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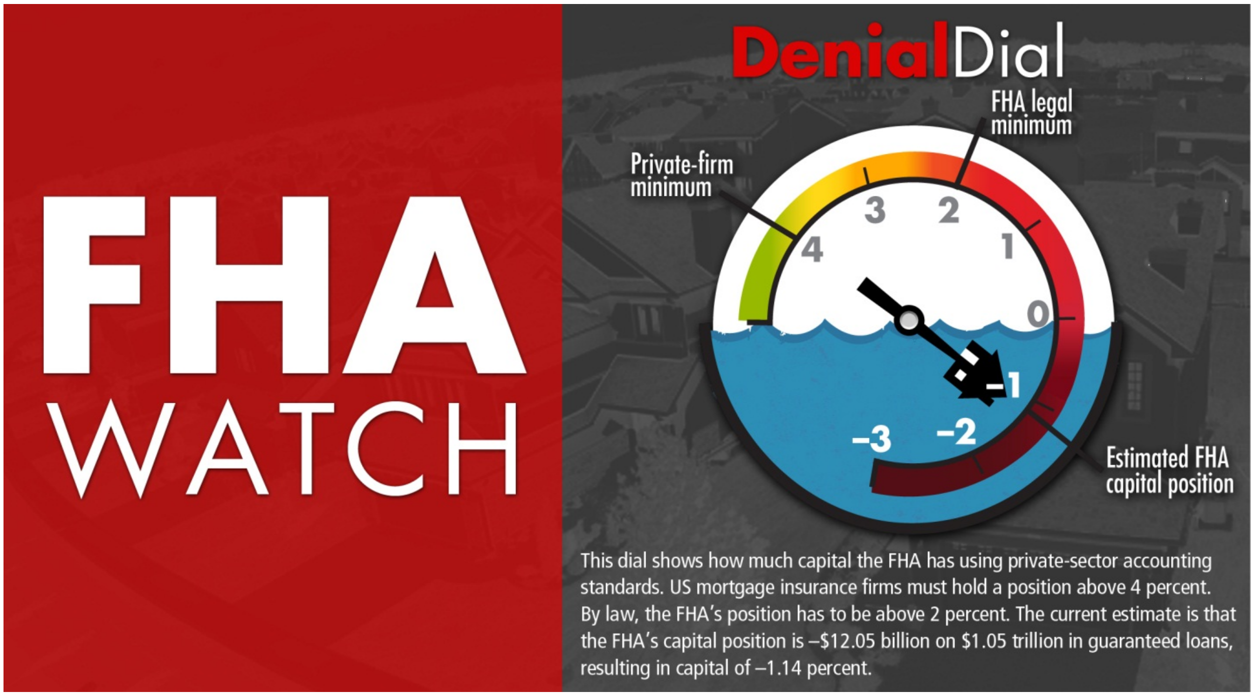

This Issue's Highlight

Spotlight on the Government Mortgage Complex's Market Share:

New research indicates the Ginnie/FHA, Ginnie/VA, and Ginnie/USDA divisions' combined market share of owner-occupied home purchase loans increased to a record level in 2011, notwithstanding efforts to shrink the government's role to allow more room for private capital. As policymakers continue their efforts to reduce the government's role in the currently nationalized housing market, the broadly available and deep subsidies provided to the five divisions of the Government Mortgage Complex continue to distort the marketplace and thwart these efforts.

