U.S. Department of Housing and Urban Development

FHA Single-Family Mutual Mortgage Insurance Fund Programs

Quarterly Report to Congress

FY 2013 Q4

Delivered: February 26, 2014

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 fourth 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 September 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.

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 2013 in mid-December 2013. The FY 2013 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 2013 Q4

Data as of September 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 284,984 with a dollar volume of $49.4 billion. This represents a twenty-two percent decrease in dollar volume from the previous quarter. The HECM endorsement volume was $3.9 billion, representing a decrease of four percent.	**5, 17 - 18**	**1, A-1, A-2**
B) Types of loans insured, categorized by risk;	The average credit score this quarter was 690 and the average borrower loan-to-value ratio 94.3 percent. Average LTV was up slightly from last quarter's 94.1 percent.	**6 - 8, 19-22**	**2 - 4, A-3 – A-6**
C) Significant differences between actual and projected claim and prepayment activity persisted;	Prepayment activity more than doubled actuarial predictions, due to interest rates remaining near historical lows. Claim losses continue to trend well below predicted levels due to delays in foreclosure processing and lower loss severities.	**9**	**5**
D) Projected versus actual loss rates	The year-to-date net loss rate on claim activity (57 percent) remained below actuarial projections (66 percent).	**10, 23**	**5, A-7**
E) Updated projections of the annual subsidy rates	The budget execution credit subsidy rate (CSR) for forward loans remained at -9.70 and the CSR for HECMs remained at -3.77 in Q4.	**11**	**6**

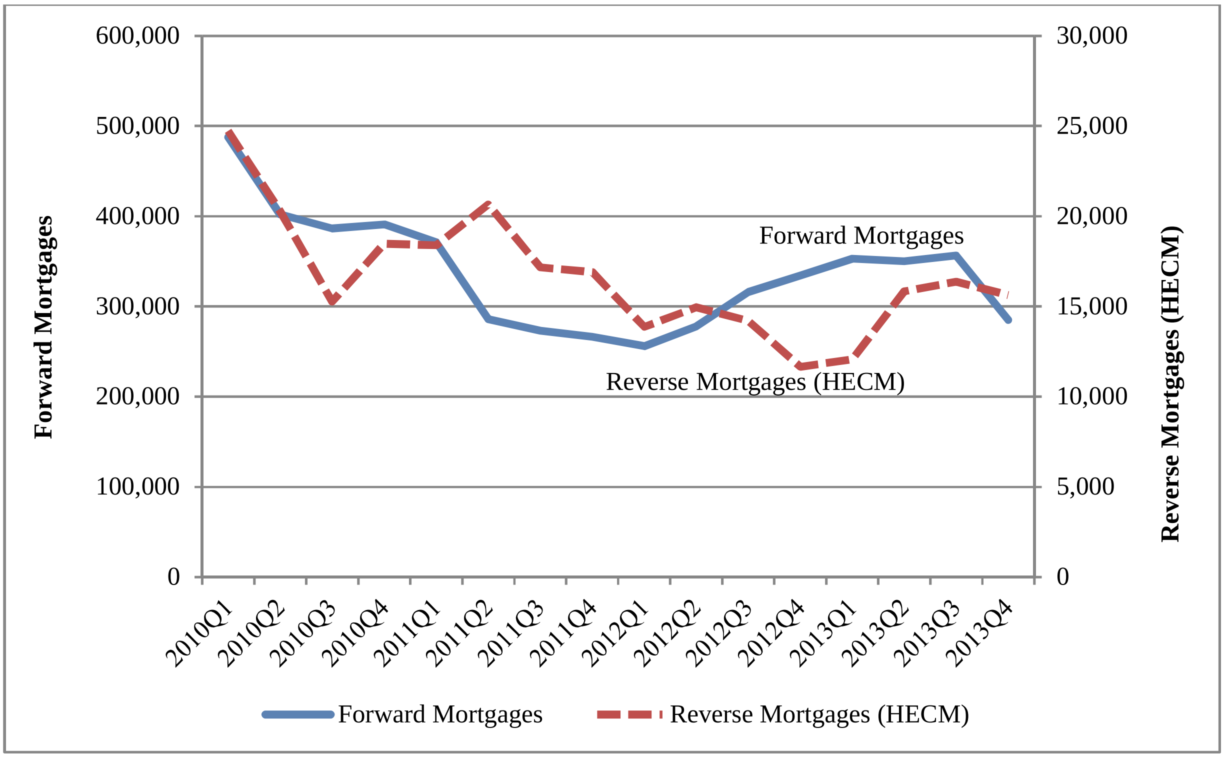
Other	**Summary**	**Page**	**Exhibit**
F) MMI Fund Balances	MMI Fund balances at the end of FY 2013 Q4 were $48.4 billion, an increase of $15.3 billion from the previous quarter.	**12**	**7**
G) Business Operations Cash Flows	Core business-operations cash flow in FY 2013 Q4 was -$1.1 billion. FHA paid $7.8 billion in claims and property expenses, while receiving $6.7 billion in revenues from premium income and sale of notes and properties.	**13**	**8**

