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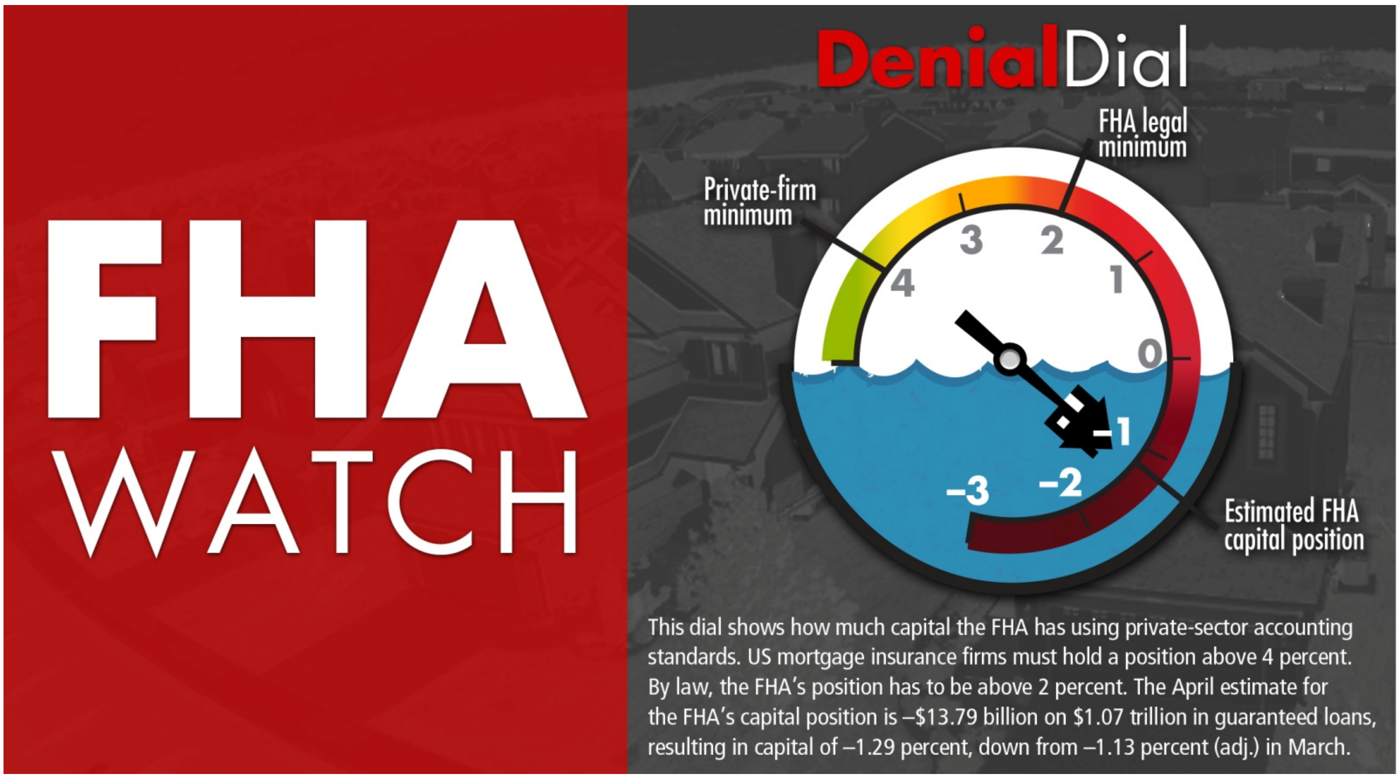


This Issue's Highlight

Spotlight on the Government's Growing Monopoly of Consumer Lending and Private Debt

Outstanding consumer debt totals over $12 trillion, constituting 44 percent of all outstanding private debt (both consumer and business). Home mortgages ($9.8 trillion) and student loans ($0.9 trillion) comprise the two largest asset classes within the consumer debt sector. In 2011, the Government Mortgage Complex accounted for 88 percent of all first-mortgage originations in the United States, with the government also controlling an estimated 90 percent of the student loan market. The government's growing dominance in the home mortgage and student loan categories is cause for concern, posing a threat to private investors, borrowers, and taxpayers.

