U.S. Department of Housing and Urban Development

FHA Single-Family Mutual Mortgage Insurance Fund Programs

Quarterly Report to Congress

FY 2012 Q3

Delivered: September 7, 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 third 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 June 30, 2012.

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

HUD's annual report to Congress on the financial status of the MMI Fund will detail results of the independent actuarial study, which itself provides forecasts of how the MMI portfolio is expected to perform in the future. For the first time this year, the independent actuary will use a stochastic simulation approach that permits discussion of probabilities of outcomes with more clarity than was possible with the standard scenario analysis used in the past. Various markers in the overall distribution of potential outcomes will be compared with the traditional base-case-scenario valuation to assist in discussing the risks facing the Fund going forward. We are pleased that we will be in a position to provide this additional transparency and to meet the recommendation of the GAO.

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 Q3

Data as of June 30, 2012

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 increased 14% from last quarter. Due to reporting lags, market share impacts are not known at this time.	**4**	**1**
B) Types of loans insured, categorized by risk	Average credit score held at 699; 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 was lower than projected, most likely due to delays in foreclosure timelines.	**8**	**5**
D) Projected versus actual loss rates	Loss severities averaged about 63% 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 -2.16 in Q2 to -2.75 in Q3 due to premium adjustments which took effect in Q3.	**10**	**8**

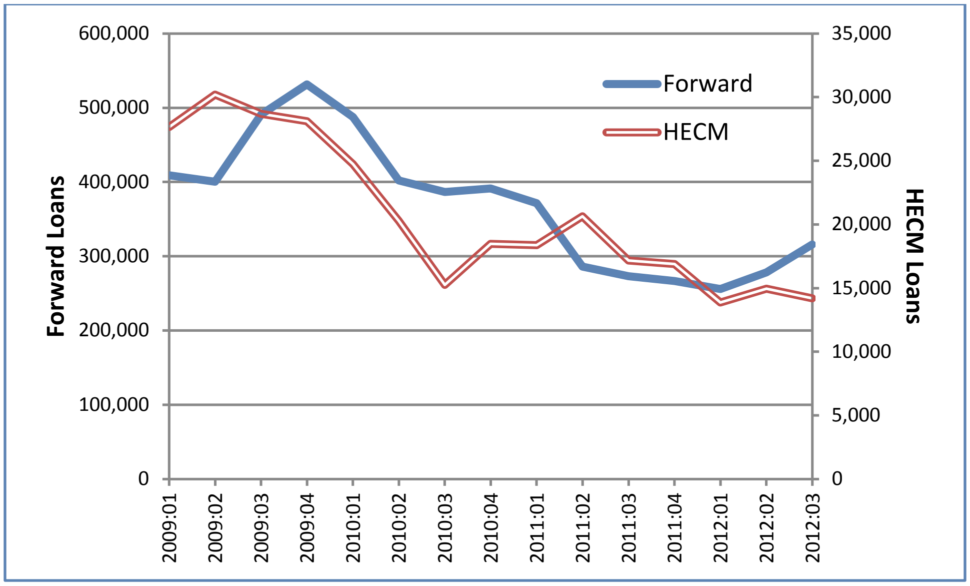
Other	**Summary**	**Page**	**Exhibit**
F) MMI Fund Balance	Fund balances decreased slightly over the last quarter from $32.3 billion to $31.6 billion.	**11**	**9**
G) Cash flow from operations	Cash flow from operations funded almost 70% of net claims losses over the last year.	**12**	**10**
H) Early payment defaults	Early payment defaults (EPDs) held steady at 41 basis points.	**13**	**11**
I) Serious delinquent rate	Serious delinquency rate held steady at 9.4%. The elevated level is largely due to seasoning of 2007 – 2009 vintages. More recent vintages are still performing well.	**14 -15**	**12 - 13**

Forward loan endorsement volume increased 14% from last quarter.

In the third quarter of Fiscal Year (FY) 2012, FHA endorsed for insurance 316,067 forward loans and 14,204 reverse mortgages (HECM product). Forward-loan endorsements increased about 14% and HECM loans were down 5% since last quarter.