This Month's Features

Spotlight on Insolvency

FHA Is Estimated to Have a Current Net Worth of –$12.05 Billion and an Estimated Capital Shortfall of $31–50 Billion

Spotlight on Delinquency

Total Delinquency Rate in March Declines to 15.78 Percent; Serious Delinquency Rate Eases to 9.47 Percent

Spotlight on Best Price Execution

Ginnie/VA Division Takes or Ties for the Top Spot on All Ten Best Price Execution Loan Scenarios

Spotlight on the Government Mortgage Complex's Market Share

Government Mortgage Complex Share of Outstanding Single-Family First Mortgages Is Rising

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Spotlight on Insolvency

FHA Is Estimated to Have a Current Net Worth of –$12.05 Billion and an Estimated Capital Shortfall of $31–50 Billion

The current estimate for the FHA's net worth is –$12.05 billion. This is the second month in a row that the FHA has shown a modest improvement as the result of a continued decline in the number of sixty-days-plus delinquent loans. The number (837,472) and rate (11.2 percent) remain substantially elevated from June 2011 levels (749,204 loans and 10.55 percent). The FHA's capital shortfall showed minimal improvement and stands at $31 billion (using a 2 percent capital ratio) and $50 billion (using a 4 percent capital ratio).

For the monthly data tabulation, see table 1 in the appendix.

Spotlight on Delinquency

Total Delinquency Rate in March Declines to 15.78 Percent; Serious Delinquency Rate Eases to 9.47 Percent

The FHA's total delinquency in March declined to 15.78 percent from 16.47 percent in February 2011, representing the lowest rate since at least June 2011. The FHA's serious delinquency situation eased to 9.47 percent, but remains at a near-record level and is substantially higher than March 2011, when it stood at 8.3 percent.

For the monthly data tabulation, see table 2 in the appendix.

Spotlight on Best Price Execution

Ginnie/VA Division Takes or Ties for the Top Spot on All Ten Best Price Execution Loan Scenarios

As reported in issue 2, although all of the Government Mortgage Complex's five divisions (Fannie, Freddie, Ginnie/FHA, Ginnie/USDA, and Ginnie/VA) benefit from many more subsidies than in the private sector, some benefit more than others, providing innumerable opportunities for creating market distortions.

This month, the Ginnie/VA division was added to the best price execution analysis, which compares ten representative loans. The Ginnie/VA division operates as a veterans' benefit program. The VA division pays no taxes, accumulates no reserve capital, and has its administrative costs (about $160 million for FY 2013) and expected net losses ($180 million for FY 2013) paid from budget appropriations.

Similar to the other Ginnie divisions, it operates with a minimal level of risk-based-pricing: veterans are charged an upfront premium ranging from 2.15 percent on a zero-down loan to 1.25 percent on a loan with a down payment of 10 percent or more.[1]

Congress's intent in creating the VA guaranty program was to assist veterans and service members who had a limited ability to save for a down payment while serving their country. But was it Congress's intent, and is it sound public policy, to provide a veteran a $14,000 pricing advantage compared to the already subsidized Fannie division on a high-risk loan with no down payment and poor borrower credit? Or an $11,000 or $5,500 advantage through the Ginnie/USDA or Ginnie/FHA divisions, respectively?

The combination of general and targeted housing subsidies has ballooned to unprecedented levels, creating massive distortions and exposing taxpayers and homeowners alike to needless risk:

- Federal Reserve Bank policy has constrained interest rates to artificially low levels for more than three years with little end in sight.

- The subsidy benefit provided by the FHA, USDA, and VA divisions to many borrowers relative to market priced credit risk has never been greater.

- In addition to the subsidies provided directly to the FHA, VA, and USDA, each also benefits from an additional subsidy in the form of the guarantee provided by Ginnie. Given the worldwide demand for explicitly guaranteed Ginnie securities, the price differential compared to Fannie's and Freddie's implicitly guaranteed securities has never been greater.

- The FHA, USDA, and VA generally differentiate little when it comes to pricing high- versus low-risk loans. When the government treats high- and low-risk borrowers the same way, those with poor savings and bad credit habits are rewarded while the low-risk borrowers are penalized. At the same time, this policy encourages low-risk borrowers to take on more risks. The FHA's pricing experience demonstrates this: it requires a minimum down payment of 3.5 percent and has an average down payment of 4 percent. Whether one makes a 3.5 percent or a 20 percent down payment, the insurance premium is virtually the same. There is, therefore, no incentive to make a bigger down payment.

