FISCAL YEAR 2022

Annual Report to Congress Regarding the Financial Status of the Federal Housing Administration Mutual Mortgage Insurance Fund

FHA
FEDERAL HOUSING ADMINISTRATION

Secretary's Foreword

The Federal Housing Administration (FHA) plays a crucial role in our efforts to address long-standing inequities in homeownership. While there is much work still to be done to combat discriminatory practices and right historical wrongs in housing, FHA continues to outperform the rest of the market in its support for wealth building opportunities for low and moderate-income families, first-time homebuyers, and communities of color.

Additionally, throughout our recovery from the economic impacts of COVID-19, FHA has led the way to assist borrowers during this unprecedented time. As of September 2022, more than 1.6 million FHA borrowers whose ability to pay their mortgage was affected by the pandemic have avoided foreclosure, including more than one million borrowers who have used FHA loss mitigation options to help them stay in their homes.

The work we have done to help those who have fallen on hard times, and the work we will undertake in pursuit of dismantling barriers to opportunity, is supported by the responsible stewardship of the Mutual Mortgage Insurance Fund (MMI Fund).

As of September 30, 2022, the MMI Fund achieved a capital reserve ratio of 11.11%, an increase of three percentage points from 2021. Indeed, the MMI Fund has seen increases over the past four fiscal years, due largely to strong home price appreciation, significant refinance volume, and responsible and responsive management, policies, and practices.

Shifts in the housing market in the second half of fiscal year 2022 are expected to decelerate capital accumulation in the near term. However, the strong state of the MMI Fund will allow FHA to play its important counter-cyclical role in facilitating liquidity and access to mortgage credit for qualified borrowers should other market participants constrict their activity.

As the following report outlines, the agency prioritizes the fiscal health and robust performance of the FHA program, which is intrinsically linked to the vitality of the Fund. This program must never falter in its support for the nation's homeowners, especially those who otherwise would not have the opportunity to build wealth for themselves and the generations that will follow them.

The actions that the Department of Housing and Urban Development (HUD) and the Biden-Harris Administration broadly have taken to increase the supply of affordable homes in this country further complement our work to expand access to homeownership opportunities for people of all backgrounds.

In the months and years ahead, HUD and FHA will remain committed to our mission of supporting opportunity for those who rely upon our programs to achieve and sustain homeownership.

As has been true for more than eight decades, FHA is and will remain a steadfast and important contributor to our nation's housing finance system. The strong status of the Fund will ensure that FHA continues to deliver on its mission in a way that protects taxpayers and preserves its programs for future generations.

Marcia L. Fudge

Marcia L. Fudge

Secretary
U.S. Department of Housing and Urban Development

A Message from the Federal Housing Commissioner

The Federal Housing Administration (FHA) Single Family program serves a unique role in making homeownership possible for those underserved by the private housing finance market, especially first-time homebuyers and households of color. I'm honored to lead a program so critical to increasing access to mortgage credit. Secretary Fudge's commitment to FHA's mission is unparalleled, and indeed the entire Biden-Harris Administration has made it a priority to address the long-standing housing challenges faced by this nation.

As I write this note, foremost in my mind are the many families and communities who have been affected by the COVID-19 pandemic. As the nation finds its way back to a new normal, I want to thank our Single Family Housing team, our lender partners, and so many other industry and community stakeholders for working with us to help struggling borrowers amid the unprecedented physical, emotional, and economic challenges presented by the pandemic.

During the first two years of the pandemic, FHA helped more than two million homeowners stay in their homes at a time when doing so was a matter of life or death. So far, the vast majority of those who obtained a COVID-19 forbearance have been able to keep their homes and return to sustainable mortgage payments. In this past fiscal year, using new and improved loss mitigation tools, FHA's servicers helped reduce the serious delinquency rate in our portfolio by almost half, achieving a rate of 4.77 percent as of September 30, 2022. Yet even while celebrating these outcomes, we remain focused on helping the 357,000 homeowners within our portfolio who remain seriously delinquent, and we are working to develop new tools to assist them in a housing market that has changed significantly in recent months.

Despite the pandemic, FHA has continued its work to address equity in homeownership and increase housing supply. Over the course of this past fiscal year, we made it easier for first-time homebuyers to qualify for affordable FHA-insured mortgage financing by allowing, for the first time, a borrower's positive rental payment history to be considered as part of the evaluation of their creditworthiness. We also expanded the ability of borrowers who experienced temporary employment gaps or loss of income due to the pandemic to qualify for an FHA-insured mortgage. And we modified several of our asset disposition programs to provide greater opportunity for new owner-occupants to acquire these assets without having to compete with cash investors.

The strength of the MMI Fund due to FHA's responsible stewardship of its programs positions us well to continue removing barriers to affordable homeownership over the coming year. Planned initiatives include facilitating increased origination of small-balance mortgages in FHA's programs, making our 203(k) home rehabilitation mortgage insurance program even more useful and usable, and expanding the supply of manufactured homes while improving the FHA financing programs used to acquire them.

While the MMIF Annual Report is a look backward at FHA's activities over the past year, I also want to express my excitement about the future. My goal is for FHA to continue to offer leadership and stability to the housing system in the coming year and beyond as we face new challenges. As it has been since its creation, FHA will be here in even the most uncertain of times to help our nation's families and communities benefit from safe and sustainable homeownership.

Julia R. Gordon

Julia R. Gordon

Assistant Secretary for Housing
and Federal Housing Commissioner

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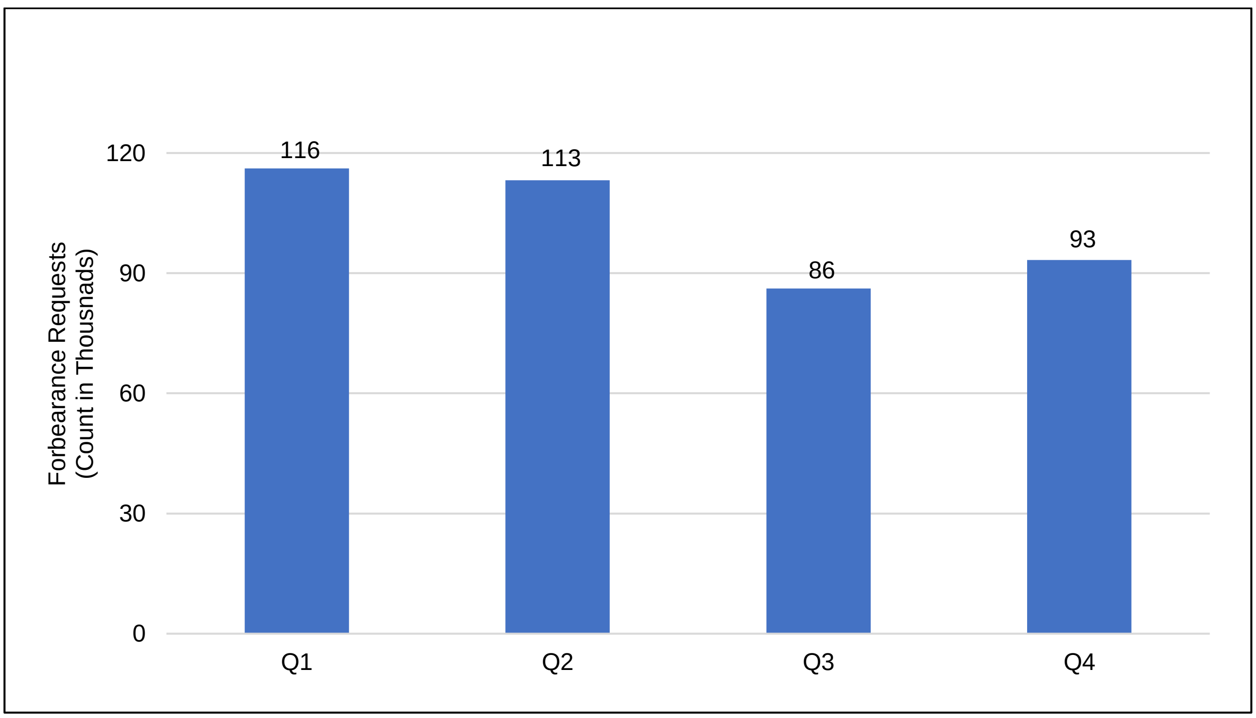
Executive Summary

In fiscal year 2022 (FY 2022), the Federal Housing Administration (FHA) served a vital role in supporting the American housing finance system. Through the ongoing COVID-19 pandemic, FHA continued its work from prior years to assist homeowners facing hardships, with a strong focus on protecting individuals and families of color disproportionately affected by the pandemic. At the same time, in a highly competitive real estate market, FHA ensured continued access to credit to expand first-time homeownership to first-time homebuyers and underserved populations and communities.

Successfully Managing through the COVID-19 Pandemic

Throughout the fiscal year, FHA continued providing support and assistance to households struggling financially as a result of the COVID-19 pandemic. Over 2 million FHA borrowers became delinquent during perhaps the most serious health emergency the nation has ever faced. Over 1.8 million FHA borrowers took advantage of FHA's COVID-19 forbearance offering, which permitted borrowers to postpone making their mortgage payments. This forbearance provided financial assistance and peace of mind through a very stressful period.

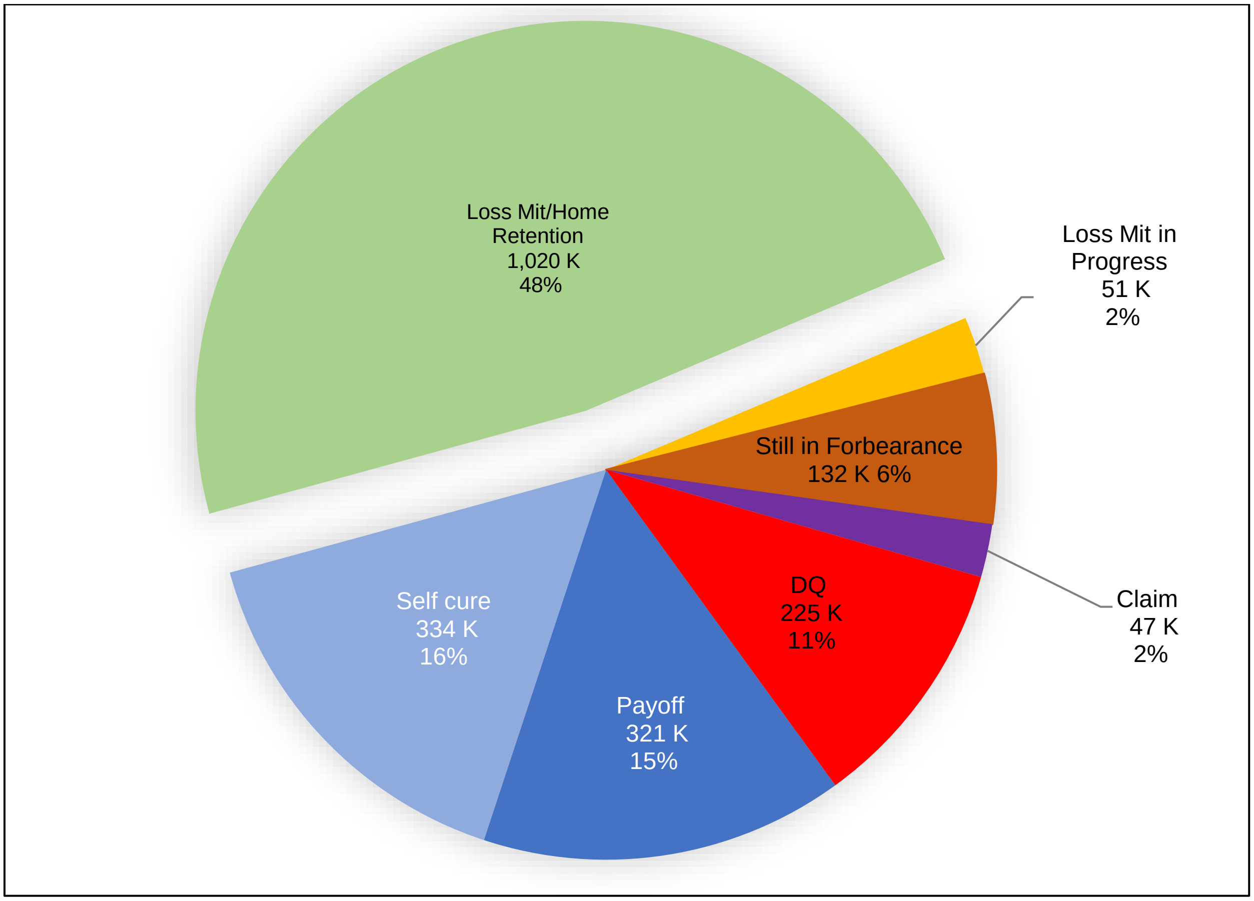
Exhibit E-1: FHA Forbearance Requests in FY 2022 (Count in Thousands)



SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table A-1 in Appendix A.

As shown by Exhibit E-1, more than 400,000 FHA borrowers requested and received forbearance for the first-time in FY 2022 (in addition to the 1.4 million who had requested a COVID-19 forbearance in prior years). While forbearance permits borrowers to defer making their mortgage payments, it does not forgive debt; borrowers are still responsible for repaying arrearages at a later date. To address this issue, FHA offers COVID-19 loss mitigation policies to help borrowers retain their homes by bringing their mortgage current at the end of forbearance without requiring a lump sum payment or an onerous short-term payment plan.

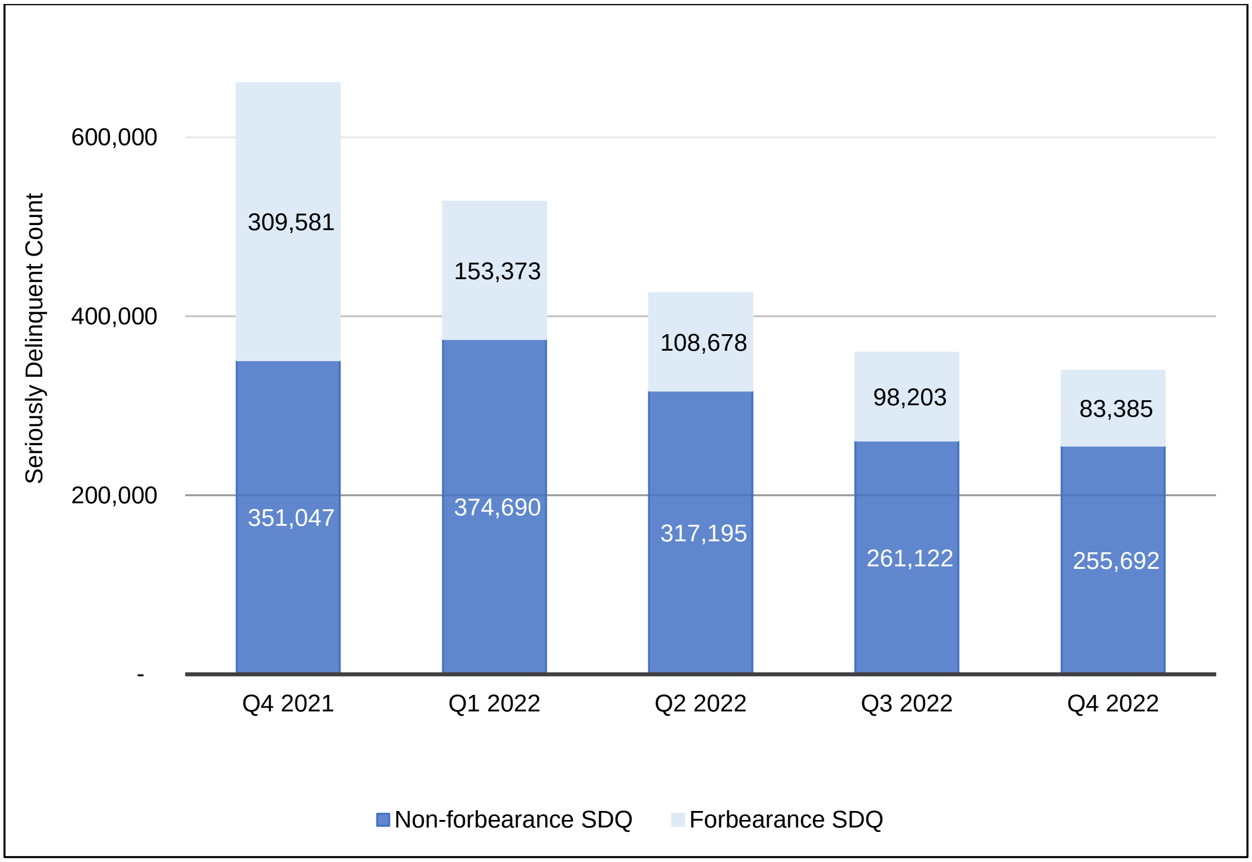
Exhibit E-2: Status of Borrowers Who Were Delinquent During the COVID-19 Emergency



SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table A-2 in Appendix A.

Over 1 million of these borrowers have subsequently entered into a loss mitigation plan that would enable the borrower to remain in the home through a home retention option or are in process of doing so. Another 655,000 have cured or paid off their mortgage without need of a loss mitigation plan. The performance of loss mitigation plans keeping borrowers in their homes has been unusually strong to date. The seriously delinquent rate – those mortgages where the borrower is behind on their mortgage payments by 90 days or more – on COVID-19 loss mitigation plans is under 10 percent for loss mitigation plans that have been in place for over one year. Historically, the redefault rate at one year for FHA's loss mitigation plans has been approximately 20 percent, demonstrating the effectiveness of FHA's COVID-19 loss mitigation tools in providing lasting resolution options for homeowners.

