U.S. Department of Housing and Urban Development

FHA Single-Family Mutual Mortgage Insurance Fund Programs

Quarterly Report to Congress

FY 2014 Q4

Delivered: December 11, 2014

FOREWORD

On behalf of Secretary Castro and FHA Acting Commissioner Biniam Gebre, 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 2014 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 July 1, 2014 through September 30, 2014.

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 2014 Q4

Data as of September 30, 2014

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	Forward-loan endorsements fell 23 percent over the same period in FY 2013 on both a loan count and dollar-weighted basis. The HECM endorsement volume, at $2.9 billion for the fourth quarter of FY 2014, represents a decrease of 27 percent from the same period in FY 2013.	5, 17, 18	1, A-1, A-2
B) Types of loans insured, categorized by risk	The average credit score this quarter fell to 679, as FHA continues to cede market share for loans with credit scores exceeding 720. The share has shifted to the 620–680 credit score bucket, consistent with FHA's target market. Average borrower loan-to-value ratio remained unchanged at 94 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 67 percent above actuarial predictions. Claim payments are running 17 percent below predicted levels for the year.	9, 23	5, A-7
D) Projected versus actual loss rates	The year-to-date net loss rate on claim activity (52.2 percent) remained below actuarial projections (55.27 percent).	9	5
E) Updated projections of the annual subsidy rates	The budget execution credit subsidy rate (CSR) is unchanged in Q4 at -7.25 percent and -0.41 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 2014 Q4 were $46.2 billion, an increase of $0.9 billion in the quarter.	11	7
G) Business-Operations Cash Flow	Core business-operations cash flow in FY 2014 Q4 was -$0.7 billion. FHA paid $7.0 billion in claims and		

Other	Summary	Page	Exhibit
	property expenses, and received $6.3 billion in revenues from premium collections and sale of notes and properties.	12	8
H) Early Period Delinquency	Early period delinquency rates for FY 2014 Q4 increased from the previous quarter (from 0.31 to 0.36 percent), still well below the historic average.	13	9
I) Serious Delinquency Rates	The portfolio-level serious delinquency rate (SD) declined for the seventh consecutive quarter to 6.99 percent.	14, 15	10, 11