- The income tax deduction on home loan interest that many borrowers receive distorts the housing market, economic activity, and capital flows.

- Although VA loans have traditionally performed better than FHA loans, they have performed much worse than prime loans. In 2002, the VA had a serious delinquency rate of 2.85 percent compared to 4.36 percent and 0.80 percent, respectively, for FHA and prime loans.[2]

For this month's full best execution results, see table 3 in the appendix. In it, the Ginnie/VA division had the best execution on nine of the loans and tied with the Ginnie/FHA division on the tenth.

These best execution results combined with eligibility limitations largely determine the Government Mortgage Complex's five divisions relative market share in the owner-occupied home purchase loan market:

- Although the Ginnie/VA division is the most restrictive in terms of eligibility, about 20 percent of the adult population is eligible for or already has a VA home purchase loan. Given its most advantageous pricing within the Government Mortgage Complex, its share of new home purchase loans has been growing and is now estimated at about 10 percent, up from 8 percent in 2010. Given its strong pricing advantages, I would expect its share to continue trending upward.

- The Ginnie/USDA division is the second most restricted in terms of eligibility but second best in terms of advantageous pricing. About one-third of the population lives in a USDA-designated rural area. Taking into account the impact of its income limits and that it would be the second choice among veterans, it has the potential over time to achieve a 15–20 percent overall home purchase loan market share. This is well above its estimated current share of nearly 7 percent, up from 4 percent in 2010. Given its recent growth, liberal lending standards, and advantageous pricing, it is becoming a more compelling choice for originators and borrowers alike.

- Although the Ginnie/FHA division has the least restrictive eligibility limitations among all the Government Mortgage Complex divisions, its pricing is much less advantageous than that of the Ginnie/VA and Ginnie/USDA divisions. Currently its home purchase loan share is estimated at 39 percent, down from 43 percent in 2010. I expect its home purchase loan market share will shrink over time to 25–30 percent. Most of this volume will migrate to the VA and USDA divisions, with the balance going to the Fannie and Freddie divisions. (See “Spotlight on the Government Mortgage Complex’s Market Share” below.)

As a result, the Ginnie/FHA, Ginnie/USDA, and Ginnie/VA divisions, with their minimal or no down payment requirements, will likely maintain a combined owner-occupied home purchase market share of 50 to 60 percent. A high proportion of this volume will be default-prone because of the combination of a high loan-to-value (LTV) ratio with slowly amortizing thirty-year term loans and other risk characteristics. This poses a dilemma for policymakers:

- The housing market remains massively overleveraged. At today’s home prices, total home mortgage debt would need to decline by $3.7 trillion to get debt levels relative to the value of homes with mortgages down from today’s 94 percent to the 1970–2005 level of about 58 percent.[3]

- The Ginnie/FHA, Ginnie/USDA, and Ginnie/VA divisions are continuing to guarantee high volumes of default-prone home purchase loans, necessarily exposing homebuyers and neighborhoods to considerable instability.

Congress should require the Government Mortgage Complex to

1. Step back from markets that can be served by the private sector.

2. Stop knowingly lending to people who cannot afford to repay their loans.

3. Help homeowners establish meaningful equity in their homes.

4. Concentrate on homebuyers who truly need help purchasing their first home.

See the following section for more market share information.

Spotlight on the Government Mortgage Complex’s Market Share

Government Mortgage Complex Share of Outstanding Single-Family First Mortgages Is Rising

In this issue, *FHA Watch* introduces a new quarterly spotlight on various aspects of the Government Mortgage Complex’s market share.

For example, new research indicates the Ginnie/FHA, Ginnie/VA, and Ginnie/USDA divisions' combined market share of owner-occupied home purchase loans increased to a record level in 2011, notwithstanding efforts to shrink the government's role to allow more room for private capital. As policymakers attempt to shrink the government's role in the currently overwhelmingly nationalized housing market, the broadly available and deep subsidies provided to the five divisions of the Government Mortgage Complex continue to distort the market and thwart these efforts.