Exhibit E-3: Seriously Delinquent Borrowers



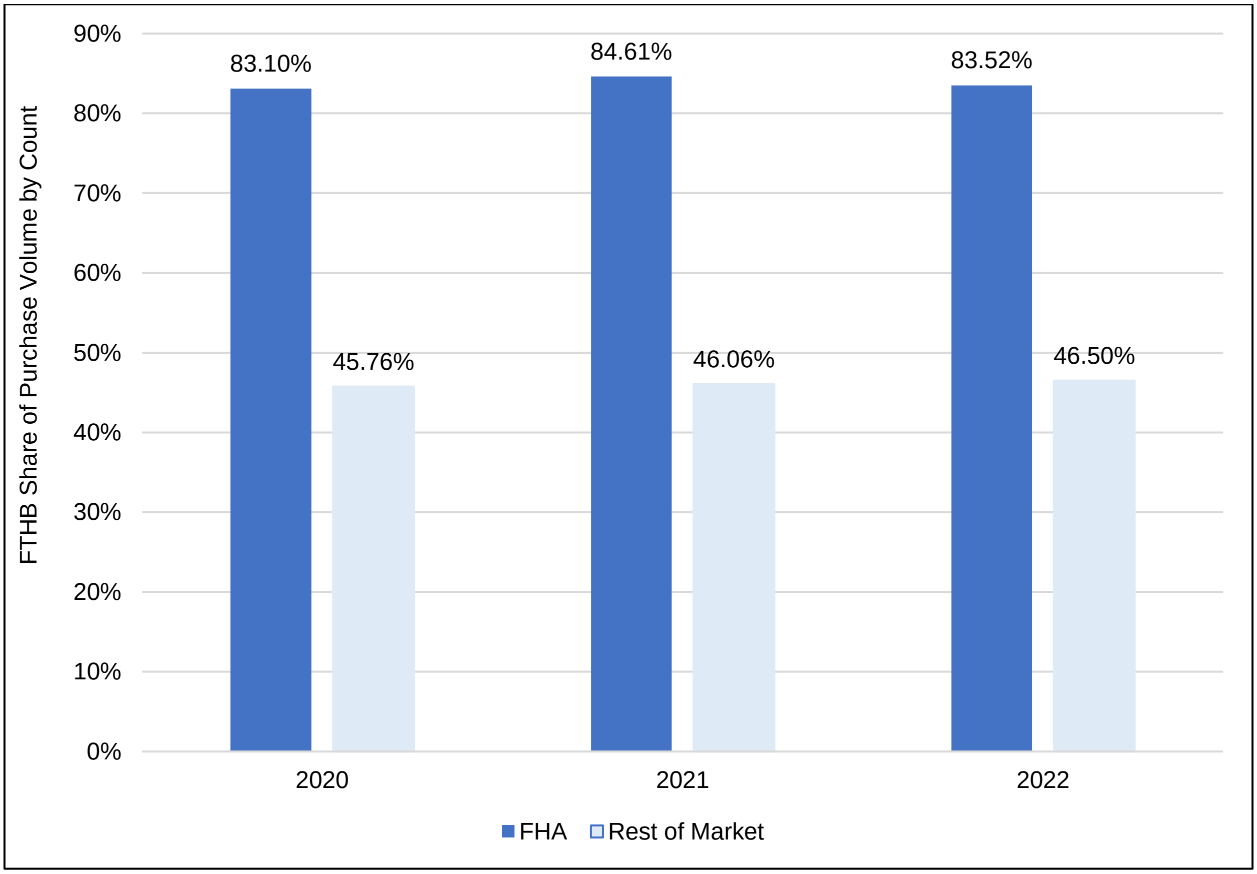
SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table A-3 in Appendix A.

The success of FHA's COVID-19 recovery options is reflected by the rapid improvement of the Seriously Delinquent (SDQ) portfolio. Exhibit E-3 above shows that the number of seriously delinquent borrowers at the end of FY 2022 is about half the number at the end of FY 2021, falling from about 660,000 to about 340,000. The decrease in the number of SDQ borrowers in forbearance from more than 300,000 to fewer than 85,000 accounts for about 70 percent of the total decrease in the SDQ portfolio. Most of the remaining portfolio consists of borrowers who were either delinquent prior to COVID-19 or became delinquent during the pandemic but never obtained a forbearance.

Access to Credit for Underserved Borrowers

FHA plays a major role in providing affordable mortgage financing for borrowers traditionally underserved by the conventional mortgage market, including first-time homebuyers, households of color, and families living in rural areas. While rapidly rising home prices, accompanied by an unprecedented increase in mortgage rates in the latter half of the year, have adversely impacted housing affordability in FY 2022, FHA-insured mortgages remained an important source of financing in the nation during this period. In FY 2022, FHA has worked to expand sustainable access to credit, remove barriers to homeownership for first-time homebuyers and underserved communities, and address housing supply and affordability.

Exhibit E-4: Share of FHA's Purchase Volume to First-time Homebuyers Compared to Other Market Participants



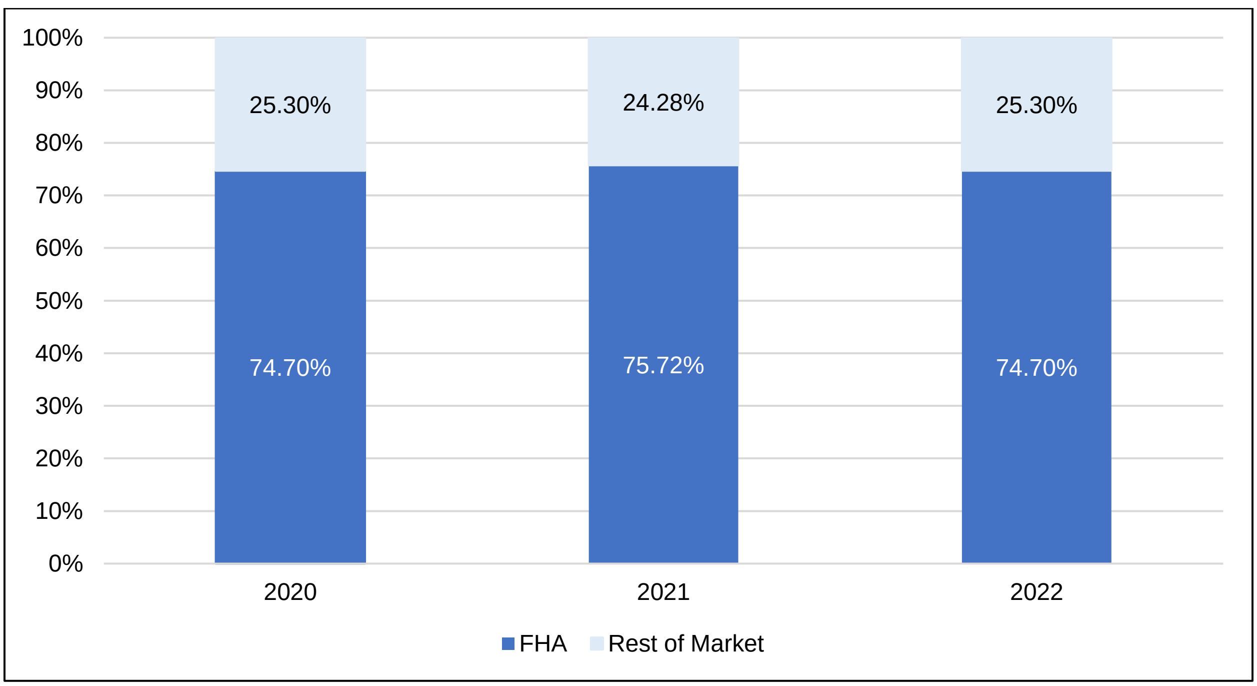
SOURCE: U.S. Department of HUD/FHA, Recursion. Exhibit E-4 does not include private label securities or bank portfolio lenders. Refer to data table A-4 in Appendix A.

FHA is the largest source of affordable financing for first-time homebuyers, enabling such borrowers to buy a house and thereby create the long-term stability and wealth-building opportunities that homeownership provides. As Exhibit E-4 above illustrates, well over 80 percent of FHA's purchase volume consists of loans to first-time homebuyers, more than 35 percentage points higher than that of other participants in the U.S. housing market. Since 2009, FHA has insured 9.1 million mortgages to first-time homebuyers for a total loan amount of $1.7 trillion.

FHA's share of loans to first-time homebuyers is so high because its product is particularly useful for borrowers whose incomes may be sufficient to sustain homeownership but who do not have accumulated wealth. Such low-wealth borrowers often have trouble saving large down payments due to high rents and other financial pressures. For these borrowers, a lower down payment product helps them to overcome one of the most frequently cited obstacles to making the initial transition to homeownership.

Additionally, a prospective borrower's level of wealth is closely correlated to their credit score and history. Borrowers who have wealth or whose families have wealth have the access to liquid resources that enables them to meet the inevitable financial disruptions of a job loss, illness, divorce, or even an unexpected car repair. However, lack of wealth has the opposite effect, and therefore low-wealth borrowers cannot always stay current on all debt obligations when they encounter unexpected financial challenges. While these households can often catch up on their debts once the financial disruption ends, their credit score will have been negatively impacted in the meantime.

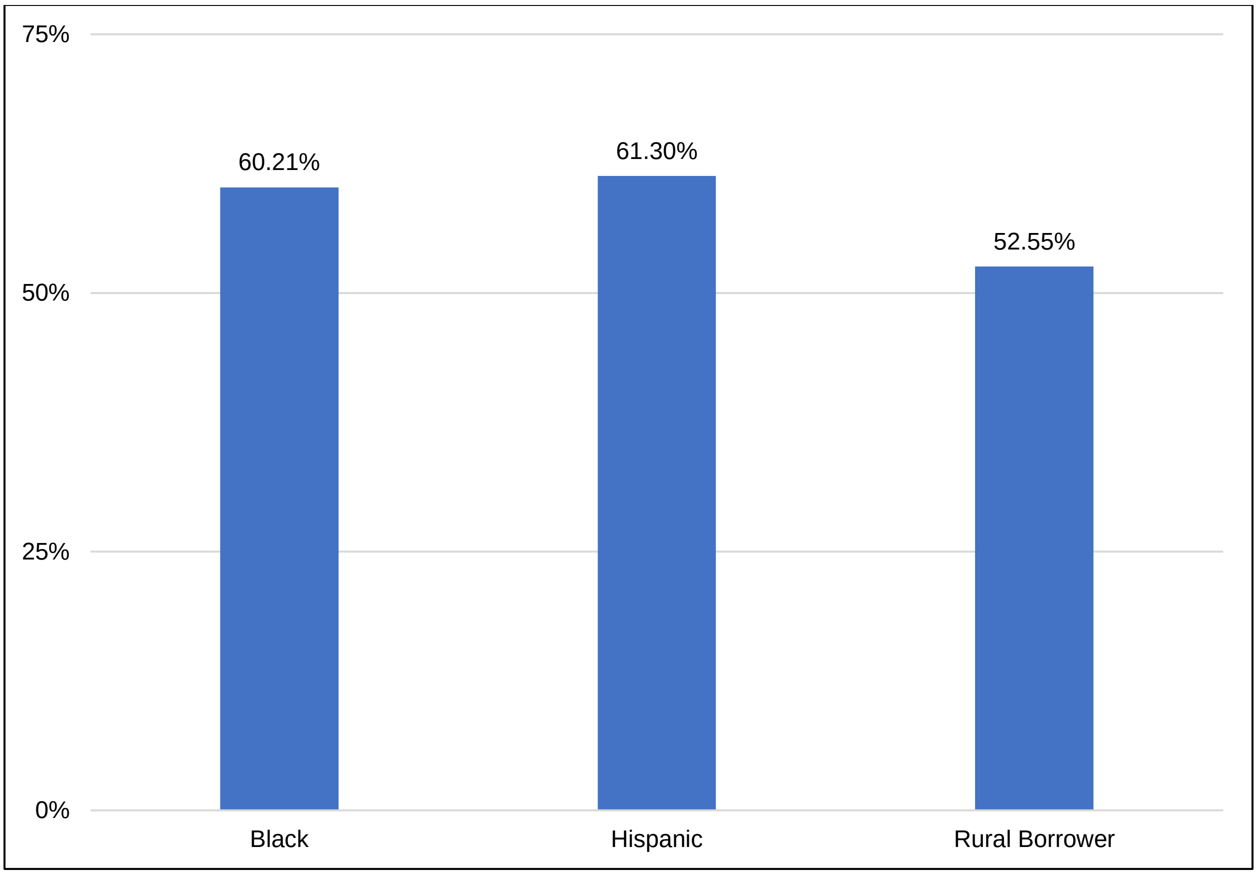
Exhibit E-5: Share Produced by the Origination Market – First-time Homebuyers with LTV >95% and Credit Score <680



SOURCE: U.S. Department of HUD/FHA, Recursion. Exhibit E-5 does not include private label securities or bank portfolio lenders. Refer to data table A-5 in Appendix A.

Because FHA insures high loan-to-value (LTV) mortgages and permits greater flexibility on borrower credit characteristics, it is uniquely capable of helping low-wealth families make the transition from renting to owning. As shown by Exhibit E-5, approximately 75 percent of all high LTV mortgages made in the United States to first-time homebuyers with credit scores below 680 are FHA-insured. In this way, FHA enables many low-wealth households to access the benefits of homeownership, including generational wealth-building potential, that may not be available through conventional mortgage financing.

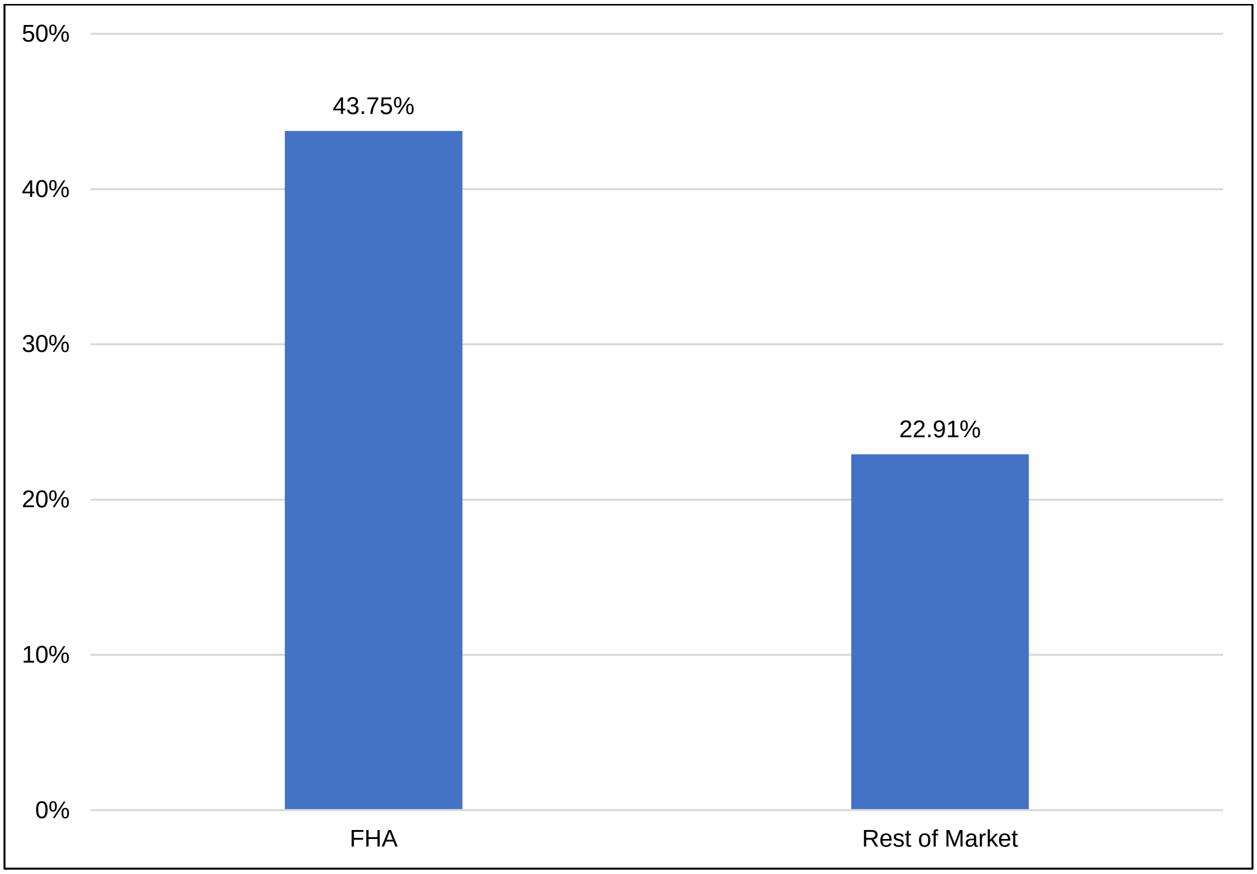
Exhibit E-6: FHA's Share of Low Down-Payment (less than 5%) Lending to Selected Underserved Borrower Groups



SOURCE: Recursion. 2021 Home Mortgage Disclosure Act (HMDA)
Refer to data table A-6 in Appendix A.

As illustrated by Exhibit E-6 above, a majority of all high LTV mortgages to Black, Hispanic and rural borrowers are FHA-insured mortgages, according to calendar year 2021 Home Mortgage Disclosure Act (HMDA) data.

