FHA Watch

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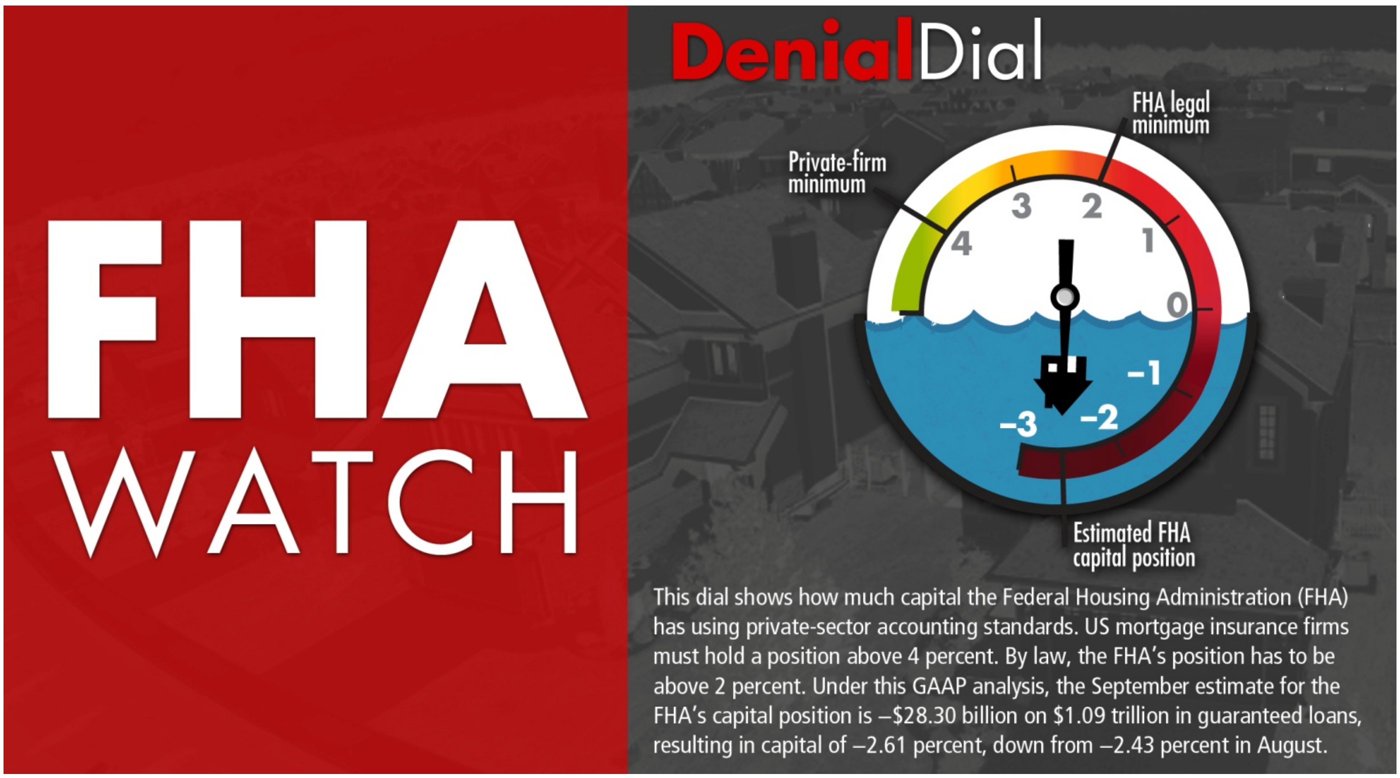

This Issue's Highlight

Overall Delinquency Rate Surges in September; Denial Dial Plunges to Record Low

In September, 17.3 percent of all Federal Housing Administration (FHA) loans were delinquent, up from 16.35 percent in August 2012 and 16.78 percent in September 2011. Total delinquencies increased by 77,000 over August, the largest one-month increase since *FHA Watch* began tracking monthly delinquencies in September 2011.