H) Early Period Delinquency	Early period delinquency rates for FY 2013 Q4 were up slightly from the previous quarter (from 0.23 to 0.24 percent); still well below historic average.	**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 fourth quarter of Fiscal Year (FY) 2013, FHA endorsed for insurance 284,984 forward loans, including 80,014 in FHA-to-FHA refinances and 15,637 reverse mortgages (Home Equity Conversion Mortgage or HECM). Forward-loan endorsements decreased about twenty percent, while HECM loans decreased four percent from the previous quarter. On a year-over-year basis, forward-loan endorsements decreased by 15 percent and HECM increased by 34 percent. The year-over-year decrease in forward-loan activity came in large part to the decrease of refinancing activity following an increase in mortgage rates. (See Exhibits A-1 and A-2.)

Exhibit 1: Endorsement Counts by Fiscal Year and Quarter

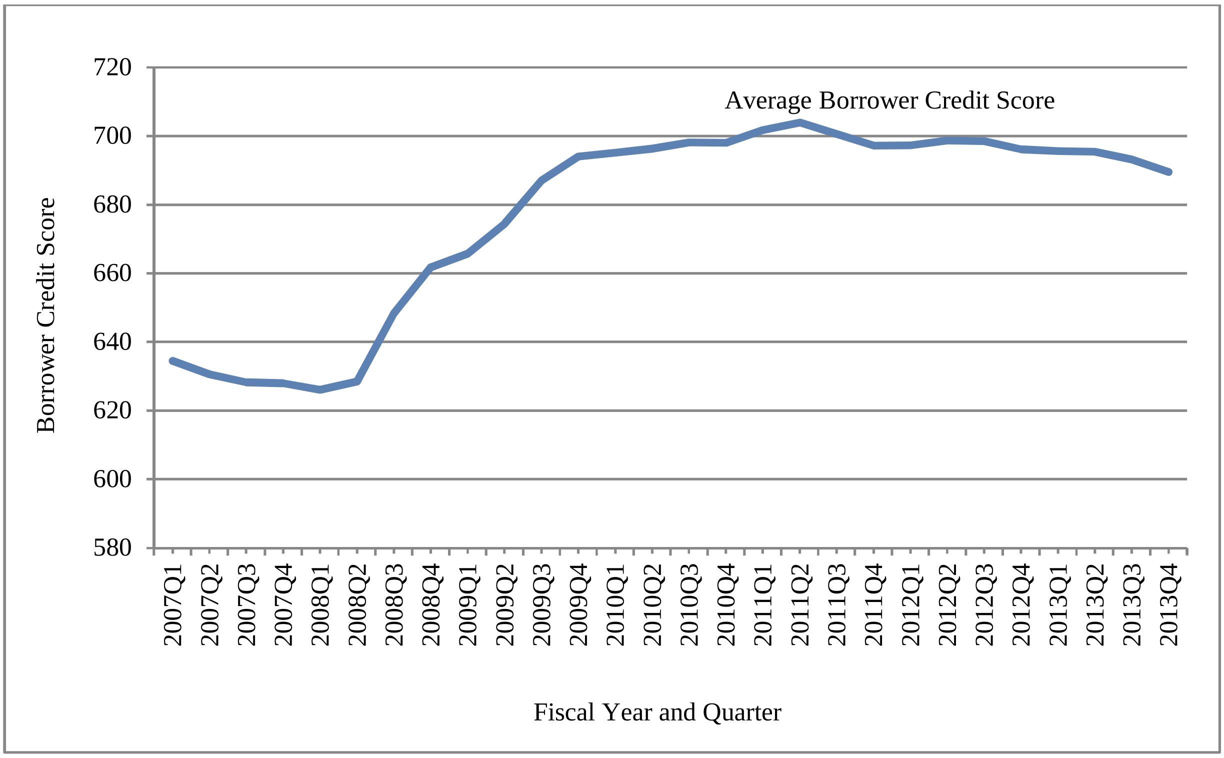


Source: US Department of HUD/FHA, January 2014

Borrower Credit Scores

The overall average borrower credit score for FY 2013 Q4 was 690, a three-point decline from the previous quarter and seven points lower than in the year-earlier period as a result of the continued decrease in the share of borrowers with credit scores exceeding 720. The average score has ranged between 690 and 704 since FY 2009 Q4. (See Exhibits A-3 and A-4).

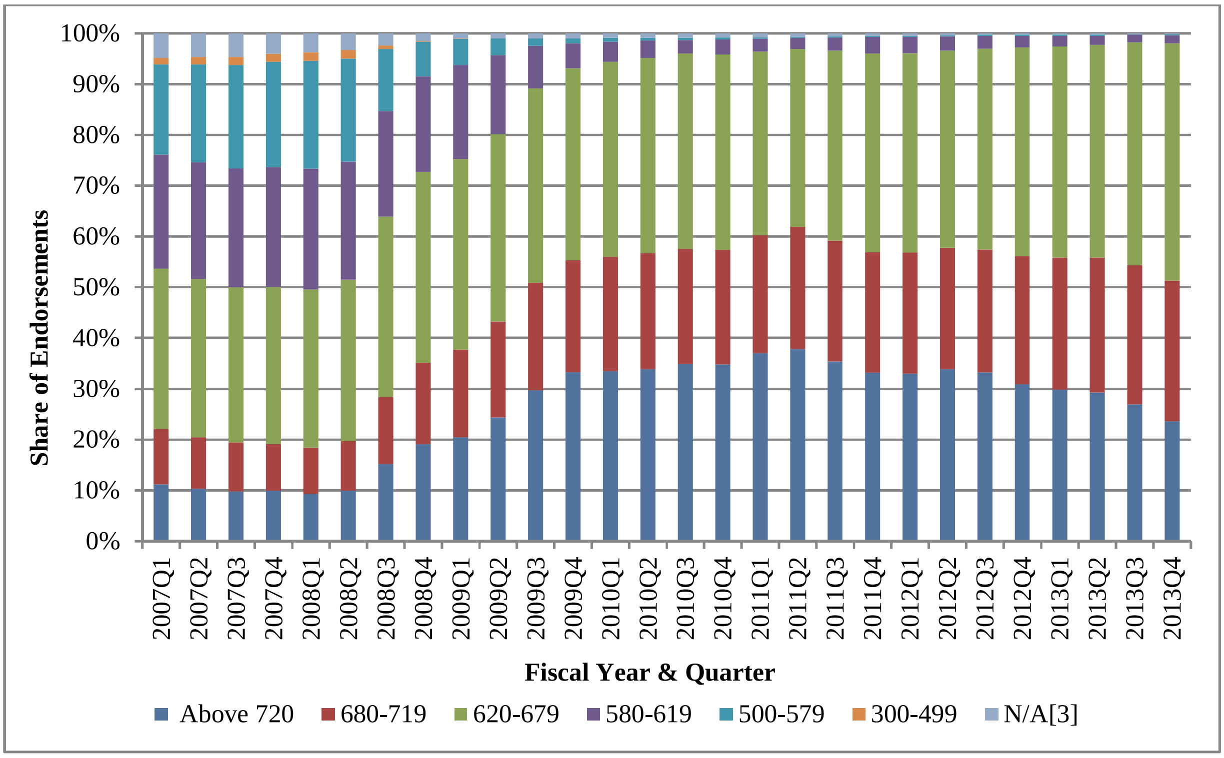
Exhibit 2: Average Borrower Credit Scores by Quarter