FY 2012 Q3 comparisons with overall market share are not applicable because of reporting lags. We estimate FHA held a 15% market share in FY2012 Q2. See Exhibit A-3 in the Appendix for additional market share detail.

Exhibit 1: Endorsement Counts by Fiscal Year and Quarter



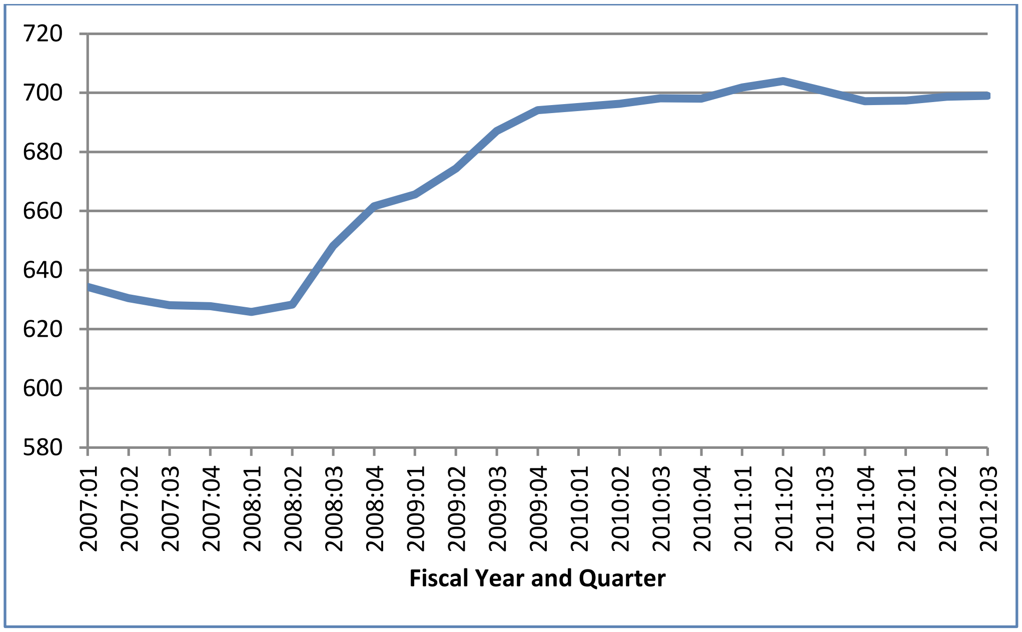
Source: US Department of HUD/FHA, July 2012[1]

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

Average borrower credit score is unchanged at 699.

The overall average borrower credit score of 699 for FY 2012 Q3 is unchanged from last quarter. Scores have ranged between 697 and 703 since FY 2009 Q4.

Exhibit 2: Average Borrower Credit Score

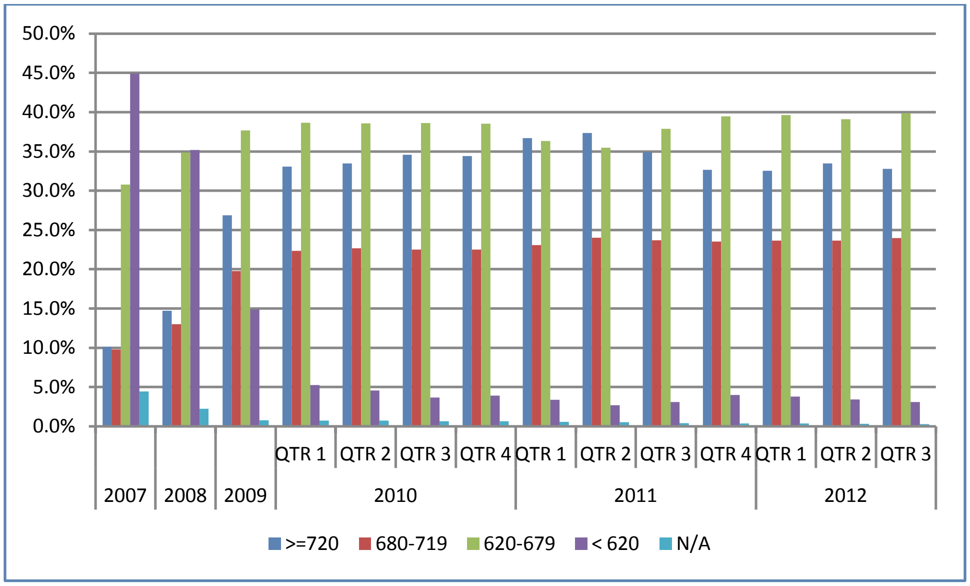


Source: US Department of HUD/FHA, July 2012.[2]

