U.S. Department of Housing and Urban Development

FHA Single-Family Mutual Mortgage Insurance Fund Programs

Quarterly Report to Congress

FY 2014 Q2

Delivered: May 20, 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 2014 second 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 January 1, 2014 through March 31, 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 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 2014 Q2

Data as of March 31, 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;	The forward-loan endorsement count for the quarter was 164,415. The corresponding dollar volume of $28.3 billion was twenty-one percent lower than the previous quarter. The HECM endorsement volume, $4.0 billion, represents an increase of sixteen percent for the quarter.	**5, 17, 18**	**1, A-1, A-2**
B) Types of loans insured, categorized by risk;	The average credit score this quarter was 683 and the average borrower loan-to-value ratio was 94.0 percent.	**6 - 8, 20-23**	**2 - 4, A-3 – A-6**
C) Significant differences between actual and projected claim and prepayment activity persisted;	Continued low interest rates have yielded year-to-date prepayment activity that is 38 percent above actuarial predictions. Claim payments are running 20 percent below predicted levels for the year.	**9**	**5**
D) Projected versus actual loss rates	The year-to-date net loss rate on claim activity (53.6 percent) remained below actuarial projections (55.5 percent).	**9, 23**	**5, A-7**
E) Updated projections of the annual subsidy rates	The budget execution credit subsidy rate (CSR) for forward loans continued at -7.25% in Q2, and the rate for HECM remained at -0.41%.	**10**	**6**

Other	**Summary**	**Page**	**Exhibit**
F) MMI Fund Balances	MMI Fund account balances at the end of FY 2014 Q2 were $45.8 billion, a decrease of $1.3 billion in the quarter.	**11**	**7**
G) Business Operations Cash Flows	Core business-operations cash flow in FY 2014 Q2 was -$1.3 billion. FHA paid $7.2 billion in claims and property expenses, and received $6.0 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 Q2 were up slightly from the		

	previous quarter (from 0.27 to 0.33 percent); still well below the historic average.	**13**	**9**
I) Serious Delinquent Rates	The portfolio-level serious delinquency rate (SD) declined for the fifth consecutive quarter to 7.44 percent.	**14 - 15**	**10 - 11**