The September estimate of the FHA's generally accepted accounting principles (GAAP) net worth is –$28.3 billion, down from –$16.3 billion and –$26.3 billion in September 2011 and August 2012, respectively. The capital shortfall stands at $48 billion (using a 2 percent capital ratio) and $67 billion (using a 4 percent capital ratio). The Denial Dial was reset to −2.61 percent, eclipsing the previous low set in August 2012. The FHA's estimated net worth on a GAAP basis has declined by $12 billion since the end of FY 2011.

The Denial Dial's decline is largely the result of a surge in 60-day-plus delinquencies, a growing liability for upfront premiums and continued monthly losses in excess of monthly cash flow.

This Month's Features

Homing in on the FHA's Problems

Do the FHA's Flawed Pricing and Underwriting Policies Finance Failure?

Spotlight on Insolvency

FHA's Estimated Net Worth Declines Sharply to –$28.3 Billion, with a Capital Shortfall of $48–67 Billion

Spotlight on Delinquency

Overall and Short-Term Delinquency Rates Soar

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The Road Map to FHA Reform

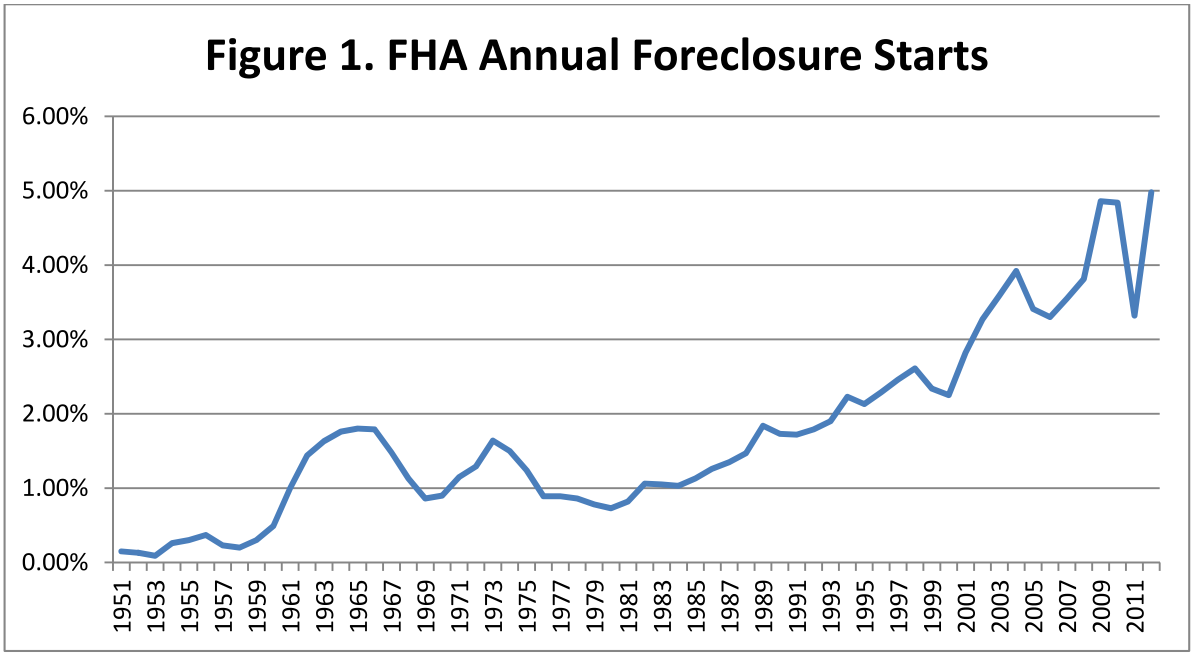
Specific Steps to Reform and the Status of Each

Homing in on the FHA's Problems

Do the FHA's Flawed Pricing and Underwriting Policies Finance Failure?