Source: US Department of HUD/FHA, January 2014.

A breakout of endorsements by credit-score ranges suggest that decreased share of +720 credit scores has largely shifted to the 620-679 range. For example, the share of +720 credit scores has fallen about 14% since its peak in Q2 2011, while the share of 620-679 increased by about 12% over the same period. The share of loans with credit scores of less than 620 has stayed within a range of 2% - 4% since FY 2011 Q2. (See Exhibit A-3 and A-4).

Exhibit 3: Distribution of Borrower Credit Scores by Quarter

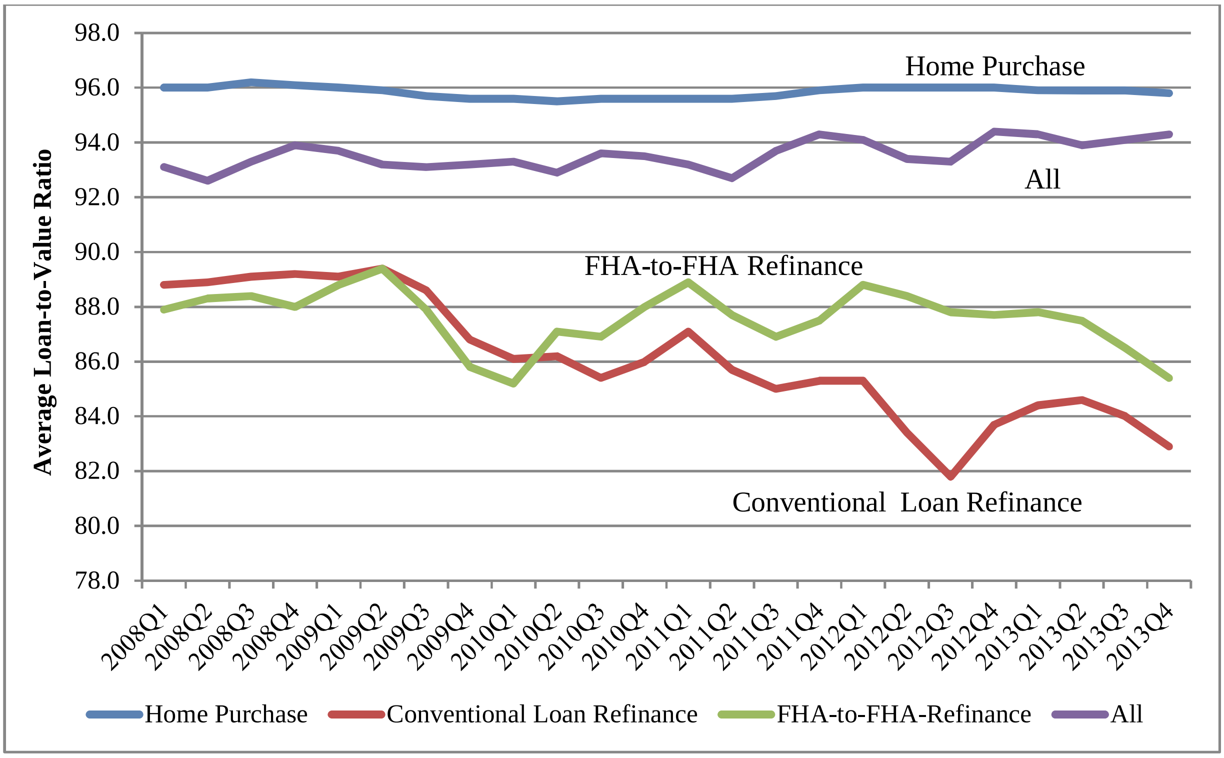


Source: US Department of HUD/FHA, January 2014.

