U.S. Department of Housing and Urban Development

FHA Single-Family Mutual Mortgage Insurance Fund Programs

Quarterly Report to Congress

FY 2012 Q1

Delivered: March 26, 2012

FOREWORD

On behalf of Secretary Donovan and Acting 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 2012 first quarter report. This report covers mortgages that are obligations of the Mutual Mortgage Insurance (MMI) Fund of the Federal Housing Administration and the reporting period is from October 1, 2011 through December 31, 2011.

This quarterly report continues to provide detailed information on the composition and credit quality of new insurance, and on FHA's financial position. All graphical illustrations presented here have supporting data tables in an Appendix to the report.

In addition to this report to Congress, we continue to provide additional transparency on the FHA single-family loan-guarantee portfolios by posting a series of reports in the Office of Housing Reading Room on the www.hud.gov website. Each one of these reports provides details on new endorsement activity. Posted reports include:

- FHA Single Family Outlook Report
- Monthly Report to the FHA Commissioner
- Forward loan and HECM "Snapshot" reports
- Home-purchase and mortgage origination market-share reports

Also posted in the 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 published the actuarial review and Annual Report to Congress for FY 2011 in mid-November. The FY 2011 Annual Report includes an analysis of the portfolio, including detailed projections of future performance and discussion of economic risk.

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
Acting Deputy Assistant Secretary
Risk Management and Regulatory Affairs

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

FY 2012 Q1

Data as of December 31, 2011

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 down 31% from a year ago, down 4% from last quarter. FHA estimates that it lost about 2% of total market share over the last quarter.	**4**	**1**
B) Types of loans insured, categorized by risk;	Average credit score held at 697, average LTV decreased slightly due to greater refinance activity.	**5 - 7**	**2 - 4**
C) Significant changes between actual and projected claim and prepayment activity;	Prepayments increased this quarter. Claims activity lower than projected, most likely due to delays in foreclosure timelines.	**8**	**5**
D) Projected versus actual loss rates	Loss severities averaged about 67% last quarter, down slightly last period, largely because a shift toward short sales.	**8 - 9**	**5 - 7**
E) Updated projections of the annual subsidy rates	The credit subsidy rate changed from -3.91 in FY 2011 to -2.16 in FY 2012. Recently announced premium adjustments will be reflected in future quarters.	**10**	**8**

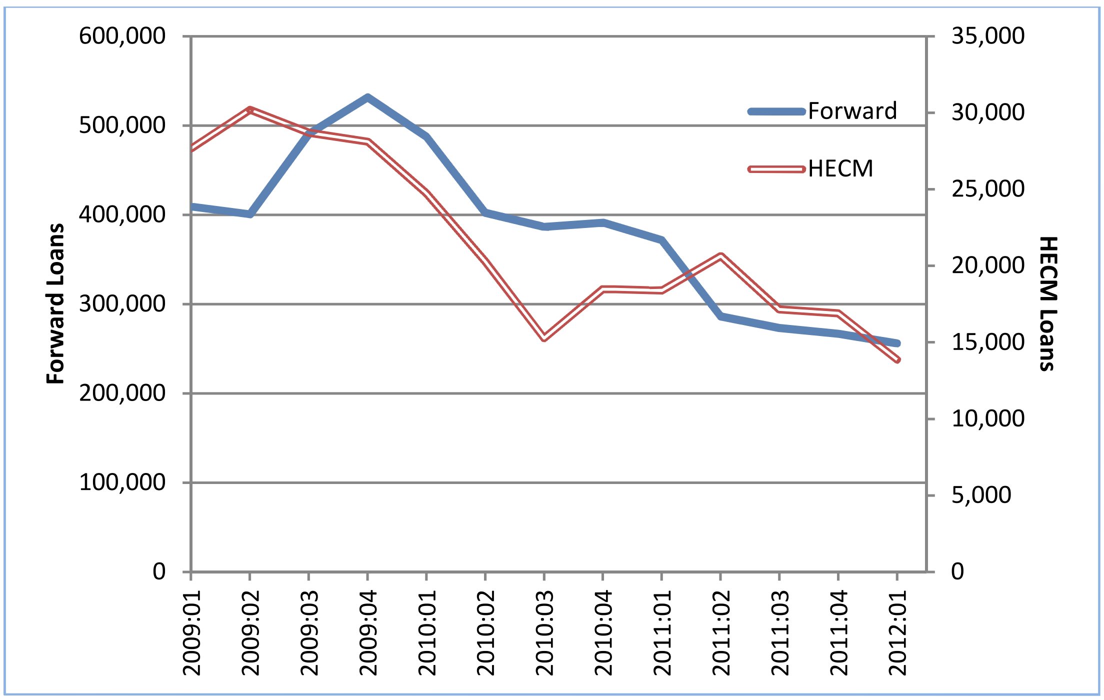
Other	**Summary**	**Page**	**Exhibit**
F) MMI Fund Balance	Fund balances decreased slightly over the last quarter from $33.7 billion to $33.3 billion.	**11**	**9**
G) Cash flow from operations	Cash flow from operations funded more than 80% of net claims losses over the last year.	**12**	**10**
H) Early payment defaults	Early payment defaults (EPDs) still at historic lows, but have trended up to levels last seen in 2010, partly due to a shift in FHA's mix of credit scores that began occurring in 3Q 2011.	**13**	**11**
I) Serious delinquent rate	Serious delinquency rate is at 9.6%, largely due to seasoning of 2007 – 2009 vintages. Recent vintages are still performing well.	**14 -15**	**12 - 13**

Forward loan endorsement volume down 31% from a year ago.

In the first quarter of Fiscal Year (FY) 2012, FHA endorsed for insurance 255,473 forward loans and 13,866 reverse mortgages (HECM product). Those counts represent quarterly decreases of about 4% and 8%, respectively, in these two principal single-family product lines. On a year-over-year basis, forward-loan endorsements were down 31% while HECM activity was down 25%.