Exhibit E-7: Share of Low-Income Households



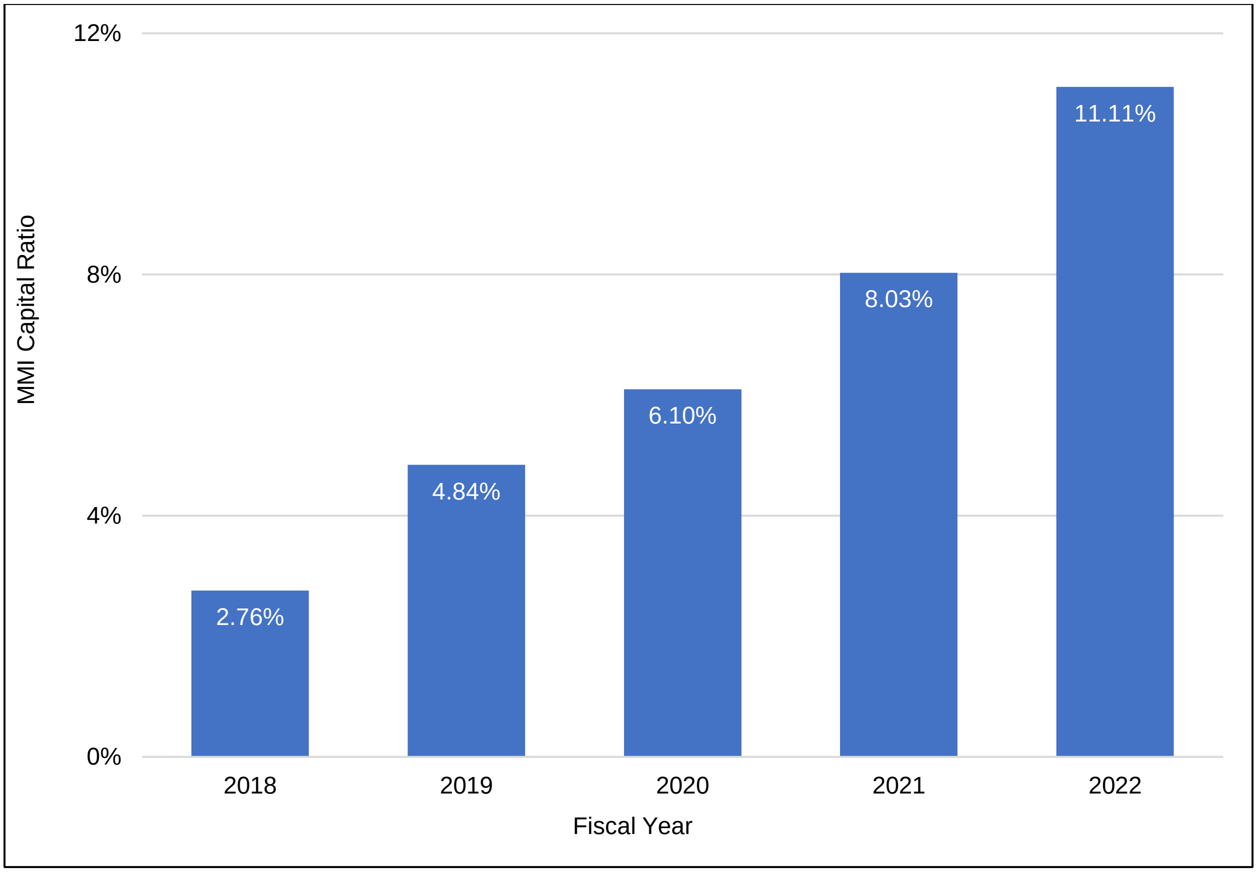
SOURCE: Recursion. 2021 Home Mortgage Disclosure Act (HMDA)
Refer to data table A-7 in Appendix A.

Similarly, FHA serves a higher proportion of low-income households, defined as those under 80 percent of area median income. As indicated by Exhibit E-7, above, 43% of FHA loans are to low-income households, while loans to these borrowers make up only 23% of the volume of the rest of the mortgage market.

Status of the Mutual Mortgage Insurance (MMI) Fund

As of September 30, 2022, the MMI Fund Capital Ratio stands at 11.11 percent of Insurance-in-Force (IIF), representing an increase of 3.08 percentage points from the FY 2021 MMI Fund Capital Ratio of 8.03 percent[1].

Exhibit E-8: MMI Fund Capital Ratio FY 2018 – FY 2022

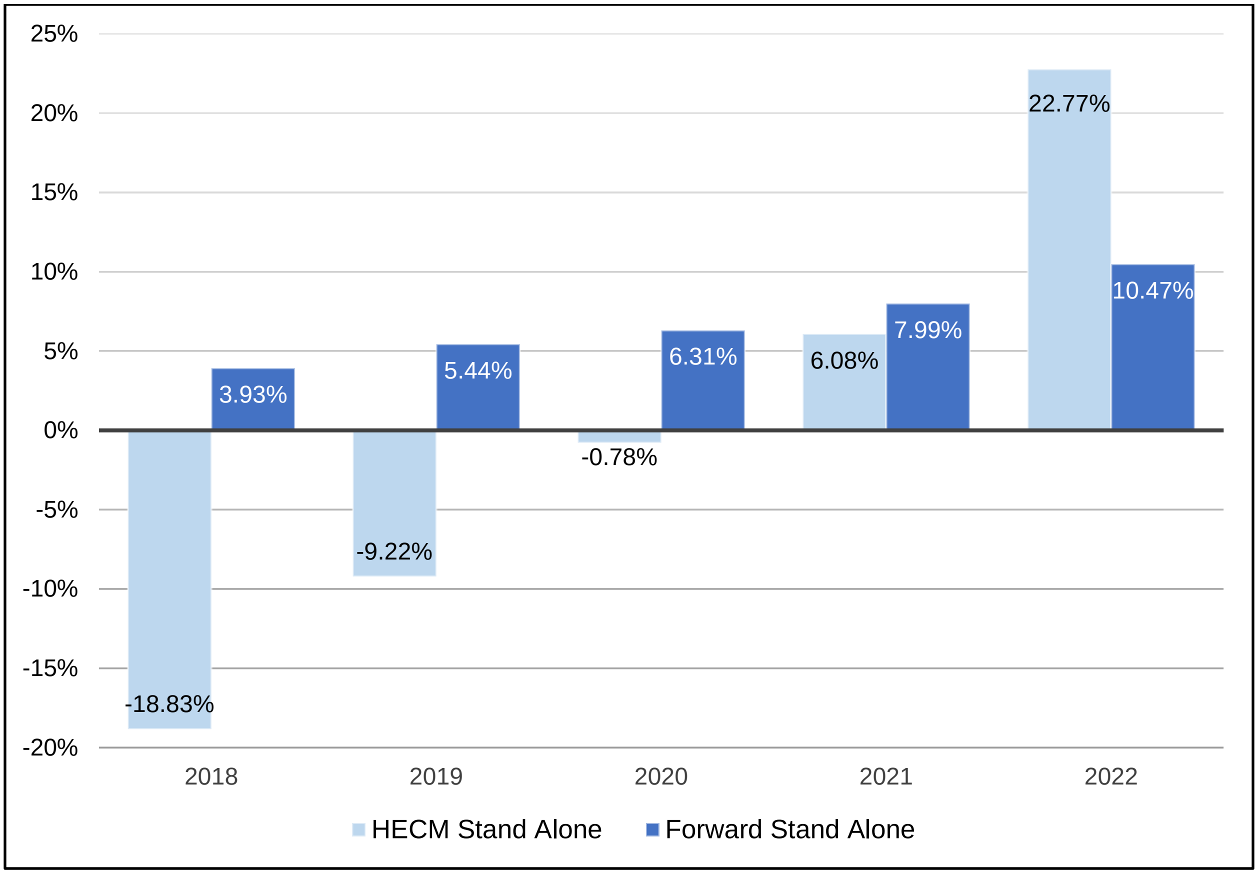


SOURCE: U.S. Department of HUD/FHA, October 2022. Refer to data table A-8 in Appendix A.

Exhibit E-8 shows that the MMI Fund Capital Ratio has significantly increased each of the last four years.

[1] The MMI Fund Capital Ratio includes the stand-alone capital ratios for the forward and HECM reverse mortgage programs. In the past, the $1.7 billion mandatory appropriation that was taken in FY 2013 was not attributed to either the forward or HECM portfolios. This year, the $1.7 billion mandatory appropriation is permanently attributed to the HECM portfolio, as it reflects the original intent of the appropriation.

Exhibit E-9: Forward and HECM Stand-Alone Capital Ratios

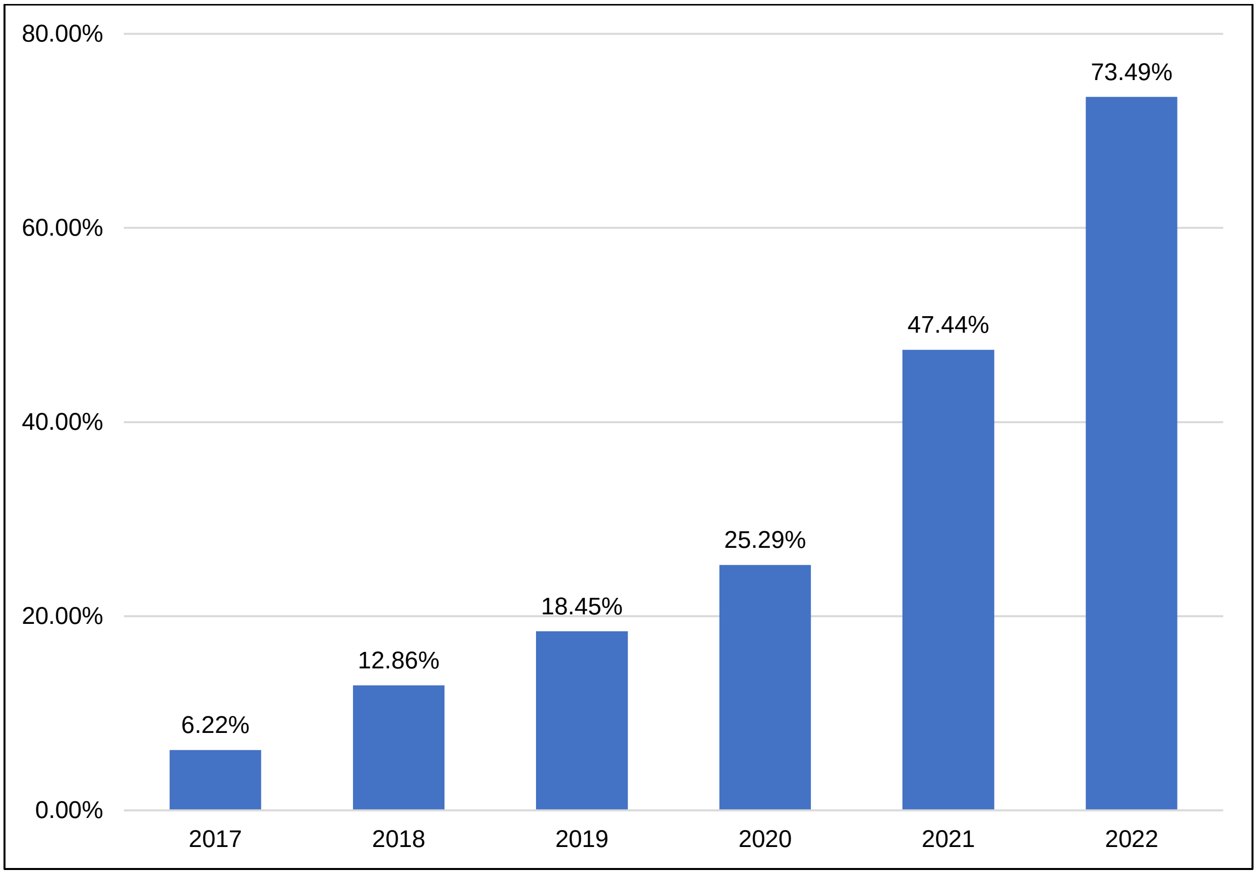


SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table A-9 in Appendix A.

Exhibit E-9 breaks out stand-alone capital ratios for the forward and HECM portfolios since 2018. The financial performance of the HECM portfolio has improved in each of the last four years and is now positive for the second time since FY 2015.

It is important to note that HECMs comprise only about 5 percent of the MMI portfolio and are significantly more sensitive to relatively small changes in capital position. For example, the same $11.3 billion growth in MMI Capital that resulted in a 16.7 percentage point increase in the HECM stand-alone capital ratio would have increased the stand-alone capital ratio for the forward portfolio by only 0.9 percentage point.

Exhibit E-10: House Price Appreciation (HPA) FY 2017 – FY 2022



SOURCE: U.S. Department HUD/FHA, Federal Housing Finance Agency (FHFA) House Price Index, October 2022.
Refer to data table A-10 in Appendix A.

Significant tailwinds support MMI Capital valuations. Rapid HPA growth is the most significant driver. As suggested by Exhibit E-10, above, average house prices have increased by 73 percent over the last six years, with the most significant appreciation occurring over the last two years. As HPA cools due to macro-economic factors, the MMI Capital Ratio is not likely to grow in future years at anything close to the same rate, and in fact may decline.

For those seeking greater detail on the MMI Fund's performance, the remainder of this report dives deeper into all of the topics touched on above and includes additional material as well. The report has four chapters:

- Chapter I describes how FHA has assisted homeowners facing hardships during the COVID-19 Pandemic.
- Chapter II discusses how FHA has expanded access to credit for homebuyers, especially those from underserved populations or markets.
- Chapter III presents a summary of borrower and portfolio characteristics for both the forward mortgage and HECM portfolios.
- Chapter IV provides a robust analysis of the performance of the MMI Fund.

Chapter I:

Successfully Managing through the COVID-19 Pandemic

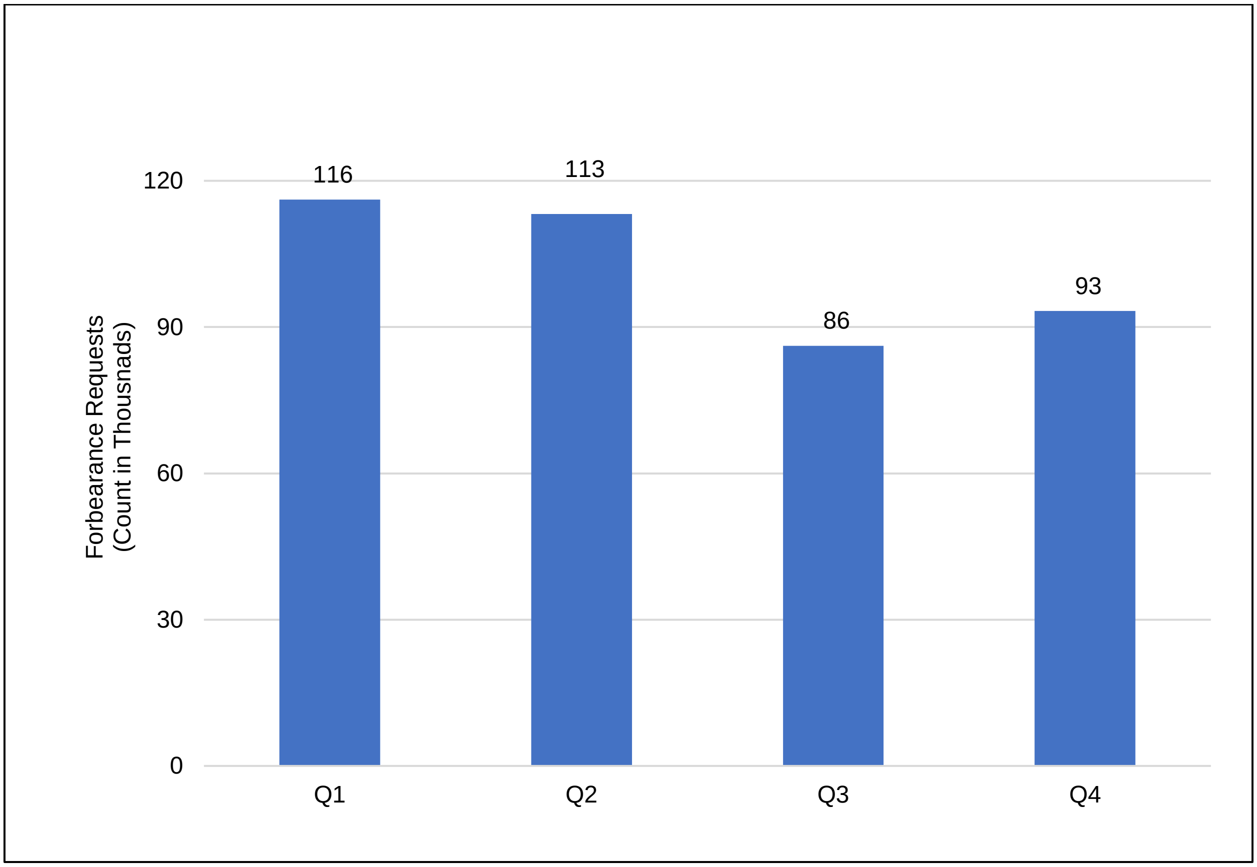
Throughout the fiscal year, FHA continued providing support and assistance to households struggling financially as a result of the COVID-19 pandemic. Over 2 million FHA borrowers became delinquent during perhaps the most serious health emergency the nation has ever faced. Over 1.8 million of these borrowers took advantage of FHA’s COVID-19 forbearance offering, which permitted them to postpone making their mortgage payments. This forbearance provided financial assistance and peace of mind through a very stressful period.

Supporting Borrowers with COVID-Related Hardships using Forbearance

FHA acted quickly in March 2020 to reduce financial burdens faced by homeowners with FHA-insured mortgages by providing borrowers the opportunity to request a COVID-19 Forbearance. Forbearance permits borrowers to reduce or suspend their monthly mortgage payments, often the largest item in a family’s budget, without incurring additional fees or late charges. While lenders have historically provided forbearance to borrowers affected by localized natural disasters, such as hurricanes or flooding, never before COVID-19 had forbearance been provided on such a massive scale.

FHA provided forbearance to affected borrowers for a six-month period, renewable for up to another six months; during the height of the pandemic, FHA provided an additional six-month period of forbearance as well. Given the vast number of affected borrowers and consistent with the congressional Coronavirus Aid, Relief, and Economic Security Act (CARES Act), FHA provided forbearance based on a simple attestation by the borrower that their difficulties in paying the mortgage were due directly or indirectly to COVID-19, without requiring written documentation.

Exhibit I-1: FHA Forbearance Requests in FY 2022 (Count in Thousands)



SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table B-1 in Appendix B.

