FHA Single-Family
Mutual Mortgage Insurance Fund Programs
Quarterly Report to Congress
FY 2011 Q1

With the impact of future house prices uncertain, we need to be cautious. However, the first quarter report continues to reflecs evidence that the FHA Single Family MMI Fund is being well managed.

- FHA endorsed 371,310 forward loans and 18,387 reverse mortgages in the first quarter of Fiscal Year 2011. On net, the dollar volume of new insurance in the quarter ($72.1 billion) was very close to that of the previous quarter ($71.4 billion).

- For the first time since FHA began to require that lenders report borrower credit scores, more than 60 percent of loans endorsed in the quarter were made to borrowers with credit scores above 680. That share is more than 20 percentage points higher than just two years ago (38 percent), and more than 40 percentage points higher than three years ago (18 percent). The average credit score for the highest-rated group—those with scores of 720 or better—is 761, which is just slightly higher than it was in the year-earlier quarter.

- The serious delinquency rate for the total portfolio at the end of Q1 2011 is 8.78 percent, which is substantially lower than the 9.44 percent rate observed one year earlier. The seasonally adjusted series has been falling for each of the past four quarters and the rate is 8.29 percent at the end of Q1 2011.

- The quality of newly originated FHA loans continues to improve each quarter, as measured by early-period delinquency rates, with the early-period delinquency rate of new loans falling to a historic low of 0.37 percent for loans originated in FY 2010 Q3 (as measured in FY 2011 Q1). Early indications are that the FY2010 book should perform substantially better than did the FY 2009 book, which itself performed substantially better than did the FY2007 and FY 2008 books.

- Following August 2010 passage of legislation giving FHA greater flexibility to adjust its mortgage premium structure, FHA implemented a new mortgage insurance premium structure and minimum downpayment / credit score guidelines that went into effect on October 4, 2010. The upfront premium was lowered from 2.25 bps 1.00 bps and the annual premium was increased from 0.50 bps to 0.85 bps for loans with LTVs up to 95 percent and from 0.55 bps to 0.90 bps for loans with LTVs of 95 percent and above. Additionally, borrowers with credit scores below 580 were required to contribute a minimum downpayment of 10 percent while borrowers with credit scores of 580 or above could contribute a minimum downpayment of 3.5 percent. This is the first quarter in which newly endorsed loans were subject to these new premium and credit score policies.

- On February 14, 2011, FHA announced that it will increase the annual mortgage insurance premium for loans endorsed after April 18 to further strengthen FHA's capital reserves. The annual premium will increase from 0.85 bps to 110 bps for loans with LTVs up to 95 percent and from 0.90 bps to 115 bps for loans with LTVs of 95 percent and above. Beginning in Q3 FY 2011, newly endorsed loans will be subject to this premium structure and the initial impacts of this change will be reported in the Q4 FY 2011 quarterly report.