Although comparisons with overall market share are not straightforward because of reporting lags between origination and endorsement, FHA estimates that it lost almost 2% of overall market share over the last quarter. See Exhibit A-3 in the Appendix for additional market share detail.

Exhibit 1: Endorsement Counts by Fiscal Year and Quarter



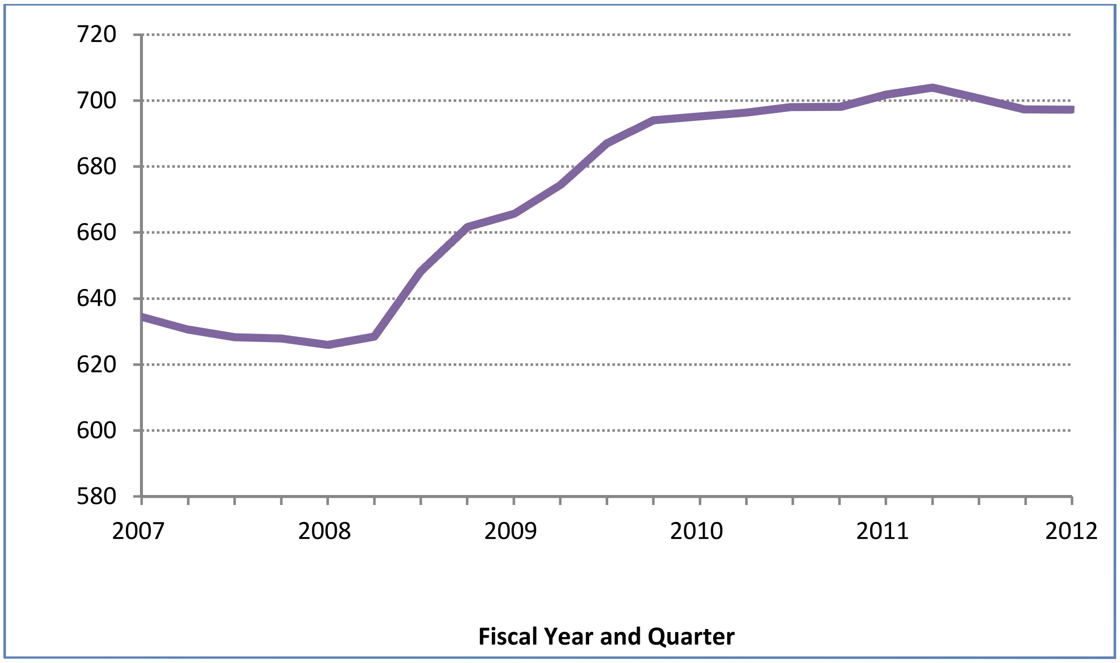
Source: US Department of HUD/FHA, January 2012.[1]

[1] See Exhibits A-1 and A-2 in the Appendix for additional detail.

Average borrower credit scores hold steady at 697.

While the overall average borrower credit score of 697 for FY 2012 Q1 is down slightly from its peak of 704 in FY 2011 Q2, credit scores are still significantly higher than historic averages. Scores have averaged 697 for the last two quarters, roughly where they were throughout FY 2010.

Exhibit 2: Average Borrower Credit Score

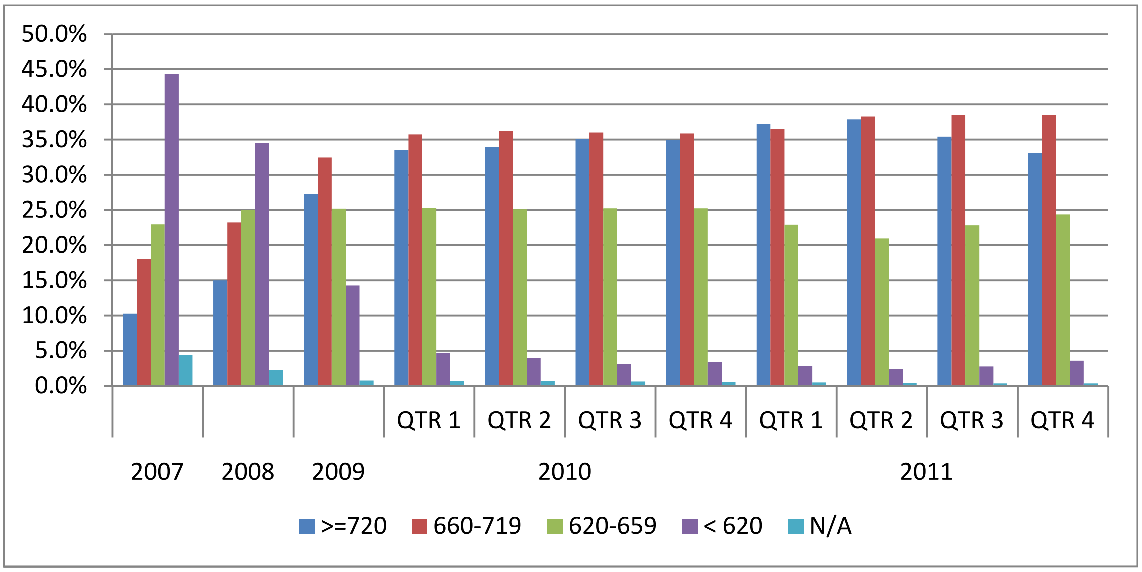


Source: US Department of HUD/FHA, January 2012.[2]

[2] See Exhibits A-4 and A-5 in the Appendix for additional detail.

A breakdown by FICO band suggests that production has been shifting from the 720+ cohort to the 620-659 cohort - FHA's more traditional borrower base. The peak in the 720+ cohort occurred in 2Q FY2011.