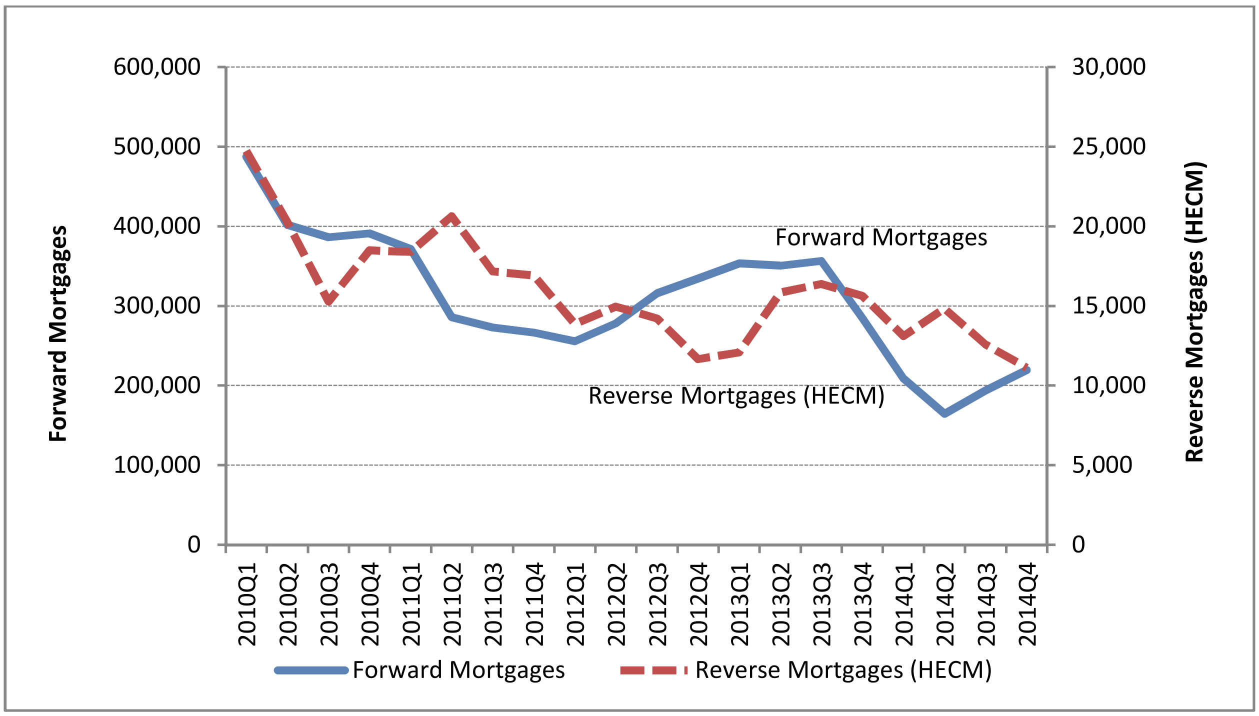
Endorsement Activity

The forward-loan endorsement count for the Fiscal Year (FY) 2014 was 786,225. This is 42 percent lower than the endorsement count for FY 2013. The corresponding dollar volume of $135.2 billion is 44 percent lower than the previous year. In the fourth quarter of FY 2014, FHA endorsed 219,617 forward mortgages, a 12 percent increase from the previous quarter. However, the year-over-year decline that was present in the first three quarters of FY 2014 continues into the final quarter. As with the declines in the previous quarters, this year-over-year change is primarily due to declining refinance activity. FHA to FHA refinance activity, in terms of endorsed loans, declined by 60 percent from the year-earlier period, from 80,014 to 31,816. At the same time, purchase-loan endorsements were down 6 percent, year-over-year. (Exhibit 1, Exhibit A-1)

The dollar volume of refinance endorsements (Conventional to FHA and FHA to FHA) in this quarter was 54 percent below the year-earlier period, while the volume of all forward-loan endorsements was down 23 percent. (Exhibit A-2)

The HECM endorsement volume, $2.9 billion for the fourth quarter of FY 2014, represents a decrease of 27 percent from the same period in FY 2013. HECM endorsements in Q4 (11,105) were down 12 percent from the previous quarter. HECM endorsements were down 14 percent by count and 8 percent by dollar volume for FY 2014 compared to FY 2013.

Exhibit 1: Endorsement Counts by Fiscal Year and Quarter

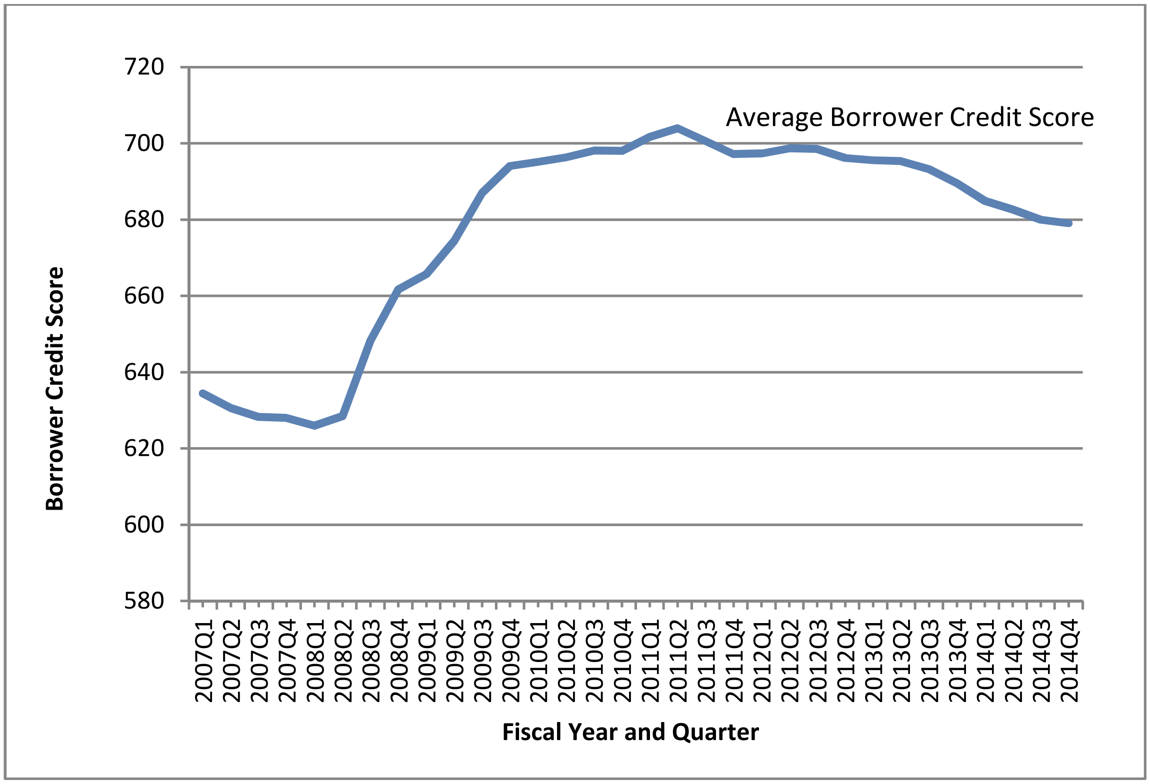


SOURCE: U.S. Department of HUD/FHA, October 2014.

