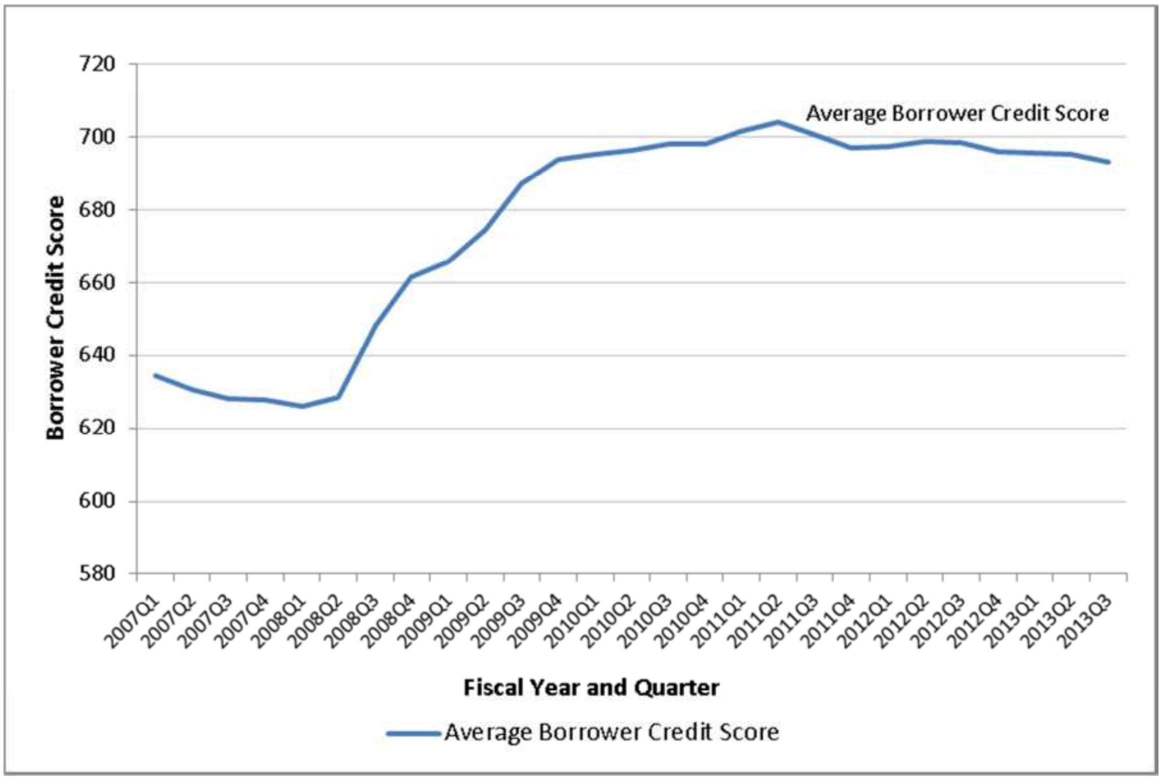


Source: US Department of HUD/FHA, June 2013

Borrower Credit Scores

The overall average borrower credit score for FY 2013 Q3 was 693, indicating a two-point decline from the previous quarter and five points lower than in the year-earlier period as a result of the continued decrease in the number of borrowers with credit scores in excess of 720. The average score has been in the range of 693 and 703 since FY 2009 Q4. (See Exhibits A-3 and A-4).