Tracking the Government Mortgage Complex's share of outstanding single-family first mortgage credit exposure: The Government Mortgage Complex's share of the single-family credit sector tracks the amount and extent of credit exposure facing the taxpayers. As of December 31, 2011, the Government Mortgage Complex accounted for $5.9 trillion, or 62.6 percent, of the $9.4 trillion outstanding stock of first mortgage debt. This is up from $4.8 trillion, or a 48.2 percent share out of the total market ($10 trillion) in 2007. As a result, the Government Mortgage Complex's level of guaranteed mortgage debt has increased by $1.1 trillion since 2007. Seventy-five percent of this increase was accounted for by the three Ginnie agencies: FHA, VA, and USDA.[4]

Tracking the Ginnie/FHA, Ginnie/VA, and Ginnie/USDA divisions' home loan purchase market share: Ginnie/FHA, Ginnie/VA, and Ginnie/USDA divisions' combined owner-occupied home loan purchase share tracks the ultra-low down payment lending provided by these three government agencies. The Ginnie/FHA, Ginnie/VA, and Ginnie/USDA divisions' combined owner-occupied home loan purchase share is estimated at 55 percent for 2011 and 56 percent for quarter 1 of 2012.[5] This is up from 54.5 percent in 2010.[6] While the FHA accounted for a reduced proportion of these shares, the USDA and VA accounted for a higher proportion.

Spotlight on the Road to FHA Program Reform

Principles to Guide FHA Reform to Achieve Sustainable Homeownership Consistent with the FHA's Low- and Moderate-Income Mission

Issue 3 outlined the policy changes necessary for the FHA to achieve sustainable homeownership consistent with its low- and moderate-income mission. In February, Mark Calabria released a thoughtful paper entitled *Fixing Mortgage Finance: What to Do with the Federal Housing Administration?*[7] Calabria outlined a number of policy suggestions designed to achieve the same sustainable goal. Although many are similar to those that have already been suggested, three merit special mention:

1. Immediately reduce maximum claim coverage to 80 percent from the current 100 percent, with an ultimate goal of 50 percent. The VA has always capped its level of coverage. The cap currently ranges from 50 percent on smaller loan balances to 25 percent on larger loan balances. This partly explains the VA's lower default rate compared to FHA.

2. Require lenders to buy back any loan that defaults within six months of origination.

3. Reinstate the use of an appraisal board. This would replace the current system where the lender chooses the appraiser. The VA has long used such a board, which partly explains the VA's lower default rate compared to the FHA's.

These three reforms have been added to the "Road Map to FHA Reform" below.

Spotlight on the Road to FHA Fiscal Reform

Policy Changes Needed to Implement Fiscal Reform Principle 3

In this issue, *FHA Watch* will spotlight policy changes needed to implement fiscal reform principle 3:

1. Utilize generally accepted accounting principles, and set rigorous disclosure standards.
2. Establish and maintain loan loss and unearned premium reserves.
3. **Establish and maintain a minimum capital requirement of 4 percent of amortized risk in force.**
4. Fund a countercyclical premium reserve.

As *FHA Watch* has documented, FHA is a seriously troubled and deeply insolvent government agency. Although it has been subject to a 2 percent minimum capital requirement since 1990, this capital level is well below the 4 percent minimum level applicable to private mortgage insurers. Additionally, this capital calculation is not required to be computed using generally accepted accounting principles.

The FHA should be required to maintain a minimum capital level of 4 percent calculated in accordance with generally accepted accounting principles as applied to private mortgage insurers.

In private correspondence with me, Joseph Gyourko of the Wharton School of Business at the University of Pennsylvania suggested adding an additional reform under principle 1 (Require the FHA to make their data and actuarial analysis programs available publicly). This would not only add transparency but also stimulate much free consulting from the academic world and help prevent future political administrations of both parties from hiding losses.