Borrower Credit Scores

Borrower credit scores continued to decline from the record highs of 2011, but remain well above the levels preceding the mortgage and credit crisis. The Q4 score of 679 was 1 point below the Q3 score and 10 points below the FY 2013 Q4 score. (Exhibit 2, Exhibit A-4)

Exhibit 2: Average Borrower Credit Scores by Quarter

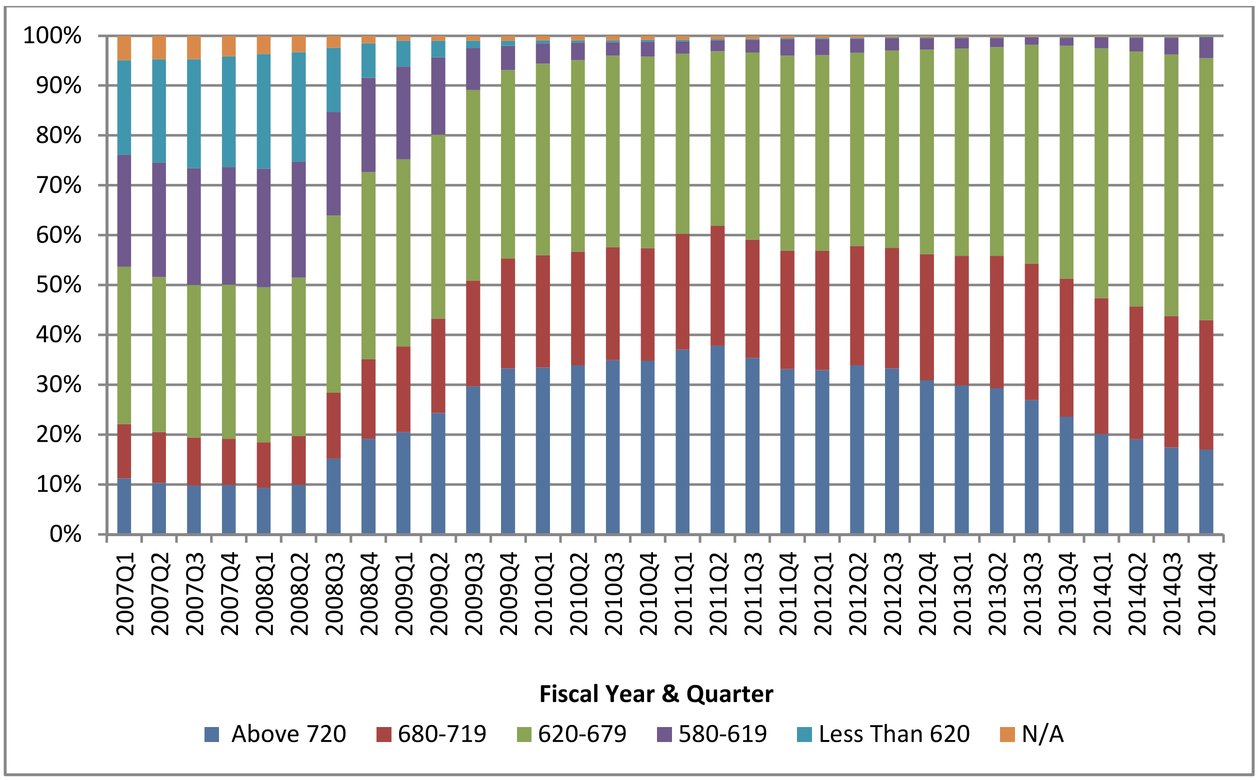


SOURCE: U.S. Department of HUD/FHA, October 2014.