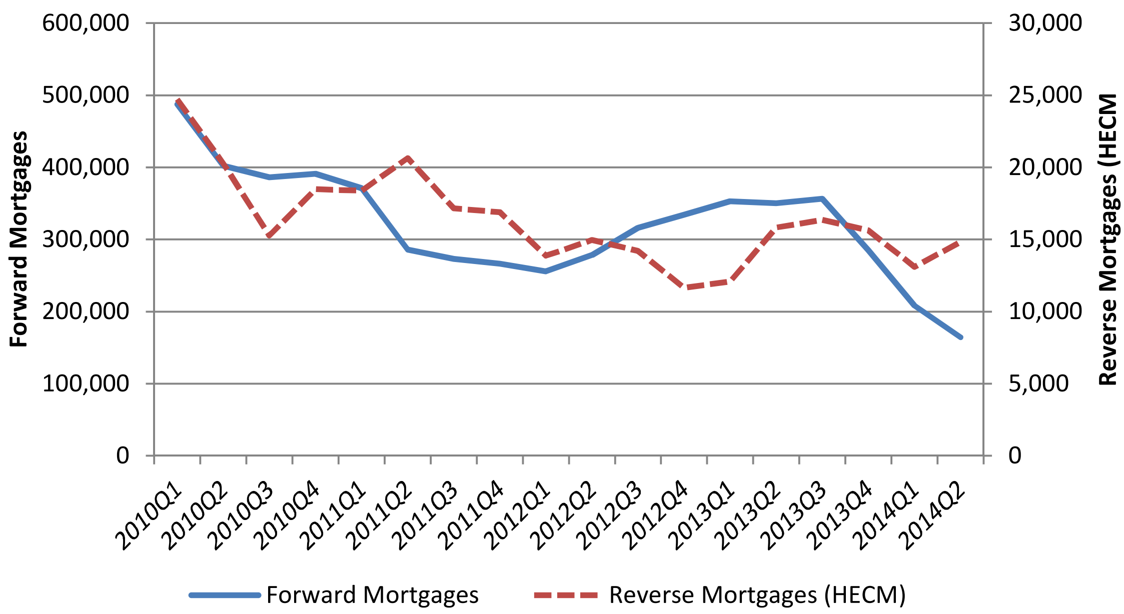
Endorsement Activity

In the second quarter of Fiscal Year (FY) 2014, FHA endorsed 164,415 forward mortgages, a 53 percent drop from the same quarter in FY2013. As with a similar decline in the previous quarter, this year-over-year change is primarily due to declining refinance activity. That activity declined by 81 percent from the year-earlier period, from 167,000 to 31,000. At the same time, purchase-loan endorsements were down 24 percent, year-over-year, and 21 percent from the previous quarter. (See Exhibit A-1).

The dollar volume of refinance endorsements in this quarter was 85 percent below the year-earlier-period, while the volume of all forward-loan endorsements was down 55 percent. (See Exhibit A-2)

HECM endorsements in Q2 (14,828) were up 13 percent from the previous quarter. Though endorsement counts were down from the year-earlier period by six percent, dollar volumes ($3.997 billion) were up on both a quarterly (16.4%) and annual (4.1%) basis..