Average Loan-to-Value (LTV)

The average LTV for new endorsements increased slightly to 94.3 percent from 94.1 percent reported for the previous quarter. The LTV for Home Purchase loans remained unchanged at 95.8 percent, while the LTV for Conventional Loan Refinance decreased from 84.0 percent in the previous quarter to 82.9 percent and FHA-to-FHA refinance decreased from 86.5 to 85.4 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, January 2014

[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 – September 2013				
	Year-To-Date Predicted[2]	Year-To-Date Actual	Deviation (Actual - Predicted)	Percentage Deviation (Actual vs. Predicted)
Prepayments - Number	402,332	1,032,349	630,017	157%
Claims - Number[3]	297,595	184,215	(113,380)	-38%
Claims - Dollars(mil)[3]	$40,666	$24,737	($15,929)	-39%
Net Loss-on-Claims%[4]	66.43%	57.09%	-9.34%	

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

Prepayment Activity Remains at Elevated Levels

Prepayments through FY 2013 Q4 (1,032,349) were the highest seen since FY 2004 Q4. Continued low interest rates, in conjunction with FHA facilitating 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 157 percent above what was predicted by the independent actuaries.

Claims Activity Lower than Projected

The difference between predicted and actual claims paid remained nearly the same from the previous quarter, with year-to-date counts 38 percent below the actuarial forecast. 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). Lower than projected loss rates (57% vs 66%) is a second factor contributing to lower claims losses.

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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

As noted above, loss rates on claim actions are trending downward, outperforming the predicted rates by over nine percent. A number of factors drive this result. 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 auctioned off to third party purchasers prior to the properties being conveyed to FHA. As these programs have expanded, the share of pre-REO dispositions has comprise almost 50% of all distressed asset dispositions the past two quarters, as shown on table A-7.

Budget Execution Credit Subsidy Rates

The budget execution credit subsidy rate (CSR) for forward loans remained at -9.70 and the CSR for HECMs was static at -3.77 in Q4. 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, September 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

In this quarter HUD engaged in two transactions with U.S. Treasury to assure that the MMI Fund Financing Accounts had the funds required under the FY 2012 budget reconciliation re-estimate exercise. That exercise, undertaken under the direction of OMB in December 2012, suggested that FHA required an additional $22.43 billion in its Financing Accounts, in order to assure that MMI Fund programs had adequate loss reserves for future expected needs. That amount included $16.91 Billion for standard single-family programs, and an additional $5.52 billion for reverse mortgages in the MMI Fund. The first transaction with Treasury was to liquidate the balance of the Capital Reserve account at the end of September ($20.75 billion), moving those funds to the Financing Accounts. The second transaction was in the form of a “mandatory appropriation” of $1.68 billion in order to provide the additional amounts required in the Financing Accounts. Such transfers are commonplace for federal direct loan and loan guarantee programs.

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

FHA Single-Family Insurance MMI Fund Balances by Quarter, FY2009 – FY2013 Fourth Quarter[6] (billions $)				
Fiscal Year	**Quarter**	**Capital Reserve Account[7]**	**Financing Accounts[8]**	**Total[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
2013	Jul-Sep	0.0	48.4	48.4

Source: US Department of HUD/FHA; September 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 showing a decline in the balance represent times in which there were transfers of funds to the Financing Accounts to effect the re-balancing required under annual budget re-estimates.