Exhibit 3: Average Borrower Credit Score



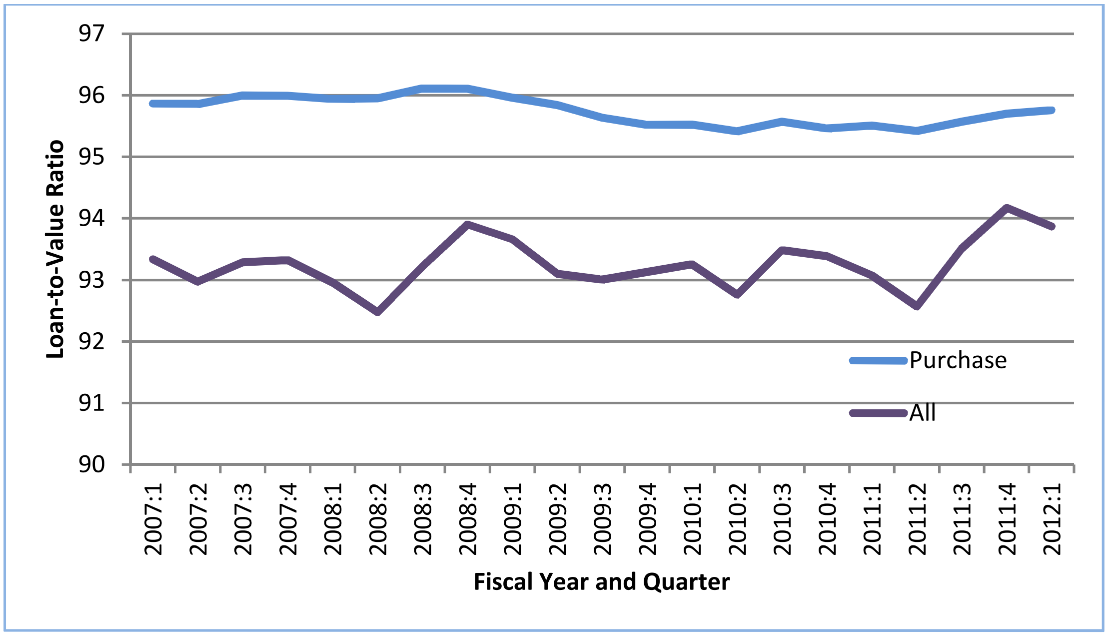
Source: US Department of HUD/FHA, January 2012.[3]

[3] See Exhibits A-4 and A-5 in the Appendix for more detail.

Average Loan-to-Value (LTV) ratios are slightly lower due to increased refinance activity.

Although average LTV within each major product group—purchase, conventional refinance, FHA-to-FHA refinance increased slightly, average LTV for the all endorsements over the last quarter declined slightly, as refinance share of the business increased.

Exhibit 4: Average Loan-to-Value (LTV) Ratios on New Endorsements



Source: US Department of HUD/FHA, January 2012.[4]

[4] See Exhibits A-6 and A-7 in the Appendix for more detail.

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 - December 2011				
	Year-To-Date Predicted[a]	Year-To-Date Actual	Deviation (Actual - Predicted)	Percentage Deviation (Actual vs. Predicted)
Prepayments - Number	98,842	116,233	17,391	18%
Claims - Number[b]	56,756	27,356	($29,400)	-52%
Claims – Dollars (mil)[b]	$7,548	$3,263	($4,285)	-57%
Net Loss-on-Claims (%)[c]	66.2%	66.7%	0.5%	

[a] Projections of prepayment and claim counts are from the FY2011 annual independent actuarial study; dollar predictions are from forecasts used in the FY 2011 FHA financial statements; quarterly predictions shown here use straight-line interpolation techniques and thus reflect expected trend trajectories across the year.

[b] 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.

[c] These rates are calculated as losses as a percentage of the defaulted loan balance, for both conveyance and pre-foreclosure-sale claims. Last quarter they were calculated as losses as a percentage of the claim payment, which resulted in an average loss of 55.2%. Due to delays in accounting for the final net loss on REO sales, the Actual Rate reported here is subject to revision.

Source: US Dept of HUD, Office of Housing/FHA, January 2012.

Prepayments pick up

The pace of prepayments picked up last quarter. An increase in FHA-to-FHA refinances was a major factor, increasing from about 26,000 last quarter to 48,000 this quarter

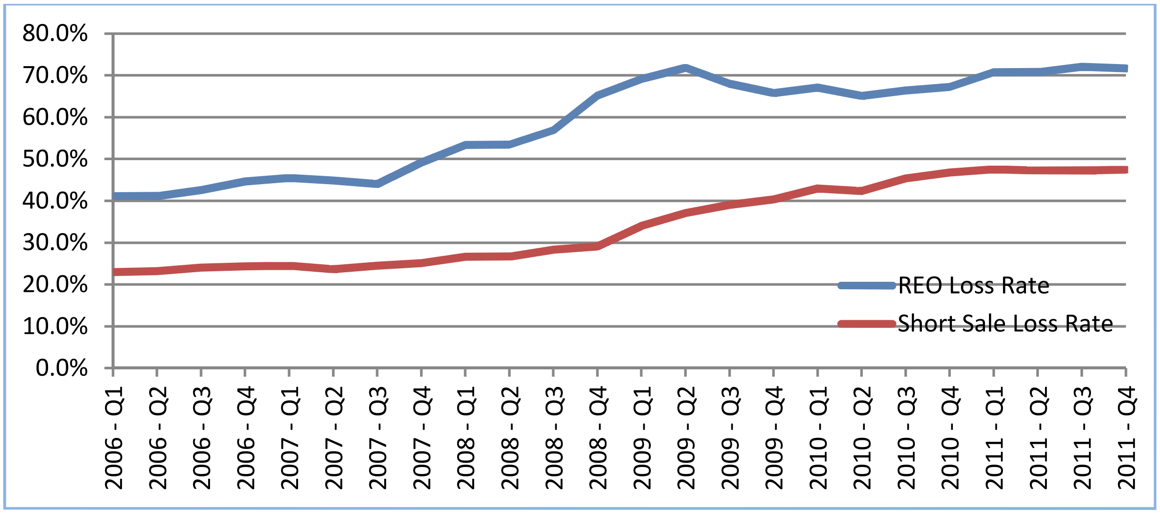
Claims activity lower than projected due to nationwide delays in foreclosure activity

The number of claims paid this quarter (27,356) is down slightly from that of the previous quarter (30,108). The gap between predicted and actual claims paid shows little variation from the previous quarters, with year-to-date counts 52% below forecast, and year-to-date dollars 57% below forecast. The principal contributing factor to this gap continues to be delays in foreclosure processing in many areas of the country. We anticipate the recent settlement will accelerate foreclosure activity, perhaps within the next two quarters.