This Month's Features

Spotlight on Insolvency

FHA's Position Worsened in April, with an Estimated Current Net Worth of –$13.79 Billion and a Capital Shortfall of $33–52 Billion

Spotlight on Delinquency

Total Delinquency Rate Increased in April to 15.97 Percent Because of Increase in Thirty-Day Delinquencies; Serious Delinquency Rate Eased to 9.42 Percent

Spotlight on Best Price Execution

The Government Mortgage Complex's Ginnie Brands Demonstrate Pricing Dominance over Fannie Mae

Spotlight on the Government Mortgage Complex's 2011 Market Share

Government Mortgage Complex Accounted for 88 Percent of All 2011 First-Mortgage Originations

Spotlight on the Government's Growing Monopoly of Consumer Lending

Government-Controlled Home Mortgage and Student Loan Asset Classes Account for 86 Percent of Outstanding Consumer Debt

Spotlight on the Road to FHA Fiscal Reform

Policy Changes Needed to Implement Fiscal Reform Principle 4

The Road Map to FHA Reform

Specific Steps to Reform and the Status of Each

Spotlight on Insolvency

FHA's Position Worsened in April, with an Estimated Current Net Worth of –$13.79 Billion and a Capital Shortfall of $33–52 Billion

The current estimate for the FHA's net worth is –$13.79 billion, up from $12.05 billion in March. This is the result of an increase in the projection of sixty-days-plus delinquent loans going to claim and a small increase in the number of such loans. The number (840,803) and rate (11.2 percent) remain substantially elevated from June 2011 levels (749,204 loans and 10.55 percent). The FHA's capital shortfall also increased by about $2 billion as a result of the same factors, along with its growing book of risk-in-force. The capital shortfall stands at $33 billion (using a 2 percent capital ratio) and $52 billion (using a 4 percent capital ratio).

For the monthly data tabulation, see table A1 in the appendix.

Spotlight on Delinquency

Total Delinquency Rate Increased in April to 15.97 Percent Because of Increase in Thirty-Day Delinquencies; Serious Delinquency Rate Eased to 9.42 Percent

The FHA's total delinquency rate increased in April to 15.97 percent, from 15.78 percent in March 2012. An increase in thirty-day delinquencies accounted for the entire increase. The FHA's serious delinquency situation eased to 9.42 percent but remains at a near-record level and is substantially higher than April 2011, when it stood at 8.2 percent.

For the monthly data tabulation, see table A2 in the appendix.

Spotlight on Best Price Execution

The Government Mortgage Complex's Ginnie Brands Demonstrate Pricing Dominance over Fannie Mae

Table 1 demonstrates the pricing advantages the Ginnie/FHA, Ginnie/USDA, and Ginnie/VA divisions have over Fannie Mae. The FHA division had a better execution than Fannie on 7 out of 10 representative loans, and the USDA and VA on 10 out of 10 loans. And the greater the credit risk, the greater the advantage—Ginnie had an advantage of over $14,000 on the highest-risk loan shown (loan A guaranteed by the VA).

Table 1. Best Price Execution (Ginnie pricing advantages 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	98.48	98.25	98.48	98.48	98.48	98.48	103.88	103.88	103.88	104.13
Ginnie/USDA Execution	102.28	102.28	102.28	102.28	102.28	102.28	103.63	103.63	103.63	103.88
Ginnie/VA Execution	104.13	103.48	104.13	104.38	104.13	104.38	104.38	104.38	104.38	104.63
Fannie Execution	94.71	97.19	98.13	99.57	99.85	100.91	102.86	103.11	103.36	103.78
Ginnie/FHA advantage on a $150,000 loan compared to Fannie	**$5,644**	**$1,594**	**$514**	-$1,646	-$2,059	-$3,649	**$1,519**	**$1,144**	**$769**	**$525**

Ginnie/USDA advantage on a $150,000 loan compared to Fannie	**$11,344**	**$7,631**	**$6,214**	**$4,054**	**$3,641**	**$2,051**	**$1,144**	**$769**	**$394**	**$150**
Ginnie/VA advantage on a $150,000 loan compared to Fannie	**$14,119**	**$9,431**	**$8,989**	**$7,204**	**$6,416**	**$5,201**	**$2,269**	**$1,894**	**$1,519**	**$1,275**