As shown in Exhibit 3, the distribution of borrower credit scores continued the course of the previous two years. The core of the change is that a majority of the new loans (52.5 percent) come from the 620–679 credit score bracket. This share is the highest in at least 7 years for that bracket. This expansion has come at the expense of the 720+ bracket, which is diminishing in absolute and relative size. The middle group, scores 680–719, is holding constant at just above 1 in 4 loans. The lowest credit scores (below 620) account for fractional percentages of loans. (Exhibit 3, Exhibit A-3)

A radical shift in FHA's risk profile could easily be lost by focusing on average credit score alone; the distribution has truncated at both ends of the risk spectrum. As shown in Exhibit 3, loans with less than 620 credit score comprised almost 50 percent of total originations in 2007, compared to less than 5 percent today. On the other hand, the share of loans with credit scores exceeding 720, which comprised more than one-third of FHA's production in 2011, is now under 20 percent.

Exhibit 3: Distribution of Borrower Credit Scores by Quarter

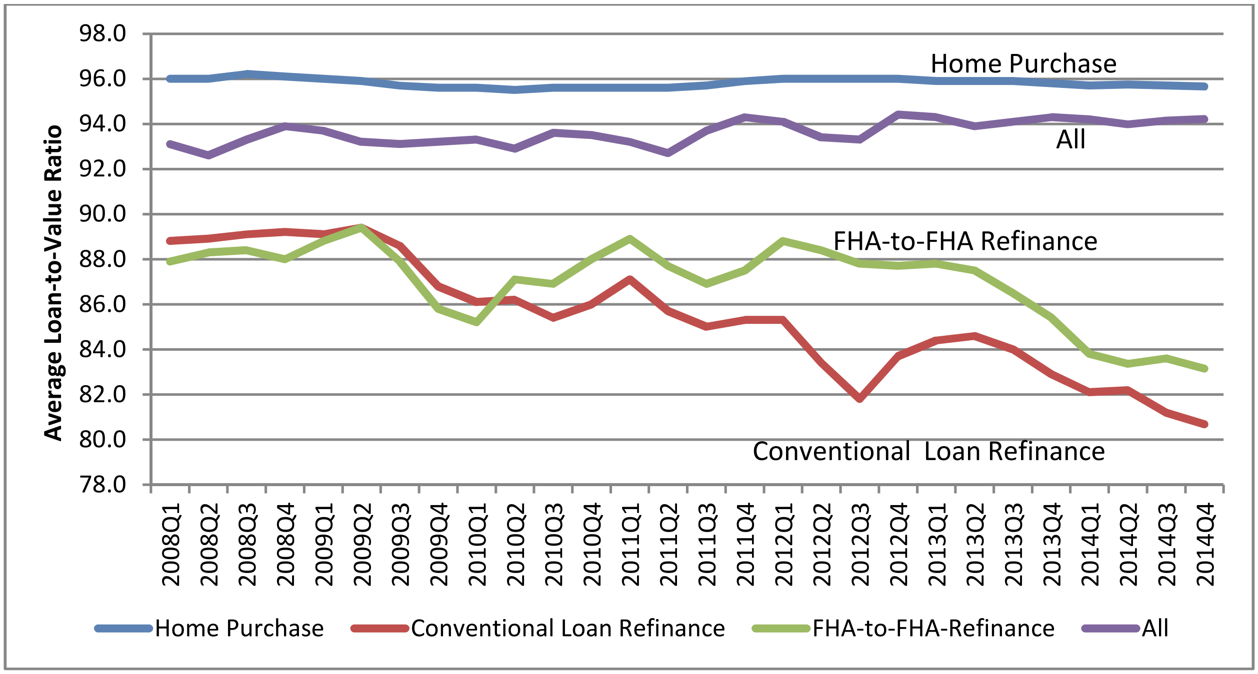


SOURCE: U.S. Department of HUD/FHA, October 2014.

Average Loan-to-Value (LTV)

The average LTV remained essentially unchanged for all FHA loans combined and for home purchase loans. Because LTV ratios of home purchase loans tend to be more stable than those of refinance loans, the larger decline in refinance activity over recent quarters suggests less volatility in the average LTV across all endorsements for the near future. Home purchases are now 79 percent of all fully underwritten new insured loans, but the MMI Fund still benefits from the low LTVs of the now less common refinances. (Exhibit 4, Exhibit A-5)

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



SOURCE: U.S. Department of HUD/FHA, October 2014.

[1] Excludes streamline refinance activity.