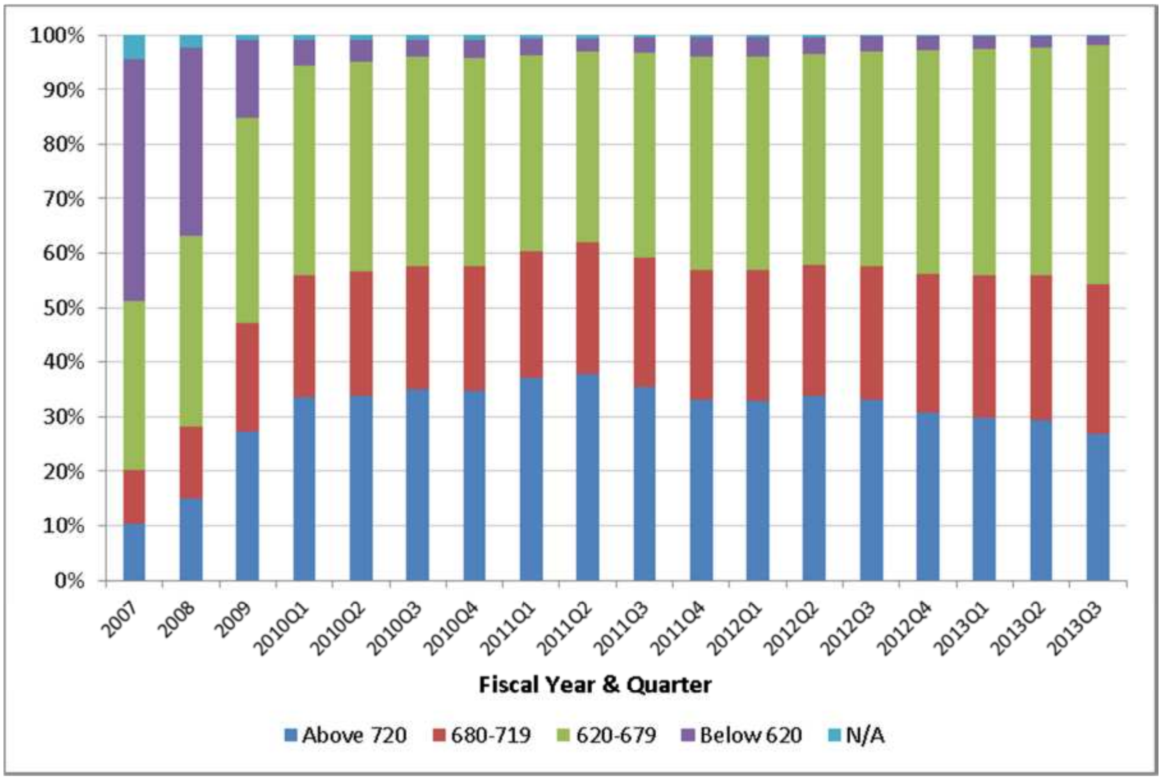
Exhibit 2: Average Borrower Credit Scores by Quarter



Source: US Department of HUD/FHA, June 2013.

A breakout of endorsements by credit-score ranges shows small movements from the previous quarter. Those movements increased concentrations in the 680-719 and 620-679 ranges with 2.4 percent moving from 720+ to 680+ and 620+, and 0.40 percent moving from 580+ to 620+. (See Exhibit A-3 and A-4).

Exhibit 3: Distribution of Borrower Credit Scores by Quarter

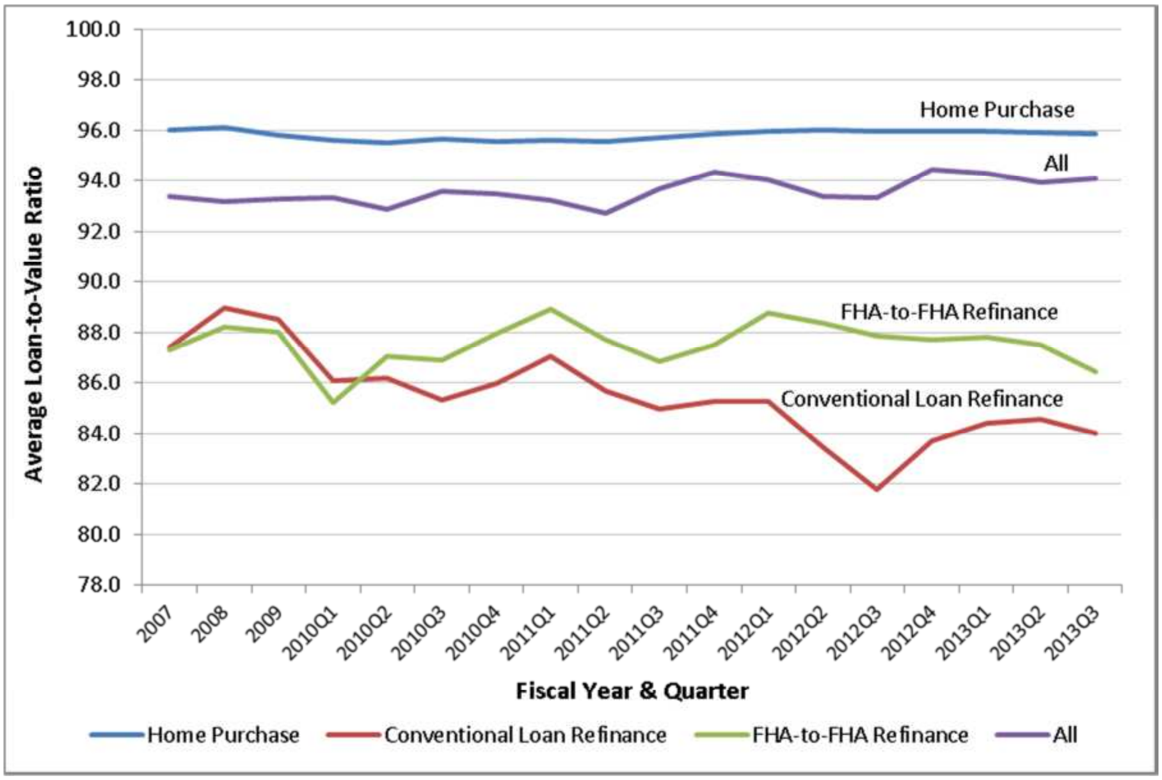


Source: US Department of HUD/FHA, June 2013.