[8] HUD maintains a series of cash accounts to facilitate business transactions of MMI Fund programs. These Financing Accounts are "off budget" and are used to manage ongoing premium collections, claim payments, and property recoveries. Balances do earn interest. Once a year, the accounts are re-balanced according to requirements of OMB under the Federal Credit Reform Act. The re-balancing occurs as part of the annual budget re-estimate exercise. That exercise results in either excess funds being moved to the Capital Reserve Account or else additional funds drawn from that Account into the Financing Accounts. The reconciled balances in the Financing Accounts are to reflect future net cash flow requirements of outstanding loan guarantees, over the remaining life of each budget cohort of loan guarantees.

[9] Total account balances shown here represent liquid assets immediately available to MMI Fund programs for any cash needs.

Cash Flows from Business Operations

MMI Fund core business operations cash flow in FY 2013 Q4 was -$1.2 billion. Claims payments fell slightly to $7.5 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 $2.8 billion in premiums and $3.8 billion in property sales.

Exhibit 8: Business Operations Cash Flows FY 2013 Q1 - FY2013 Q4

FHA MMI Fund Financing Account
Business Operations Cash Flows in FY 2013 Q1 - FY 2013 Q4, by Quarter[10]
(millions $)

	FY 2013 Q1 to Fourth Quarter FY 2013				Past 4 Quarters
	FY 2013 Quarter 1	FY 2013 Quarter 2	FY 2013 Quarter 3	FY 2013 Quarter 4	
Collections					
Premiums	$2,735	$2,710	$2,921	$2,808	$11,174
Property Sale Receipts	1,861	1,954	2,261	2,303	8,379
Note Sale Collections	76	233	370	1,522	2,201
Other	15	18	20	18	71
Total	4,687	4,915	5,572	6,651	21,825
Disbursements					
Claims[11]	($5,666)	($5,555)	($8,215)	($7,458)	($26,894)
Property Maintenance	(294)	(358)	(338)	(351)	(1,341)
Other	0	0	0	1	1
Total	(5,960)	(5,913)	(8,553)	(7,808)	(28,234)
Net Operations Cash Flow	($1,273)	($998)	($2,981)	($1,157)	($6,409)

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

[10] Unaudited figures; totals may not add due to rounding.
[11] 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)

Early payment delinquencies extending to three months in arrears (EPDs) increased marginally from 0.23 percent in FY2013 Q3 to 0.24 percent in FY2013 Q4.

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

FHA Single-Family Insurance

Early Period Delinquency Rates[11] by Origination Quarter and Loan Type/Purpose

Fiscal Year	Origination Quarter	Loan Type/Purpose Purchase	Refinance[12]	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
	Jan-Mar	0.29	0.20	0.24