Predicted and Actual Termination and Claim-Loss Rates

The predicted-versus-actual comparisons for FY 2014 follow patterns seen over the past several years. As interest rates continue to stay below forecast values, prepayment speeds continue to be higher than anticipated by the 2013 Actuarial Study. Claims, however, continue to be well below actuarial predictions, though the deviation is smaller than in past years. The number of claims during FY 2014 (149,167) is 19 percent less than during FY 2013 (184,215). 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 are factors 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 2013 - Sep 2014	Year-To-Date Predicted[2]	Year-To-Date Actual	Deviation (Actual minus Predicted)	Percentage Deviation (Actual vs. Predicted)
Prepayments (number)	382,868	639,385	256,517	67
Claims (number)[3]	180,417	149,167	-31,250	-17
Claims ($ millions)[3]	25,073	19,718	-5,355	-21
Net Loss-on-Claims (%)[4]	55.27	52.32	-2.95	

SOURCE: U.S. Department of HUD/FHA, October 2014.

[2] Projections of prepayment counts, claim counts, and claim dollars are from the FY 2013 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.

Budget Execution Credit Subsidy Rates

Budget execution subsidy rates for forward and HECM loans did not change in Q4. (Exhibit 6)

Exhibit 6: Budget Execution Credit Subsidy Rates

FHA Single-Family Mortgage Insurance Budget Execution Credit Subsidy Rates[5] FY 2014 Q1–Q4 October–September (%)	
Forward Loans	-7.25
Reverse Loans (HECM)	-0.41

SOURCE: U.S. Department of HUD/FHA, October 2014.

[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 during Q4 by $0.9 billion to $46.2 billion. $7.3 billion is held in the Capital Reserve account, and the other $38.9 billion is held in the Financing account.

Exhibit 7: MMI Fund Balances by Quarter, FY 2010–FY 2014

FHA Single-Family Insurance MMI Fund Account Balances by Quarter, FY 2010–FY 2014[6] ($ billions)				
Fiscal Year	Quarter	Capital Reserve Account[7]	Financing Account[8]	Total [9]
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	30.0	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
2014	Oct-Dec	2.6	44.5	47.1
2014	Jan-Mar	2.2	43.6	45.8
2014	Apr-Jun	4.9	40.4	45.3
2014	Jul-Sep	7.3	38.9	46.2

SOURCE: U.S. Department of HUD/FHA, October 2014.

[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 2014 Q4 net cash flow was -$684 million and the four-quarter net cash flow was -$4.1 billion. The Q4 negative flow was the smallest outflow since FY 2012 Q4, which was a positive net cash flow. The four-quarter outflow is down 37 percent from the year-earlier total of -$6.4 billion. The number of loans in foreclosure one year ago was 189,007, but this year that count has declined 12 percent to 166,591[10].

HUD has been proactive in accelerating claim payments through the Distressed Asset Disposition Program, promotion of third-party sales at foreclosure auctions, and expanded eligibility for pre-foreclosure (short) sales. Claims have increased slightly over the last quarter, but the sum of the claims is $1.6 billion less than in FY 2013 Q4. The decline in property receipts is due, at least in part, to fewer properties going through the Real Estate Owned (REO) disposition process. (Exhibit 8, Exhibit A-7)

Exhibit 8: Business Operations Cash Flows FY 2013 Q4 - FY 2014 Q4

FHA MMI Fund Financing Account
Business Operations Cash Flows, FY 2013 Q4–FY 2014 Q4, by Quarter[11]
($ millions)

	FY 2014 Q1 through Fourth Quarter FY 2014				Past 4 Quarters
	FY 2014 Q1	FY 2014 Q2	FY 2014 Q3	FY 2014 Q4	
Collections					
Premiums	2,722	2,596	2,815	2,903	11,036
Property Sale Receipts	1,870	1,350	1,161	960	5,341
Note Sale Proceeds	595	1,980	296	1,931	4,802
Other	23	25	29	506	583
Total	5,210	5,951	4,301	6,300	21,762
Disbursements					
Claims[12]	(6,186)	(7,128)	(5,032)	(6,909)	(25,255)
Property Maintenance	(279)	(117)	(89)	(74)	(559)
Other	(1)	0	(1)	(1)	(3)
Total	(6,466)	(7,245)	(5,122)	(6,984)	(25,817)
Net Operations Cash Flow	(1,256)	(1,294)	(821)	(684)	(4,055)

SOURCE: U.S. Department of HUD/FHA, October 2014.

[10] Foreclosure counts for August 2013 and August 2014.
[11] Unaudited figures; details may not sum to total due to rounding.
[12] 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 2014 Q2, is up five basis points from the previous quarter and comparable to the EPD rates of loans originated in FY 2012.