Source: Adapted from JP Morgan's *2012 Securitized Products Outlook*, November 23, 2011, 18.
Note: Mortgage-backed security (MBS) pricing from *MBS Live*, published by Mortgage News Daily. Based on MBS pricing as of May 11, 2012. On that date a Ginnie thirty-year MBS with a coupon of 3.5 percent had a price of 105.63, and a Fannie thirty-year MBS with the same 3.5 percent coupon had a price of 104.06. These prices were then adjusted for applicable borrower-paid credit fees and mortgage insurance premiums. Assumes Fannie's guarantee fee increases by ten basis points in spring 2012 as mandated by Congress. All publicly announced FHA premium increases are included. USDA and VA premiums are unchanged.

Each of the Government Mortgage Complex's five divisions has substantial pricing advantages over the private sector. The result, as noted in the next section, is that the Government Mortgage Complex's share of the entire first-mortgage market in 2011 remains at around 90 percent.

Spotlight on the Government Mortgage Complex's 2011 Market Share

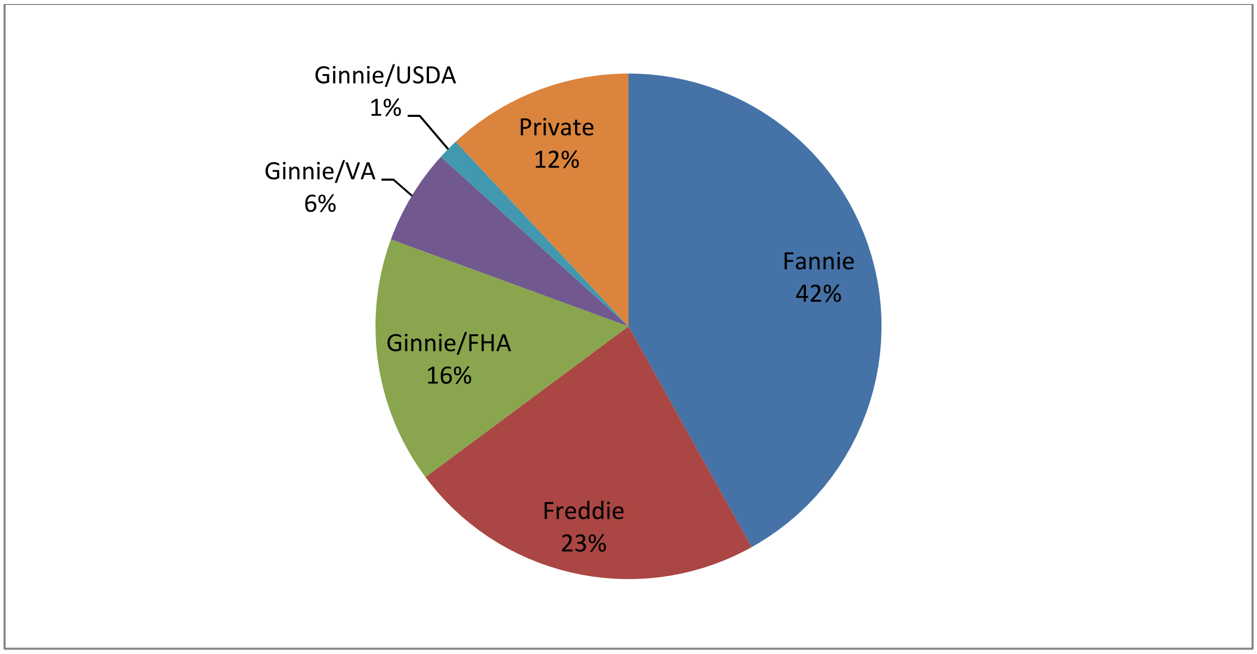
Government Mortgage Complex Accounted for 88 percent of All 2011 First-Mortgage Originations

As noted in issue 4, the Government Mortgage Complex accounted for $5.9 trillion, or 62.6 percent, of the $9.4 trillion in outstanding stock of first-mortgage debt, as of December 31, 2011. This is up from $4.8 trillion, representing a 48.2 percent share of the total market ($10 trillion) as of December 31, 2007.