Average Loan-to-Value (LTV)

The average LTV for new endorsements decreased slightly to 93.3 percent from 93.4 percent reported for the previous quarter. The LTV for Home Purchase loans remained unchanged at 96.0 percent, while the LTV for Conventional Loan Refinance decreased from 83.4 percent in the previous quarter to 81.8 percent and FHA-to-FHA refinance decreased from 88.4 to 87.8 percent (See Exhibits A-5 and A-6).

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



Source: US Department of HUD/FHA, June 2013

[1] Excludes Streamline refinance activity.

Predicted and Actual Termination and Claim-Loss Rates

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 2012 – June 2013				
	Year-To-Date Predicted[2]	Year-To-Date Actual	Deviation (Actual - Predicted)	Percentage Deviation (Actual vs. Predicted)
Prepayments - Number	315,880	823,022	507,142	161%
Claims - Number[3]	218,069	133,478	(84,591)	-39%
Claims - Dollars(mil)[3]	$38,394	$17,848	($20,546)	-54%
Net Loss-on-Claims%[4]	66.99%	57.78%	-9.21%	

Source: US Department of HUD/FHA, June 2013.

Prepayment Activity Remains at Elevated Levels

Prepayments in FY 2013 Q3 (823,022) were the highest seen since FY 2004 Q4. Continued low interest rates, along with FHA permitting borrowers with loans endorsed before June 2009 to streamline refinance without an increase in their annual premium rate, have led to year-to-date prepayments that were 161 percent above what was predicted by the independent actuaries. At the same time, the rate at which prepayments were returning as new refinance endorsements was 37 percent, down from 58 percent in the previous quarter and 44 percent in the year-earlier period.

Claims Activity Lower than Projected

The difference between predicted and actual claims paid declined from the previous quarter, with year-to-date counts 39 percent below forecast versus 49 percent reported the previous quarter. The principal contributing factor to this variance continues to be delays in foreclosure processing in many areas of the country, though HUD is accelerating claims through its Distressed Asset Stabilization Program (DASP). Claims activity should move closer to the actuarial predictions as HUD continues its efforts to sell delinquent mortgages out of the foreclosure pipeline through DASP.

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[2] Projections of prepayment counts, claim counts, and claim dollars are from the FY 2012 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.

Net Loss Rate on Claims Lower than Projected

Net loss rates on (full) claim actions are trending downward due to several factors and currently outperforming the predicted rates by over nine percent. First is an increase in home prices for distressed properties, which is helping recoveries on REO sales.

A second important driver of the reduction in loss severity stems from FHA's recent efforts to increase the use of pre-REO alternatives. In past years, pre-foreclosure sales (PFS) have typically comprised the majority of FHA's pre-REO alternatives. However, FHA has recently enhanced its pre-REO offerings via two additional alternatives: 1) the Distressed Asset Stabilization Program (DASP), wherein pools of non-performing loans are sold to purchasers prior to foreclosure, and 2) Claim Without Conveyance of Title (CWCOT), whereby foreclosed properties are sold to third party purchasers prior to the properties being conveyed to FHA. As these programs have expanded, the share of pre-REO dispositions has exceeded 30% the past two quarters, as shown on table A-7.

HUD held its first large-scale DASP auction of $1.7 billion distressed notes in September 2012 and consisted of Neighborhood Stabilization Outcome Mortgage Loan Pools, which are geographically concentrated in distressed markets, and pools composed of mortgages scattered throughout the nation. The majority of the claims for this sale were paid in FY 2013 Q1. The next auction of $2.8 billion of distressed notes occurred in March 2013 and most claims on these loans were paid during FY 2013 Q3. Actual DASP recovery rates, though below the national average REO recovery rate, were above recovery rates for REO in the same jurisdictions. Both of these factors were included in the actuarial predictions.

CWCOT also reduced net loss rates in this quarter. FHA completed a pilot program to encourage third-party sales at foreclosure auctions. The pilot program involved 12 servicers and loans in 10 states. Based on the results of the pilot program, the program was expanded during the second quarter of 2013 to include all states with the 12 servicers in the program servicing approximately 90 percent of the insurance in-force portfolio.