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[13]
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	0.32	0.35
	Jul-Sep	0.36	0.26	0.34
2013	Oct-Dec	0.25	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

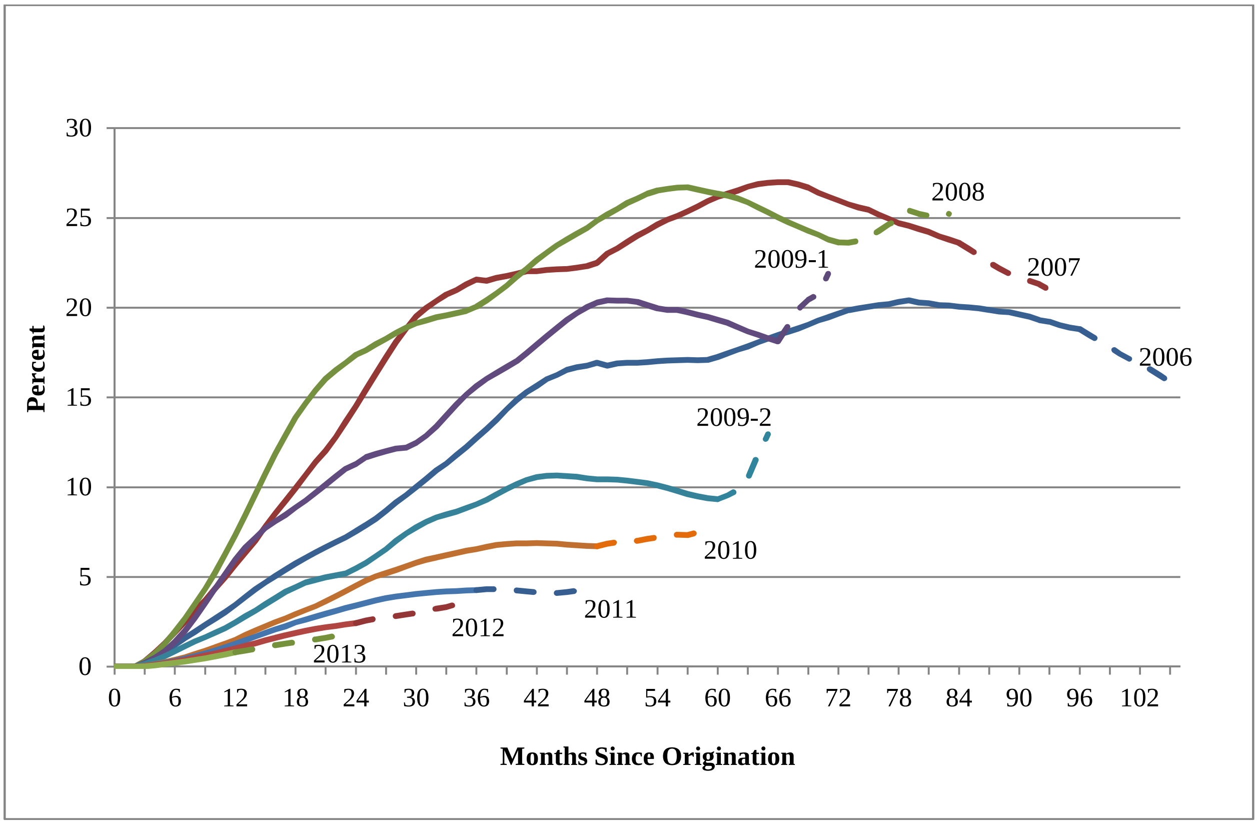
SOURCE: U.S. Department of HUD/FHA, October 2014.

[13] 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 are the sum of 90+ day delinquencies, bankruptcies, and cases in foreclosure processing. 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. Earlier reports have explained that any "flip" up in the tail of a particular curve is not, by itself, of concern. The right end of each curve has incomplete information and will stabilize only after the entire vintage reaches that age of seasoning. The portion of each curve subject to future changes is shown in Exhibit 10 by the dashed line. For the 2008–2009 vintages, in particular, there can be significant revisions for the better.

Exhibit 10: Serious Delinquency Rates by Fiscal Year of Loan Origination and Months of Seasoning, All Endorsements[14]



SOURCE: U.S. Department of HUD/FHA, October 2014.

[14] 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.

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 from a peak. Rates in Exhibit 11 vary from those in Exhibit 10 because they are based upon endorsement date rather than loan-origination date.[15] In addition, the data in Exhibit 11 represent snapshots at the end of each fiscal quarter, rather than status at loan-age points. It may be more useful to compare columns to columns rather than rows to rows, because comparing columns allows a direct comparison of vintages.