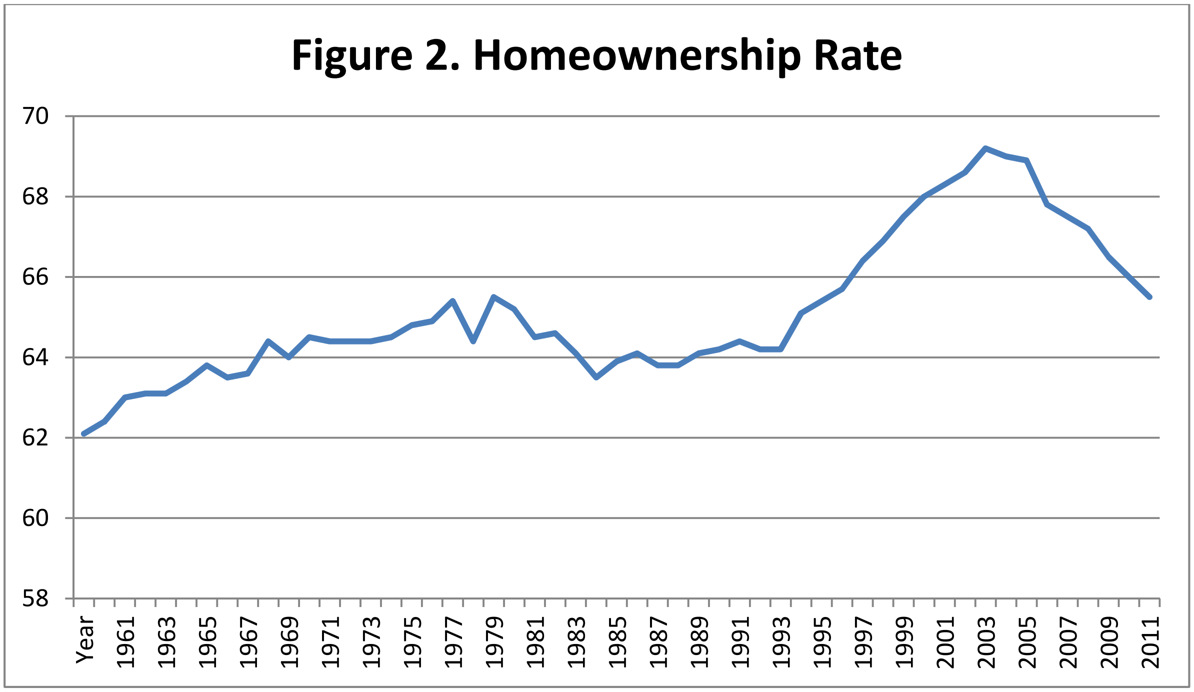
Many look at today's Federal Housing Administration (FHA) and nostalgically recall their great-grandmother's Depression-era FHA. Set up in 1934, it initially insured fully amortizing 20-year loans combined with a 20 percent down payment. As a result, homebuyers accumulated nearly 30 percent in earned equity after four years, yet over its first 20 years, the FHA paid claims on only 5,712 properties, for a cumulative claims rate of 0.2 percent.

Lulled by this success, Congress periodically reduced the minimum down payment and extended the maximum loan term. By 1956, the FHA's maximum loan-to-value (LTV) ratio stood at 95 percent and maximum loan term was 30 years. For a borrower leveraged at the maximum LTV and term, earned equity after four years totaled 9 percent, about enough to cover the cost of selling the home. A borrower and the FHA's success depended highly on unearned equity accruing from house price appreciation. Higher leverage is a double-edged sword. It creates a windfall of unearned equity for home buyers and reduces losses for the FHA when home prices are increasing rapidly, but it exposes home buyers to foreclosure when prices were rising more slowly or decline. At the same time, the shift to higher leverage caused the FHA's foreclosure rate to increase dramatically and inexorably over the decades, as shown in figure 1.