Budget Execution Credit Subsidy Rates

The budget execution credit subsidy rate (CSR) for forward loans increased from -5.98 to -9.70 and the CSR for HECMs increased from -0.92 to -3.77 in Q3 from Q2. The budget execution credit subsidy rates changed in Q3 because of the following two changes in the mortgage insurance premium that will affect credit subsidy rates going forward. The first change is a 10 basis point increase in the mortgage insurance premiums for most loans. The second change was the rescission of the automatic cancellation of mortgage insurance premiums for loans with a loan-to-value of less than 78%.

Exhibit 6: Budget Execution Credit Subsidy Rates

FHA Single-Family Mortgage Insurance Budget Execution Credit Subsidy Rates[5] FY 2013	
Forward Loans	-9.70%
Reverse Loans (HECM)	-3.77

Source: US Department of HUD/FHA, June 2013.

[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, 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 *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 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

Total capital resources declined this quarter by $3.0 billion to $33.1 billion. The Capital Reserve Account balance increased by $4.8 billion, while the Financing Account balance decreased by $7.8 billion.

Exhibit 7: MMI Fund Balances by Quarter, FY2009 – FY2013

FHA Single-Family Insurance
MMI Fund Balances by Quarter, FY2009 – FY2013 Third Quarter[6]
(billions $)

Fiscal Year	Quarter	Capital Reserve Account[7]	Financing Account[8c]	Total Capital Resources[9]
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
2012	Apr-Jun	9.8	21.9	31.6
2012	Jul-Sep	3.3	35.1	38.4
2013	Oct-Dec	7.1	30	37.1
2013	Jan-Mar	11.0	25.1	36.1
2013	Apr-Jun	15.8	17.3	33.1

Source: US Department of HUD/FHA; June 2013.

[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 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.
[8] This is a series of off-budget cash accounts used to manage insurance operation collections and disbursements.
[9] Total Capital Resources is the sum of Capital Reserve and Financing Account balances, and it represents the sum of cash and investments, including funds from Treasury. The funds borrowed from Treasury will be repaid with future mortgage insurance premiums receipts. It does not represent total assets of the MMI Fund.

Cash Flows from Business Operations

MMI Fund core business operations cash flow in FY 2013 Q3 was -$3.0 billion. Claims payments reached a record $8.2 billion as HUD accelerated its efforts to sell delinquent mortgages out of the foreclosure pipeline through DASP (see discussion on page 10). Claims payments were partially covered by $2.9 billion in premiums and $2.3 billion in property sales.

Exhibit 8: Business Operations Cash Flows FY 2012 Q2 - FY2013 Q2

FHA MMI Fund Financing Account
Business Operations Cash Flows in FY 2012 Q2 - FY 2013 Q3, by Quarter[10]
(millions $)

	FY 2012 Q4 to Third Quarter FY 2013				Past 4 Quarters
	FY 2012 Quarter 4	FY 2013 Quarter 1	FY 2013 Quarter 2	FY 2013 Quarter 3	
Collections					
Premiums	$ 2,393	$ 2,735	$ 2,710	$ 2,921	$ 10,759
Property Sale Receipts	2,090	1,861	1,954	2,261	8,166
Note Sale Collections	23	76	233	370	702
Other[11]	1,136	15	18	20	1,189
Total	5,642	4,687	4,915	5,572	20,816
Disbursements					
Claims[12]	$ (4,783)	$ (5,666)	$ (5,555)	$ (8,215)	$ (24,219)
Property Maintenance	(364)	(294)	(358)	(338)	(1,354)
Other	-	-	-	-	0
Total	(5,147)	(5,960)	(5,913)	(8,553)	(25,573)
Net Operations Cash Flow	$ 495	$ (1,273)	$ (998)	$ (2,981)	$ (4,757)

Source: US Department of HUD/FHA; June 2013.

10 Unaudited figures; totals may not add due to rounding.

11 This includes National Mortgage Settlement amounts of $1.12 billion recognized in August 2012.

12 Claim payments 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)

Early payment delinquencies extending to three months in arrears (EPDs) declined by 0.11 percent from the previously reported period FY2012 Q4 to the most recent period FY2013 Q1 to 0.23 percent. The EPD rate for purchase loans declined by 0.10 percent and the EPD rate for refinance loans by 0.06 percent. (See Exhibit 9).

Exhibit 9: Early Period Delinquency Rates by Origination Quarter and Loan Type/Purpose

FHA Single-Family Insurance

Early Period Delinquency Rates[13] by Origination Quarter and Loan Type/Purpose

Fiscal Year	Origination Quarter	Loan Type/Purpose		
		Purchase	Refinance[14b]	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	0.19	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	0.22	0.35
	Jul-Sep	0.36	0.26	0.34
2013	Oct-Dec	0.26	0.20	0.23

Source: US Department of HUD/FHA, March 2013.