Average loss rate decreases slightly due to increased share of short sales.

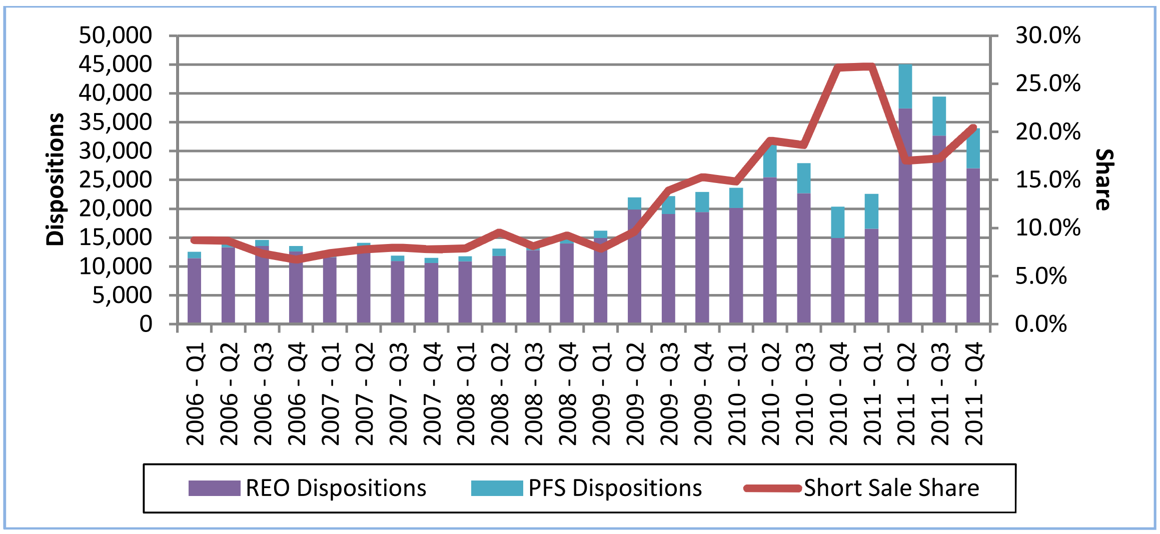
The actual year-to-date net loss rate on claims is about 67% percent, down about 1% from last quarter. This is because of an increase in pre-foreclosure sales as a share of all claims. The loss rate on this quarter's REO and pre-foreclosure sales is 71 percent and 47 percent, respectively.

Exhibit 6: FHA Single-Family Loss Rates for REO and Short Sales



Source: US Dept of HUD, Office of Housing/FHA, January 2012.

Exhibit 7: FHA Single-Family Dispositions and Short Sale Share



Source: US Department of HUD/FHA, January 2012.[5]

[5] See Exhibit A-8 in the Appendix for more detail.

Budget execution credit subsidy rates lower in FY2012.

The credit subsidy rate changed from -3.91 in FY 2011 to -2.16 in FY 2012. Recently announced premium adjustments will change the credit subsidy rates in future quarters.

Exhibit 8: Budget Execution Credit Subsidy Rates

FHA Single-Family Mortgage Insurance Budget Execution Credit Subsidy Rates[a] FY 2012	
Forward Loans	-2.16
Reverse Loans (HECM)	-1.52

[a] 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 credit 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. They 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.

Source: US Dept of HUD, Office of Housing/FHA, January 2012.

MMI fund balances decreased slightly over the last quarter

Total capital resources decreased slightly by $0.4 billion in FY 2012 Q1. Financing Account balances, which respect day-to-day business operation cash flows, decreased by $1.4 billion.

Exhibit 9: MMI Fund Balances by Quarter, FY 2009 – FY 2012 Q1

FHA Single-Family Insurance

MMI Fund Balances by Quarter, FY 2009 – FY 2012 First Quarter[a]

($billions)

Fiscal Year	Quarter	Capital Reserve Account[b]	Financing Account[c]	Total Capital Resources[d]
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

[a] Only end-of-year balances represent audited figures.

[b] This is an on-budget account that records net receipts provided by FHA to the federal budget, over time. Balances are held in cash and Treasury securities. The securities earn interest for FHA. Periods in which there are large changes in the balance represent transfers of funds to the Financing Accounts to effect the re-balancing required under annual budget re-estimates.

[c] This is a series of off-budget cash accounts used to manage insurance operation collections and disbursements.

[d] Total Capital Resources 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.

Source: US Dept of HUD, Office of Housing/FHA, January 2012.

Cash flows from operations over the last year covered 80% of default losses.

The core business-operations cash flow in FY 2011 Q4 was negative $428 million, resulting in a net outflow of $1.9 billion over the last four quarters. Premium collections contributed $7.3 billion. Claims activity has been muted relative to expectations over the last year. It is possible that the recent settlement may spark a breaking of the foreclosure back-log that has been affecting the entire mortgage industry since the start of FY 2011.