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

A breakdown by FICO band suggests that the 720+ cohort decreased slightly over the last quarter. After reaching a 37% share during the first two quarters of FY 2011, the 720+ cohort continues to range between 32% and 35%. The 620–679 cohort, which characterizes FHA's traditional borrower base, exceeded 39% of total production for the fourth straight quarter.

Exhibit 3: Average Borrower Credit Score



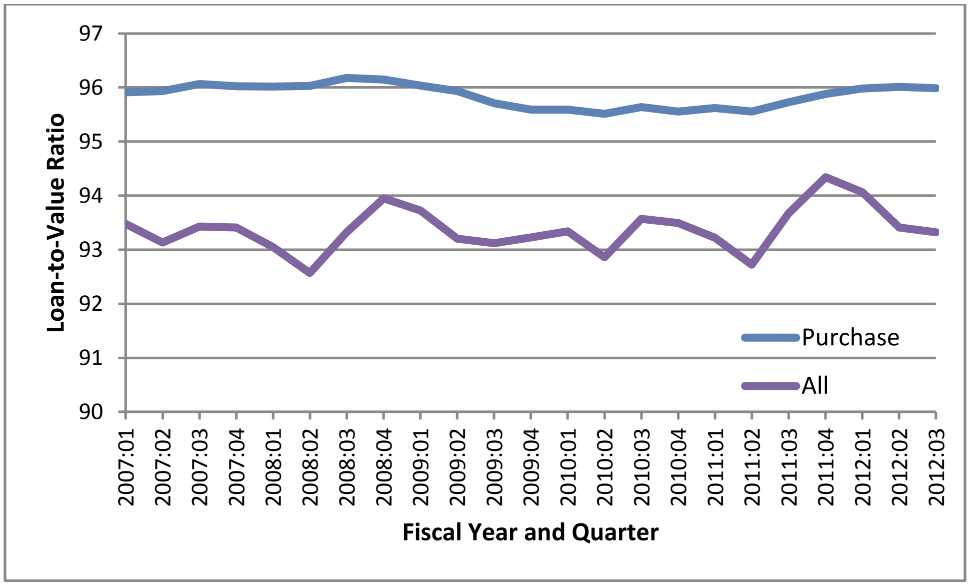
Source: US Department of HUD/FHA, July 2012.[3]

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

Average Loan-to-Value (LTV) ratios decreased due to increased refinance activity.

Average LTVs for purchases remained at 96% for the last four quarters. The drop in average LTV over the last two quarters was driven by an increase in refinance share, which almost doubled from 21% to 40% over that period. Rates dropped 50 basis points over the last three quarters, which has spurred refinancing activity from recent borrowers from the last two years. FHA estimates that up to 200,000 borrowers became refinanceable from the 2010 and 2011 vintages alone.

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



Source: US Department of HUD/FHA, July 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	284,607	401,662	117,061	41%
Claims - Number[b]	179,681	101,199	(78,482)	-44%
Claims – Dollars (mil)[b]	$24,956	$12,726	($12,230)	-49%
Net Loss-on-Claims (%)[c]	58.9%	63.2%	4.3%	

[a] Projections of prepayment and claim counts are from the FY2011 annual independent actuarial study of the FHA MMI Fund; dollar predictions are from forecasts used in the FY 2011 FHA financial statements; YTD data as of June 30, 2012, except for net loss on claim (see note c).

[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 losses as a percentage of the defaulted loan balance, for both conveyance (REO) and pre-foreclosure-sale claims. Because of delays in property dispositions after claim payments, these rates are subject to revision.