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

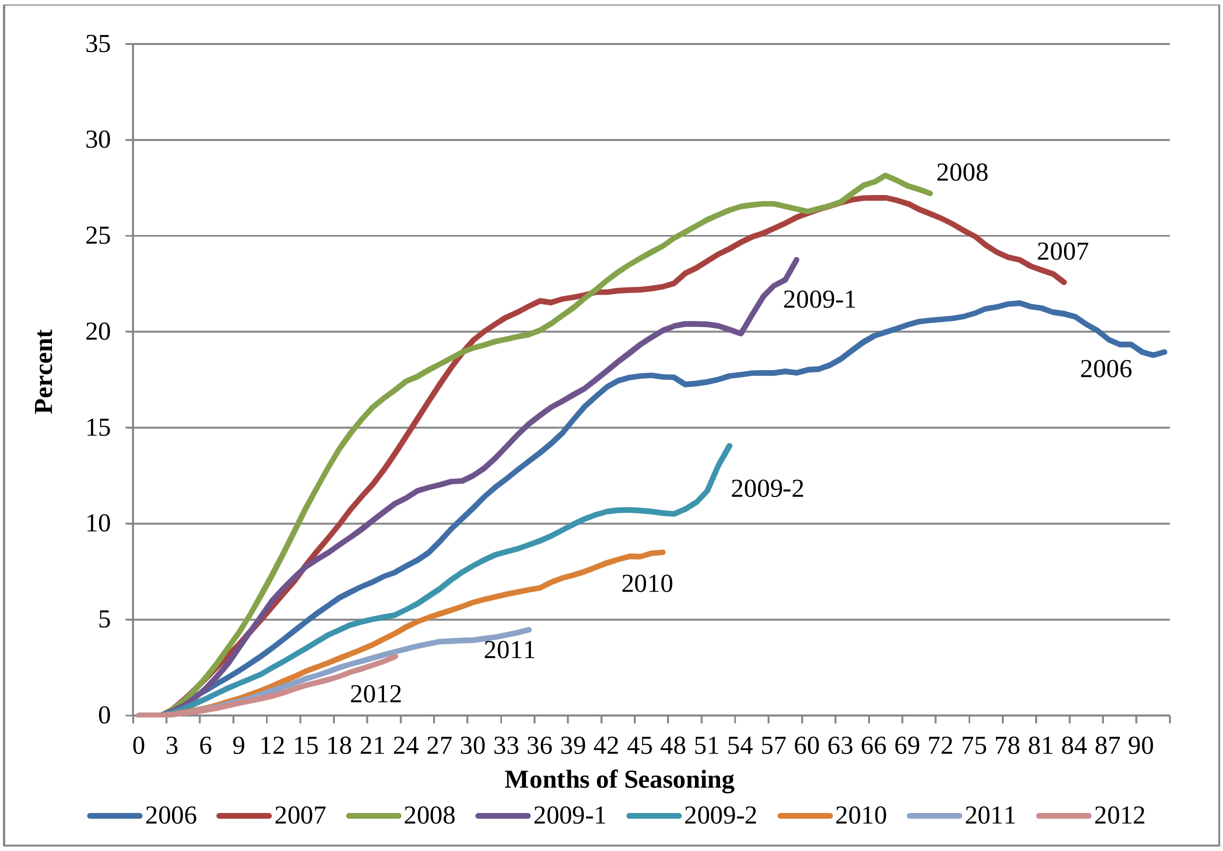
[11] Early period delinquency is defined here as having had a 90-day delinquency within the first six months of required mortgage payments. The first payment-due month is the second month after loan closing. Thus, these rates indicate the percentage of loans experiencing a 90-day delinquency within 7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

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

Serious Delinquency Rates

The serious delinquency rate is at 8.05 percent, a year-over-year improvement of 15 percent from last year's 9.58 percent. Vintages most heavily impacted by the recent economic recession (2007-2008) are now stabilizing. Exhibit 10 separates 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, December 2013

The seasonally-adjusted serious delinquency rate is at its lowest end-of-quarter point since FY2011 Q4.

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

Endorsement Fiscal Year	Activity Period															
	FY2013 Q4	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	12.21%	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	24.36	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	24.79	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	13.66	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	6.89	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	4.06	3.42	3.32	2.86	2.49	1.81	1.28	0.93	0.45	0.22	0.08	0.01				
2012	1.83	1.31	0.99	0.68												
2013	0.27	0.41	0.11													
All years	8.05%	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[c]	8.22%	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%

[a] This rate is the sum of 90+-day delinquencies, bankruptcies, and cases in foreclosure processing. These rates are not seasonally adjusted.

[b] As of the last day of each quarter.

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

Source: US Department of HUD/FHA, February 2014.

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[13]				Reverse Mortgages (HECM)[14]
Time Period	Home Purchase	Conventional Loan Refinance	FHA-to-FHA Refinance	All Forward Loans	
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	540,314	53,939	298,169	892,422	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	349,126	91,133	1,031,585	112,013
2009	995,102	468,768	367,448	1,831,318	114,639
2010	1,109,163	305,297	252,443	1,666,903	78,758
2011	777,102	194,809	224,761	1,196,672	73,093
2012	733,699	129,186	321,611	1,184,496	54,677
2013	702,417	91,499	550,923	1,344,839	59,918
Fiscal Year and Quarter					
2010Q1	304,829	86,516	96,155	487,500	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	75,529	278,211	14,956
2012Q3	193,556	38,078	84,425	316,059	14,204
2012Q4	197,970	22,680	113,785	334,435	11,650
2013Q1	177,852	22,754	152,517	353,123	12,079
2013Q2	157,438	25,428	167,489	350,355	15,831
2013Q3	181,298	24,176	150,903	356,377	16,371
2013Q4	185,829	19,141	80,014	284,984	15,637

Source: US Department of HUD, Office of Housing/FHA; January 2014.