Exhibit 10: Business Operations Cash Flows FY 2011 Q2 – FY2012 Q1

FHA MMI Fund Financing Account

Business Operations Cash Flows in FY2011 Q2 -FY2012 Q1, by Quarter[a]

(millions)

	FY 2011 and First Quarter FY 2012				
	FY 2011 Quarter 2	FY 2011 Quarter 3	FY 2011 Quarter 4	FY 2012 Quarter 1	Past 4 Quarters
Collections					
Premiums	$ 1,725	$ 1,798	$ 1,848	$ 1,942	$ 7,313
Property Sale Receipts	887	2,378	1,960	1,648	6,873
Note Sale Collections	1	50	28	(1)	78
Other	16	14	18	42	90
Total	2,629	4,240	3,854	3,631	14,354
Disbursements					
Claims[b]	$ (3,621)	$ (3,830)	$ (3,715)	$ (3,733)	$ (14,899)
Property Maintenance	(171)	(452)	(388)	(326)	(1,337)
Other	-	-	-	-	-
Total	(3,792)	(4,282)	(4,103)	(4,059)	(16,236)
Net Operations Cash Flow	$ (1,163)	$ (42)	$ (249)	$ (428)	$ (1,882)

[a] These are unaudited figures; totals may not add due to rounding.

[b] 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).

Source: US Dept of HUD, Office of Housing/FHA, January 2012.

Source claims payments	Past 4 Quarters (billions)
Net Default Losses	$9.4
Disbursements	
Premiums (MIP)	**$7.3**
Other income	$0.2
Reserves	**$ 1.9**
Total Disbursements	$9.4

Most of the $9.4 billion that FHA paid out last year in net claims losses was funded through current income.

Less than $2 billion was needed from the $30+ billion in total capital resources.

Early payment delinquency rates have increased over the last two quarters.

Early payment defaults (EPDs), while still at historic lows, have started to trend up to levels last seen in early 2010. Some of the increase can be attributed to a shift in the credit score mix that began in 3Q 2011 (see Exhibit A-5 in the Appendix for more detail), as well as more streamlined refis. FHA is investigating other factors that may be driving the increase.

Exhibit 11: Early Period Delinquency Rates by Origination Quarter and Loan Type/Purpose

FHA Single-Family Insurance

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

Fiscal Year	Origination Quarter	Loan Type/Purpose			
		Purchase	Refinance[b]	Streamline Refinance[c]	All
2007	Oct-Dec	1.84%	0.87%	1.61%	1.55%
	Jan-Mar	2.58	1.25	2.69	2.20
	Apr-Jun	2.78	1.91	3.23	2.54
	Jul-Sep	2.60	1.96	2.87	2.40
2008	Oct-Dec	2.51	1.81	2.79	2.23
	Jan-Mar	2.30	1.71	3.14	2.16
	Apr-Jun	1.83	2.00	5.39	2.08
	Jul-Sep	1.50	2.10	5.75	1.78
2009	Oct-Dec	1.07	1.55	3.55	1.43
	Jan-Mar	0.91	0.85	2.32	1.26
	Apr-Jun	0.58	0.60	2.30	1.01
	Jul-Sep	0.42	0.59	1.86	0.68
2010	Oct-Dec	0.33	0.46	1.16	0.52
	Jan-Mar	0.36	0.35	0.89	0.40
	Apr-Jun	0.39	0.38	0.75	0.41
	Jul-Sep	0.40	0.24	0.54	0.39
2011	Oct-Dec	0.32	0.19	0.37	0.30
	Jan-Mar	0.39	0.21	0.67	0.38
	Apr-May	0.48	0.29	0.74	0.47

[a] 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.

[b] Loans in this column are fully-underwritten conventional-to-FHA and FHA- to-FHA refinancings.

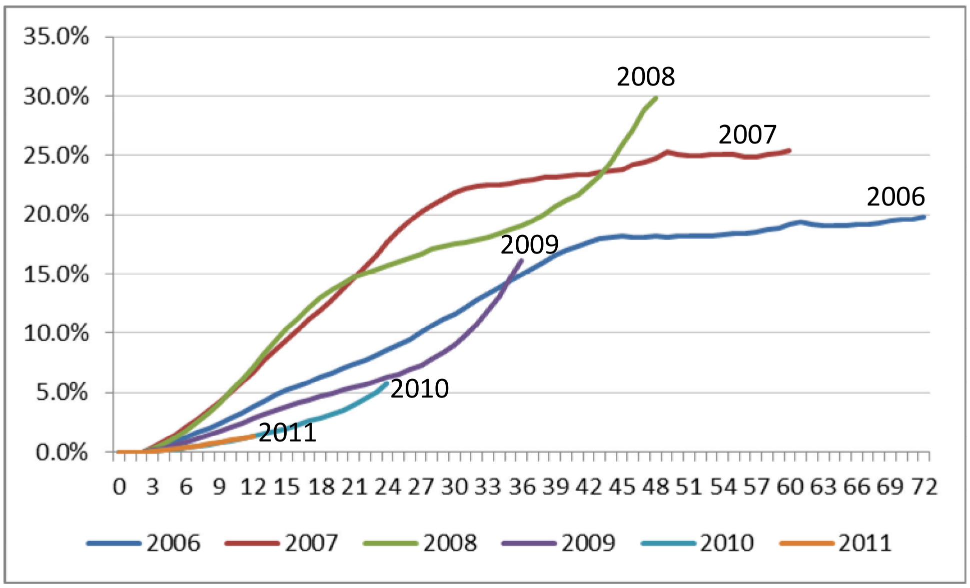
[c] Loans in this column are refinancings that replace loans already in FHA's portfolio and do not necessarily require property appraisals.

Source: US Department of HUD/FHA, January 2012.

Serious delinquency rates increased to 9.6%.

Two factors appear to be driving this result. The first is the persistency of loans in 90-day delinquency as lenders attempt to craft workout plans, and persistency of loans in foreclosure processing. The second is that the historically large FY 2009 and FY 2010 books-of-business are at the age where their serious delinquency rates are increasing toward their life-cycle peaks. Because those books are much larger than is the new FY 2011 book, their loan-age seasoning patterns are not offset by the low default rates on recent endorsements.

Exhibit 12: Serious Delinquency Rates By Origination (Calendar) Year and Months of Seasoning All Endorsements



Source: US Department of HUD/FHA, January 2012.