Exhibit 1: Endorsement Counts by Fiscal Year and Quarter

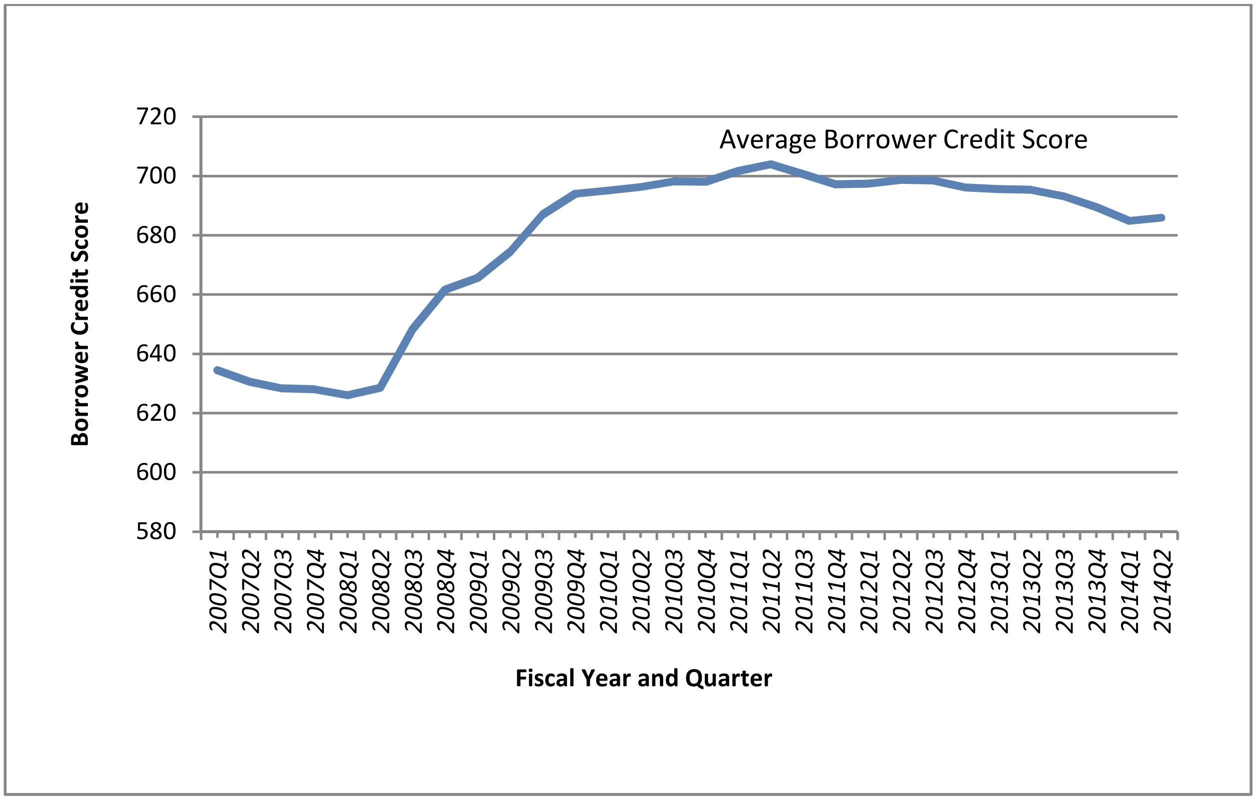


Source: US Department of HUD/FHA, April 2014

Borrower Credit Scores

Borrower credit scores were steady in the quarter, declining just two points from the Q1 level (from 685 to 683). (See Exhibit A-4).

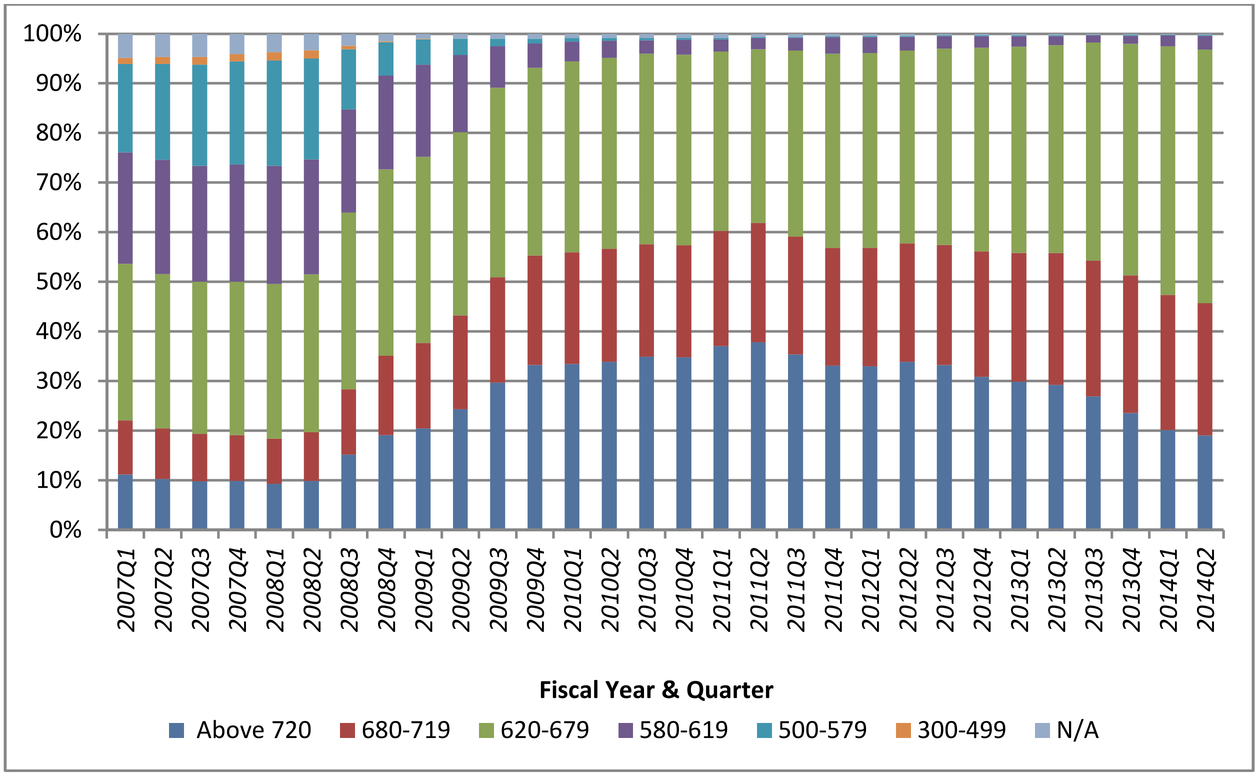
Exhibit 2: Average Borrower Credit Scores by Quarter