Exhibit 11: Serious Delinquency Rates[16] by Endorsement Fiscal Year and Activity Quarter[17]

Endorsement Fiscal Year	Activity Period							
	FY2014 Q4	FY2014 Q3	FY2014 Q2	FY2014 Q1	FY2013 Q4	FY2013 Q3	FY2013 Q2	FY2013 Q1
Pre-2007	11.73	11.72	11.79	12.48	12.21	11.41	12.29	11.80
2007	22.67	22.94	23.12	24.42	24.36	22.12	24.88	23.09
2008	22.80	23.12	23.56	24.80	24.79	22.00	24.56	22.02
2009	12.35	12.51	12.83	13.61	13.66	12.02	13.13	11.61
2010	6.43	6.47	6.74	7.10	6.89	6.14	6.36	5.80
2011	4.33	4.20	4.32	4.45	4.06	3.42	3.32	2.86
2012	2.72	2.44	2.43	2.33	1.83	1.31	0.99	0.68
2013	1.41	1.05	0.77	0.55	0.27	0.41	0.11	
2014	0.38	0.19	0.07	0.00				
All years	6.99	7.14	7.44	8.01	8.05	8.47	8.87	9.59
All years – Seasonally Adjusted[c]	7.15	7.50	7.47	7.58	8.22	8.82	8.91	9.09

SOURCE: U.S. Department of HUD/FHA, October 2014.

[15] A FHA loan is typically endorsed within 60 days of the loan origination date.
[16] This rate is the sum of 90+ day delinquencies, bankruptcies, and cases in foreclosure processing. These rates are not seasonally adjusted.
[17] As of the last day of each quarter.

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[18]				Reverse Mortgages (HECM)[19]
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	298,170	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	349,126	91,133	1,031,585	112,013
2009	995,102	468,768	367,449	1,831,319	114,639
2010	1,109,163	305,297	252,445	1,666,905	78,758
2011	777,102	194,810	224,761	1,196,673	73,093
2012	733,698	129,186	321,613	1,184,497	54,677
2013	702,416	91,500	550,924	1,344,840	59,917
2014	594,910	55,346	135,969	786,225	51,617
Fiscal Year and Quarter					
2012Q1	176,085	31,834	47,872	255,791	13,867
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	80,014	284,984	15,637
2014Q1	152,966	14,611	40,912	208,489	13,094
2014Q2	119,832	13,455	31,201	164,488	14,829
2014Q3	148,017	13,574	32,040	193,631	12,589
2014Q4	174,095	13,706	31,816	219,617	11,105

SOURCE: U.S. Department of HUD/FHA, October 2014.

[18] Starting in FY 2008 Q4, these counts include 203(K) purchase and rehabilitation loans and 234(C) condominium loans.
[19] 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[20]				
Time Period	Home Purchase	Conventional Loan Refinance	FHA-to-FHA Refinance	All Forward Loans	Reverse Mortgages (HECM)[21]
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	107,621	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	36,845	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	105,702	9,408	20,076	135,187	13,521
Fiscal Year and Quarter					
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	4,109	22,241	60,865	2,732
2013Q1	30,994	4,135	28,595	63,724	2,819
2013Q2	27,887	4,793	30,991	63,671	3,839
2013Q3	32,330	4,510	26,445	63,284	4,090
2013Q4	33,724	3,494	12,217	49,434	3,932
2014Q1	27,346	2,577	5,903	35,826	3,434
2014Q2	21,424	2,316	4,559	28,299	3,998
2014Q3	25,849	2,212	4,754	32,816	3,202
2014Q4	31,083	2,303	4,860	38,246	2,888

SOURCE: U.S. Department of HUD/FHA, October 2014.