Note from Exhibit 13 that the FY 2010 book is performing significantly better than did the FY 2009 book at this point in its lifecycle. The serious delinquent rate at the end of its second year of seasoning is 4.07%, whereas the FY 2009 cohort had a rate of 7.23% at the same point (FY 2011 Q1). The same comparison between the 2011 and 2010 books yields the result that the current serious delinquent rate for 2011 is 0.93%, whereas the rate for the 2010 book one year ago was 1.20%.

Exhibit 13: Serious Delinquency Rates by Endorsement Fiscal Year and Activity Quarter

FHA Single-Family Insurance Serious Delinquency Rates[a]

by Endorsement Fiscal Year And Activity Quarter[b]

Endorsement Fiscal Year	Activity Period											
	FY2012 Q1	FY2011 Q4	FY2011 Q3	FY2011 Q2	FY2011 Q1	FY2010 Q4	FY2010 Q3	FY2010 Q2	FY2010 Q1	FY2009 Q1	FY2008 Q1	FY2007 Q1
Pre-2007	12.58%	11.57%	10.77%	10.98%	11.59%	11.41%	11.15%	11.56%	11.89%	8.90%	7.14%	5.77%
2007	25.59	23.36	21.83	21.71	22.44	21.49	21.11	21.4	21.55	11.66	3.48	0.05
2008	23.83	21.38	19.97	19.49	19.65	18.37	17.35	17.13	16.22	3.91	0.09	
2009	10.92	9.13	8.05	7.58	7.23	6.08	4.94	4.07	3.05	0.05		
2010	4.07	2.96	2.13	1.61	1.20	0.65	0.33	0.16	0.02			
2011	0.93	0.45	0.22	0.08	0.01							
All years	9.59%	8.70%	8.18%	8.31%	8.78%	8.66%	8.59%	9.05%	9.44%	7.23%	6.46%	5.63%
All years – seasonally adjusted[c]	9.05%	8.89%	8.59%	8.34%	8.29%	8.84%	9.05%	9.10%	8.90%	6.69%	5.57%	5.01%

[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, January 2012.

APPENDIX

Exhibit A-1: Endorsement Counts by Fiscal Year and Quarter

FHA Single-Family Mortgage Insurance

Endorsement Counts by Fiscal Year and Quarter

Time Period	Number of New Insurance Cases				
	Forward Mortgages[a]				Reverse Mortgages (HECM)[b]
	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	61,100	319,985	1,168,178	13,048
2003	602,452	59,499	556,983	1,218,934	18,084
2004	540,313	53,939	298,169	892,421	37,790
2005	328,542	31,958	117,853	478,353	43,082
2006	293,257	58,226	48,422	399,905	76,280
2007	261,165	104,578	36,601	402,344	107,367
2008	591,325	349,127	91,131	1,031,584	112,013
2009	995,103	468,768	367,447	1,831,318	114,639
2010	1,109,161	305,297	252,434	1,666,892	78,758
2011	777,101	194,817	224,754	1,196,672	73,093
2012	175,848	31,817	47,808	255,473	13,866
Fiscal Year and Quarter					
2010Q1	304,827	86,516	96,152	487,495	24,729
2010Q2	245,777	88,338	67,982	402,097	20,279
2010Q3	289,683	65,578	31,037	386,298	15,266
2010Q4	268,874	64,865	57,263	391,002	18,484
2011Q1	196,712	65,207	109,430	371,349	18,387
2011Q2	168,703	58,451	58,684	285,838	20,646
2011Q3	201,080	41,109	30,878	273,067	17,161
2011Q4	210,606	30,050	25,762	266,418	16,899
2012Q1	175,848	31,817	47,808	255,473	13,866

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

[b] The FHA reverse-mortgage insurance program is called the Home Equity Conversion Mortgage (HECM).

[c] 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.

Source: US Department of HUD/FHA, January 2012

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

FHA Single-Family Mortgage Insurance

Endorsement Volumes by Fiscal Year and Quarter

Time Period	Volumes (billion$)				
	Forward Mortgages[a]				Reverse Mortgages (HECM)[b]
	Home Purchase	Conventional Loan Refinance	FHA-to-FHA Refinance	All Forward Loans	
Fiscal Year					
2000	$79,397	$3,181	$3,697	$86,276	$827
2001	79,709	4,947	22,894	107,550	1,095
2002	91,025	7,404	37,713	136,141	1,975
2003	73,026	7,602	66,682	147,310	3,001
2004	66,835	6,998	33,787	107,620	6,885
2005	40,196	4,258	13,521	57,975	8,877
2006	37,102	8,521	6,109	51,732	17,973
2007	35,002	16,095	5,418	56,516	24,623
2008	95,373	61,525	14,907	171,806	24,240
2009	171,672	86,984	71,727	330,382	30,161
2010	191,602	56,431	49,465	297,498	20,974
2011	134,357	36,847	46,437	217,641	18,208
2012	29,189	5,727	9,647	44,563	3,267
Fiscal Year and Quarter					
2010Q1	51,950	15,843	18,601	86,394	6,947
2010Q2	42,794	16,402	12,885	72,081	5,492
2010Q3	49,578	12,145	5,902	67,625	3,859
2010Q4	47,279	12,041	12,078	71,398	4,676
2011Q1	35,084	12,785	24,216	72,086	4,612
2011Q2	29,731	11,224	11,831	52,786	5,273
2011Q3	34,044	7,511	5,720	47,275	4,207
2011Q4	35,497	5,328	4,669	45,494	4,115
2012Q1	29,189	5,727	9,647	44,563	3,267

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

[b] The FHA reverse-mortgage insurance program is called the Home Equity Conversion Mortgage (HECM).

[c] 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.

Source: US Dept of HUD, Office of Housing/FHA, January 2012.