As shown by Exhibit I-1, over 400,000 FHA borrowers requested and received forbearance for the first-time in FY 2022 alone. FHA will continue providing COVID-19 forbearance to affected borrowers who have not previously received it for the duration of the Presidentially declared COVID-19 National Emergency (National Emergency).

Helping Borrowers Exit Forbearance and Keep their Homes

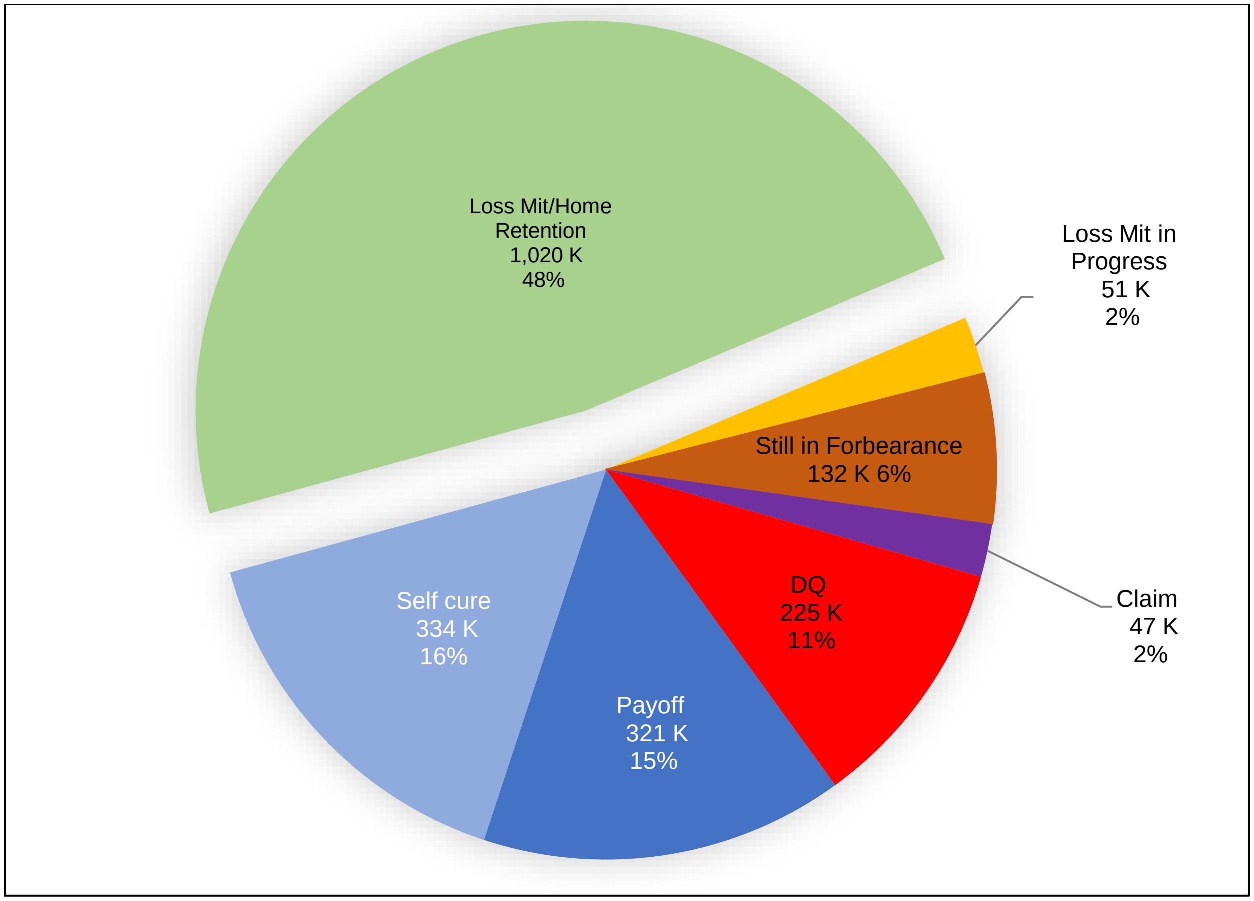
While forbearance permits borrowers to postpone making their mortgage payments, it does not forgive debt; borrowers are still responsible for repaying arrearages at a later date. Historically, many borrowers have faced difficulty catching up on their mortgage payments after a period of forbearance since most lack sufficient savings to repay multiple months of arrearages. To address this issue, FHA established COVID-19 loss mitigation policies to help borrowers retain their home by bringing their mortgage current at the end of forbearance without requiring a lump sum payment or an onerous short-term payment plan.

The first set of post-forbearance borrowers that FHA helped had faced a temporary income disruption and were able to resume their previous monthly payment at the end of the forbearance period. For these borrowers, FHA established the COVID-19 Recovery Stand-alone Partial Claim, which allows borrowers to place the outstanding arrearages in a no-interest subordinate lien against their property that is repaid to HUD when the mortgage is paid off or at maturity. Because the arrearages are not due until the mortgage terminates, and interest is not charged on the arrearages, borrowers can resume their previous monthly principal and interest payment at the end of forbearance without facing a monthly mortgage payment increase. In FY 2022, FHA provided about 232,000 borrowers with Stand-alone Partial Claims, resulting in a total of 550,000 Stand-alone Partial Claims since the beginning of the pandemic, totaling $7.5 billion in assistance.

Many borrowers, however, have faced permanent income reduction from the economic impacts of COVID-19 and as a result can no longer afford to make their previous monthly mortgage payment. For these borrowers, FHA established COVID-19-specific payment-reduction modifications which change the terms of the mortgage to reduce the monthly payment. Affordable modifications allow borrowers to maintain homeownership and avoid foreclosure, which often causes the loss of generational wealth and other major harms. In addition, modifications protect the MMI Fund by preventing the significant financial losses to FHA that foreclosures generally cause. Because of the national scale of the pandemic, borrowers attesting to COVID-19 hardship are eligible for streamlined modifications, without requiring paper documentation. In FY 2022, FHA provided approximately 227,000 mortgage modifications, and a total of 327,000 modifications have been executed since the beginning of the pandemic.

FHA's post-forbearance policies have been extremely effective to date in permitting borrowers who requested COVID forbearance to catch up their arrearages, and thereby remain in their houses and avoid foreclosure.

Exhibit I-2: Status of Borrowers Who Were Delinquent During the COVID-19 Emergency



SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table B-2 in Appendix B.

As indicated by Exhibit I-2, over 1.8 million FHA borrowers received a forbearance due to a hardship created or exacerbated by COVID-19. Over 1 million of these borrowers have subsequently entered into a loss mitigation plan that would enable the borrower to remain in the home through a home retention option or are in process of doing so. Another 655,000 have cured or paid off their mortgage without need of a loss mitigation plan.

Exhibit I-3: Home Retention Options by Type and Count

Home Retention Option	Number Completed in FY 2021	Number Completed in FY 2022	Number Completed Total	Share of Total Recovery Options
COVID-19 Stand-alone Partial Claim	317,402	249,335	566,734	56%
COVID-19 Recovery Modification	94	152,075	152,169	15%
Stand-alone Modifications (No Partial Claim)	99,068	49,910	148,977	15%
HAMP	61,645	46,260	107,904	11%
Advance Modification	1,310	33,776	35,086	3%
Total	479,519	531,356	1,010,870	100%

SOURCE: U.S. Department HUD/FHA, October 2022.

Exhibit I-3 above provides a count of the number of borrowers who benefited from FHA home retention options the last two fiscal years.

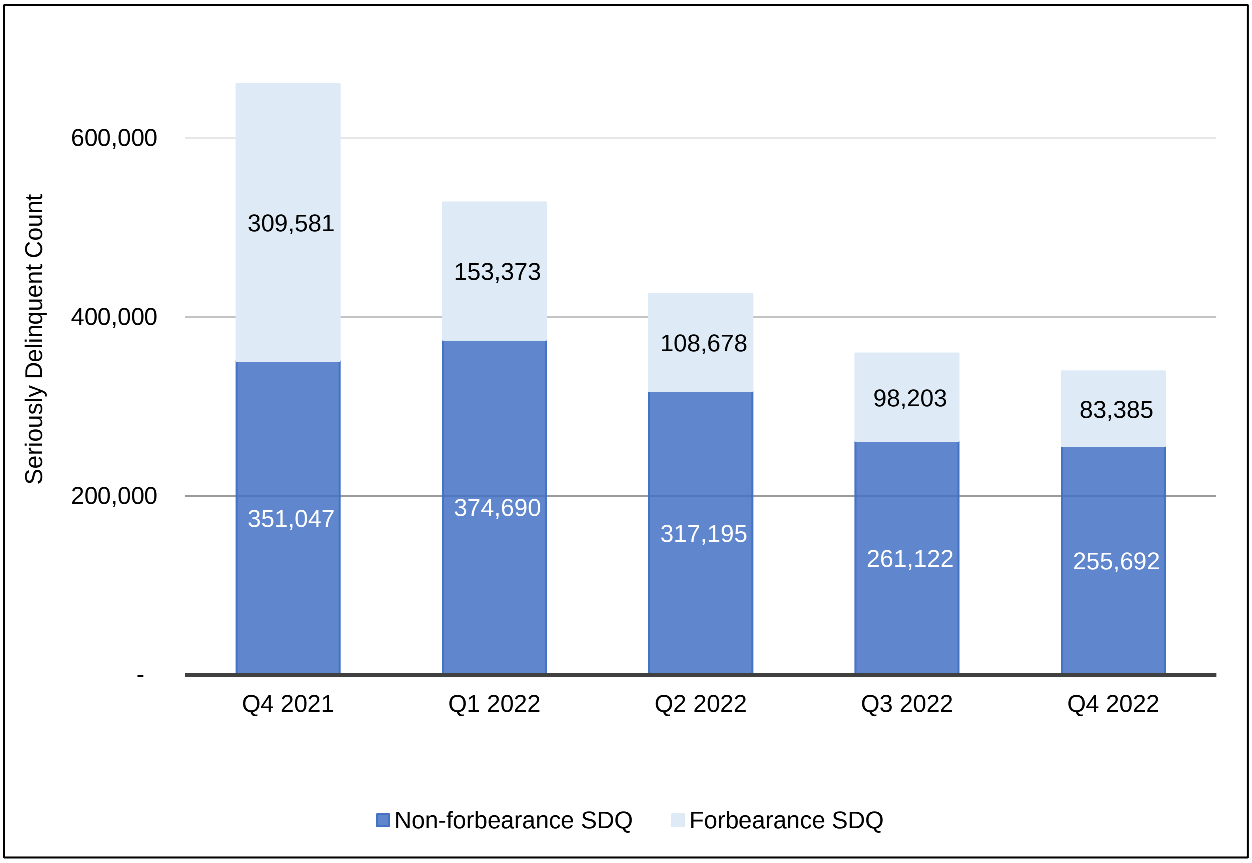
Over the course of the pandemic, FHA adjusted and improved its loss mitigation options for households affected by the pandemic. Most notably, in October 2021, FHA implemented its COVID-19 Recovery Modification. This modification targets a 25% payment reduction in the borrower's existing principal and interest payment. To achieve this substantial payment reduction, the servicer proceeds down a "waterfall" of different loan modification options and stops at the option that achieves the target savings, if possible. Before establishing the Recovery Modification, FHA already offered four other types of loan modifications that were used to help many borrowers.

FHA also provided relief for seniors with reverse mortgages insured through FHA's Home Equity Conversion Mortgage (HECM) program. Similar to the COVID-19 Forbearance available to borrowers with forward mortgages, FHA provided extensions to HECM borrowers impacted by the COVID-19 pandemic who requested relief in the past due payment of their property taxes and/or insurance. FHA's COVID-19 extensions for HECMs were extended seven times and will remain in place through the end of the National Emergency. All HECM homeowners experiencing a COVID-19-related hardship qualify for up to 12 months of extension through the end of the Emergency, with certain HECM homeowners being eligible for an extension of up to 18 months.

COVID-19 Loss Mitigation Plans Helped Borrowers Stay in Their Homes

The performance of loss mitigation plans keeping borrowers in their homes has been unusually strong to date. The seriously delinquent rate – those mortgages where the borrower is behind on their mortgage payments by 90 days or more – on COVID-19 loss mitigation plans is under 10 percent for loss mitigation plans that have been in place for over one year. Historically, the redefault rate at one year for FHA's loss mitigation plans has been approximately 20 percent, demonstrating the effectiveness of FHA's COVID-19 loss mitigation tools in providing lasting resolution options for homeowners.

Exhibit I-4: Seriously Delinquent Homeowners



SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table B-4 in Appendix B.

The success of FHA's COVID-19 recovery options is reflected by the rapid improvement of the Seriously Delinquent (SDQ) portfolio. Exhibit I-4 above shows that the number of seriously delinquent borrowers at the end of FY 2022 is about half the number at the end of FY 2021, falling from about 660,000 to about 340,000. The decrease in the number of SDQ borrowers in forbearance from more than 300,000 to fewer than 85,000 accounts for about 70 percent of the total decrease in the SDQ portfolio. Most of the remaining portfolio consists of borrowers who either were delinquent prior to COVID-19 or became delinquent during the pandemic but never obtained a forbearance.

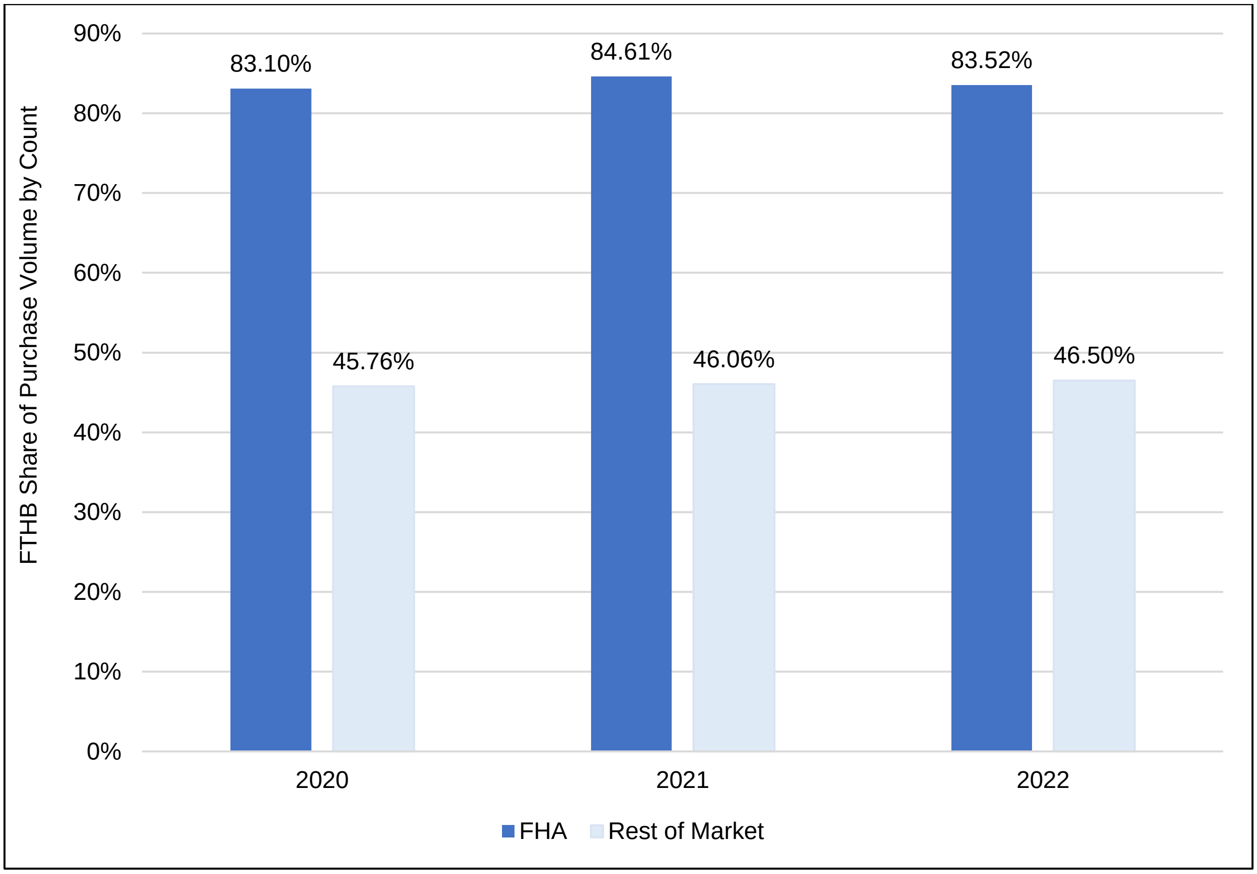
Chapter II:

Access to Credit for Underserved Borrowers

FHA plays a major role in providing affordable mortgage financing for borrowers traditionally underserved by the conventional mortgage market, including first-time homebuyers, households of color, and families living in rural areas. While rapidly rising home prices, accompanied by an unprecedented increase in mortgage rates in the latter half of the year, have adversely impacted housing affordability in FY 2022, FHA-insured mortgages remained an important source of financing in The Nation during this period. In FY 2022, FHA has worked to expand sustainable access to credit, remove barriers to homeownership for first-time homebuyers and underserved communities, and address housing supply and affordability.

Because of FHA's statutory mission and lower cost of capital, it is able to offer significant flexibilities that other market participants cannot to help underserved borrowers gain access to the financing necessary to purchase a home. FHA's minimum down payment requirement of 3.5 percent is often lower than that required by the conventional market. FHA also permits wider credit parameters for approvals and higher debt-to-income ratios than many other market participants. Additionally, FHA allows the use of co-borrowers to help qualify for a loan and provides flexibility for the use of gift funds for down payment and closing costs. While conventional loans may offer some of these flexibilities, they often have more stringent limitations on their use. Last, unlike most conventional mortgages, FHA mortgages have an assumption feature whereby a purchaser can take over, or assumes, the existing mortgage on the property on the same terms as the original borrower (although of course a new borrower will need to cover any home value appreciation above the unpaid principal balance on the original mortgage).