Source: Mortgage Bankers Association and Peter J. Elmer and Steven A. Seelig, "The Rising Long-Term Trend of Single-Family Mortgage Foreclosure Rates," FDIC Working Paper 98-2, http://167.176.17.84/bank/analytical/working/98-2.pdf.

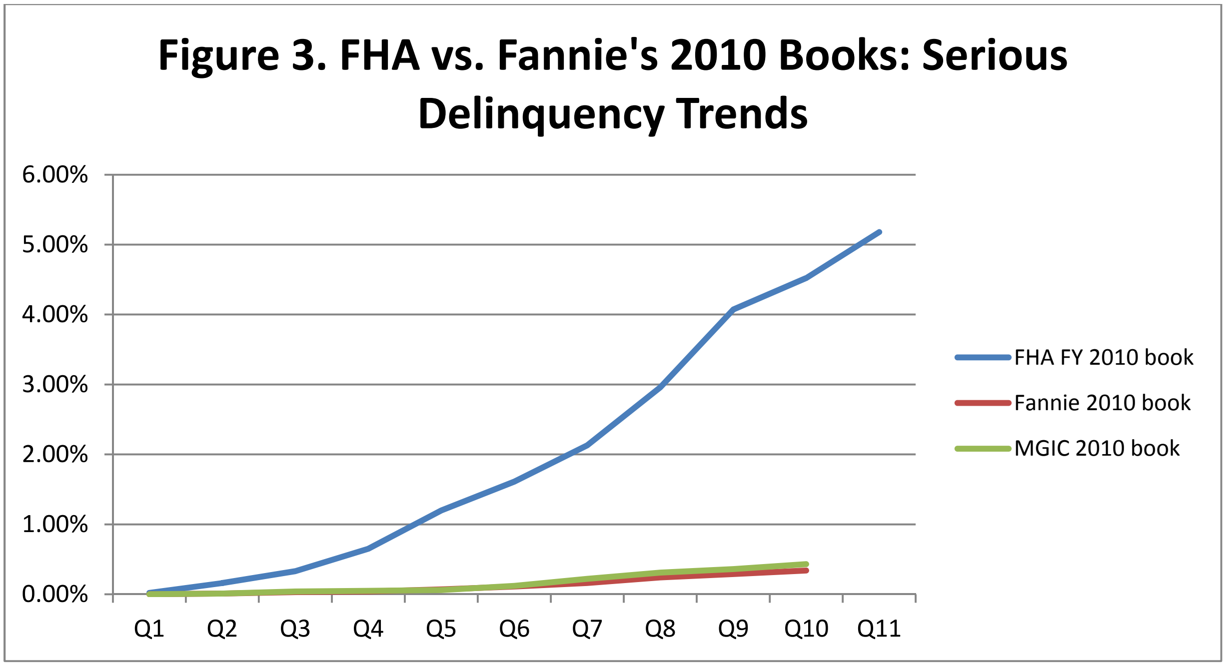
As the FHA's leverage and foreclosure start rates soared from the early 1960s onward, figure 2 shows that the national homeownership rate in the early 1990s was virtually unchanged from the mid-1960s. After a spike beginning in the late 1990s, it is now returning to the 64–65 percent level common since the 1960s.



Source: US Census Bureau.

Today, the FHA has 7.7 million loans outstanding and pays 12,000 claims per month, for an annual claims rate of about 2 percent. Two of its recent "higher-quality" books are experiencing serious delinquency rates that are eight (FY 2009 book) and eleven (FY 2010 book) times those of Mortgage Guaranty Insurance Corporation's (MGIC'S) 2009 and 2010 books of privately insured loans, respectively.[1]

Figure 3 shows continued rapid growth in the serious delinquency rate for the FHA's FY 2010 book compared to Fannie and MGIC's rates, where the growth rate is tapering off.