Exhibit A-3: Mortgage Market Share by Loan Count

FHA Single-Family Mortgage Insurance Mortgage Market Share by Loan Count			
	Share	FHA Loans	Market Loans
Annual Summaries			
2003	5.5%	1,268,459	23,101,785
2004	4.7	695,399	14,869,169
2005	3.1	456,175	14,483,643
2006	3.3	411,118	12,328,987
2007	5.1	528,276	10,358,647
2008	19.8	1,405,656	7,092,212
2009	21.1	1,982,611	9,392,784
2010	17.4	1,462,730	8,393,311
2011	15.6	1,067,998	6,865,759
Quarterly Activity			
2009 - Q1	23.3%	428,854	1,838,766
2009 - Q2	19.5	545,116	2,789,526
2009 - Q3	21.6	502,234	2,327,427
2009 - Q4	20.8	506,407	2,437,066
2010 - Q1	16.7	310,609	1,863,584
2010 - Q2	21.9	449,749	2,049,618
2010 - Q3	16.9	354,247	2,092,438
2010 - Q4	14.6	348,125	2,387,671
2011 - Q1	14.9	247,210	1,663,161
2011 - Q2	17.4	284,901	1,640,012
2011 - Q3	16.0	267,266	1,667,922
2011 - Q4 (est.)	14.2	268,621	1,894,664

Source: Data from FHA, Mortgage Bankers Association, and CoreLogic; January 2012[6].

[6] Exhibit A-3 reports loans according to their closing date. Typically, the endorsement date for an FHA-insured is approximately one month after the closing date.

Exhibit A-4: Borrower Credit Score Distributions on New Endorsements

FHA Single-Family Mortgage Insurance

Borrower Credit Score[a] Distribution on New Endorsements[b]

By Fiscal Year (FY) and Quarter

(Shares in each row add to 100%)

Fiscal Year	Quarter	Credit Score Categories[a]						
		720+	680+	620+	580+	500+	300+	N/A[c]
2007	Oct-Dec	11.2%	10.9%	31.7%	22.5%	17.8%	1.2%	4.7%
	Jan-Mar	10.3	10.2	31.1	23.0	19.4	1.4	4.6
	Apr-Jun	9.9	9.6	30.6	23.5	20.4	1.5	4.6
	Jul-Sep	9.9	9.3	30.9	23.6	20.8	1.5	3.9
2008	Oct-Dec	9.3	9.1	31.2	23.9	21.3	1.7	3.6
	Jan-Mar	9.9	9.9	31.8	23.2	20.4	1.7	3.1
	Apr-Jun	15.2	13.2	35.6	20.9	12.2	0.7	2.2
	Jul-Sep	19.2	16.1	37.5	19.0	6.7	0.2	1.4
2009	Oct-Dec	20.5	17.2	37.6	18.7	5.1	0.1	0.8
	Jan-Mar	24.4	19.0	37.0	15.5	3.4	0.0	0.7
	Apr-Jun	29.7	21.3	38.3	8.5	1.5	0.0	0.7
	Jul-Sep	33.4	22.1	37.9	4.9	1.0	0.0	0.7
2010	Oct-Dec	33.6	22.5	38.6	4.0	0.7	0.0	0.6
	Jan-Mar	34.0	22.8	38.5	3.5	0.5	0.0	0.6
	Apr-Jun	35.1	22.7	38.5	2.7	0.4	0.0	0.6
	Jul-Sep	34.9	22.7	38.5	3.0	0.4	0.0	0.6
2011	Oct-Dec	37.2	23.3	36.2	2.5	0.3	0.0	0.5
	Jan-Mar	37.9	24.2	35.1	2.2	0.2	0.0	0.4
	Apr-Jun	35.5	23.9	37.6	2.6	0.2	0.0	0.4
	Jul-Sep	33.1	23.8	39.2	3.3	0.2	0.0	0.3
2012	Oct-Dec	33.0	23.9	39.3	3.2	0.2	0.0	0.3

[a] 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.

[b] Excludes streamline refinance loans.

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

Source: Data from FHA, Mortgage Bankers Association, and CoreLogic; January 2012.

Exhibit A-5: Average Borrower Credit Scores on New Endorsements

FHA Single-Family Mortgage Insurance

Average Borrower Credit Scores[a] on New Endorsements

By Fiscal Year, Quarter, and Loan Purpose

Fiscal Year	Quarter	Loan Purpose			
		Home Purchase	Conventional Loan Refinance	FHA-to-FHA Refinance[b]	All[b]
2007	Oct-Dec	639	620	625	634
	Jan-Mar	635	620	628	631
	Apr-Jun	632	618	628	628
	Jul-Sep	634	615	625	628
2008	Oct-Dec	633	615	626	626
	Jan-Mar	635	620	633	628
	Apr-Jun	655	638	643	648
	Jul-Sep	669	645	647	662
2009	Oct-Dec	673	652	649	666
	Jan-Mar	678	669	663	674
	Apr-Jun	688	685	676	687
	Jul-Sep	697	688	678	694
2010	Oct-Dec	697	690	680	695
	Jan-Mar	697	696	686	696
	Apr-Jun	698	699	689	698
	Jul-Sep	698	701	694	698
2011	Oct-Dec	701	705	701	702
	Jan-Mar	703	708	704	704
	Apr-Jun	700	703	700	701
	Jul-Sep	698	695	698	697
2012	Oct-Dec	696	702	706	697

[a] 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.

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

Source: US Dept of HUD, Office of Housing/FHA, January 2012.