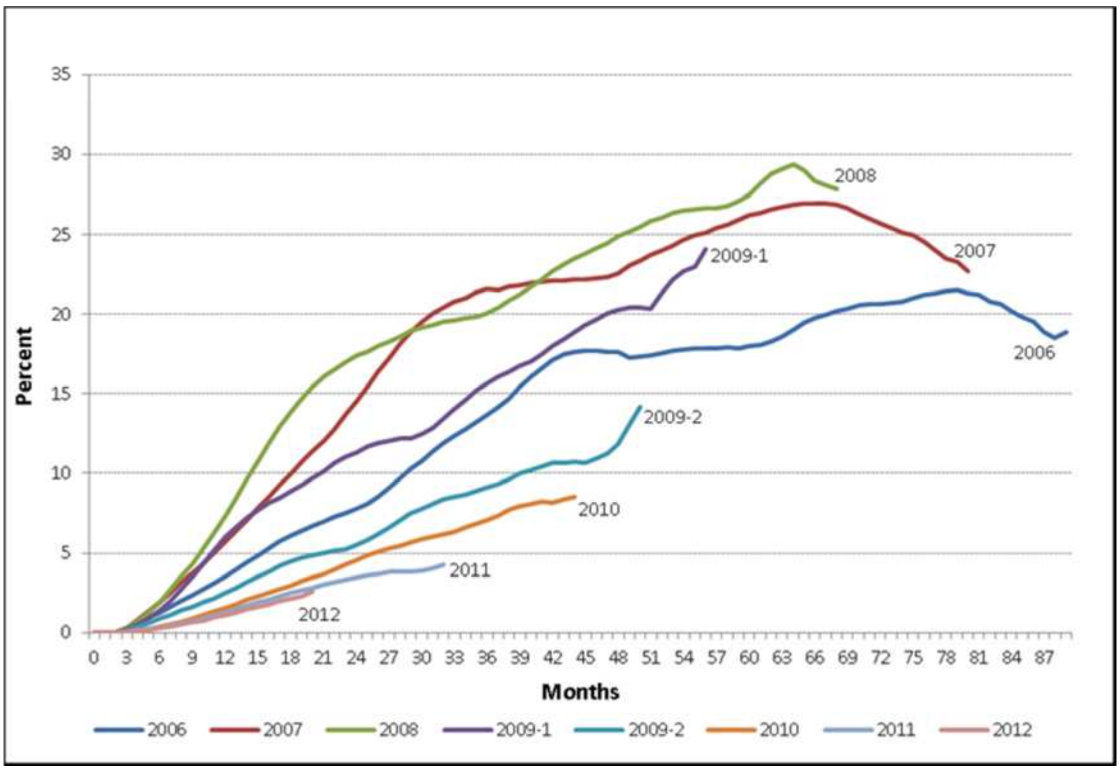
[13] Early period delinquency is defined here as having had a 90-day delinquency within the first six months of required mortgage payments. The first payment-due month is the second month after loan closing. Thus, these rates indicate the percentage of loans experiencing a 90-day delinquency within 7 months of loan closing.

[14] Loans in this column are fully-underwritten conventional-to-FHA and FHA- to-FHA refinancing.

Serious Delinquency Rates

Serious delinquency rates for those vintages most heavily impacted by the recent economic recession (2007-2008) are now stabilizing. Most notable are improvements seen in the 2007 portfolio. In Exhibit 10 we separate the 2009 cohort into two parts, representing loan originations from October through March in 2009-1 and loan originations from April through October in 2009-2. This is because the composition of that cohort changed dramatically throughout the year due to improvements in borrower credit quality and reductions in mortgage interest rates. The “tails” on the end of each of the two 2009 vintage curves represent the lower quality of loans originated toward the start of each six-month period. We expect to see a lessening of those effects as each group continues to season (i.e., a flattening of the tails). The post-2009 vintages are still within the age range where defaults are rising and so increases in their rates are as expected.

Exhibit 10: Serious Delinquency Rates by Fiscal Year of Loan Origination and Months of Seasoning, All Endorsements



Source: US Department of HUD/FHA, June 2013

The seasonally-adjusted serious delinquency rate is at its lowest end-of-quarter point since FY2011 Q4. Each endorsement cohort starting with 2009 is performing markedly better than did the previous cohort at the same point of seasoning. This is seen by comparing each cohort’s FY2013 Q2 experience with the next earlier cohort in FY2012 Q2.