Source: US Department of HUD/FHA, April 2014

As seen in Exhibit 3, the distribution of borrower credit scores continued the migration seen in previous quarters, though at a slower pace in Q2. The decline in FHA endorsement activity is most pronounced in the 720-850 credit score range that results in higher activity shares for borrowers in the 620-679 range. (See Exhibit A-3)

Exhibit 3: Distribution of Borrower Credit Scores by Quarter

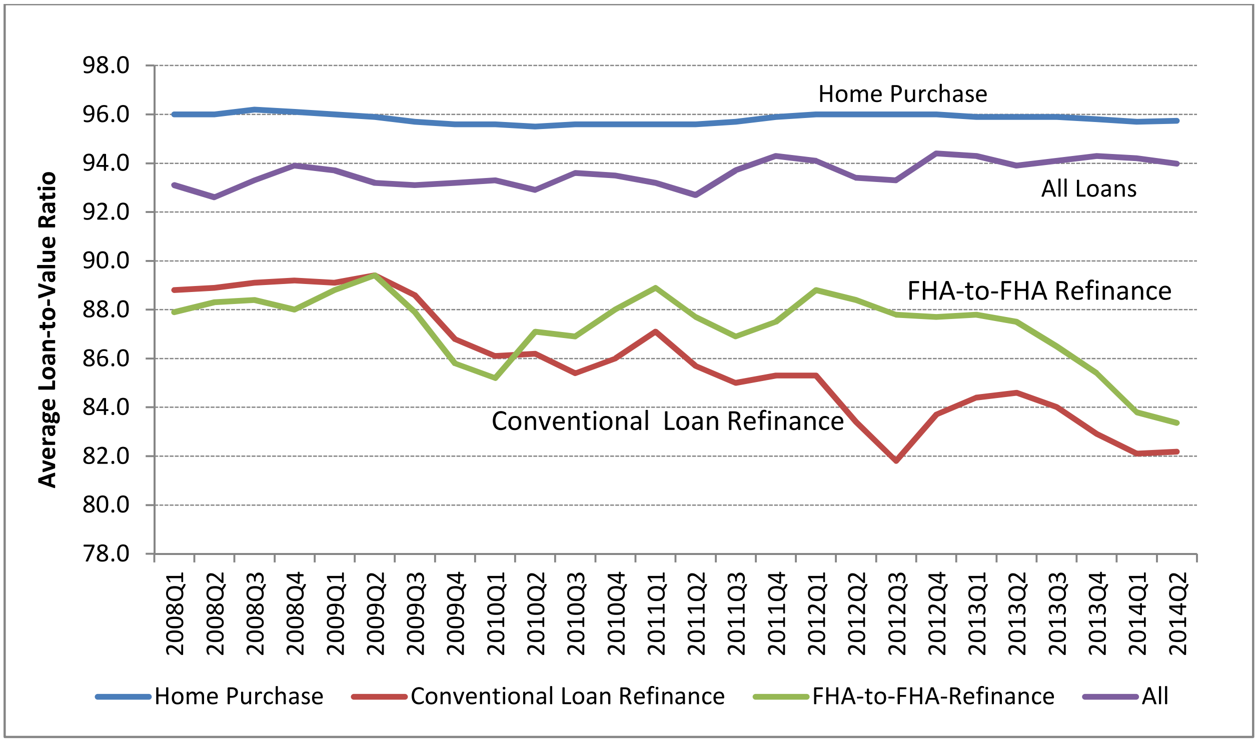


Source: US Department of HUD/FHA, April 2014

Average Loan-to-Value (LTV)

The average LTV remained essentially unchanged for all FHA loans combined, and for home purchase loans. As home purchase loan LTV ratios 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. (See Exhibit A-4).

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



Source: US Department of HUD/FHA, April 2014

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[1] Excludes streamline refinance activity.

Predicted and Actual Termination and Claim-Loss Rates

The predicted-versus-actual comparisons for the first two quarters of 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 independent actuaries. Claims, on the other hand, continue to be well below actuarial predictions, though the deviation is smaller than in past years. 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.

The number of claim actions over the first two quarters of FY 2014 is almost exactly the same it was a year ago at close to 80,000. Similarly, the dollar amount of those claims is near the same as in the year-earlier Q1-Q2 period, about $10.5 billion.