Sources: FHA, Fannie Mae, and MGIC

The FHA's 2011 Actuarial Study projects that 9.6 percent, or 280,000, of the 2.95 million new loans insured during 2009 and 2010[2] will ultimately be foreclosed upon or otherwise result in a claim against the FHA's insurance fund.

This is not your great-grandmother's FHA.

Historically the FHA's mission was to be "a targeted provider of mortgage credit for low- and moderate-income Americans and first-time homebuyers."[3] As noted in their 2011 report to Congress, the departments of Treasury and Housing and Urban Development (HUD) recommended that "FHA should return to [this] . . . pre-crisis role."[4]

HUD has set an appropriate benchmark for evaluating its own performance: "Given FHA's mission, allowing the continuation of practices that result in . . . a high proportion of families losing their homes represents a disservice to American families and communities."[5]

FHA Watch is undertaking a detailed examination of the FHA's 2009 and 2010 books using a database consisting of loan performance data for 2.6 million FHA loans from that period. We will be analyzing loan risk factors such as LTV, FICO score, loan term, and debt-to-income ratio along with delinquency status and calculating a projected cumulative foreclosure and other insurance claim rate (projected cumulative foreclosure rate) for each zip code, as well as looking at additional demographic data at the zip code level.

The study has two goals:

1. Identify which loans are most likely to suffer a foreclosure and why.
2. Identify which zip codes will bear the brunt of the foreclosures forecasted to result from 2009 and 2010 books of insurance and why.

By particularly examining zip codes where median family income is below the median family income for the metropolitan statistical area, the study endeavors to determine whether the FHA is meeting its own mission benchmark of not engaging in practices that result in a high proportion of families losing their homes as this represents a disservice to American families and communities.

Survey results will be released in the next four to six weeks.

Spotlight on Insolvency

FHA's Estimated Net Worth Declines Sharply to –$28.3 Billion, with a Capital Shortfall of $48–67 Billion

The estimate for September of the FHA's GAAP net worth is –$28.3 billion, down from –$16.3 billion and –$26.3 billion in September 2011 and August 2012, respectively. The capital shortfall stands at $48 billion (using a 2 percent capital ratio) and $67 billion (using a 4 percent capital ratio). The Denial Dial was reset to −2.61 percent, eclipsing the previous low set in August 2012. The FHA's estimated net worth on a GAAP basis has declined by $12 billion since the end of FY 2011.

The decline in capital position is largely the result of a surge in 60-day-plus delinquencies, a growing liability for upfront premiums, and continued monthly losses in excess of monthly cash flow.

During FY 2012, the FHA has lost $12 billion in net worth on a GAAP basis. The FHA's FY 2012 Actuarial Report is expected to be released next month. This will allow for an in-depth analysis of changes to the FHA's financial condition during FY 2012 and comparisons to *FHA Watch*'s trends.

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

Spotlight on Delinquency

Overall and Short-Term Delinquency Rates Soar

In September, 17.3 percent of all FHA loans were delinquent, up from 16.35 percent in August 2012 and 16.78 percent in September 2011. Total delinquencies increased by 77,000 over August, the largest one-month increase since *FHA Watch* began tracking monthly delinquencies in September 2011.

As the FHA's overall delinquency rate climbed over the last 12 months from 16.78 percent to 17.3 percent, the overall market eased substantially from 11.90 percent last September to 10.91 percent this August. While the FHA points to better performance on its newer books of business compared to 2006–2008, this improvement is relative. FHA continues to insure too many high-risk loans. Its 17.3 percent overall delinquency rate is too high to be chalked up to delays in foreclosures or its pre-2009 legacy books, given that well over 80 percent of the FHA's insurance-in-force is four years old or less and largely unseasoned. The first quarter of the FY 2009 book is four years old and just now into its period of peak delinquency. Equally troubling is that 85 percent of the September increase was in the 30- and 60-day categories.