This month, *FHA Watch* spotlights the Government Mortgage Complex's continued dominance of the flow of new first-mortgage originations. In 2011, the Government Mortgage Complex accounted for 88 percent of all first-mortgage originations. This is the result of the overwhelming pricing and regulatory advantages enjoyed by the five divisions of the Government Mortgage Complex over the private sector.

The Government Mortgage Complex's continued dominance with respect to new originations assures that its share of outstanding first-mortgage debt will continue to grow.

Chart 1. Government Mortgage Complex Share of All First Mortgages Originated in 2011



Sources: Inside Mortgage Finance, *Mortgage Market Statistical Annual*, vol. 1, 2012, 232; US Department of Housing and Urban Development, *FHA Single-Family Outlook*, http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/rmra/oe/rpts/ooe/olmenu (accessed May 21, 2012); and *VA Summary of GI Loans* and *USDA Guaranteed Rural Housing Funds Usage Comparison National Summary* (privately obtained).

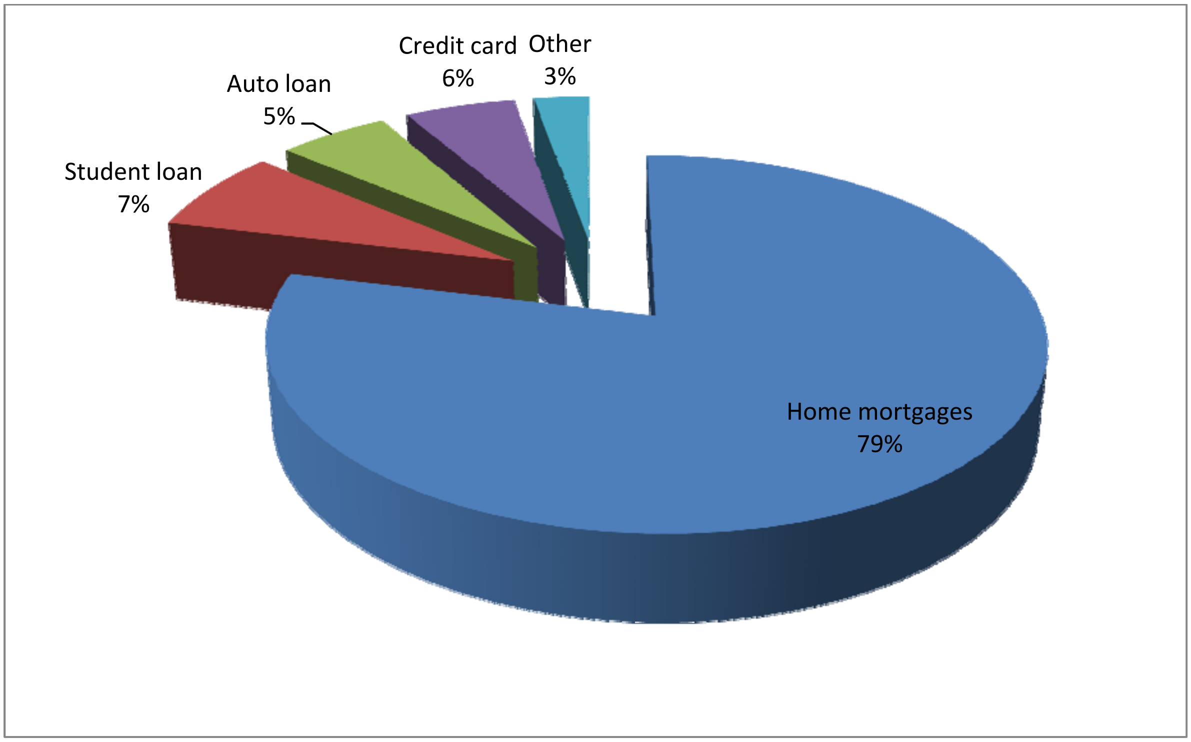
Spotlight on the Government's Growing Monopoly of Consumer Lending

Government-Controlled Home Mortgage and Student Loan Asset Classes Account for 86 Percent of Outstanding Consumer Debt

Outstanding consumer debt totals over $12 trillion, constituting 44 percent of all outstanding private debt (both consumer and business). Home mortgages ($9.8 trillion) and student loans ($0.9 trillion) comprise the two largest asset classes within the consumer debt sector. In 2011, the Government Mortgage Complex accounted for 88 percent of all first-mortgage originations in the United States, with the government also controlling an estimated 90 percent of the student loan market. The government's growing dominance in the home mortgage and student loan categories is cause for concern, posing a threat to private investors, borrowers, and taxpayers.