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 2013 – March 2014	Year-To-Date Predicted[2]	Year-To-Date Actual	Deviation (Actual - Predicted)	Percentage Deviation (Actual vs. Predicted)
Prepayments - Number	211,042	291,067	80,025	38
Claims - Number[3]	94,509	79,586	(14,923)	-16
Claims - Dollars(mil)[4]	$13,080	$10,490	($2,590)	-20
Net Loss-on-Claims%[4]	55.46%	53.58%	-1.88%	

Source: US Department of HUD/FHA, April, 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 had no change in Q2.

Exhibit 6: Budget Execution Credit Subsidy Rates

FHA Single-Family Mortgage Insurance Budget Execution Credit Subsidy Rates[5] FY 2014 Q1 & Q2 October - March	
Forward Loans	-7.25%
Reverse Loans (HECM)	-0.41

Source: US Department of HUD/FHA, April 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, 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

As Exhibit 7 shows, MMI Fund account balances decreased during Q2 by $1.3 billion to $45.8 billion. HUD also booked the FY 2013 budget re-estimate this quarter. That resulted in a net movement of $2.52 billion from the Capital Reserve Account to the various Financing Accounts.

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

FHA Single-Family Insurance
MMI Fund Account Balances by Quarter, FY 2009 – FY 2014[6]
(billions $)

Fiscal Year	Quarter	Capital Reserve Account[7]	Financing Account[8]	Total[9]
2009	Jan-Mar	19.9	9.7	29.6
	Apr-Jun	10.0	20.9	30.9
	Jul-Sep	10.7	21.1	31.8
2010	Oct-Dec	11.4	21.2	32.6
	Jan-Mar	12.0	20.2	32.2
	Apr-Jun	3.5	29.6	33.1
	Jul-Sep	4.4	28.9	33.3
2011	Oct-Dec	6.3	26.4	32.7
	Jan-Mar	7.7	23.9	31.6
	Apr-Jun	2.8	28.9	31.7
	Jul-Sep	4.7	29.0	33.7
2012	Oct-Dec	5.7	27.6	33.3
	Jan-Mar	7.0	25.3	32.3
	Apr-Jun	9.8	21.9	31.6
	Jul-Sep	3.3	35.1	38.4
2013	Oct-Dec	7.1	30.0	37.1
	Jan-Mar	11.0	25.1	36.1
	Apr-Jun	15.8	17.3	33.1
	Jul-Sep	0	48.4	48.4
2014	Oct-Dec	2.6	44.5	47.1
	Jan-Mar	2.2	43.6	45.8

Source: US Department of HUD/FHA; April 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 books transfer of funds to the Financing Accounts for the re-balancing required by annual budget re-estimates.
[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, and 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 Q2 net cash flow was negative $1.3 billion and the four-quarter net cash flow was negative $6.6 billon. That four-quarter amount is nearly $3 billion larger than the cash outflow of the year-earlier period ($3.5 billion), and represents significant movement toward clearing out the large inventory of in-foreclosure cases that built-up during the recent recession. The number of loans in foreclosure one year ago was 211,000, while at this end of this quarter it was 178,000.

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.

Exhibit 8: Business Operations Cash Flows FY 2013 Q3 - FY 2014 Q2

FHA MMI Fund Financing Account Business Operations Cash Flows in FY2013 Q3 - FY2014 Q2, by Quarter[10] ($million)					
	FY 2013 Q3 through Second Quarter FY 2014				Past 4 Quarters
	FY 2013 Quarter 3	FY 2013 Quarter 4	FY 2014 Quarter 1	FY 2014 Quarter 2	
Collections					
Premiums	2,921	2,808	2,722	2,596	11,047
Property Sale Receipts	2,261	2,303	1,870	1,350	7,784
Note Sale Proceeds	370	1,522	595	1,980	4,467
Other[11]	20	18	23	65	126
Total	5,572	6,651	5,210	5,991	23,424
Disbursements					
Claims[12]	(8,215)	(7,458)	(6,186)	(7,128)	(28,987)
Property Maintenance	(338)	(351)	(279)	(117)	(1,085)
Other	0	1	(1)	0	0
Total	(8,553)	(7,808)	(6,466)	(7,245)	(30,072)
Net Operations Cash Flow	(2,981)	(1,157)	(1,256)	(1,254)	(6,648)