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

Spotlight on Best Price Execution

Ginnie Brands Continue Their Pricing Dominance

Table 1 demonstrates the pricing advantages the Ginnie/FHA, Ginnie/US Department of Agriculture (USDA), and Ginnie/US Department of Veterans Affairs (VA) divisions have over Fannie Mae. There was minimal change in relative position compared to last month.

The FHA division continues to have a better execution than Fannie on 7 out of 10 representative loans, both the USDA the VA on 10 out of 10 loans. And the greater the credit risk, the greater the advantage — Ginnie had an advantage of nearly $15,000 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	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	2.50%
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	98.85	98.63	98.85	98.85	98.85	98.85	104.25	104.25	104.25	103.53
Ginnie/USDA Execution	102.65	102.65	102.65	102.65	102.65	102.65	104.00	104.00	104.00	103.28
Ginnie/VA Execution	104.50	103.85	104.50	104.75	104.50	104.75	104.75	104.75	104.75	104.03
Fannie Execution	94.49	96.96	97.91	99.35	99.62	100.68	102.64	102.89	103.14	102.96
Ginnie/FHA advantage on a $150,000 loan compared to Fannie	**$6,544**	**$2,494**	**$1,414**	-$746	-$1,159	-$2,749	**$2,419**	**$2,044**	**$1,669**	**$855**
Ginnie/USDA advantage on a $150,000 loan compared to Fannie	**$12,244**	**$8,531**	**$7,114**	**$4,954**	**$4,541**	**$2,951**	**$2,044**	**$1,669**	**$1,294**	**$480**
Ginnie/VA advantage on a $150,000 loan compared to Fannie	**$15,019**	**$10,331**	**$9,889**	**$8,104**	**$7,316**	**$6,101**	**$3,169**	**$2,794**	**$2,419**	**$1,605**

Source: Adapted from JPMorgan's *2012 Securitized Products Outlook*, November 23, 2011, 18.
Note: Mortgage-backed security (MBS) pricing from *MBS Live*, published by Mortgage News Daily. Comparison based on MBS pricing as of September 14, 2012. On that date a Ginnie 30-year MBS with a coupon of 3.0 percent had a price of 105.41, and a Fannie 30-year MBS with the same 3.0 percent coupon had a price of 104.03. These prices were then adjusted based on the present value (where necessary) of applicable borrower-paid credit fees, mortgage insurance premiums, and the value of the base servicing fee. Fannie's guarantee fee was increased by 10 basis points effective April 2012, as mandated by Congress, and by a second 10 basis

point increase announced on August 31, 2012 by the Federal Housing Finance Agency. All publicly announced FHA premium increases are included. USDA and VA premiums are unchanged.

Each of the Government Mortgage Complex's five divisions (Freddie Mac is the fifth) has substantial pricing advantages over the private sector. The result is that the Government Mortgage Complex's share of the entire first-mortgage market continues to remain at around 90 percent.

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. There have been no status changes over the last month.

Table 2. 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 shall require FHA mortgagees to disclose to applicants for a forward FHA single-family loan with a clear and conspicuous notice both within 72 hours of application and at closing setting forth the	No action

applicant's LTV, FICO score, and total debt-to-income ratio, all as used in underwriting applicant's FHA loan. This disclosure shall also include the estimated cumulative claim rate for loans insured by the secretary with similar risk characteristics to the applicant's and the average estimated cumulative claim rate for the most recent fiscal year as determined in the FHA's annual actuarial study. The secretary shall calculate such estimates in a manner similar to that used in the FHA's annual actuarial study and provide it to the mortgagee.	