As noted in the previous section, the Government Mortgage Complex was responsible for 88 percent of the flow of new residential first-mortgage lending in 2011. Most estimates place the government's share of student loans at 90 percent.

Chart 2. Share of Outstanding Consumer Debt by Type



Sources: Derived from US Federal Reserve Flow of Funds data, released March 8, 2012, www.federalreserve.gov/releases/z1/current/ (accessed May 13, 2012); and Federal Reserve Bank of New York, *Quarterly Report on Household Debt and Credit*, February 2012, http://data.newyorkfed.org/research/national_economy/householdcredit/DistrictReport_Q42011.pdf (accessed May 18, 2012).

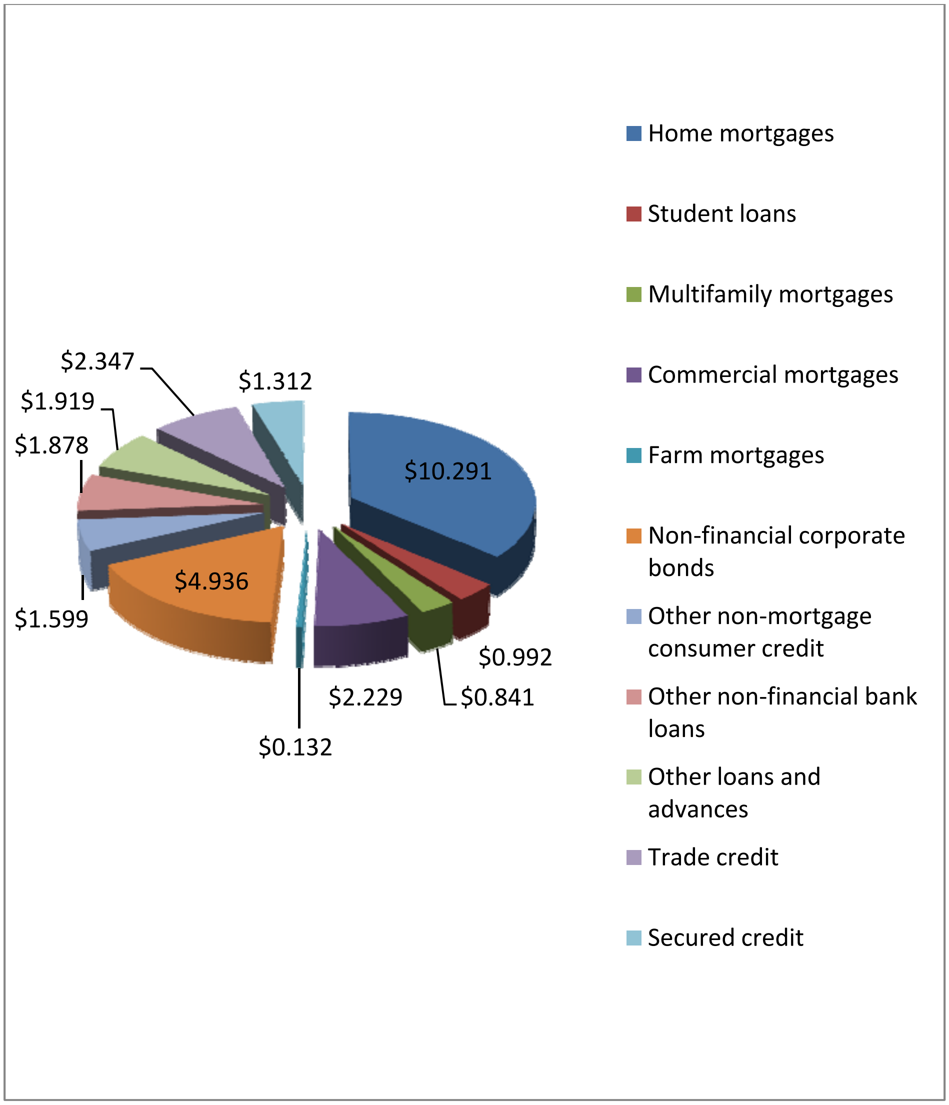
Government guarantees present three problems that should concern policymakers, investors, borrowers, and taxpayers.