Exhibit 11: Serious Delinquency Rates by Endorsement Fiscal Year and Activity Quarter[15]

Endorsement Fiscal Year	Activity Period														
	FY2013 Q3	FY2013 Q2	FY2013 Q1	FY2012 Q4	FY2012 Q3	FY2012 Q2	FY2012 Q1	FY2011 Q4	FY2011 Q3	FY2011 Q2	FY2011 Q1	FY2010 Q4	FY2010 Q3	FY2010 Q2	FY2010 Q1
Pre-2007	11.41%	12.29%	11.80%	12.99%	12.60%	12.33%	12.58%	11.57%	10.77%	10.98%	11.59%	11.41%	11.15%	11.56%	11.89%
2007	22.12	24.88	23.09	26.88	25.82	25.55	25.59	23.36	21.83	21.71	22.44	21.49	21.11	21.40	21.55
2008	22.00	24.56	22.02	26.38	24.88	24.25	23.83	21.38	19.97	19.49	19.65	18.37	17.35	17.13	16.22
2009	12.02	13.13	11.61	13.45	12.18	11.41	10.92	9.13	8.05	7.58	7.23	6.08	4.94	4.07	3.05
2010	6.14	6.36	5.80	5.88	5.18	4.52	4.07	2.96	2.13	1.61	1.2	0.65	0.33	0.16	0.02
2011	3.42	3.32	2.86	2.49	1.81	1.28	0.93	0.45	0.22	0.08	0.01				
2012	1.31	0.99	0.68												
2013	0.41	0.11													
All years	8.47%	8.87%	9.59%	9.58%	9.44%	9.42%	9.59%	8.70%	8.18%	8.31%	8.78%	8.66%	8.61%	9.05%	9.44%
All years – Seasonally Adjusted[16]	8.82%	8.91%	9.09%	9.80%	9.94%	9.48%	9.05%	8.89%	8.59%	8.34%	8.32%	8.85%	9.05%	9.08%	8.90%

Source: US Department of HUD/FHA, June 2013.

[15] This rate is the sum of 90^{+}-day delinquencies, bankruptcies, and cases in foreclosure processing. These rates are not seasonally adjusted. This data is as of the last day of each quarter.
[16] 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 Mortgages[17]				
Time Period	Home Purchase	Conventional Loan Refinance	FHA-to-FHA Refinance	All Forward Loans	Reverse Mortgages (HECM)[18]
Fiscal 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	61,101	319,985	1,168,179	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	261,166	104,578	36,601	402,345	107,367
2008	591,326	349,126	91,133	1,031,585	112,013
2009	995,102	468,768	367,448	1,831,318	114,639
2010	1,109,161	305,297	252,443	1,666,901	78,758
2011	777,102	194,809	224,761	1,196,672	73,093
2012	733,699	129,186	321,609	1,184,494	54,677
2013	516,366	72,348	470,753	1,059,467	44,282
Fiscal Year and Quarter					
2010Q1	304,827	86,516	96,155	487,498	24,730
2010Q2	245,777	88,338	67,987	402,102	20,278
2010Q3	289,683	65,577	31,038	386,298	15,266
2010Q4	268,874	64,866	57,263	391,003	18,484
2011Q1	196,712	65,206	109,428	371,346	18,387
2011Q2	168,703	58,450	58,685	285,838	20,646
2011Q3	201,081	41,106	30,879	273,066	17,161
2011Q4	210,606	30,047	25,769	266,422	16,899
2012Q1	176,085	31,834	47,872	255,791	13,867
2012Q2	166,088	36,594	75,528	278,210	14,956
2012Q3	193,556	38,078	84,426	316,060	14,204
2012Q4	197,970	22,680	113,783	334,433	11,650
2013Q1	177,852	22,756	152,515	353,123	12,079
2013Q2	157,440	25,430	167,486	350,356	15,831
2013Q3	181,074	24,162	150,752	355,988	16,372

Source: US Department of HUD, Office of Housing/FHA; June 2013.

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

[18] 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 (million$)				
	Forward Mortgages[19]				
Time Period	Home Purchase	Conventional Loan Refinance	FHA-to-FHA Refinance	All Forward Loans	Reverse Mortgages (HECM)[20]
Fiscal Year					
2000	$79,397	$3,181	$3,697	$86,276	$825
2001	79,709	4,947	22,894	107,550	1,094
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	6,885
2005	40,196	4,258	13,521	57,975	8,877
2006	37,102	8,521	6,109	51,732	17,973
2007	35,003	16,095	5,418	56,516	24,623
2008	95,373	61,525	14,907	171,806	24,240
2009	171,672	86,984	71,728	330,384	30,172
2010	191,602	56,431	49,468	297,501	20,974
2011	134,357	36,845	46,440	217,642	18,208
2012	124,454	23,474	65,343	213,271	13,113
2013	91,167	13,435	86,004	190,606	10,750
Fiscal Year and Quarter					
2010Q1	$51,950	$15,843	$18,602	$86,395	$6,948
2010Q2	42,794	16,402	12,886	72,082	5,491
2010Q3	49,578	12,145	5,902	67,625	3,859
2010Q4	47,279	12,041	12,078	71,399	4,676
2011Q1	35,084	12,785	24,216	72,085	4,612
2011Q2	29,731	11,223	11,832	52,786	5,273
2011Q3	34,045	7,510	5,721	47,275	4,207
2011Q4	35,497	5,327	4,672	45,496	4,115
2012Q1	29,227	5,731	9,661	44,619	3,268
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	4,110	22,240	60,865	2,732
2013Q1	30,994	4,136	28,594	63,723	2,819
2013Q2	27,887	4,794	30,990	63,671	3,840
2013Q3	32,286	4,506	26,420	63,212	4,090