These suggested reforms have been added to the "Road Map to FHA Reform" (table 1) below.

The Road Map to FHA Reform

Specific Steps to Reform and the Status of Each

Each month, *FHA Watch*'s "Road Map to Reform" will chronicle progress made in putting the FHA on a sustainable road to reform.

Table 1. Road Map to Program Reform

Principles for Program Reform:

1. Step back from markets that can be served by the private sector by taking steps to return to a traditional 10 percent home purchase market share.
2. Stop knowingly lending to people who cannot afford to repay their loans.
3. Help homeowners establish meaningful equity in their homes.
4. Concentrate on homebuyers who truly need help purchasing their first home.

Suggested Reforms to Implement Program Reform Principles 1–4	Status (green denotes progress toward adoption, red denotes a step backward)
Set loan limits equal to the county's current median house price.	In November 2011, Congress set higher limits.
Serve first-time homebuyers with incomes below the area median.	No action
Serve repeat homebuyers below < 80 percent of area median.	No action
Set maximum FICO score at 675.	No action
Limit rate-reduction refinances to term reduction only; payment remains the same.	No action
Eliminate cash-out refinances.	No action
Eliminate specific risks that are difficult to offset with lower-risk features: 1. FICO scores below 580. 2. Adjustable rate mortgages. 3. Seller concessions greater than 3 percent.	1. Needs further action. In 2010, minimum down payment increased to 10 percent. 2. No action 3. Needs further action. In February 2012, the FHA issued a proposed rule that limits seller concessions

	to the greater of 3 percent or $6,000. This layering of risk leaves borrowers central to the FHA's low- and moderate-income mission prey to excessive default rates. The most common concession levels of 3, 4, and 5 percent experience 43, 64, and 96 percent higher failure rates, respectively, than loans with no seller concessions.
Limit/adjust risk layering to meet target projected average claim rates of 5 per 100 insured loans under normal circumstances and 10 per 100 insured loans under stress circumstances.	No action
*Immediately reduce maximum claim coverage to 80 percent from the current 100 percent, with an ultimate goal of 50 percent.	No action
*Require lenders to buy back any loan that defaults within six months of origination.	No action
*Reinstate the use of an appraisal board. This would replace the current system where the lender chooses the appraiser.	No action
*Require the FHA to make its data and actuarial analysis programs available publicly.	No action
Until the above reforms are implemented, levy a 0.25 percent, 0.50 percent, and 0.75 percent per-year government subsidy reduction fee on any Ginnie/FHA or Ginnie/USDA insured loan with an initial LTV of > 90 percent and <= 95 percent, with an initial LTV of > 80 percent and <= 90 percent, and with an initial LTV of <= 80 percent, respectively. Revenue would be paid directly to the Treasury and not benefit Ginnie, the FHA, or the USDA.	No action
Until the above reforms are implemented, the HUD Secretary should require FHA mortgagees to provide applicants for a forward FHA single-family loan with a clear and conspicuous notice within 72 hours of application and at closing setting forth the	No action

applicant's proposed LTV, FICO score, and total debt-to-income ratio, all as used in underwriting applicant's FHA loan. The notice should also provide the estimated cumulative claim rate for loans insured by the secretary and having similar risk characteristics to the applicant's. The secretary should make such estimate in a manner similar to that used in the FHA's annual actuarial study. The secretary should also disclose the average estimated cumulative claim rate for the most recent fiscal year as determined in the FHA's annual actuarial study.	

* Indicates new suggested reform.

Table 2. Road Map to Fiscal Reform

Principles for Fiscal Reform:

1. Utilize generally accepted accounting principles, and set rigorous disclosure standards.
2. Establish and maintain loan loss and unearned premium reserves.
3. Establish and maintain a minimum capital requirement of 4 percent of amortized risk in force.
4. Fund a countercyclical premium reserve.