1. The federal government's record in pricing credit risk is poor;
2. As the government's guarantees in a particular lending sector increase, Congress will inevitably pursue credit allocation, pricing of credit, and subsidies designed to benefit particular groups or geographic areas; and
3. Government-guaranteed lending and subsidies, along with other advantages that usually accompany such lending, promote capital flows into this preferred investment. As the experience with government involvement in home and college lending demonstrates, this leads to price distortions, heightening borrower and taxpayer risk.

Over time, government involvement promotes moral hazard, the tendency to take undue risks because the costs are borne by a third party. Many times moral hazard is combined with the concept that institutions are too big to fail. The result can turn safe asset classes into risky ones, broadly exposing market participants to losses. Home mortgages are an excellent example. High-quality home mortgages have a long history of minimal losses, making them attractive investments. But government involvement creates moral hazard and sets in motion political pressures for increasingly risky lending such as “affordable loans” to constituent groups. As a result, home mortgages now provide inadequate yields and are no longer perceived as safe.

As shown in chart 3, outstanding private debt instruments available for investment total about $28.5 trillion (excluding financial institution debt instruments).

Chart 3. Private Debt Instruments in the United States (Total: $28.746 Trillion)



Source: US Federal Reserve Flow of Funds data, released March 8, 2012, www.federalreserve.gov/releases/z1/current/ (accessed May 13, 2012).

The government-guaranteed portion of this $28.5 trillion has been rendered unattractive to private investors because of below-market yields. As a result, the effective pool of private debt instruments available to private investors has been substantially reduced. Government lending in the single-family, multifamily, and student loan categories is so pervasive that these segments are effectively controlled by the government.[i] Combined, these three segments account for 43 percent, or $12.26 trillion, of the $28.5 trillion in private debt instruments. This leaves about $16 trillion in private debt instruments available at market rates.[ii]

The government's growing dominance not only eliminates particular classes of private debt instruments as an investment, but also creates two additional problems for private investors:

1. They are forced to compete within this much smaller pool for the private, market-rate debt instruments that remain. Insurance companies, public and private pension funds, private investors, and others all rely, in part, on investments in private debt instruments to meet future funding needs. With demand constant and supply reduced, the price of debt instruments will go up over time, forcing the yield down. The government's mispricing of debt instruments leads to mispricing of private-sector debt. Investors can accept these lower yields, seek higher yields by taking on more risk, switch to equity investments, or invest outside the United States. This last point is graphically demonstrated by the fact that while the US government guarantees over 99 percent of new mortgage-backed securities issuances, US investors are on track to purchase $70 billion in covered mortgage bonds issued by foreign banks. The reason: "There is a lot of investor interest in the covered bonds because there is virtually no [private] mortgage product in the U.S. [Investors] can get a little more pick up in the yield over bank spreads."[iii]

   The combination of reduced returns and taking on higher risks could negatively impact investors' ability to earn the adequate returns necessary to meet future retirement needs.

2. Many of these investors diversify their risks by investing across a wide spectrum of asset classes. The diminished pool of available investments is less diversified as a result of the government's dominance of certain asset classes.

These distortions will only get worse as the government expands its lending footprint.

Spotlight on the Road to FHA Fiscal Reform

Policy Changes Needed to Implement Fiscal Reform Principle 4

In this issue, *FHA Watch* will spotlight policy changes needed to implement fiscal reform principle 4:

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, the FHA is a seriously troubled and deeply insolvent government agency. While principle 3 called for a 4 percent minimum capital level of 4 percent calculated in accordance with generally accepted accounting principles as applied to private mortgage insurers, this minimum capital level should be increased during financially prosperous times.