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

[14] 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[15]				
Time Period	Home Purchase	Conventional Loan Refinance	FHA-to-FHA Refinance	All Forward Loans	Reverse Mortgages (HECM)[16]
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	6,886
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	24,623
2008	95,373	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	36,845	46,440	217,642	18,208
2012	124,454	23,474	65,343	213,271	13,113
2013	124,934	16,932	98,248	240,114	14,681
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	4,135	28,595	63,724	2,819
2013Q2	27,887	4,793	30,991	63,671	3,840
2013Q3	32,330	4,510	26,445	63,284	4,090
2013Q4	33,724	3,494	12,217	49,435	3,932

Source: US Department of HUD, Office of Housing/FHA; January 2014.

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

[16] 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[17] Distribution on New Endorsements[18] 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[19]
2007	Oct-Dec	11.2	10.9	31.6	22.5	17.8	1.2	4.9
	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	4.1
2008	Oct-Dec	9.3	9.1	31.1	23.8	21.2	1.7	3.7
	Jan-Mar	9.9	9.8	31.8	23.2	20.3	1.7	3.3
	Apr-Jun	15.2	13.2	35.6	20.8	12.2	0.7	2.4
	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	1.0
	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	33.3	22.1	37.8	4.9	1.0	0.0	1.0
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	34.9	22.6	38.4	2.7	0.4	0.0	0.9
	Jul-Sep	34.8	22.6	38.4	3.0	0.4	0.0	0.8
2011	Oct-Dec	37.0	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	0.5
	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	0.3
	Apr-Jun	26.9	27.4	43.9	1.5	0.1	0.0	0.2
	Jul-Sep	23.6	27.7	46.7	1.6	0.2	0.0	0.2

Source: US Department of HUD, Office of Housing/FHA, January 2014.

[17] 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.

[18] Excludes streamline refinance loans.

[19] 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[20] on New Endorsements
By Fiscal Year, Quarter, and Loan Purpose

		Loan Purpose			
Fiscal Year	Quarter	Home Purchase	Conventional Loan Refinance	FHA-to-FHA Refinance[21]	All[21]
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	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

Source: US Department of HUD, Office of Housing/FHA, January 2014.

[20] 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.

[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]	DPA Loans[25]
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
	Jul-Sep	5.3	9.7	8.9	75.9	0.2

Source: US Department of HUD, Office of Housing/FHA, January 2014

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[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, 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 was such financing, then the statutory maximum was between 97 and 98.15 percent, depending on the geographic location and price of the property.

[25] 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[26] on New Endorsements By Fiscal Year, Quarter, and Loan Purpose					
		Loan Purpose			
Fiscal Year	Quarter	Home Purchase	Conventional Loan Refinance	FHA-to-FHA Refinance[27]	All[27]
2008	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
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

Source: US Department of HUD, Office of Housing/FHA, January 2014

[26] 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.

[27] 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[a]	REO Alternatives Loss Rate[b]	Overall Loss Rate	REO Dispositions	REO Alternatives Dispositions	Total Dispositions	REO Alternatives Share
2008	Oct-Dec	53.4%	26.60%	51.30%	10,924	928	11,852	7.80%
	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	66.4	14,967	1,273	16,240	7.8
	Jan-Mar	71.8	37	68.5	19,910	2,118	22,028	9.6
	Apr-Jun	68	39.1	64	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	47.6	64.7	16,540	6,132	22,672	27
	Jan-Mar	71.1	47.2	67	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	27,034	7,978	35,012	22.8
2012	Oct-Dec	71.1	47.7	65.2	23,379	7,777	31,156	25
	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

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

[b] 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)

Source: US Department of HUD, Office of Housing/FHA; February 2014.