Source: US Department of HUD, Office of Housing/FHA; June 2013.

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

[20] 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[21] Distribution on New Endorsements[22] By Fiscal Year (FY) and Quarter								
Fiscal Year	Quarter	Credit Score Categories (Shares in each row add to 100%)						
		720+	680+	620+	580+	500+	300+	N/A[23]
2007	Oct-Dec	11.2	10.9	31.6	22.5	17.8	1.2	4.8
	Jan-Mar	10.3	10.2	31.1	23.0	19.3	1.4	4.7
	Apr-Jun	9.8	9.6	30.6	23.4	20.4	1.5	4.7
	Jul-Sep	9.9	9.2	30.9	23.6	20.7	1.5	4.0
2008	Oct-Dec	9.3	9.1	31.1	23.9	21.2	1.7	3.7
	Jan-Mar	9.9	9.8	31.8	23.2	20.4	1.7	3.3
	Apr-Jun	15.2	13.2	35.6	20.8	12.2	0.7	2.3
	Jul-Sep	19.1	16.0	37.5	18.9	6.7	0.2	1.5
2009	Oct-Dec	20.5	17.2	37.5	18.6	5.1	0.1	0.9
	Jan-Mar	24.3	18.9	36.9	15.5	3.3	0.0	1.0
	Apr-Jun	29.7	21.2	38.2	8.4	1.5	0.0	1.0
	Jul-Sep	33.4	22.1	37.8	4.9	1.0	0.0	0.9
2010	Oct-Dec	33.5	22.5	38.5	4.0	0.7	0.0	0.9
	Jan-Mar	33.9	22.8	38.4	3.5	0.5	0.0	0.9
	Apr-Jun	35.0	22.7	38.5	2.7	0.4	0.0	0.8
	Jul-Sep	34.8	22.6	38.4	3.0	0.4	0.0	0.8
2011	Oct-Dec	37.1	23.2	36.1	2.5	0.3	0.0	0.8
	Jan-Mar	37.8	24.1	35.0	2.2	0.2	0.0	0.7
	Apr-Jun	35.4	23.8	37.5	2.6	0.2	0.0	0.6
	Jul-Sep	33.1	23.7	39.1	3.3	0.2	0.0	0.5
2012	Oct-Dec	33.0	23.9	39.3	3.2	0.2	0.0	0.4
	Jan-Mar	33.9	23.9	38.8	2.8	0.2	0.0	0.4
	Apr-Jun	33.2	24.2	39.5	2.5	0.2	0.0	0.3
	Jul-Sep	30.9	25.3	41.1	2.3	0.2	0.0	0.3
2013	Oct-Dec	29.9	26.0	41.6	2.1	0.2	0.0	0.3
	Jan-Mar	29.3	26.6	41.9	1.8	0.2	0.0	0.2
	Apr-Jun	26.9	27.4	43.9	1.5	0.1	0.0	0.2

Source: US Department of HUD, Office of Housing/FHA, June 2013.

[21] 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.

[22] Excludes streamline refinance loans.

[23] Borrowers without credit histories can be underwritten for FHA insurance using alternative criteria.

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

FHA Single-Family Mortgage Insurance Average Borrower Credit Scores[24] on New Endorsements By Fiscal Year, Quarter, and Loan Purpose					
		Loan Purpose			
Fiscal Year	Quarter	Home Purchase	Conventional Loan Refinance	FHA-to-FHA Refinance[25]	All[26]
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
	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

Source: US Department of HUD, Office of Housing/FHA, March 2013.

[24] Credit scores are co-branded 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, and therefore, they are not represented here.