Exhibit A-6: Loan-to-Value (LTV) Ratio Distribution on New Endorsements

FHA Single-Family Mortgage Insurance

Loan-to-Value (LTV) Ratio[a] Distribution on New Endorsements[b]

By Fiscal Year and Quarter

(Shares in each row add to 100%)

Fiscal Year	Quarter	LTV Categories[a]			
		Up to 90	91-95	96-98[c]	DPA Loans[d]
2007	Oct-Dec	17.7%	16.3%	41.1%	24.9%
	Jan-Mar	19.0	18.3	37.7	25.0
	Apr-Jun	17.7	18.9	39.1	24.2
	Jul-Sep	17.8	19.7	39.2	23.3
2008	Oct-Dec	19.6	22.9	35.3	22.2
	Jan-Mar	21.7	25.6	33.9	18.8
	Apr-Jun	18.4	22.7	40.0	18.8
	Jul-Sep	15.8	19.3	43.5	21.4
2009	Oct-Dec	17.4	21.1	48.8	12.7
	Jan-Mar	20.3	23.4	55.3	1.0
	Apr-Jun	20.8	17.7	61.3	0.2
	Jul-Sep	21.2	11.5	67.1	0.1
2010	Oct-Dec	20.6	10.1	69.1	0.2
	Jan-Mar	23.7	10.9	65.3	0.1
	Apr-Jun	18.6	9.5	71.7	0.2
	Jul-Sep	19.8	10.0	70.1	0.1
2011	Oct-Dec	22.0	11.0	66.9	0.1
	Jan-Mar	24.4	10.4	65.0	0.1
	Apr-Jun	19.2	9.0	71.5	0.2
	Jul-Sep	16.2	8.8	74.7	0.3
2012	Oct-Dec	17.8	9.4	72.4	0.4

[a] 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.

[b] Excludes streamline refinance loans.

[c] 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.

[d] 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.

Source: US Dept of HUD, Office of Housing/FHA, January 2012.

Exhibit A-7: Average Loan-to-Value (LTV) Ratios on New Endorsements

FHA Single-Family Mortgage Insurance Average Loan-to-Value (LTV) Ratios[a] on New Endorsements By Fiscal Year, Quarter, and Loan Purpose					
		Loan Purpose			
Fiscal Year	Quarter	Home Purchase	Conventional Loan Refinance	FHA-to-FHA Refinance[b]	All[b]
2007	Oct-Dec	95.91%	86.75%	86.97%	93.48%
	Jan-Mar	95.93	87.03	87.10	93.13
	Apr-Jun	96.07	87.69	87.51	93.43
	Jul-Sep	96.02	88.21	87.56	93.41
2008	Oct-Dec	96.02	88.77	87.88	93.05
	Jan-Mar	96.03	88.86	88.33	92.57
	Apr-Jun	96.18	89.15	88.40	93.32
	Jul-Sep	96.15	89.16	88.00	93.95
2009	Oct-Dec	96.03	89.14	88.83	93.72
	Jan-Mar	95.93	89.38	89.39	93.21
	Apr-Jun	95.71	88.57	87.90	93.12
	Jul-Sep	95.59	86.78	85.83	93.23
2010	Oct-Dec	95.59	86.11	85.23	93.34
	Jan-Mar	95.51	86.19	87.05	92.86
	Apr-Jun	95.64	85.36	86.93	93.57
	Jul-Sep	95.55	85.99	87.96	93.49
2011	Oct-Dec	95.62	87.06	88.94	93.22
	Jan-Mar	95.56	85.68	87.73	92.73
	Apr-Jun	95.73	85.00	86.85	93.67
	Jul-Sep	95.88	85.30	87.50	94.34
2012	Oct-Dec	95.98	85.29	88.79	94.06

[a] 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.

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

Source: US Dept of HUD, Office of Housing/FHA, January 2012.

Exhibit A-8: Pre-Foreclosure and REO Dispositions and Loss Severity

FHA Single Family Mortgage Insurance Pre-Foreclosure and REO Dispositions and Loss Severity							
Period	REO Loss Rate	Short Sale Loss Rate	Overall Loss Rate	REO Dispositions	PFS Dispositions	Total Dispositions	Short Sale Share
2006 - Q1	41.1%	23.0%	39.5%	11,463	1,096	12,559	8.7%
2006 - Q2	41.1%	23.2%	39.5%	13,355	1,266	14,621	8.7%
2006 - Q3	42.5%	24.1%	41.2%	13,556	1,076	14,632	7.4%
2006 - Q4	44.6%	24.4%	43.3%	12,623	910	13,533	6.7%
2007 - Q1	45.5%	24.5%	43.9%	11,606	925	12,531	7.4%
2007 - Q2	44.9%	23.6%	43.2%	12,989	1,098	14,087	7.8%
2007 - Q3	44.0%	24.5%	42.5%	10,947	950	11,897	8.0%
2007 - Q4	49.1%	25.1%	47.3%	10,604	894	11,498	7.8%
2008 - Q1	53.4%	26.6%	51.3%	10,871	928	11,799	7.9%
2008 - Q2	53.5%	26.7%	50.9%	11,858	1,252	13,110	9.5%
2008 - Q3	56.9%	28.3%	54.5%	12,827	1,134	13,961	8.1%
2008 - Q4	65.1%	29.1%	61.8%	14,000	1,427	15,427	9.3%
2009 - Q1	69.1%	34.0%	66.4%	14,920	1,273	16,193	7.9%
2009 - Q2	71.8%	37.0%	68.4%	19,875	2,118	21,993	9.6%
2009 - Q3	68.0%	39.1%	64.0%	19,105	3,087	22,192	13.9%
2009 - Q4	65.8%	40.4%	61.9%	19,435	3,510	22,945	15.3%
2010 - Q1	67.1%	43.0%	63.5%	20,154	3,511	23,665	14.8%
2010 - Q2	65.0%	42.3%	60.7%	25,445	6,002	31,447	19.1%
2010 - Q3	66.4%	45.3%	62.5%	22,708	5,198	27,906	18.6%
2010 - Q4	67.2%	46.8%	61.8%	14,926	5,431	20,357	26.7%
2011 - Q1	70.7%	47.5%	64.5%	16,537	6,059	22,596	26.8%
2011 - Q2	70.7%	47.2%	66.8%	37,373	7,645	45,018	17.0%
2011 - Q3	72.0%	47.2%	67.7%	32,659	6,798	39,457	17.2%
2011 - Q4	71.7%	47.4%	66.7%	27,022	6,939	33,961	20.4%

Source: US Dept of HUD, Office of Housing/FHA, January 2012.