Exhibit II-1: Share of FHA's Purchase Volume to First-time Homebuyers Compared to Other Market Participants



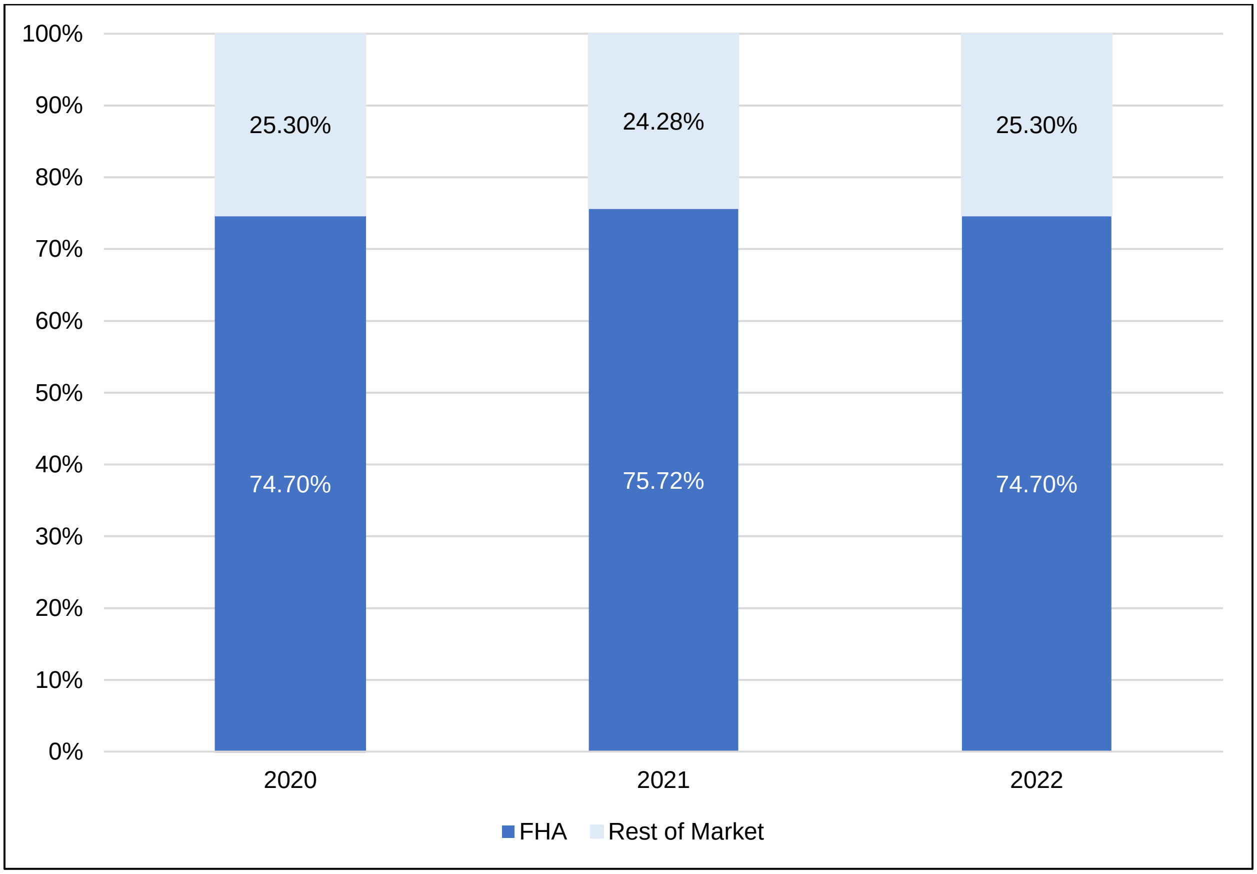
SOURCE: U.S. Department of HUD/FHA, Recursion. Exhibit II-1 does not include private label securities or portfolio lenders. Refer to data table C-1 in Appendix C.

Throughout its history, FHA has been the largest source of affordable financing for first-time homebuyers, enabling such borrowers to buy a house and thereby create the long-term stability and wealth-building opportunities that homeownership provides. As Exhibit II-1 above illustrates, well over 80 percent of FHA's purchase volume is comprised of loans made to first-time homebuyers, more than 35 percentage points higher than that of other participants in the U.S. housing market. Since 2009, FHA has insured 9.1 million mortgages to first-time homebuyers for a total loan amount of $1.7 trillion.

FHA's share of loans to first-time homebuyers is so high because its product is particularly useful for its low-wealth borrowers, for two primary reasons. First, low-wealth borrowers often have trouble saving large down payments due to high rents and other financial pressures. For these borrowers, a lower down payment product helps them to overcome one of the most frequently cited obstacles to making the initial transition to homeownership.

Second, a prospective borrower's level of wealth is closely correlated to their credit score and history. Borrowers who have wealth, or whose families have wealth have the access to liquid resources that enables them to meet the inevitable financial disruptions of a job loss, illness, divorce, or even an unexpected car repair. However, lack of wealth has the opposite effect, and therefore low-wealth borrowers cannot always stay current on all debt obligations when they encounter unexpected financial challenges. While these households can often catch up on their debts once the financial disruption ends, their credit score will have been negatively impacted in the meantime. About 70 percent of FHA borrowers have a credit score less than 680.

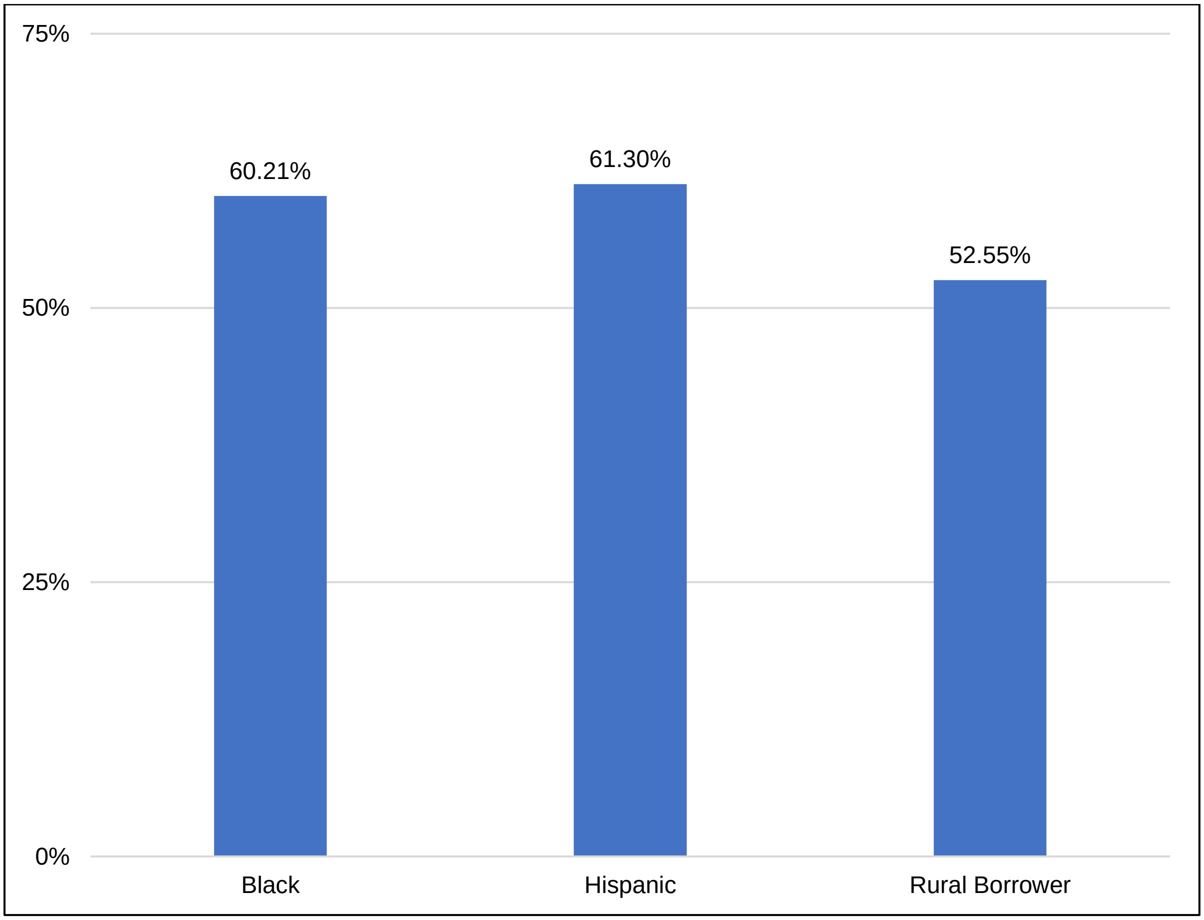
Exhibit II-2: Share Produced by the Origination Market – First-Time Homebuyers with LTV >95% and Credit Score <680



Source: Recursion. Exhibit II-2 does not include private label securities or portfolio lenders.
Refer to data table C-2 in Appendix C.

Because FHA insures high LTV mortgages and permits greater flexibility on borrower credit characteristics, it is uniquely capable of helping low-wealth families make the transition from renting to owning. For first-time homebuyers who need high LTV mortgage financing and have challenged credit scores and higher debt-to-income ratios, FHA is an invaluable means of access to the American dream of homeownership. As shown by Exhibit II-2, approximately 75 percent of all high LTV mortgages made across The Nation to first-time homebuyers with credit scores below 680 are FHA-insured. In this way, FHA enables many low-wealth households to access the benefits of homeownership, including generational wealth-building potential, that may not be available through conventional mortgage financing.

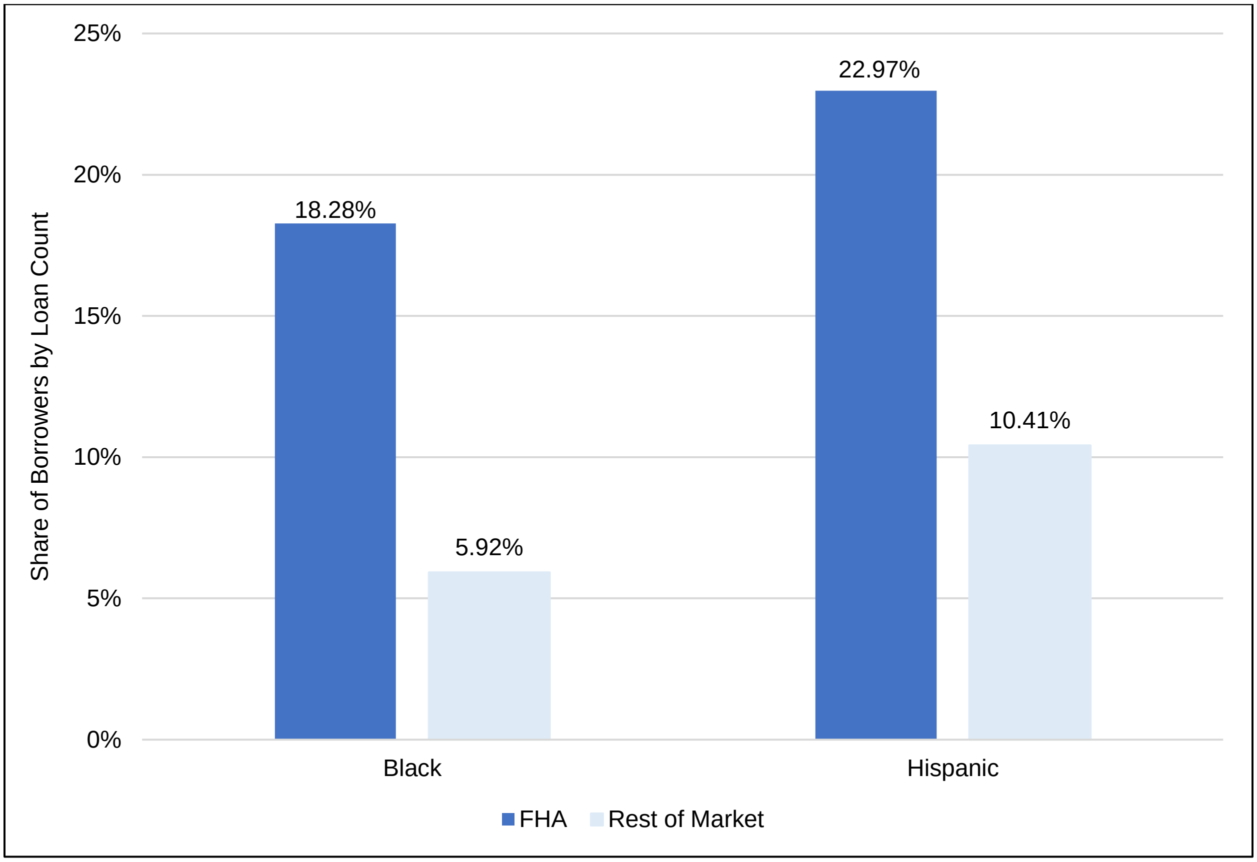
Exhibit II-3: FHA's Share of Low Down-Payment (less than 5%) Lending to Selected Underserved Borrower Groups



Source: 2021 Home Mortgage Disclosure Act (HMDA), Recursion.
Refer to data table C-3 in Appendix C.

As a result, FHA is the primary source of low-down payment financing for underserved borrowers as well, as illustrated by Exhibit II-3 above. In fact, a majority of all high LTV mortgages that Black, Hispanic and rural borrowers receive nationally are FHA-insured mortgages, according to calendar year 2021 Home Mortgage Disclosure Act (HMDA) data.

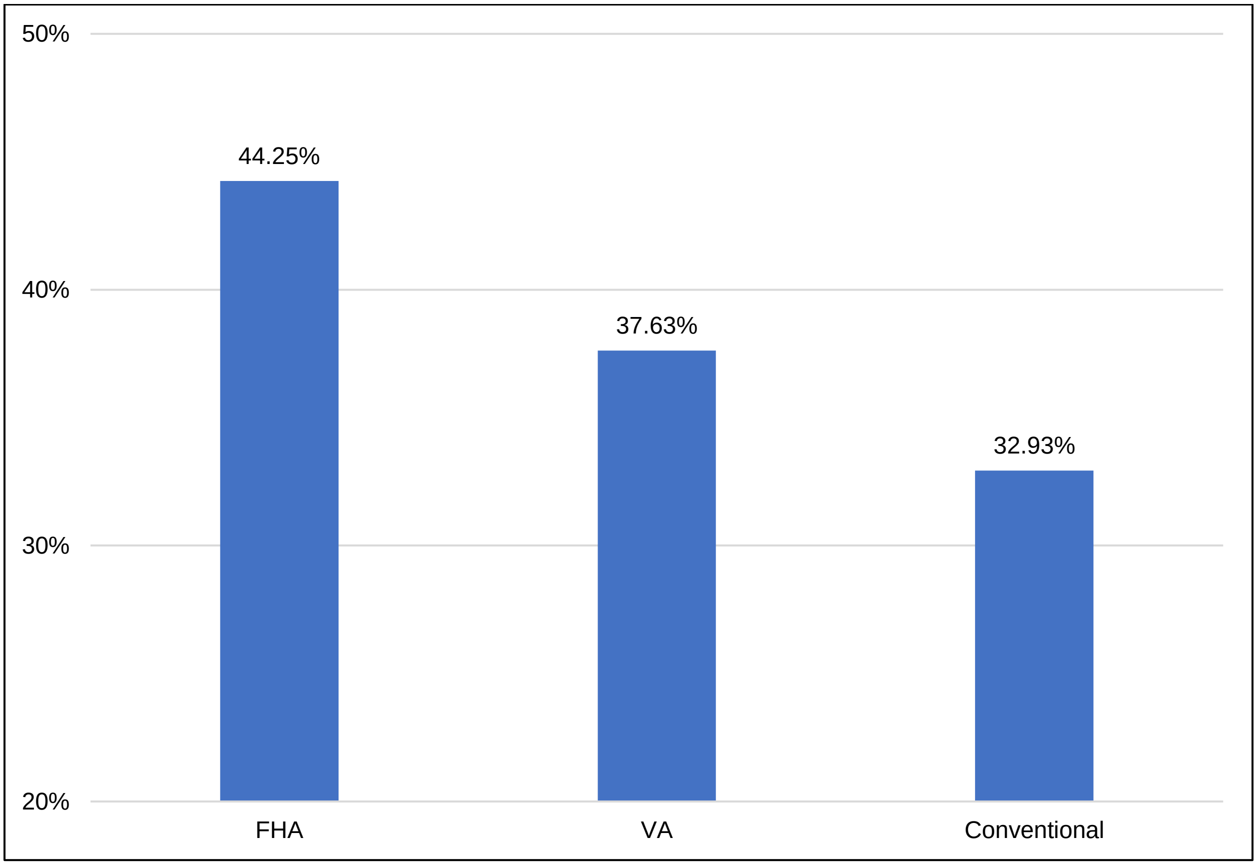
Exhibit II-4: FHA's Share of Lending to Hispanic and Black Borrowers Compared to Other Market Participants



Source: 2021 Home Mortgage Disclosure Act (HMDA), Recursion.
Refer to data table C-4 in Appendix C.

Families of color are overrepresented among renters and disproportionately lack family wealth. Because of FHA's flexible mortgage qualifications, it has traditionally been a vital source of mortgage credit for households of color. As Exhibit II-4, above, shows, FHA endorsements for mortgages made to Black borrowers comprise over 18 percent of FHA's total endorsements, roughly three times that of the rest of the market. Similarly, Hispanic borrowers made up 23 percent of FHA's total endorsements, more than two times the rest of the market, according to 2021 HMDA data.