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

Prepayments pick up

Prepayments picked up last quarter. Although the actuarial methodology assumes all prepayments leave the portfolio in the year prepays occur, about 208,000 prepays for FY 2012 were FHA-to-FHA. This means that roughly half of all prepays were essentially recycled back into the portfolio immediately.

Claims activity lower than projected due to delays in foreclosure activity

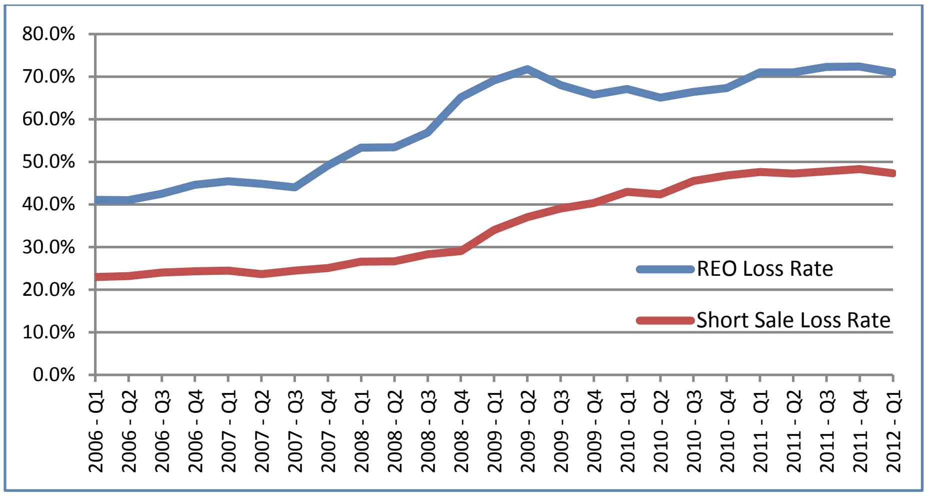
The gap between predicted and actual claims paid shows little variation from previous quarters, with year-to-date counts 44 percent and dollars 49 percent below forecast. This result is in spite of a record number of (property) conveyance claim actions (30,710) and dollars paid ($4.174 billion) during the quarter. That high claim activity was due to actions by loan servicers that had withheld claims until finalization of the National Mortgage Settlement. Post-settlement claims started to come to FHA in February of this year, with the greatest numbers in March and April.

The persistent projections-versus-actual gap is a result of delays in foreclosure processing in many areas of the country, which are not captured by the actuarial forecast models. Thus, HUD still expects even larger claim activity in the future, with an associated cash outflow. The timing of peak claim activity remains uncertain as it is largely dependent upon backlogs in judicial foreclosure states. However, we expect the pace of foreclosure completions and claims to increase over the coming quarters from where it is today.

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

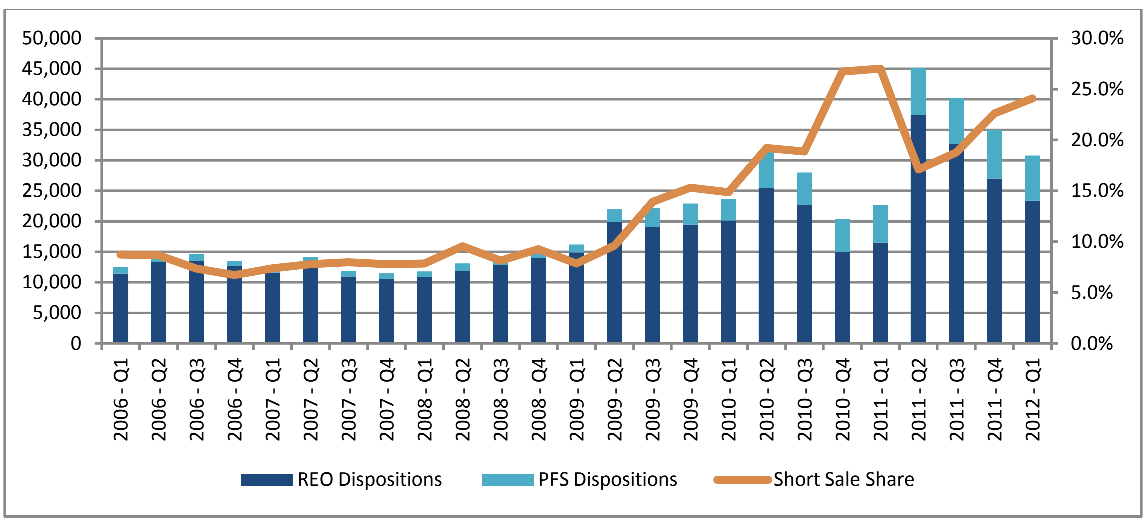
The actual year-to-date net loss rate on claims is about 63% percent, down about 1.5% from last quarter, as short sales increased as a share of all claims. The loss rates on this quarter's REO and pre-foreclosure sales are 71 percent and 47 percent, respectively.