Source: US Department of HUD/FHA, April 2014

[10] Unaudited figures; totals may not add due to rounding.
[11] 2This includes JPMorgan Mortgage Settlement amounts of $40 million recognized in March 2014.
[12] 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)

The Early Period Delinquency (EPD) rate for the most recent quarter, FY 2013 Q4, is up six basis points from the previous quarter and comparable to the year-earlier period.

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	All
2007	Jul-Sep	2.69	2.15	2.52
2008	Jul-Sep	1.66	2.24	1.84
2009	Oct-Dec	1.20	1.68	1.36
	Jan-Mar	1.02	1.04	1.03
	Apr-Jun	0.64	0.66	0.65
	Jul-Sep	0.49	0.63	0.53
2010	Oct-Dec	0.32	0.51	0.36
	Jan-Mar	0.40	0.34	0.38
	Apr-Jun	0.35	0.36	0.35
	Jul-Sep	0.44	0.31	0.42
2011	Oct-Dec	0.32	0.19	0.28
	Jan-Mar	0.39	0.21	0.34
	Apr-Jun	0.47	0.33	0.45
	Jul-Sep	0.36	0.35	0.36
2012	Oct-Dec	0.33	0.16	0.29
	Jan-Mar	0.39	0.14	0.33
	Apr-Jun	0.39	0.32	0.35
	Jul-Sep	0.36	0.26	0.34
2013	Oct-Dec	0.26	0.20	0.23
	Jan-Mar	0.29	0.20	0.24
	Apr-Jun	0.32	0.22	0.27
	Jul-Sep	0.37	0.27	0.33

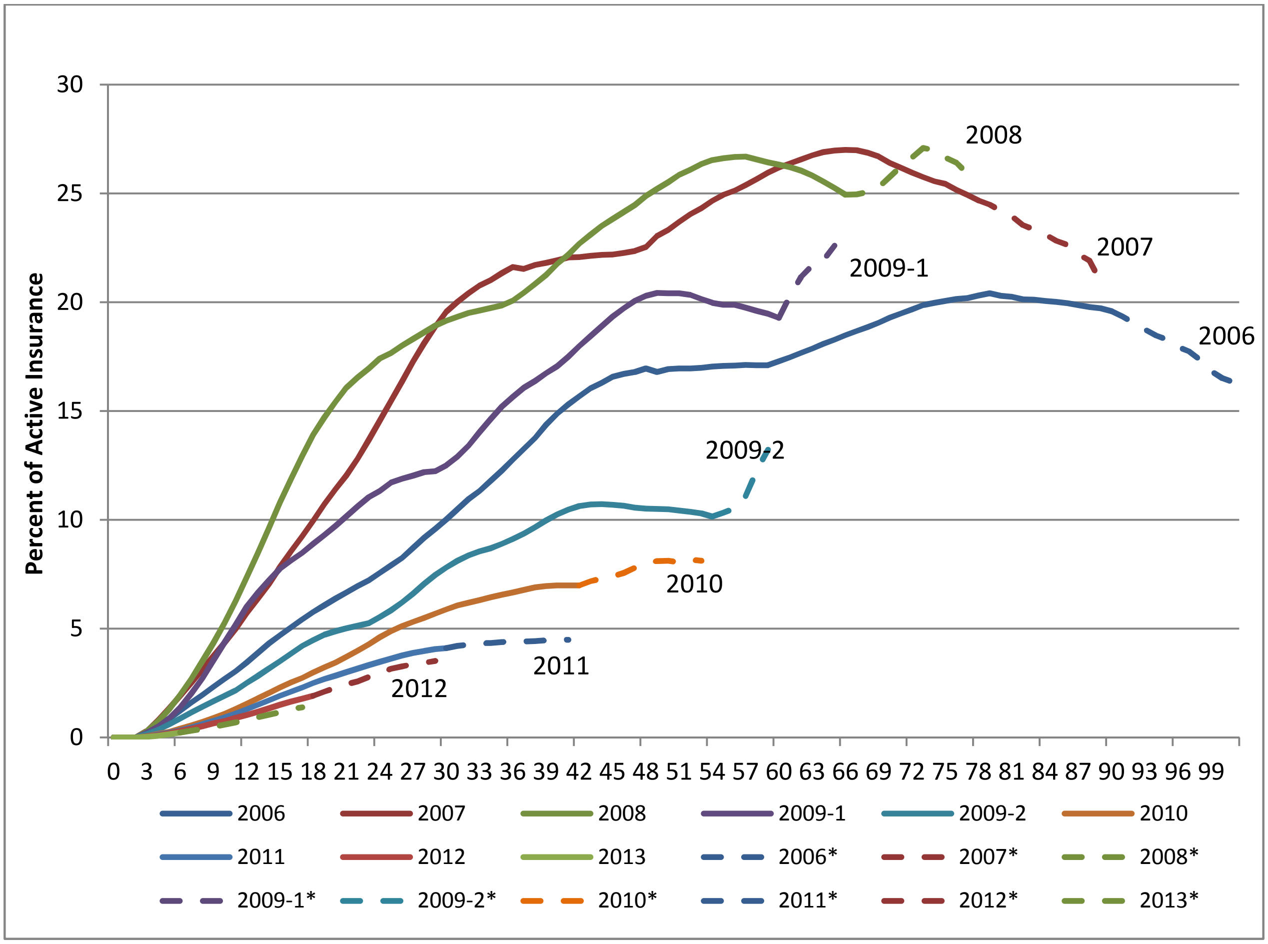
Source: US Department of HUD/FHA, April 2014

