

IV. Recommended Future Enhancements

In the course of performing this year's Actuarial Review, including discussions with OMB, PD&R, and FHA Evaluations, we have prepared the following list (in no particular order) of avenues to pursue in future Reviews:

1. Consider the use of regional economic forecasts in the forward projections of claim and prepayment rates, as well as levels of demand.
2. Continue on current path or approach for the demand model, but develop a dynamic feature for the distribution of loans across loan type and LTV category (as well as region, if appropriate).
3. Introduce a fourth RHP category for fixed rate, 30-year loans to isolate claim and prepayment experience for the properties in the bottom 20% of the distribution by RHP, that is, the extremely low-valued properties relative to the geographic area.
4. Introduce a formal credibility criterion to determine the number of loans sufficient for a credible observation for purposes of regression.
5. Pursue the compilation of historical unemployment statistics by cell in an attempt to reverse the unintuitive sign on the unemployment rate in some models.