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



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

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



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

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

Budget execution credit subsidy rate changes in FY 2012.

Effective April 9, 2012, the credit subsidy rate for forward-loan endorsements increased from -2.16 to -3.00 percent. This followed a 75 basis point increase in the upfront premium rate and a 10 basis point increase in the annual premium rate.

Effective June 11, 2012, the same credit subsidy rate decreased to -2.75 percent, following a 25 basis point increase in the annual premium rate for large loans (above $625,500) and a reduction in the premium rates charged to new streamline refinance loans where the prior FHA-insured loan was endorsed before June 1, 2009.

Exhibit 8: Budget Execution Credit Subsidy Rates

FHA Single-Family Mortgage Insurance Budget Execution Credit Subsidy Rates[a] FY 2012	
Forward Loans	-2.75
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, April 2012.

MMI fund balances decreased slightly over the last quarter

Total capital resources decreased by $0.7 billion in FY 2012 Q3. Financing Account balances, which respect day-to-day business operation cash flows, decreased by $3.4 billion.

Exhibit 9: MMI Fund Balances by Quarter, FY 2009 – FY 2012 Q3

FHA Single-Family Insurance

MMI Fund Balances by Quarter, FY 2009 – FY 2012 Third 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
2012	Jan-Mar	7.0	25.3	32.3
2012	Apr-Jun	9.8	21.9	31.6

[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, July 2012.

Cash flow from operations over the last year covered almost 70% of default losses.

The core business-operations cash flow in FY 2012 Q3 was negative $1.7 billion, resulting in a net outflow of $3.5 billion over the last four quarters. Premium collections contributed $8.1 billion over the last four quarters. Claims activity has been muted relative to projections. We are beginning to see 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 Q4 – FY2012 Q3

FHA MMI Fund Financing Account

Business Operations Cash Flows in FY2011 Q4 -FY2012 Q3, by Quarter[a]

(millions)

	FY 2011 and First Quarter FY 2012				
	FY 2011 Quarter 4	FY 2012 Quarter 1	FY 2012 Quarter 2	FY 2012 Quarter 3	Past 4 Quarters
Collections					
Premiums	$ 1,848	$ 1,942	$ 2,019	$ 2,329	$ 8,138
Property Sale Receipts	1,960	1,648	1,435	1,606	6,649
Note Sale Collections	28	(1)	-	5	32
Other	18	42	20	16	96
Total	3,854	3,631	3,474	3,956	14,915
Disbursements					
Claims[b]	$ (3,715)	$ (3,733)	$ (4,358)	$ (5,370)	$ (17,176)
Property Maintenance	(388)	(326)	(270)	(291)	(1,275)
Other	-	-	-	(1)	(1)
Total	(4,103)	(4,059)	(4,628)	(5,662)	(18,452)
Net Operations Cash Flow	$ (249)	$ (428)	$ (1,154)	$ (1,706)	$ (3,537)

[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, July 2012.

Early-period delinquency (EPD) rates remain steady at 41 basis points.

Early payment defaults (EPDs) are largely unchanged from last quarter. (See Exhibit A-5 in the Appendix for more detail on mix of credit scores.)