[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 for those vintages most affected by the recent economic recession (2006-2008) are now in decline as the number of new 3-month delinquency events is smaller than the number of resolutions of the outstanding stock of seriously delinquent loans. 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 portion of each curve. For the 2008 – 2009 vintages, in particular, there can be significant revisions—for the better—because the quality of each book was continuously improved each month.

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



Source: US Department of HUD/FHA, April 2014

Exhibit 11 follows the serious delinquency rates of recent vintages over the last nine quarters. These vary from what is shown in Exhibit 10 because they are based upon endorsement date rather than loan-origination date. Also, the data in Exhibit 11 represent snapshots at the end of each fiscal quarter, rather than status at loan-age points.

Serious delinquency rates overall are trending downward, which is especially clear when one looks at the seasonally-adjusted rates.

Exhibit 11: Serious Delinquency Rates[14] by Endorsement Fiscal Year and Activity Quarter[15]

Endorsement Fiscal Year	Activity Quarter								
	FY2014 Q2	FY2014 Q1	FY2013 Q4	FY2013 Q3	FY2013 Q2	FY2013 Q1	FY2012 Q4	FY2012 Q3	FY2012 Q2
Pre-2007	11.79%	12.48%	12.21%	11.41%	12.29%	11.80%	12.99%	12.60%	12.33%
2007	23.12	24.42	24.36	22.12	24.88	23.09	26.88	25.82	25.55
2008	23.56	24.80	24.79	22.00	24.56	22.02	26.38	24.88	24.25
2009	12.83	13.61	13.66	12.02	13.13	11.61	13.45	12.18	11.41
2010	6.74	7.10	6.89	6.14	6.36	5.80	5.88	5.18	4.52
2011	4.32	4.45	4.06	3.42	3.32	2.86	2.49	1.81	1.28
2012	2.43	2.33	1.83	1.31	0.99	0.68			
2013	0.77	0.55	0.27	0.41	0.11				
2014	0.07	0.00							
All years	7.44%	8.01%	8.05%	8.47%	8.87%	9.59%	9.58%	9.44%	9.42%
All years – Seasonally Adjusted[16]	7.47%	7.58%	8.22%	8.82%	8.91%	9.09%	9.80%	9.94%	9.48%