Suggested Reforms to Implement Fiscal Reform Principles 1, 2, and 3	Status (green denotes progress toward adoption, red denotes a step backward)
Require use of generally accepted accounting standards applicable for private mortgage insurers with respect to quarterly examinations of the FHA's financial condition.	No action
Require application of US Securities and Exchange Commission disclosure standards to information disclosed regarding the FHA's insurance programs and funds.	*This provision contained in the *FHA Emergency Solvency Act of 2012*, which passed the full House Financial Services Committee by voice vote on March 27, 2012.
Require the US Treasury to retain an independent third party to conduct a safety and soundness review under applicable generally accepted accounting principles applicable to the private sector and report	*This provision contained in the *FHA Emergency Solvency Act of 2012*.

within sixty days.	
Require the FHA to establish an emergency capital plan with biweekly updates to Congress.	*This provision contained in the *FHA Emergency Solvency Act of 2012*.
Require the FHA to establish and maintain loan loss and unearned premium reserves on a similar basis as applied to private mortgage insurers.	No action
Hold oversight hearings to determine the FHA's current and ongoing fiscal condition based on emergency capital plan reports.	No action
Require the maintenance of a minimum capital level of 4 percent calculated in accordance with generally accepted accounting principles as applied to private mortgage insurers.	No action

* Indicates updated action since last issue.

Appendix: Historical Data Tables

Table A1. Insolvency Watch ($ Billions)

Date	FHA's "Capital Resources" Assets	Cash Flow since Sept. 30, 2011*	Estimated Loss Reserve (Liabilities on PMI	Current Net Worth (PMI Basis)	Required Capital Ratio	Required Capital Under Applicable Ratio**	Capital Shortfall (PMI Basis)
Sept. 30, 2011	$28.18	---	$37.95	($9.77)	2%	$18.14	($27.91)
Sept. 30, 2011	$28.18	---	$37.95	($9.77)	4%	$36.29	($46.06)
Dec. 31, 2011	$28.18	($0.65)	$41.99	($14.46)	2%	$18.47	($32.93)
Dec. 31, 2011	$28.18	($0.65)	$41.99	($14.46)	4%	$36.94	($51.40)
Jan. 31, 2012	$28.18	($0.26)	$42.66	($14.74)	2%	$18.59	($33.34)
Jan. 31, 2012	$28.18	($0.26)	$42.66	($14.74)	4%	$37.18	($51.93)
Feb. 29, 2012	$28.18	($0.48)	$41.15	($13.45)	2%	$18.75	($32.21)
Feb. 29, 2012	$28.18	($0.48)	$41.15	($13.45)	4%	$37.51	($50.96)
Mar. 31, 2012	$28.18	($0.70)	$39.53	($12.05)	2%	$18.94	($30.99)
Mar. 31, 2012	$28.18	($0.70)	$39.53	($12.05)	4%	$37.88	($49.93)

Notes: Table A1 estimates FHA's current net worth and capital shortfall under accounting rules applicable to a private mortgage insurer (PMI) such as Genworth. Estimates are based on Genworth having the FHA's delinquent loans, risk exposure, capital resources, and capital ratio (under both the 2 percent statutory requirement for the FHA and the 4 percent of risk-in-force requirement applicable to a PMI). Reserves as a percentage of risk-in-force from Genworth, Quarterly Financial Supplements, Delinquency Metrics-US Mortgage Insurance Segment, http://phx.corporate-ir.net/phoenix.zhtml?c=175970&p=irol-quarterlyreports (accessed February 8, 2012).

*The FHA's negative cash flow was $216 million per month during FY 2011. See exhibit II-2, US Department of Housing and Urban Development, *Actuarial Review of the Federal Housing Administration*, 14. The FHA's forward single-family Mutual Mortgage Insurance Fund (MMIF) is expected to receive approximately $600 million from three settlements with lenders, which was added to January's cash flow.