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]	All
2007	Jan-Mar	2.42	1.17	2.01
	Apr-Jun	2.78	1.63	2.42
	Jul-Sep	2.69	2.15	2.52
2008	Oct-Dec	2.51	1.80	2.21
	Jan-Mar	2.46	1.73	2.10
	Apr-Jun	1.92	1.86	1.90
	Jul-Sep	1.66	2.24	1.84
2009	Oct-Dec	1.20	1.68	1.36
	Jan-Mar	1.02	1.04	1.03
	Apr-Jun	0.64	0.66	0.65
	Jul-Sep	0.49	0.63	0.53
2010	Oct-Dec	0.32	0.51	0.36
	Jan-Mar	0.40	0.34	0.38
	Apr-Jun	0.35	0.36	0.35
	Jul-Sep	0.44	0.31	0.42
2011	Oct-Dec	0.32	0.20	0.28
	Jan-Mar	0.37	0.19	0.31
	Apr-Jun	0.46	0.28	0.42
	Jul-Sep	0.40	0.41	0.41

[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.

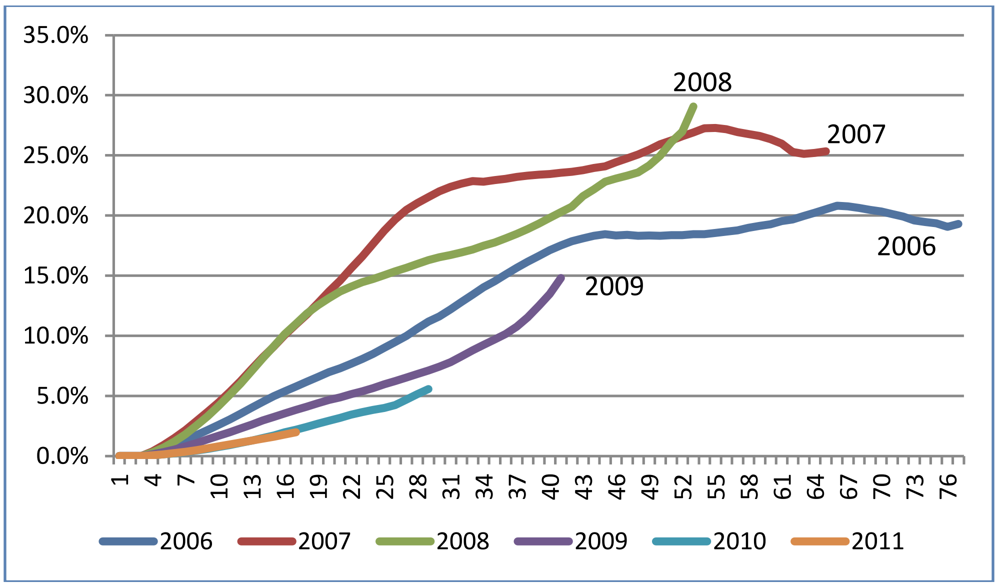
[b] Loans in this column are fully-underwritten conventional-to-FHA and FHA-to-FHA refinancings.

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

Serious delinquency rate holds at last quarter's level of 9.4%.

The serious delinquency rate held steady at 9.4% this quarter. This level is about 1.4% higher than this time a year ago. 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 (Excludes Streamline Refinances)



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

Exhibit 13: Serious Delinquency Rates[a] by Endorsement Fiscal Year and Activity Quarter[b]

Endorsement Fiscal Year	Activity Period												
	FY2012 Q3	FY2012 Q2	FY2012 Q1	FY2011 Q4	FY2011 Q3	FY2011 Q2	FY2011 Q1	FY2010 Q4	FY2010 Q3	FY2010 Q1	FY2009 Q1	FY2008 Q1	FY2007 Q1
Pre-2007	12.60%	12.33%	12.58%	11.57%	10.77%	10.98%	11.59%	11.41%	11.15%	11.89%	8.90%	7.14%	5.77%
2007	25.82	25.55	25.59	23.36	21.83	21.71	22.44	21.49	21.11	21.55	11.66	3.48	0.05
2008	24.88	24.25	23.83	21.38	19.97	19.49	19.65	18.37	17.35	16.22	3.91	0.09	
2009	12.18	11.41	10.92	9.13	8.05	7.58	7.23	6.08	4.94	3.05	0.05		
2010	5.18	4.52	4.07	2.96	2.13	1.61	1.2	0.65	0.33	0.02			
2011	1.81	1.28	0.93	0.45	0.22	0.08	0.01						
All years	9.44%	9.42%	9.59%	8.70%	8.18%	8.31%	8.78%	8.66%	8.59%	9.44%	7.23%	6.46%	5.63%
All years – Seasonally Adjusted[c]	9.94%	9.48%	9.05%	8.89%	8.59%	8.34%	8.29%	8.84%	9.05%	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, July 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	535,890	106,563	207,848	850,301	43,206
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	176,167	31,852	47,883	255,902	13,867
2012Q2	166,167	36,624	75,543	278,334	14,955
2012Q3	193,557	38,086	84,419	316,062	14,204