Exhibit II-5: Share of Homebuyers Under the Age of 35

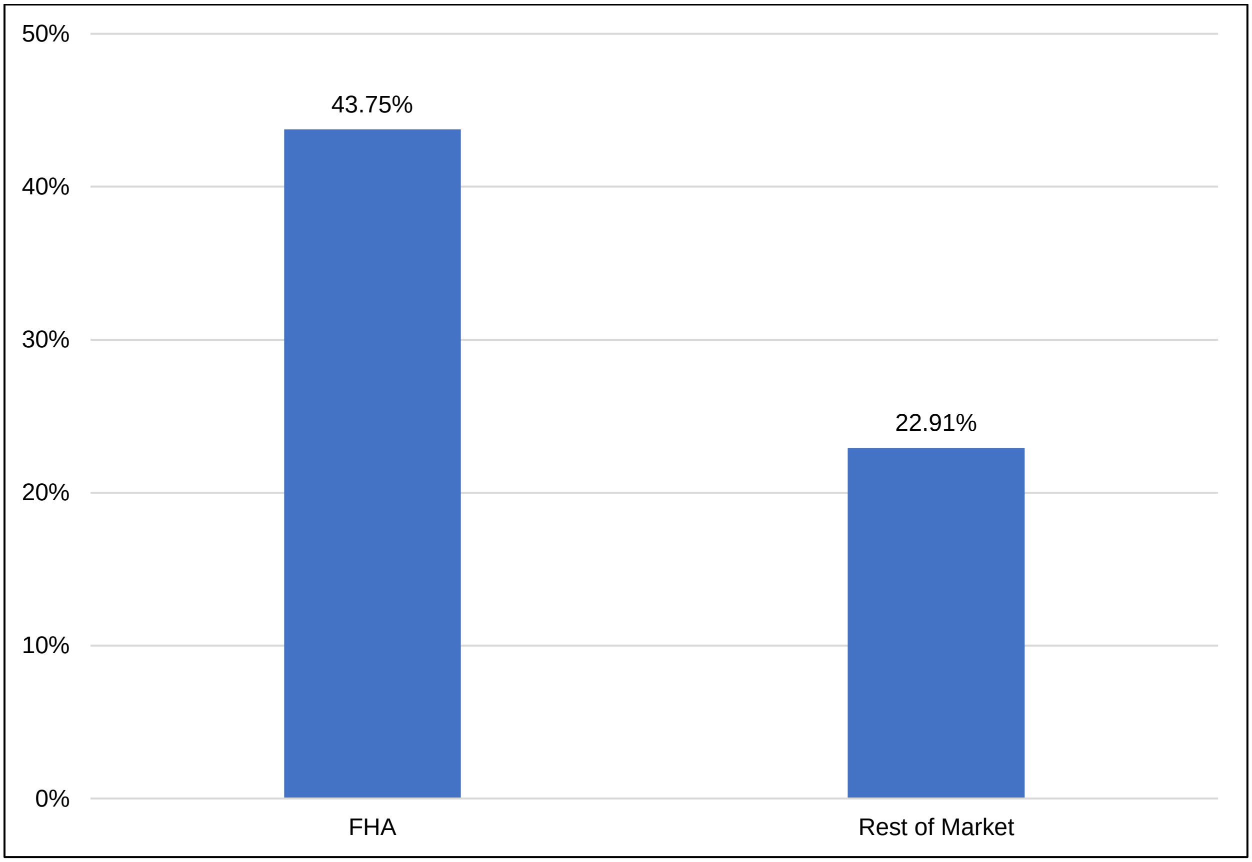


Source: 2021 Home Mortgage Disclosure Act (HMDA), Recursion.
Refer to data table C-5 in Appendix C.

FHA's flexibilities can help young borrowers access homeownership as well. As shown by Exhibit II-5, above, over 40 percent of the borrowers who use an FHA-insured mortgage to buy a home are under the age of 35, reinforcing FHA's important role in providing opportunities for younger households with lower wealth to achieve the stability and security that comes with homeownership. Providing earlier access to homeownership increases the long-term wealth-building potential that the home purchase provides, since borrowers have a longer period of time to realize appreciation of their home values and to pay down their mortgages.

Families with low-incomes have particular difficulties accumulating the funds for a mortgage down payment through savings and meeting the other requirements to qualify for a mortgage. FHA helps low-income households buy houses to a greater extent than the rest of the market.

Exhibit II-6: Share of Low-Income Homebuyers



Source: 2021 Home Mortgage Disclosure Act (HMDA), Recursion.
Refer to data table C-6 in Appendix C.

As indicated by Exhibit II-6, above, FHA serves a higher proportion of low-income households, defined as those under 80 percent of area median income. Exhibit II-6 above shows that 43% of FHA loans are to low-income households, while loans to these borrowers make up only 23% of the volume of the rest of the mortgage market. In other words, FHA's low-income borrower proportion is 20 percentage points higher than the remainder of the mortgage market.

Expanding Access to Credit and Removing Barriers to Homeownership

Throughout FY 2022, FHA continued to review its policies and operations to provide additional flexibility for borrower eligibility and remove unintended barriers to homeownership, particularly for underserved communities. This work supports the Biden-Harris Administration's governmental policy objectives and is a key part of HUD's priorities outlined in its Strategic Plan.

Expanding Mortgage Eligibility for Borrowers Whose Employment Was Affected by COVID-19

To facilitate greater access to FHA-insured mortgage financing for those financially affected by the COVID-19 pandemic, on July 7, 2022, FHA issued revised guidance for the calculation of effective income for lenders when qualifying purchase or refinance borrowers who experienced employment gaps or loss of income due to the pandemic. FHA's new guidance applies to salaried borrowers, hourly wage-earners and self-employed borrowers who experienced a temporary loss of employment, reduction of income, or reduction of hours worked. As a result, borrowers that now have a stable income will have greater opportunity to qualify for an FHA-insured mortgage.

Using Positive Rental Payment History to Help First-Time Homebuyers Qualify

To support greater opportunities for first-time homebuyers, as of September 27, 2022, FHA permits a first-time homebuyer's positive rental payment history to serve as an additional factor to help them qualify for an FHA-insured mortgage. This assessment is performed in FHA's Technology Open to Approved Lenders (TOTAL) Mortgage Scorecard algorithm, which is used to determine eligibility for an FHA-insured mortgage.

By adding a positive rental history indicator to the Scorecard for borrowers who have made on-time payment of all rental payments in the previous 12 months, FHA's credit evaluation is now more comprehensive and equitable, further expanding access to homeownership for first-time homebuyers transitioning from renting.

Addressing Housing Supply and Affordability

Consistent with the Biden-Harris administration's Affordable Housing Supply Action Plan, FHA has worked throughout fiscal year 2022 to increase the supply of affordable housing and address issues of housing affordability. This work includes important changes to FHA property disposition strategies enabling assets under HUD's control to remain available for owner-occupants.

Emphasizing Owner-Occupancy in Property Disposition of HUD-Held Assets

As detailed in Chapter 1, during fiscal year 2022, FHA made substantial progress in helping as many struggling borrowers as possible with FHA-insured mortgages to keep their homes. However, when home retention solutions cannot be achieved, the control of the mortgage asset or title to the property becomes the responsibility of HUD or the mortgage servicer in coordination with HUD.

In further refining its several disposition paths for those assets – conveyance to HUD's REO portfolio, Claim Without Conveyance of Title, and Note Sales – FHA has turned its attention to ensuring that assets are available for purchase by new owner-occupants prior to being sold to cash investors. During this past fiscal year, FHA restructured several of its disposition strategies to provide greater opportunities for homebuyers to purchase properties to occupy as their primary residence.

First, FHA expanded its existing exclusive period for owner-occupants, HUD-approved non-profit organizations, and government entity buyers to bid on most HUD real-estate owned properties listed for sale on its HUD HomeStore web site, moving it from 15 to 30 days. This expansion, initiated on January 13, 2022, provides more time for owner-occupant and mission-focused purchasers to bid on these homes before having to compete with investors.

Second, on May 5, 2022, FHA modified its Claim Without Conveyance of Title disposition process to provide greater ability for owner-occupant purchasers, nonprofit organizations, and government entities to bid on these properties during the Claim Without Conveyance of Title "Second Chance" process. Claim Without Conveyance of Title is an FHA claim option through which insurance benefits are paid to a servicer after the sale of the property to a third-party purchaser at or after foreclosure without being conveyed to HUD.

FHA's modification to the Claim Without Conveyance of Title "Second Chance" process added an initial 30-day exclusive sales period for owner-occupants, HUD-approved non-profits, and government entity buyers, thereby aligning this policy with its REO sales policy. In addition, FHA modified its required conveyance timelines for mortgage servicers to allow buyers more time to obtain mortgage financing and complete a sale.

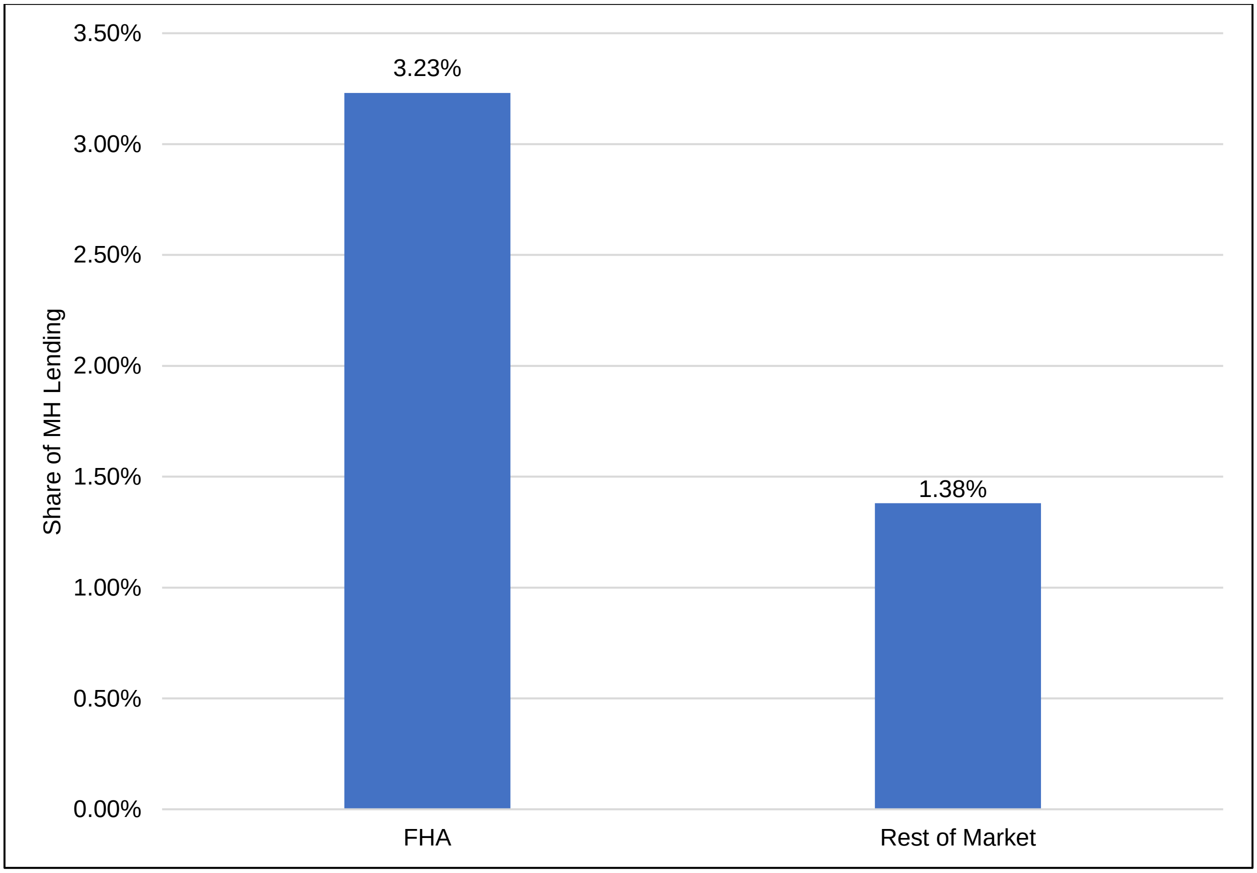
Last, FHA made changes to its note sales program through which HUD sells mortgage notes on vacant properties secured by Home Equity Conversion Mortgages (HECMs). Its June HECM note sale restricted purchase to nonprofits and units of local government, and its July sale contracts contained a requirement that purchasers offer a first look opportunity to owner-occupants aligned with the process used for REO and Claim Without Conveyance of Title properties.

Supporting Affordable Financing of Manufactured Homes

FHA insures mortgages for manufactured homes secured by real estate through its Title II forward and HECM programs. FHA recognizes that expanding the availability of FHA-insured affordable mortgage financing of manufactured homes titled as real estate is in part contingent upon increasing the supply of these homes and encouraging greater consumer acceptance of manufactured housing as a comparable alternative to site-built homes. FHA works on this issue through its Office of Manufactured Housing Programs (OMHP), which publishes the

Manufactured Home Construction and Safety Standards, commonly referred to as the "HUD Code." On July 19, 2022, OMHP published a proposed rule containing the largest set of proposed changes to the Code in over two decades. When implemented, these changes will bring the HUD Code in line with recent manufactured housing industry standards and further improve the quality and safety of manufactured home construction. The changes include allowing multi-unit manufactured homes, open floor plans, truss designs, and accessibility improvements, among other features.

Exhibit II-8: FHA's Share of Manufactured Home Loans



Source: 2021 Home Mortgage Disclosure Act (HMDA), Recursion.
Refer to data table C-8 in Appendix C.

As shown by Exhibit II-8 above, 3.23 percent of FHA-insured Title II forward mortgages were for mortgages on manufactured homes secured by real estate in FY 2022 compared to 1.38 percent for the rest of the mortgage market.

Enhancing FHA Program Policies and Processes

The FHA Single Family program delivers access to affordable mortgage credit through a nationwide network of FHA-approved lenders, mortgage servicers, and other program participants. Throughout FY 2022, FHA continued working on process, operational, and technology improvements designed to make doing business with FHA easier for program participants.

Providing More Flexibility for Appraisal Use Timeframes

On July 12, 2022, FHA increased the appraisal validity periods for FHA-insured mortgages. With this change, FHA now allows an initial appraisal to be valid for 180 days from the effective date of the appraisal report, and an appraisal update to be valid for one year. FHA also removed the requirement for an update to be performed before the initial appraisal has expired. These changes align FHA's requirements with other mortgage channels and will reduce appraisal costs for FHA-approved lenders and borrowers.

Consolidating Home Equity Conversion Mortgage Policy Sources

The HECM program is an FHA-insured reverse mortgage program designed for those aged 62 or older to use the equity in their home to age in place (See Chapter 3 for a full program description.)

FHA's HECM program guidance is currently spread out over multiple policy documents. To facilitate easier understanding and use of the program, on September 29, 2021, FHA posted for industry feedback a draft consolidated and updated HECM section of the *Single Family Housing Policy Handbook 4000.1*. When complete and published in final form, this section of the Handbook will provide a centralized and consolidated source for FHA policy governing the origination and servicing of FHA-insured HECMs.

Enhancing Operations with Technology Support

FHA's technology modernization initiative, FHA Catalyst, remained a priority for FHA this past fiscal year. FHA successfully implemented and transitioned program participants to both the "FHA Catalyst: Servicing Module" and the "FHA Catalyst: Single Family Default Monitoring System" in FY 2022. In addition, FHA maintained and enhanced the existing Claims and Case Binder submission functionality on the FHA Catalyst platform, which continue to provide streamlined, electronic functionality that replaced previously paper-based processes.

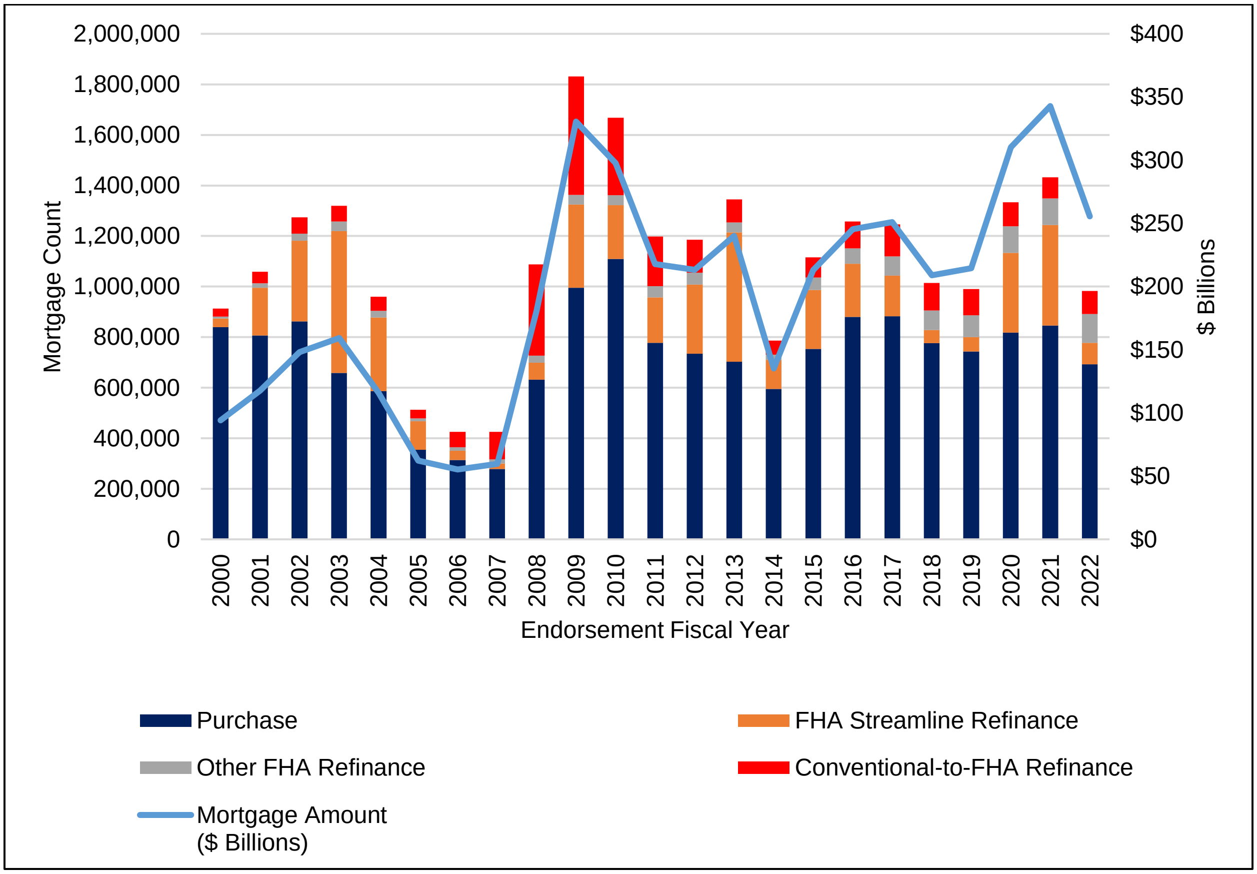
In addition to FHA Catalyst, on February 4, 2022, FHA launched its Single Family Mortgage Asset Recovery Technology (SMART) self-service, web-based portal to allow borrowers, servicers, and third parties to request mortgage payoff amounts in real time for FHA partial claims or subordination.