[25] 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[26] Distribution on New Endorsements[27] 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[28]	DPA Loans[29]
2008	Oct-Dec	7.7	11.9	22.9	35.3	22.2
	Jan-Mar	8.4	13.3	25.5	33.9	18.8
	Apr-Jun	6.9	11.6	22.7	40.0	18.8
	Jul-Sep	5.7	10.1	19.2	43.5	21.4
2009	Oct-Dec	6.2	11.2	21.1	48.8	12.7
	Jan-Mar	6.9	13.4	23.4	55.3	1.0
	Apr-Jun	6.4	14.4	17.7	61.3	0.2
	Jul-Sep	6.0	15.2	11.5	67.1	0.1
2010	Oct-Dec	5.8	14.8	10.1	69.1	0.2
	Jan-Mar	6.8	16.9	10.9	65.3	0.1
	Apr-Jun	5.7	12.9	9.5	71.7	0.2
	Jul-Sep	6.0	13.9	9.9	70.1	0.1
2011	Oct-Dec	6.2	15.9	10.9	66.9	0.1
	Jan-Mar	7.6	16.9	10.4	65.0	0.1
	Apr-Jun	6.2	13.1	9.0	71.5	0.2
	Jul-Sep	5.2	11.0	8.8	74.7	0.3
2012	Oct-Dec	5.8	12.0	9.3	72.4	0.4
	Jan-Mar	7.5	12.5	9.3	70.6	0.2
	Apr-Jun	7.7	11.3	8.9	71.9	0.2
	Jul-Sep	5.1	9.3	9.6	75.9	0.2
2013	Oct-Dec	5.2	10.0	10.1	74.6	0.2
	Jan-Mar	6.0	11.5	10.8	71.6	0.2
	Apr-Jun	5.6	10.3	9.7	74.2	0.2

Source: US Department of HUD, Office of Housing/FHA, June 2013

[26] 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.

[27] Excludes streamline refinance loans.

[28] 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.

[29] 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-6: Average Loan-to-Value (LTV) Ratios on New Endorsements

FHA Single-Family Mortgage Insurance Average Loan-to-Value (LTV) Ratios[30] on New Endorsements By Fiscal Year, Quarter, and Loan Purpose					
		Loan Purpose			
Fiscal Year	Quarter	Home Purchase	Conventional Loan Refinance	FHA-to-FHA Refinance[31]	All[32]
2008	Oct-Dec	95.9	86.7	87.0	93.5
	Jan-Mar	95.9	87.0	87.1	93.1
	Apr-Jun	96.1	87.7	87.5	93.4
	Jul-Sep	96.0	88.2	87.6	93.4
2009	Oct-Dec	96.0	88.8	87.9	93.1
	Jan-Mar	96.0	88.9	88.3	92.6
	Apr-Jun	96.2	89.1	88.4	93.3
	Jul-Sep	96.1	89.2	88.0	93.9
2010	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
2011	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
2012	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
2013	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

Source: US Department of HUD, Office of Housing/FHA, June 2013

[30] 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.

[31] 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 Dispositions and Loss Severity								
Fiscal Year	Quarter	REO Loss Rate[32]	REO Alternatives Loss Rate[33]	Overall Loss Rate	REO Dispositions	REO Alternatives Dispositions	Total Dispositions	REO Alternatives Share
2008	Oct-Dec	53.4%	26.6%	51.3%	10,924	928	11,852	7.8%
	Jan-Mar	53.4	26.7	50.9	11,903	1,252	13,155	9.5
	Apr-Jun	56.8	28.3	54.5	12,875	1,134	14,009	8.1
	Jul-Sep	65.1	29.1	61.8	14,032	1,428	15,460	9.2
2009	Oct-Dec	69.2	34.0	66.4	14,967	1,273	16,240	7.8
	Jan-Mar	71.8	37.0	68.5	19,910	2,118	22,028	9.6
	Apr-Jun	68.0	39.1	64.0	19,135	3,092	22,227	13.9
	Jul-Sep	65.8	40.4	61.9	19,451	3,515	22,966	15.3
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	64.8	53.2	60.2	26,500	12,843	39,343	32.7
	Jan-Mar	61.8	52.9	58.3	27,366	11,961	39,327	30.4
	Apr-Jun	57.1	51.5	54.8	20,100	10,600	30,700	34.6

Source: US Department of HUD, Office of Housing/FHA, June 2013

[32] REO – Real Estate Owned refers to properties that HUD has assumed ownership through the conveyance of title.

[33] REO Alternatives composes of Short Sales, Claims without Conveyance of Title (CWCOT) and Note Sales. Short sales refer to the sale of property defaulted Borrower to sell his/her home and use 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- Claim without Conveyance of Title refers to a program approved under Section 426 of the Housing and Urban-Rural Recovery Act of 1983 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 designed to reduce foreclosure costs for borrowers. Notes sales are conducted through the Distressed Asset Stabilization Program (DASP)