[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, July 2012

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

FHA Single-Family Mortgage Insurance

Endorsement Volumes by Fiscal Year and Quarter

	Volumes (billion$)				
	Forward Mortgages[a]				
Time Period	Home Purchase	Conventional Loan Refinance	FHA-to-FHA Refinance	All Forward Loans	Reverse Mortgages (HECM)[b]
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	56,977	12,310	25,328	94,615	6,914
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	29,238	5,733	9,662	44,633	3,268
2012Q2	27,739	6,576	15,666	49,982	3,646
2012Q3	32,982	7,064	17,774	57,819	3,466

[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, July 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%	1,268,461	23,103,684
2004	4.7%	695,399	14,871,660
2005	3.1%	456,176	14,485,093
2006	3.3%	411,120	12,329,578
2007	5.1%	528,274	10,293,991
2008	19.8%	1,405,660	7,091,783
2009	21.1%	1,984,914	9,390,525
2010	17.5%	1,462,730	8,358,544
2011	15.6%	1,071,771	6,865,903
Quarterly Activity			
2009 - Q1	23.3%	429,288	1,839,129
2009 - Q2	19.6%	545,661	2,789,910
2009 - Q3	21.6%	503,186	2,328,180
2009 - Q4	20.8%	506,779	2,433,307
2010 - Q1	16.7%	310,609	1,856,619
2010 - Q2	22.1%	449,749	2,038,941
2010 - Q3	17.0%	354,247	2,082,526
2010 - Q4	14.6%	348,125	2,380,458
2011 - Q1	14.9%	247,296	1,663,904
2011 - Q2	17.4%	285,044	1,640,092
2011 - Q3	16.0%	267,502	1,668,118
2011 - Q4	14.4%	271,929	1,893,789
2012 - Q1	14.8%	282,560	1,909,547
2012 - Q2	15.1%	318,045	2,108,831

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

[6] Exhibit A-3 reports loans according to their closing date. Typically, the endorsement date for an FHA-insured is approximately 1-2 months 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	11.0%	10.7%	31.4%	22.7%	18.2%	1.3%	4.8%
	Jan-Mar	10.1%	10.1%	30.8%	23.2%	19.7%	1.5%	4.6%
	Apr-Jun	9.7%	9.4%	30.3%	23.6%	20.8%	1.6%	4.6%
	Jul-Sep	9.8%	9.1%	30.7%	23.7%	21.2%	1.6%	3.9%
2008	Oct-Dec	9.1%	8.9%	30.8%	24.0%	21.7%	1.8%	3.6%
	Jan-Mar	9.7%	9.7%	31.5%	23.4%	20.8%	1.8%	3.1%
	Apr-Jun	15.0%	13.1%	35.4%	21.1%	12.6%	0.7%	2.2%
	Jul-Sep	18.8%	15.9%	37.4%	19.2%	7.1%	0.2%	1.4%
2009	Oct-Dec	20.2%	17.0%	37.5%	19.0%	5.4%	0.1%	0.8%
	Jan-Mar	24.0%	18.8%	37.0%	15.8%	3.6%	0.1%	0.8%
	Apr-Jun	29.3%	21.1%	38.3%	8.9%	1.6%	0.0%	0.7%
	Jul-Sep	33.0%	22.0%	37.9%	5.4%	1.0%	0.0%	0.7%
2010	Oct-Dec	33.1%	22.3%	38.6%	4.5%	0.7%	0.0%	0.7%
	Jan-Mar	33.5%	22.7%	38.6%	4.0%	0.5%	0.0%	0.7%
	Apr-Jun	34.6%	22.5%	38.6%	3.3%	0.4%	0.0%	0.6%
	Jul-Sep	34.4%	22.5%	38.5%	3.5%	0.4%	0.0%	0.6%
2011	Oct-Dec	36.7%	23.1%	36.3%	3.0%	0.4%	0.0%	0.5%
	Jan-Mar	37.4%	24.0%	35.5%	2.4%	0.2%	0.0%	0.5%
	Apr-Jun	34.9%	23.7%	37.9%	2.9%	0.2%	0.0%	0.4%
	Jul-Sep	32.7%	23.5%	39.5%	3.7%	0.3%	0.0%	0.4%
2012	Oct-Dec	32.5%	23.7%	39.7%	3.5%	0.2%	0.0%	0.4%
	Jan-Mar	33.5%	23.7%	39.1%	3.2%	0.2%	0.0%	0.3%
	Apr-Jun	32.8%	24.0%	39.9%	2.8%	0.2%	0.0%	0.4%