Chapter III:
FHA Single Family Mortgage and Borrower Characteristics

FHA Forward Mortgage Program: Endorsement Trends and Composition

In FY 2022, FHA continued to provide stability and access to credit amidst a mortgage market in rapid transition. An unprecedented increase in mortgage rates starting in the second quarter of FY 2022 resulted in a significant decline in refinance activity. Higher mortgage rates adversely impacted affordability as well, resulting in a decline in purchase volume, although the decline was not as steep as it was for refinance volume.

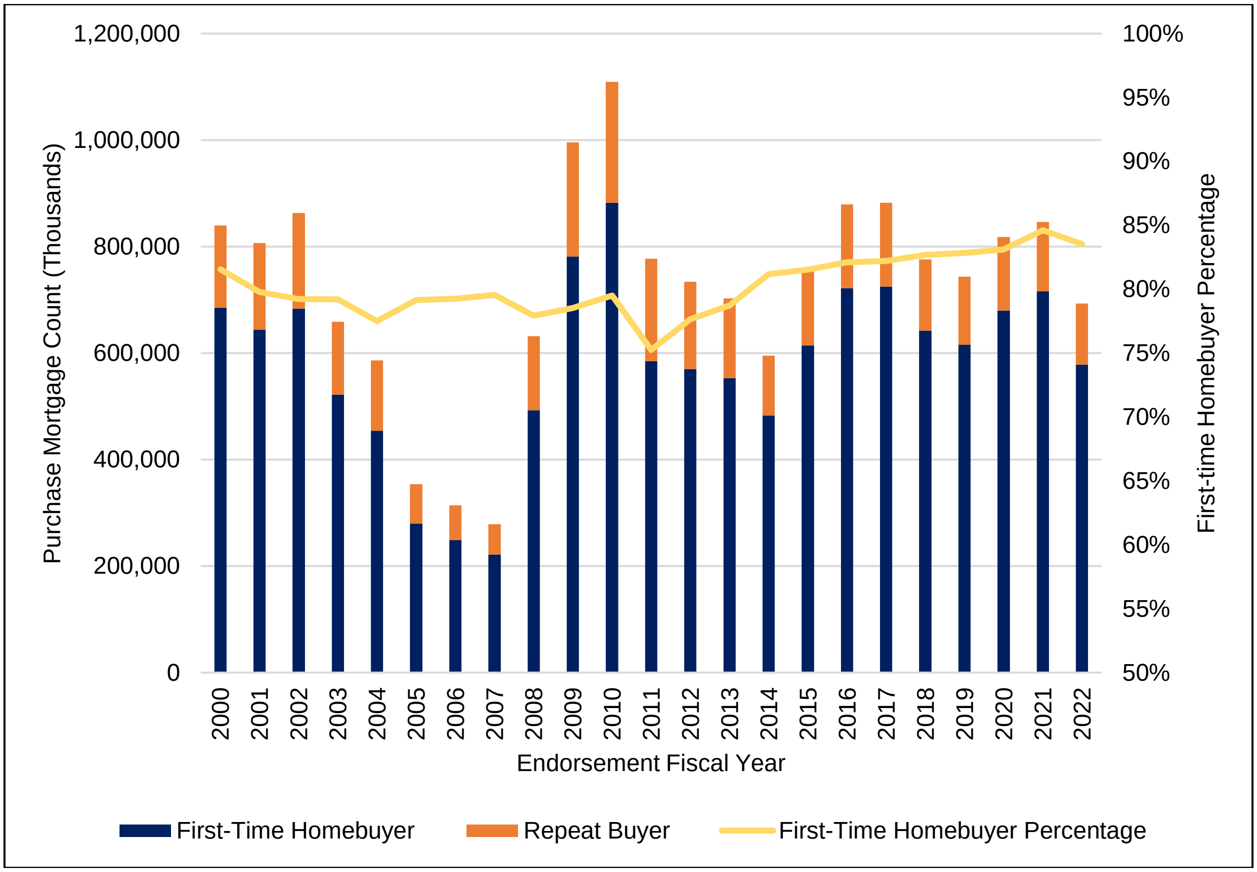
Exhibit III-1: Historical FHA Forward Mortgage Endorsement Activity



SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table D-1 in Appendix D.

Exhibit III-1 above provides a historical overview of FHA forward mortgage endorsements by purpose and the aggregate original mortgage balance of endorsed mortgages, for each of the last 22 fiscal years. In FY 2022, FHA endorsed 982,202 home mortgages through its forward mortgage program, of which 70 percent were purchase mortgages. Of these purchase mortgages, over 83 percent were for first-time homebuyers. The original mortgage amount of all endorsed forward mortgages, including both purchase and refinance mortgages, in FY 2022 totaled $255.51 billion, down from $342.82 billion in FY 2021. The average forward mortgage amount of FHA endorsements in FY 2022 was $260,137, an increase of 8.7 percent from the FY 2021 average of $239,256.

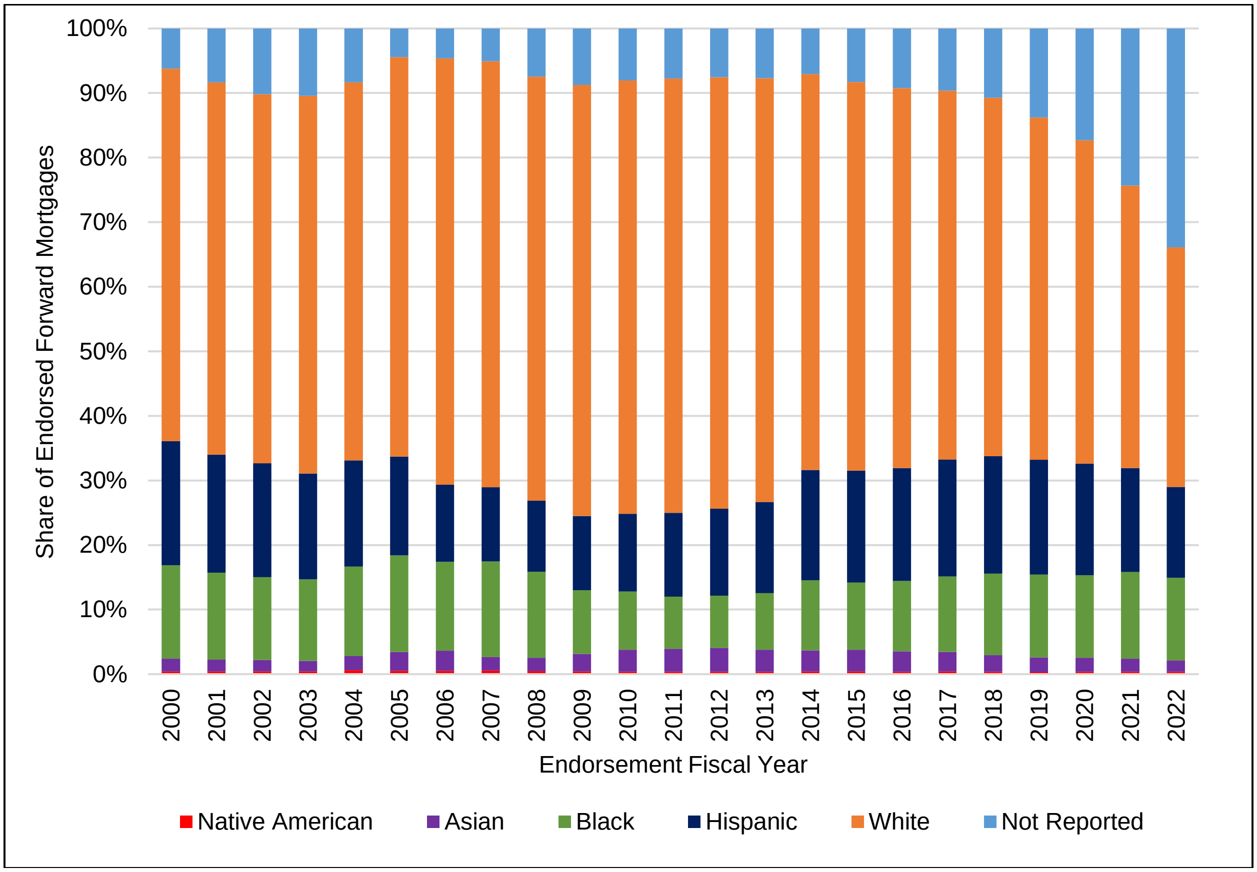
Exhibit III-2: Historical Purchase Mortgage Activity and FHA First-Time Homebuyer Share



SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table D-2 in Appendix D.

As illustrated by Exhibit III-2 above, despite the historical variability in the total number of home purchase endorsements, first-time homebuyers consistently represent about four out of every five FHA forward mortgage purchase transactions. The percent of forward mortgages insured for the first-time homebuyers in FY 2022 was 83.52 percent, down slightly from the record high in FY 2021 of 84.61 percent.

Exhibit III-3: Racial Composition of FHA Forward Mortgages

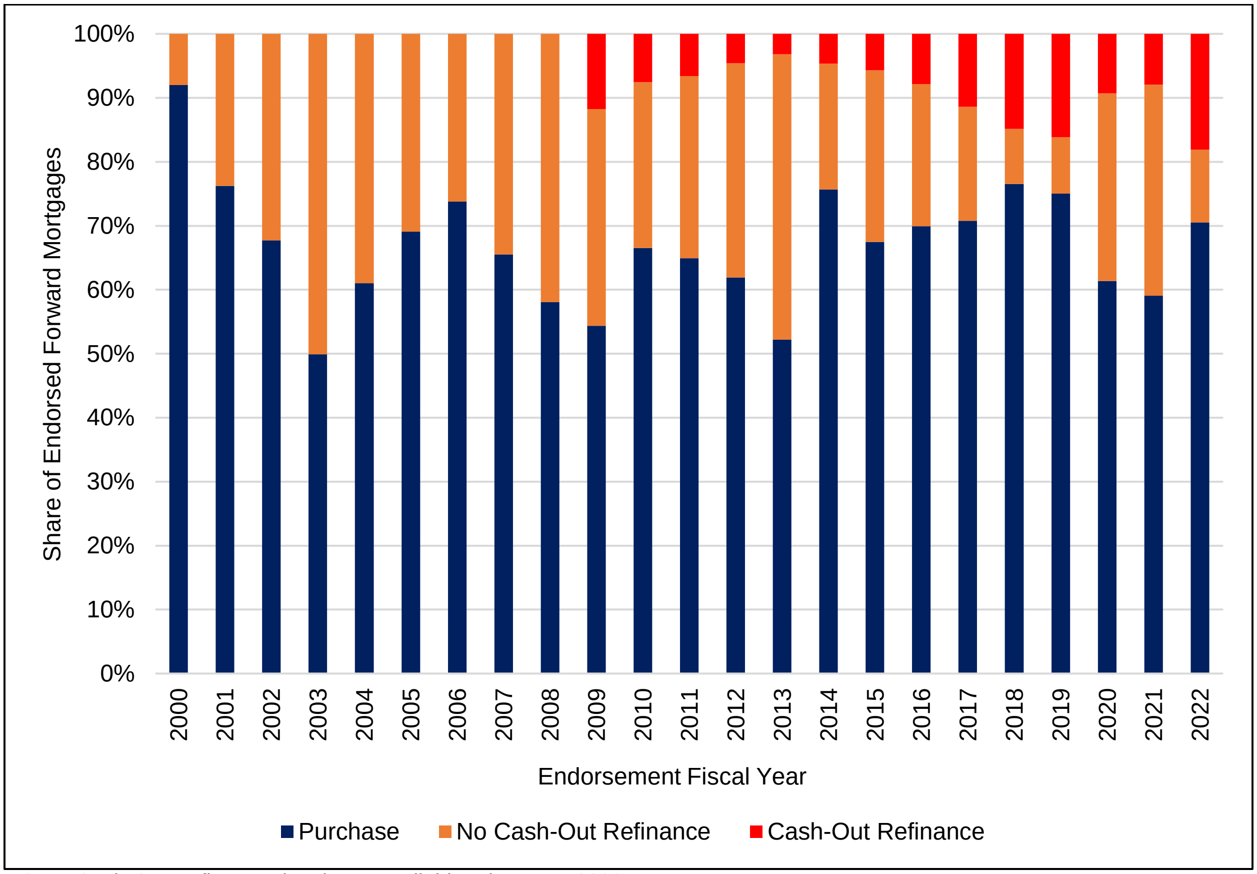


SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table D-3 in Appendix D.

FHA-insured mortgages continue to serve as an important source of financing for individuals and families of color. Exhibit III-3 above shows that for FY 2022, the composition of borrowers of color served by FHA-insured mortgages[2] was 14.07 percent Hispanic; 12.85 percent Black; 1.71 percent Asian American and Pacific Islander; and 0.37 percent Native American. Note that non-reporting of race and ethnicity has grown significantly over the last four years.

[2] Declaration of race and ethnicity is voluntary for borrowers. FHA's share of non-respondents increased from 24.32 percent in FY 2021 to 33.89 percent in FY 2022.

Exhibit III-4: Historical FHA Forward Endorsement Activity

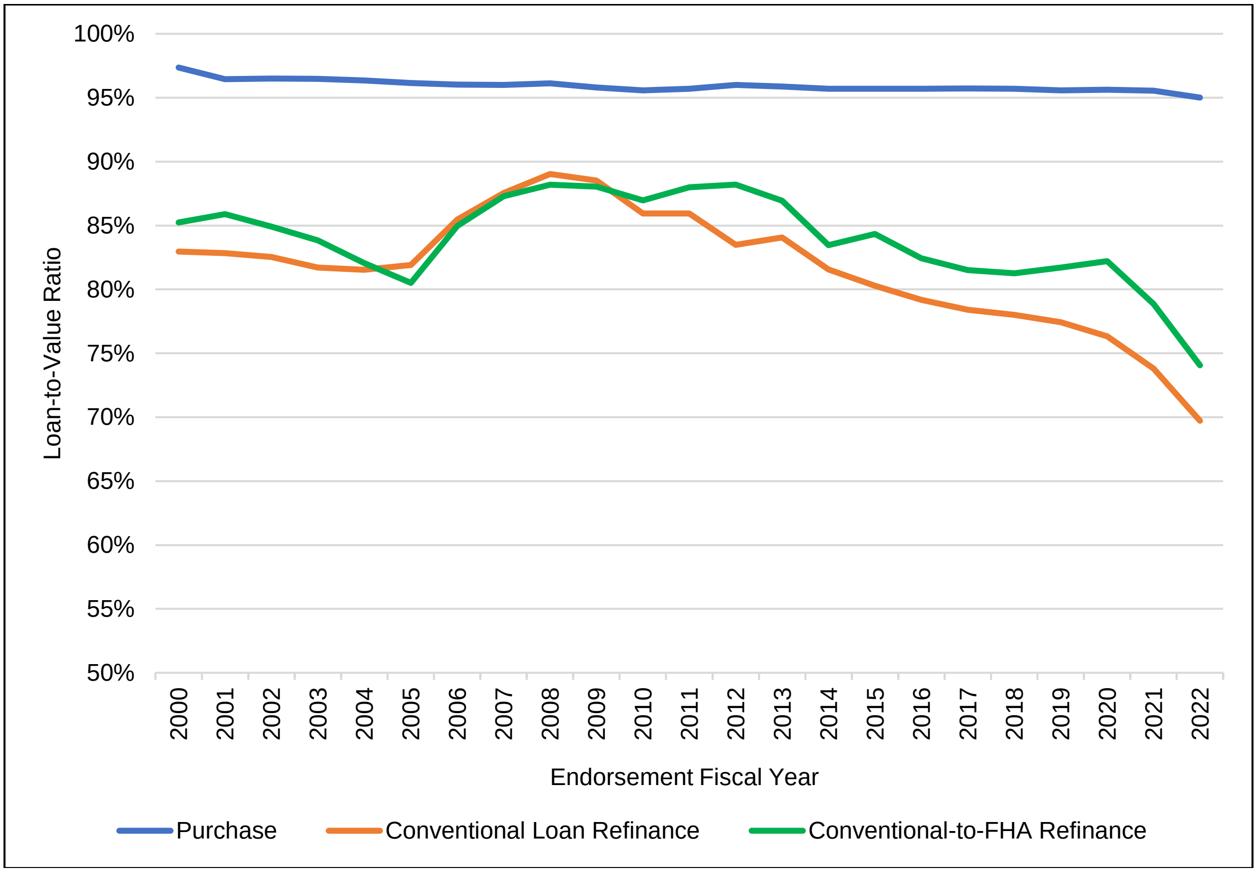


NOTE: Cash-Out Refinance data is not available prior to FY 2009.
SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table D-4 in Appendix D.