Table 3. 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, 3, and 4	**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 on September 11, 2012.
Require the GAO 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 60 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	No action

applied to private mortgage insurers.	
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 10-year period and would be available to pay catastrophic losses from periodic but unpredictable general economic risks.	No action

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)**	Estimated Liability for Excess Upfront Premiums beyond GAAP Allowance	Current Net Worth (PMI Basis)	Required Capital Ratio	Required Capital Under Applicable Ratio***	Capital Shortfall (PMI Basis)
Sept. 30, 2011	$28.18	---	$36.49	$8.00	($16.31)	2%	$18.14	($34.46)
Sept. 30, 2011	$28.18	---	$36.49	$8.00	($16.31)	4%	$36.29	($52.60)
Dec. 31, 2011	$28.18	($0.43)	$40.39	$8.00	($20.63)	2%	$18.47	($39.10)
Dec. 31, 2011	$28.18	($0.43)	$40.39	$8.00	($20.63)	4%	$36.94	($57.57)
Jan. 31, 2012	$28.18	($0.81)	$41.03	$8.00	($21.66)	2%	$18.59	($40.25)
Jan. 31, 2012	$28.18	($0.81)	$41.03	$8.00	($21.66)	4%	$37.18	($58.85)
Feb. 29, 2012	$28.18	($1.20)	$39.58	$8.00	($20.60)	2%	$18.75	($39.35)
Feb. 29, 2012	$28.18	($1.20)	$39.58	$8.00	($20.60)	4%	$37.51	($58.11)
Mar. 31, 2012	$28.18	($1.58)	$38.02	$8.00	($19.42)	2%	$19.16	($38.58)
Mar. 31, 2012	$28.18	($1.58)	$38.02	$8.00	($19.42)	4%	$38.32	($57.74)
Apr. 30, 2012	$28.18	($2.15)	$39.49	$8.00	($21.46)	2%	$19.25	($40.71)
Apr. 30, 2012	$28.18	($2.15)	$39.49	$8.00	($21.46)	4%	$38.50	($59.96)
May 31, 2012	$28.18	($2.78)	$40.04	$8.00	($22.64)	2%	$19.36	($42.00)
May 31, 2012	$28.18	($2.78)	$40.04	$8.00	($22.64)	4%	$38.72	($61.36)
June 30, 2012	$28.18	($3.37)	$40.76	$8.00	($24.23)	2%	$19.32	($43.56)
June 30, 2012	$28.18	($3.37)	$40.76	$8.00	($24.23)	4%	$38.65	($62.88)
July 31, 2012	$28.18	($3.97)	$41.08	$8.56	($25.43)	2%	$19.31	($44.74)
July 31, 2012	$28.18	($3.97)	$41.08	$8.56	($25.43)	4%	$38.61	($64.04)
Aug. 31, 2012	$28.18	($4.56)	$41.08	$8.84	($26.30)	2%	$19.43	($45.73)
Aug. 31, 2012	$28.18	($4.56)	$41.08	$8.84	($26.30)	4%	$38.85	($65.15)
Sept. 30, 2012	$28.18	($5.16)	$42.20	$9.10	($28.28)	2%	$19.43	($47.70)
Sept. 30, 2012	$28.18	($5.16)	$42.20	$9.10	($28.28)	4%	$38.85	($67.13)

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 unchanged from quarter 1 of 2012. Genworth, Quarterly Financial Supplements, Delinquency Metrics-US Mortgage Insurance Segment, 52, http://phx.corporate-ir.net/phoenix.zhtml?c=175970&p=irol-quarterlyreports (accessed August 18, 2012).

*The FHA's negative cash flow was $143 million, $385 million, and $596 million per month during Q1 of FY 2012, Q2 of FY 2012, and Q3 of FY 2012 respectively. See exhibit 10, US Department of Housing and Urban Development, *FHA Single-Family Mutual Mortgage Insurance Fund Programs, Quarterly Report to Congress*, 12. 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. Since under GAAP accounting this

amount would not be taken into income immediately, it will be accounted for in the "Estimated liability for excess upfront premiums beyond GAAP allowance." The amount of this liability was estimated at $9.1 billion as of September 30, 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 $971 billion ($1.085 trillion − $114 billion) as of September 30, 2011, and September 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*, June 2012, 6, http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/rmra/oe/rpts/com/commenu (accessed September 15, 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 September 30, 2012, and September 30, 2011, based on loan counts of 898,580and 803,899, respectively, and an average loan balance for loans going to claim of $126,524.