Source: US Department of HUD/FHA, April 2014

[14] This rate is the sum of 90+-day delinquencies, bankruptcies, and cases in foreclosure processing. These rates are not seasonally adjusted.
[15] 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	540,314	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	367,449	1,831,319	114,639
2010	1,109,163	305,297	252,444	1,666,904	78,758
2011	777,102	194,809	224,761	1,196,672	73,093
2012	733,699	129,185	321,612	1,184,496	54,677
2013	702,417	91,500	550,924	1,344,841	59,917
2014	272,755	28,060	72,088	372,903	27,922
Fiscal Year and Quarter					
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	22,679	113,786	334,435	11,650
2013Q1	177,852	22,754	152,518	353,124	12,079
2013Q2	157,439	25,428	167,487	350,354	15,830
2013Q3	181,298	24,176	150,905	356,379	16,371
2013Q4	185,828	19,142	80,014	284,984	15,637
2014Q1	152,966	14,611	40,911	208,488	13,094
2014Q2	119,789	13,449	31,177	164,415	14,828

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

[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	6,886
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	23,473	65,343	213,271	13,113
2013	124,934	16,932	98,248	240,114	14,680
2014	48,761	4,891	10,458	64,109	7,431
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	4,110	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	3,839
2013Q3	32,330	4,510	26,445	63,285	4,090
2013Q4	33,724	3,494	12,217	49,435	3,932
2014Q1	27,346	2,577	5,903	35,826	3,434
2014Q2	21,415	2,314	4,555	28,284	3,997

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

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]
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

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

[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[21]
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

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

[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]
2008	Oct-Dec	7.8	12.1	23.2	56.9
	Jan-Mar	8.5	13.4	25.8	52.3
	Apr-Jun	6.9	11.7	23.0	58.4
	Jul-Sep	5.8	10.3	19.6	64.3
2009	Oct-Dec	6.3	11.2	21.4	61.1
	Jan-Mar	6.9	13.5	23.4	56.2
	Apr-Jun	6.4	14.4	17.7	61.5
	Jul-Sep	6.0	15.2	11.5	67.2
2010	Oct-Dec	5.8	14.8	10.1	69.2
	Jan-Mar	6.9	16.9	10.9	65.4
	Apr-Jun	5.7	12.9	9.5	71.8
	Jul-Sep	6.0	13.9	10.0	70.2
2011	Oct-Dec	6.2	15.9	11.0	67.0
	Jan-Mar	7.6	16.9	10.4	65.1
	Apr-Jun	6.2	13.1	9.0	71.7
	Jul-Sep	5.2	11.0	8.8	75.0
2012	Oct-Dec	5.8	12.0	9.3	72.8
	Jan-Mar	7.5	12.5	9.3	70.7
	Apr-Jun	7.7	11.3	9.0	72.0
	Jul-Sep	5.1	9.3	9.6	76.0
2013	Oct-Dec	5.2	10.0	10.1	74.7
	Jan-Mar	6.0	11.5	10.8	71.7
	Apr-Jun	5.6	10.3	9.7	74.4
	Jul-Sep	5.3	9.7	8.9	76.1
2014	Oct-Dec	5.6	9.9	9.0	75.5
	Jan-Mar	6.1	10.9	9.4	73.6

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

[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.

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

FHA Single-Family Mortgage Insurance Average Loan-to-Value (LTV) Ratios[29] on New Endorsements By Fiscal Year, Quarter, and Loan Purpose					
		Loan Purpose			
Fiscal Year	Quarter	Home Purchase	Conventional Loan Refinance	FHA-to-FHA Refinance[30]	All[30]
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

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

[29] 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.

[30] 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								
Fiscal Year	Quarter	REO Loss Rate[31]	REO Alternatives Loss Rate[32]	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	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	28,025	23,646	51,671	45.8
	Jul-Sep	57.6	50.8	53.7	27,621	28,565	56,186	50.8
2014	Oct-Dec	59.3	46.8	53.5	23,600	20,400	43,900	46.5
	Jan-Mar	60.2	49.4	52.9	12,300	25,500	37,800	67.5

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

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

[32] 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)