The FHA's premium structure should be set at a level where 50 percent of the premium is sufficient to meet normal claim expectations on insured loans. Unused portions of this premium would accumulate in the capital reserve account. The remaining 50 percent of the premium would accumulate in a separate countercyclical catastrophic premium reserve account for a ten-year period and would be available to pay catastrophic losses from periodic but unpredictable general economic risks.

This suggested reform has been added to the "Road Map to Fiscal Reform" (table 2) below.

The Road Map to FHA Reform

Specific Steps to Reform and the Status of Each

Below is a compendium of all of *FHA Watch's* suggested reforms. Each month, the "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.	1. Needs further action. In 2010, minimum down payment increased to 10 percent.

2. Adjustable rate mortgages. 3. Seller concessions greater than 3 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	No action

with a clear and conspicuous notice within 72 hours of application and at closing setting forth the 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.	

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 within sixty days.	This provision contained in the *FHA Emergency Solvency Act of 2012.*
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
*The FHA's premium structure should be set where 50 percent of the premium is sufficient to meet normal claim expectations on insured loans. Unused portions of this premium would accumulate in the capital reserve account. The remaining 50 percent of the premium would accumulate in a separate countercyclical catastrophic premium reserve account for a ten-year period and would be available to pay catastrophic losses from periodic but unpredictable general economic risks.	No action

* Indicates new suggested reform.

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 Basis)	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%	$19.16	($31.21)
Mar. 31, 2012	$28.18	($0.70)	$39.53	($12.05)	4%	$38.32	($50.37)
Apr. 30, 2012	$28.18	($0.91)	$41.06	($13.79)	2%	$19.25	($33.04)
Apr. 30, 2012	$28.18	($0.91)	$41.06	($13.79)	4%	$38.50	($52.29)

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). In quarter 2 of 2012, Genworth had loss reserves equaling 60 percent of its risk-in-force on sixty-days-plus delinquent loans. This was up from 58 percent in quarter 4 of 2011. Genworth, Quarterly Financial Supplements, Delinquency Metrics-US Mortgage Insurance Segment, 50, http://phx.corporate-ir.net/phoenix.zhtml?c=175970&p=irol-quarterlyreports (accessed May 19, 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. The FHA's forward single-family Mutual Mortgage Insurance Fund (MMIF) is expected to receive approximately $200 million from a settlement made with a lender in May 2012, which will be added next month to May's cash flow.

The FHA raised its upfront premium from 1 to 1.75 percent (excluding streamline refinances) effective for case numbers assigned on or after April 9, 2012. The monthly FHA cash flow calculation will take this into account beginning with June 2012.
**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 $963 billion ($1.069 trillion − $106 billion) as of September 30, 2011, and April 30, 2012 (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; US Department of Housing and Urban Development, *Monthly Report to the FHA Commissioner*, February 2012, 6, http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/rmra/oe/rpts/com/commenu (accessed May 19, 2012); and US Department of Housing and Urban Development, *FHA Outlook*, March 2012, http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/rmra/oe/rpts/ooe/olmenu (accessed May 19, 2012). Outstanding balance of loans sixty-days-plus delinquent at April 30, 2012, and September 30, 2011, based on loan counts of 840,803 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 Rate and Number of Loans	Total Loans
Apr. 2012	4.77% / 358,174	11.20% / 840,803	15.97% / 1,198,977	9.42% / 707,222	7,507,031
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 May 19, 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.

Notes

[i] When the government uses its advantages to substantially take over lending for a particular asset class, the result is unfair competition with the private sector. This derives from its power to unilaterally control pricing, create barriers to entry, implement cross-subsidized pricing, and adopt risky lending standards.
[ii] The Department of Agriculture (excluding residential lending), Farmer Mac, the Small Business Administration, the Export-Import Bank Government, and other federal loan and loan guarantee programs account for about $440 billion in private debt instruments. See Congressional Budget Office, "Fair-Value Accounting for Federal Credit Programs," Issue Brief, March 2012, www.cbo.gov/sites/default/files/cbofiles/attachments/03-05-FairValue_Brief.pdf (accessed May 14, 2012).
[iii] Inside Mortgage Finance, *Inside MBS & ABS* 2012, no. 20 (May 18, 2012), www.insidemortgagefinance.com/issues/imfpubs_ima/ (accessed May 21, 2012).