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
Jan. 2011	N/A	N/A	N/A	8.9% / 612,443	6,882,984
Feb. 2011	N/A	N/A	N/A	8.9% / 619,712	6,932,510
Mar. 2011	N/A	N/A	N/A	8.3% / 580,480	6,983,893
Apr. 2011	N/A	N/A	N/A	8.2% / 575,950	7,035,016
May 2011	N/A	N/A	N/A	8.2% / 578,933	7,090,489
June 2011	5.79% / 411,258	10.55% / 749,204	16.62% / 1,160,462	8.34% / 592,366	7,103,531
Aug. 2011	N/A	N/A	N/A	8.4% / 611,822	7,259,736
Sept. 2011	5.70% / 413,834	11.08% / 803,899	16.78% / 1,217,733	8.77% / 636,778	7,258,328
Oct. 2011	5.55% / 404,773	11.47% / 836,789	17.02% / 1,241,562	9.05% / 660,499	7,296,639
Nov. 2011	5.61% / 411.663	11.81% / 865,658	17.42% / 1,277,321	9.46% / 693,314	7,331,525
Dec. 2011	5.72% / 421,404	12.07% / 889,602	17.79% / 1,311,006	9.73% / 716,786	7,370,426
Jan. 2012	5.35% / 397,018	12.18% / 903,748	17.53% / 1,300,766	9.92% / 735,760	7,418,830
Feb. 2012	4.78% / 355,092	11.70% / 871.870	16.47% / 1,226,962	9.73% / 725,002	7,450,480
Mar. 2012	4.57% / 341,213	11.21% / 837,472	15.78% / 1,178,685	9.47% / 707,930	7,471,708
Apr. 2012	4.77% / 358,174	11.20% / 840,803	15.97% / 1,198,977	9.42% / 707,222	7,507,031
May 2012	4.93% / 372,514	11.29% / 852,608	16.23% / 1,225,222	9.43% / 711,612	7,549,730
June 2012	5.19% / 393,894	11.43% / 867,959	16.61% / 1,261,853	9.48% / 719,984	7,594,689
July 2012	5.04% / 384,349	11.48% / 874,802	16.52% / 1,259,151	9.51% / 725,074	7,622,873
Aug. 2012	4.91% / 375,464	11.44% / 874,656	16.35% / 1,250,120	9.49% / 725,692	7,645,912
Sept. 2012	5.58% / 428,351	11.70% / 898,590	17.30% / 1,326,931	9.62% / 738,303	7,671,677

Source: US Department of Housing and Urban Development, "Neighborhood Watch," https://entp.hud.gov/sfnw/public (Servicing download, Excel; accessed October 21, 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 October 21, 2012). Rates not seasonally adjusted. Serious delinquency includes ninety-days-plus delinquency and loans in bankruptcy or foreclosure.

Notes

[1] Since the FHA and MGIC's books of business are reported on a fiscal and calendar-year basis respectively, FHA delinquency data was lagged by one quarter so that cumulative seasoning is the same.
[2] Excludes FHA-to-FHA refinances of loans made in earlier years.

[3] US Department of the Treasury and US Department of Housing and Urban Development, *Reforming America's Housing Finance Market: A Report to* Congress, February 2011, www.treasury.gov/initiatives/documents/reforming%20america%27s%20housing%20finance%20market.pdf.

[4] Ibid.

[5] US Housing and Urban Development Department, "Federal Housing Administration Risk Management Initiatives: Reduction of Seller Concessions and New Loan-to-Value and Credit Score Requirements" (notice of proposed rulemaking), July 15, 2010, www.federalregister.gov/articles/2010/07/15/2010-17326/federal-housing-administration-risk-management-initiatives-reduction-of-seller-concessions-and-new#p-31 (accessed January 18, 2012).