FHA Single-Family
Mutual Mortgage Insurance Fund Programs
Quarterly Report to Congress
FY 2012 Q1

- 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%.

- 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.

- 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.

- 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.

- 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.

- 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.

- 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.