**Total based on the FHA's total amortized risk in force net of loans covered by loan loss reserve of $907.2 billion ($1.009 trillion − $101.8 billion) and $947 billion ($1.053 trillion − $106 billion) as of September 30, 2011, and March 31, 2011 (estimated), respectively. See exhibit II-2 in US Department of Housing and Urban Development, *Actuarial Review of the Federal Housing Administration Mutual Mortgage Insurance Fund Forward Loans for Fiscal Year 2011* (excludes HECM) (Washington, DC: Author, October 12, 2011), 14; and US Department of Housing and Urban Development, *Monthly Report to the FHA Commissioner*, January 2012, http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/rmra/oe/rpts/com/commenu (accessed April 14, 2012). Outstanding balance of loans sixty-days-plus delinquent at March 31, 2012, and September 30, 2011, based on loan counts of 837,472 and 803,899, respectively, and an average loan balance for loans going to claim of $127,821.

Table A2. National Delinquency Watch

End Date	Thirty Days Delinquency Rate and Number of Loans	Sixty Days-Plus Delinquency Rate and Number of Loans	Thirty Days-Plus Delinquency Rate and Number of Loans	Serious Delinquency	Total Loans
Mar. 2012	4.57% / 341,213	11.21% / 837,472	15.78% / 1,178,685	9.47% / 707,930	7,471,708
Feb. 2012	4.78% / 355,092	11.70% / 871.870	16.47% / 1,226,962	9.73% / 725,002	7,450,480
Jan. 2012	5.35% / 397,018	12.18% / 903,748	17.53% / 1,300,766	9.92% / 735,760	7,418,830
Dec. 2011	5.72% / 421,404	12.07% / 889,602	17.79% / 1,311,006	9.73% / 716,786	7,370,426
Nov. 2011	5.61% / 411.663	11.81% / 865,658	17.42% / 1,277,321	9.46% / 693,314	7,331,525
Oct. 2011	5.55% / 404,773	11.47% / 836,789	17.02% / 1,241,562	9.05% / 660,499	7,296,639
Sept. 2011	5.70% / 413,834	11.08% / 803,899	16.78% / 1,217,733	8.77% / 636,778	7,258,328
June 2011	5.79% / 411,258	10.55% / 749,204	16.62% / 1,160,462	8.34% / 592,366	7,103,531
Apr. 2011	N/A	N/A	N/A	8.2% / 575,950	7,035,016
Mar. 2011	N/A	N/A	N/A	8.3% / 580,480	6,983,893
Feb. 2011	N/A	N/A	N/A	8.9% / 619,712	6,932,510
Jan. 2011	N/A	N/A	N/A	8.9% / 612,443	6,882,984

Source: US Department of Housing and Urban Development, "Neighborhood Watch," https://entp.hud.gov/sfnw/public (Servicing download, Excel; accessed March 17, 2012) and US Department of Housing and Urban Development, "FHA Outlook," http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/rmra/oe/rpts/ooe/olmenu (accessed April 14, 2012). Rates not seasonally adjusted. Serious delinquency includes ninety-days-plus delinquency and loans in bankruptcy or foreclosure.

Table A3. Best Price Execution (in bold)

Feature	Loan A	Loan B	Loan C	Loan D	Loan E	Loan F	Loan G	Loan H	Loan I	Loan J
MBS coupon	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.00%
Term	30-yr	30-yr	30-yr	30-yr	30-yr	30-yr	30-yr	30-yr	30-yr	15-yr
LTV	95.00%	96.50%	95%	90%	95%	90%	78%	78%	75%	78%
FICO	620	680	700	700	720	740	720	740	740	740
Risk level	Very high	High	Medium	Medium	Medium	Medium-low	Low	Low	Low	Very low
Ginnie/FHA Execution	97.54	97.32	97.54	97.54	97.54	97.54	102.94	102.94	102.94	104.22
Ginnie/USDA Execution	101.34	101.34	101.34	101.34	101.34	101.34	102.69	102.69	102.69	103.47
Ginnie/VA Execution	103.19	102.54	103.19	103.44	103.19	103.44	103.44	103.44	103.44	104.22
Fannie Execution	93.81	96.29	97.23	98.67	98.95	100.01	101.96	102.21	102.46	103.34
Ginnie/FHA advantage on a $150,000 loan compared to Fannie	$5,595	$1,545	$465	-$1,695	-$2,108	-$3,698	$1,470	$1,095	$720	**$1,320**
Ginnie/USDA advantage on a $150,000 loan compared to Fannie	$11,295	$7,583	$6,165	$4,005	$3,593	$2,003	$1,095	$720	$345	$195
Ginnie/VA advantage on a $150,000 loan compared to Fannie	**$14,070**	**$9,382**	**$8,940**	**$7,155**	**$6,368**	**$5,153**	**$2,220**	**$1,845**	**$1,470**	**$1,320**