[20] Starting in FY 2008 Q4, these counts include 203(K) purchase and rehabilitation loans and 234(C) condominium loans.
[21] 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[22] Distribution on New Endorsements[23]
By Fiscal Year and Quarter (%)

Fiscal Year	Quarter	Credit Score Categories (Shares in each row total 100%)						
		720+	680+	620+	580+	500+	300+	N/A[24]
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	35.5	20.8	12.2	0.7	2.4
	Jul-Sep	19.1	16.0	37.5	18.9	6.7	0.2	1.6
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	29.6	21.2	38.2	8.4	1.5	0.0	1.0
	Jul-Sep	33.3	22.1	37.7	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	1.0
	Apr-Jun	34.9	22.6	38.4	2.7	0.4	0.0	0.9
	Jul-Sep	34.8	22.6	38.3	3.0	0.4	0.0	0.9
2011	Oct-Dec	37.0	23.2	36.0	2.5	0.3	0.0	0.9
	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	33.0	23.7	39.1	3.3	0.2	0.0	0.5
2012	Oct-Dec	32.9	23.9	39.3	3.2	0.2	0.0	0.5
	Jan-Mar	33.9	23.9	38.7	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
2014	Oct-Dec	20.1	27.3	50.1	2.2	0.1	0.0	0.2
	Jan-Mar	19.1	26.6	51.1	2.8	0.2	0.0	0.2
	Apr-Jun	17.4	26.4	52.5	3.3	0.2	0.0	0.2
	Jul-Sep	17.0	26.0	52.5	4.1	0.2	0.0	0.2

SOURCE: U.S. Department of HUD/FHA, October 2014.

[22] 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.
[23] Excludes streamline refinance loans.
[24] Borrowers without credit histories can be underwritten for FHA insurance using alternative criteria.

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

Average Borrower Credit Scores[25] on New Endorsements
By Fiscal Year, Quarter, and Loan Purpose

Fiscal Year	Quarter	Loan Purpose			
		Home Purchase	Conventional Loan Refinance	FHA-to-FHA Refinance[26]	All[25]
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
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

SOURCE: U.S. Department of HUD/FHA, October 2014.

[25] 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.

[26] 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[27] Distribution on New Endorsements[28] 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[29]
2008	Oct-Dec	7.78	12.07	23.23	56.93
	Jan-Mar	8.48	13.41	25.85	52.26
	Apr-Jun	6.94	11.69	22.98	58.38
	Jul-Sep	5.77	10.28	19.61	64.34
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

SOURCE: U.S. Department of HUD/FHA, October 2014.

[27] 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.

[28] Excludes streamline refinance loans.

[29] 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[30] on New Endorsements
By Fiscal Year, Quarter, and Loan Purpose (%)

Fiscal Year	Quarter	Loan Purpose			
		Home Purchase	Conventional Loan Refinance	FHA-to-FHA Refinance[31]	All
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
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

SOURCE: U.S. Department of HUD/FHA, October 2014.

[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 and continued 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 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[32]	REO Alternatives[33]	Overall	REO	REO Alternatives	Total	
2010	Oct-Dec	67.1	42.9	63.5	20,200	3,500	23,700	14.9
	Jan-Mar	65.1	42.4	60.7	25,500	6,100	31,500	19.2
	Apr-Jun	66.4	45.5	62.5	22,700	5,300	28,000	18.9
	Jul-Sep	67.3	46.8	61.8	14,900	5,500	20,400	26.7
2011	Oct-Dec	71.0	47.6	64.7	16,500	6,100	22,700	27.0
	Jan-Mar	71.1	47.2	67.0	37,400	7,700	45,100	17.1
	Apr-Jun	72.3	47.8	67.7	32,700	7,600	40,300	18.9
	Jul-Sep	72.4	48.4	67.0	27,000	8,000	35,000	22.8
2012	Oct-Dec	71.1	47.7	65.2	23,400	7,800	31,200	25.0
	Jan-Mar	67.9	47.2	62.5	25,200	8,800	34,000	25.8
	Apr-Jun	65.1	45.4	60.5	28,600	8,600	37,200	23.1
	Jul-Sep	66.6	45.9	61.3	28,600	6,200	34,900	17.7
2013	Oct-Dec	65.6	54.5	60.9	25,200	13,300	38,600	34.6
	Jan-Mar	63.2	48.6	57.6	26,100	11,700	37,900	31.0
	Apr-Jun	59.2	53.2	56.0	28,000	23,600	51,700	45.8
	Jul-Sep	57.6	50.8	53.7	27,600	28,600	56,200	50.8
2014	Oct-Dec	60.7	46.7	53.3	23,640	20,282	43,922	46.2
	Jan-Mar	62.1	49.8	54.1	19,495	25,587	45,082	56.8
	Apr-Jun	58.0	44.0	49.6	15,559	17,835	33,394	53.4
	Jul-Sep	54.9	46.1	47.7	7,892	25,971	33,863	76.7

SOURCE: U.S. Department of HUD/FHA, October 2014.

[32] Real Estate Owned (REO) refers to properties that HUD has assumed ownership of through the conveyance of title.
[33] 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).