[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; July 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					
		Loan Purpose			
Fiscal Year	Quarter	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
	Jan-Mar	696	708	709	699
	Apr-Jun	695	711	709	699

[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, July 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
	Jan-Mar	19.2	9.0	70.4	0.2
	Apr-Jun	18.4	8.7	71.8	0.2

[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.

[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, July 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
	Jan-Mar	96.01	83.44	88.37	93.41
	Apr-Jun	95.99	81.79	87.84	93.32

[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.

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

Source: US Dept of HUD, Office of Housing/FHA, July 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 Market Share
2006 - Q1	41.1%	23.0%	38.9%	11,463	1,096	12,559	8.7%
2006 - Q2	41.0%	23.2%	38.9%	13,355	1,266	14,621	8.7%
2006 - Q3	42.5%	24.1%	40.6%	13,556	1,076	14,632	7.4%
2006 - Q4	44.6%	24.4%	42.7%	12,623	910	13,533	6.7%
2007 - Q1	45.4%	24.5%	43.3%	11,606	925	12,531	7.4%
2007 - Q2	44.9%	23.6%	42.6%	12,989	1,098	14,087	7.8%
2007 - Q3	44.0%	24.5%	41.9%	10,947	950	11,897	8.0%
2007 - Q4	49.1%	25.1%	46.5%	10,604	894	11,498	7.8%
2008 - Q1	53.4%	26.6%	50.4%	10,871	928	11,799	7.9%
2008 - Q2	53.4%	26.7%	49.9%	11,858	1,252	13,110	9.5%
2008 - Q3	56.8%	28.3%	53.6%	12,827	1,134	13,961	8.1%
2008 - Q4	65.1%	29.1%	60.3%	14,000	1,428	15,428	9.3%
2009 - Q1	69.1%	34.0%	65.2%	14,920	1,273	16,193	7.9%
2009 - Q2	71.8%	37.0%	66.8%	19,875	2,118	21,993	9.6%
2009 - Q3	68.0%	39.1%	62.2%	19,105	3,089	22,194	13.9%
2009 - Q4	65.8%	40.4%	60.3%	19,436	3,512	22,948	15.3%
2010 - Q1	67.1%	42.9%	61.9%	20,156	3,519	23,675	14.9%
2010 - Q2	65.1%	42.4%	59.1%	25,445	6,049	31,494	19.2%
2010 - Q3	66.4%	45.5%	60.9%	22,708	5,284	27,992	18.9%
2010 - Q4	67.3%	46.8%	60.1%	14,926	5,445	20,371	26.7%
2011 - Q1	71.0%	47.6%	62.6%	16,537	6,123	22,660	27.0%
2011 - Q2	71.0%	47.2%	65.4%	37,373	7,716	45,089	17.1%
2011 - Q3	72.3%	47.8%	65.9%	32,659	7,555	40,214	18.8%
2011 - Q4	72.4%	48.3%	65.0%	27,026	7,892	34,918	22.6%
2012 - Q1	71.0%	47.3%	63.4%	23,372	7,419	30,791	24.1%

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