Source: Adapted from J.P. Morgan's *2012 Securitized Products Outlook*, 18. Mortgage-backed security (MBS) pricing from *MBS Live*, published by Mortgage News Daily.
Note: Based on actual MBS pricing as of April 12, 2012. For example, on that date a Ginnie thirty-year MBS with a coupon of 3.5 percent had a price of 104.69, and a Fannie thirty-year MBS with the same 3.5 percent coupon had a price of 103.16. These prices were then adjusted for applicable borrower-paid credit fees and mortgage insurance premiums and assumes Fannie's guarantee fee increases by ten basis points in the spring of 2012 as mandated by Congress. USDA and VA premiums were unchanged.

Notes

[1] This is the VA's base pricing for a regular military, first-time user of the VA guaranty program. Fees are somewhat higher for subsequent loans and veterans whose service was as a reservist or member of the National Guard.
[2] I selected 2002 for comparison purposes because it is well before the current housing market turmoil. See Mortgage Bankers Association, "National Delinquency Survey–Historical National Delinquency Survey Data, Q3 2005" (data available by subscription).
[3] Kerri Panchuk, "Negative Equity Gap Nears $4 Trillion," HousingWire, March 26, 2012, www.housingwire.com/article/negative-equity-gap-nears-4-trillion?quicktabs_connect=0&quicktabs_mdc_megamenu=3 (accessed March 27, 2012).
[4] Derived from Fannie Mae and Freddie Mac quarterly credit supplements (www.fanniemae.com/resources/file/ir/pdf/quarterly-annual-results/2011/q42011_credit_summary.pdf and www.freddiemac.com/investors/er/pdf/supplement_4q11.pdf), FHA market share report (http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/rmra/oe/rpts/fhamktsh), FHFA market data report (www.fhfa.gov/Default.aspx?Page=70), Ginnie Mae issuance report (report in author's file), and the Federal Reserve Flow of Funds quarterly report (www.federalreserve.gov/releases/z1/).
[5] Tracking the share of FHA, VA, and USDA home purchase loans over time is central to determining whether the Government Mortgage Complex is shrinking its role versus the business shifting among the three divisions. These three divisions benefit from an explicit government guarantee and the added Ginnie Mae MBS guarantee (also backed by an explicit government guarantee), and continue to insure high-risk loans with down payments that are at or near zero.
[6] Home Mortgage Disclosure Act (HMDA) data provides definitive market share information. However, HMDA data is published annually with a substantial lag. The Mortgage Bankers Association analyzed 2010 HMDA data and determined that the FHA, VA, and USDA had a combined owner-occupied home purchase loan share of 54.5 percent. *FHA Watch*'s 2011 estimate of 55 to 58 percent is derived from available FHA, VA, USDA, Ginnie Mae, and National Association of Realtors data.
[7] Mark Calabria, *Fixing Mortgage Finance: What to Do with the Federal Housing Administration?*, Cato Institute, February 6, 2012, www.cato.org/publications/briefing-paper/fixing-mortgage-finance-what-do-federal-housing-administration (accessed March 26, 2012).