Purchase transactions continued to represent the majority of FHA volume in a year dominated by refinance transactions throughout the rest of the housing market. Exhibit III-4 above provides a detailed breakdown of historical forward endorsement activity. In FY 2022, FHA-insured purchase transaction mortgages represented 70.45 percent of all FHA-insured endorsements, an increase of 11.48 percent from FY 2021, as the percentage of refinance transactions decreased from 40.94 percent of FHA's volume in FY 2021 to 29.46 percent in FY 2022.

In 2019, FHA reduced the maximum LTV and CLTV limit for cash-out refinances from 85 percent to 80 percent, matching GSE guidelines. This change had an immediate impact of reducing the share of cash-out refinances in FY 2020 and FY 2021. While the number of cash-out transactions was higher this past year, the increase was muted compared to the rest of the market.

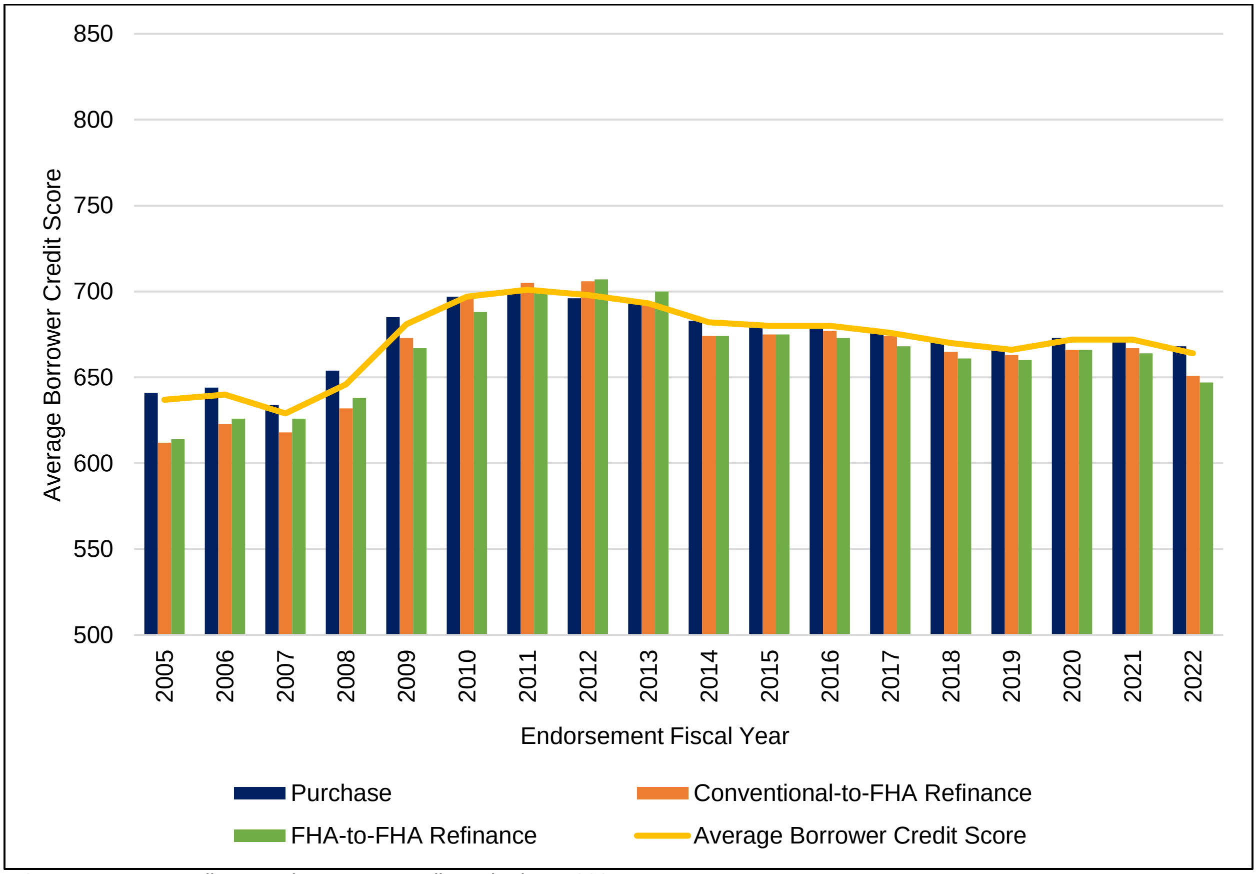
Exhibit III-6: Average FHA Forward Loan-to-Value Ratio by Mortgage Purpose



NOTE: Exhibit III-6 includes only fully underwritten mortgages and excludes Streamline Refinances.
SOURCE: US Department of HUD/FHA, October 2022.
Refer to data table D-6 in Appendix D.

The average LTV ratio for purchase transactions decreased slightly from 95.54 percent in FY 2021 to 95.01 percent in FY 2022. As Exhibit III-6 above illustrates, the average LTV ratio for purchase transaction mortgages has remained relatively stable since 2001. The average LTV ratio for both Conventional-to-FHA and FHA-to-FHA refinance transactions continues to decrease from the highs of FY 2007 through FY 2012, with Conventional-to-FHA refinances at 69.72 percent, and FHA-to-FHA refinances at 74.06 percent in FY 2022. Home Price Appreciation (HPA) and a decrease in the maximum LTV of cash-out refinance mortgages in 2019 are contributing factors to the declining average LTV ratio of FY 2022 refinance endorsements.

Exhibit III-7: Average Borrower Credit Score for FHA-Endorsed Mortgages

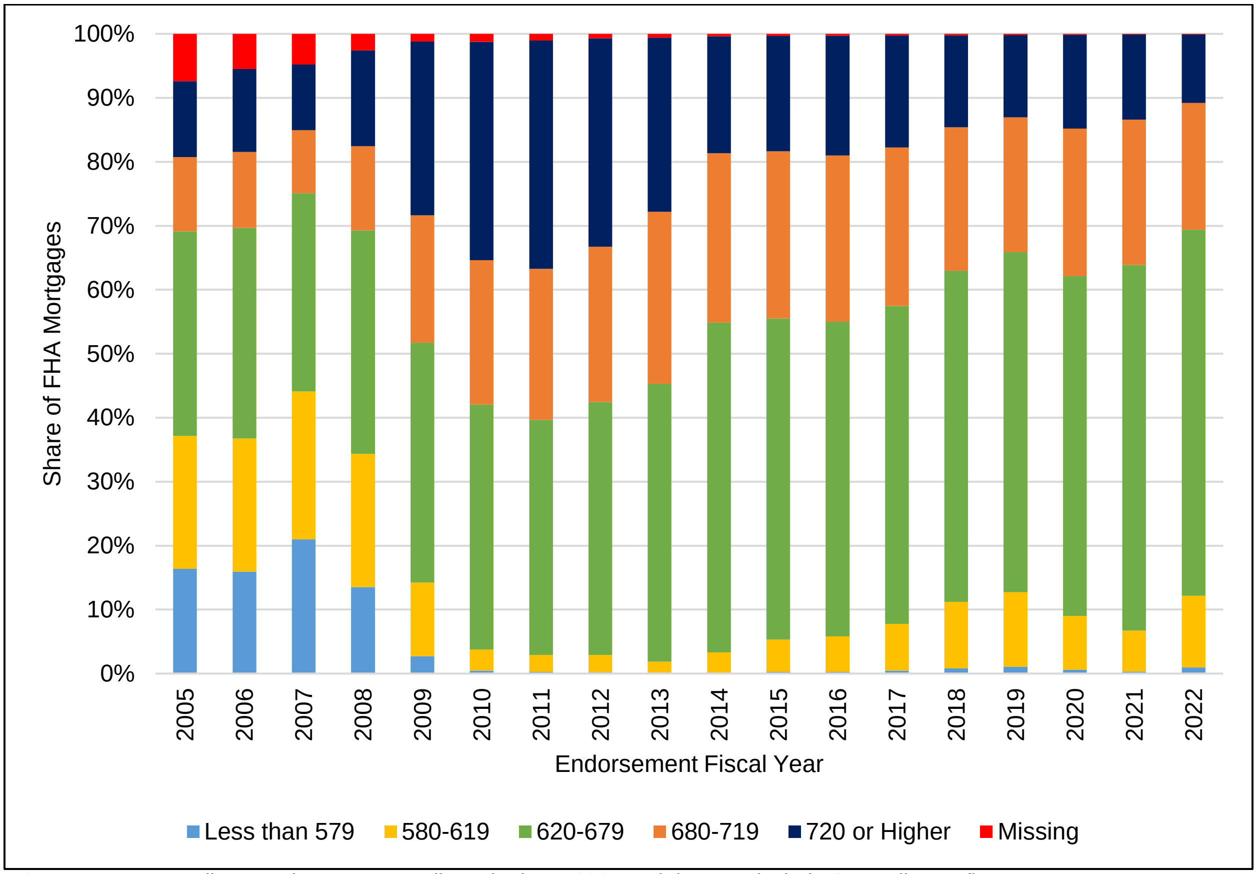


NOTE: Borrower credit score data was not collected prior to 2005.
SOURCE: U.S. Department of HUD/FHA, October 2022
Refer to data table D-7 in Appendix D.

The average borrower credit score for an FHA-insured mortgage rose slightly to 672 in FY 2020 and FY 2021[3], as the uncertainty caused by the COVID-19 pandemic prompted many mortgage market participants to tighten their credit terms. This trend reversed in FY 2022 and FHA's average credit score decreased slightly to 664 as a result.

[3] Borrower credit score data is not collected for Streamline Refinance mortgages.

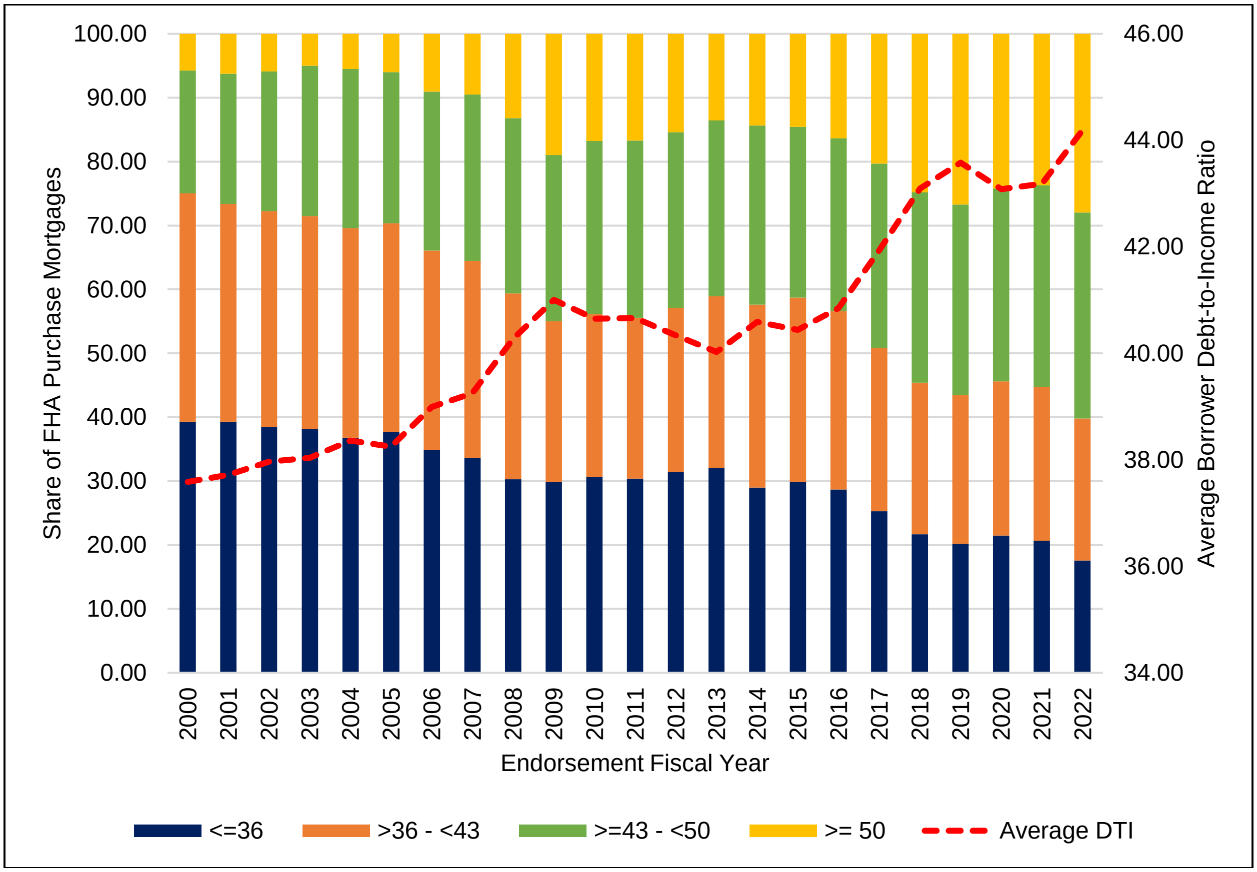
Exhibit III-8: Distribution of FHA Borrower Credit Score by Fiscal Year



NOTE: Borrower credit score data was not collected prior to 2005 and does not include Streamline Refinance mortgages.
SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table D-8 in Appendix D.

Exhibit III-8 above illustrates the distribution of credit scores for borrowers obtaining FHA endorsements. The share of endorsements with credit scores below 620 increased from 6.37 percent in FY 2021 to 11.22 percent in FY 2022. The share of endorsements with credit scores of 720 or higher decreased from 13.32 percent in FY 2021 to 10.67 percent in FY 2022.

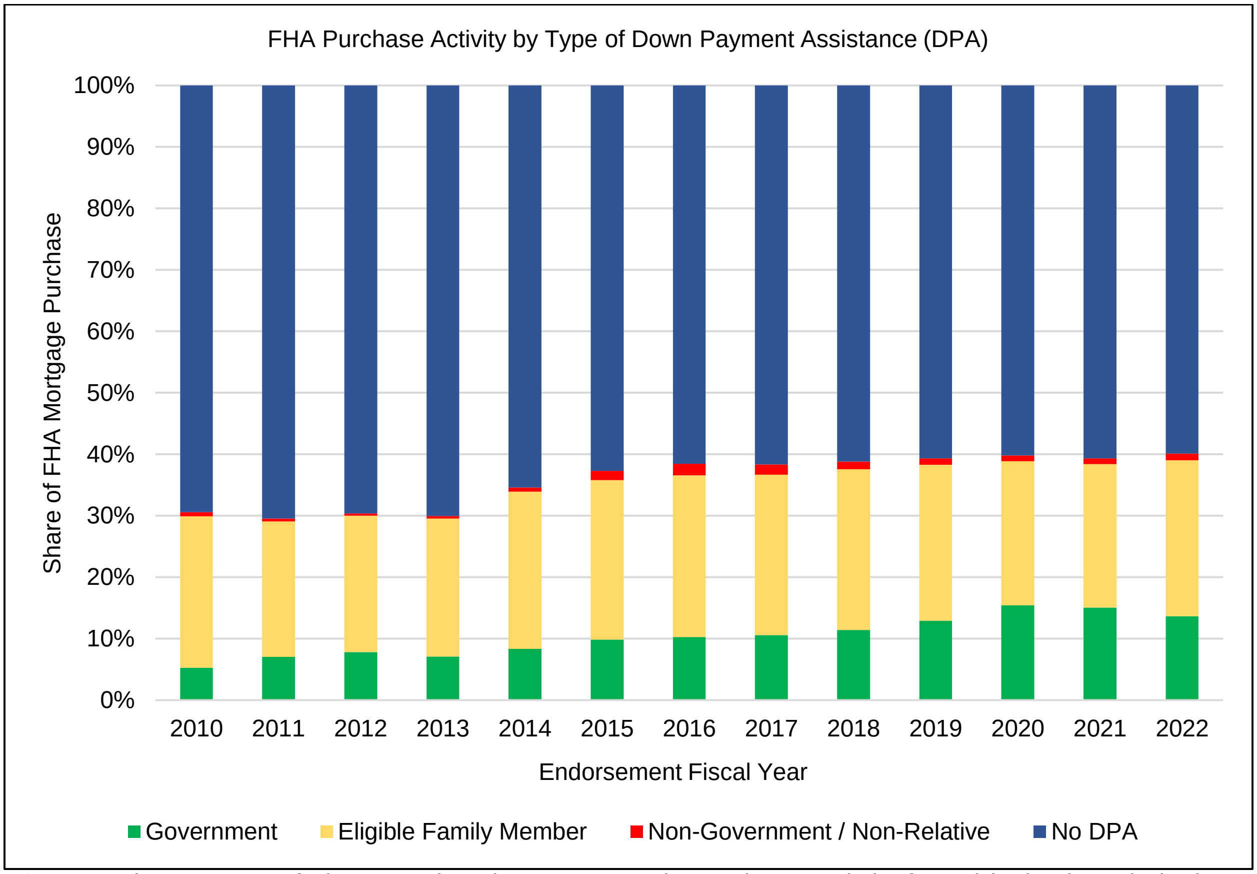
Exhibit III-9: Borrower Debt-to-Income (DTI) Ratio for FHA Purchase Mortgages



SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table D-9 in Appendix D.

The average DTI ratio for borrowers with FHA-insured purchase mortgages increased in the past year, from 43.18 percent in FY 2021 to 44.19 percent in FY 2022, as illustrated in Exhibit III-9 above. The percentage of borrowers with DTI ratios of 50 percent or greater in FY 2022 was at 27.95 percent, an increase from 23.71 percent in FY 2021. The trend toward increased DTI is primarily a result of decreasing affordability in the housing market, as much higher home prices and rising mortgage rates have substantially increased borrowers' monthly mortgage payments and vastly outpaced the rise in household incomes.

Exhibit III-10: FHA Purchase Activity by Type of Down Payment Assistance

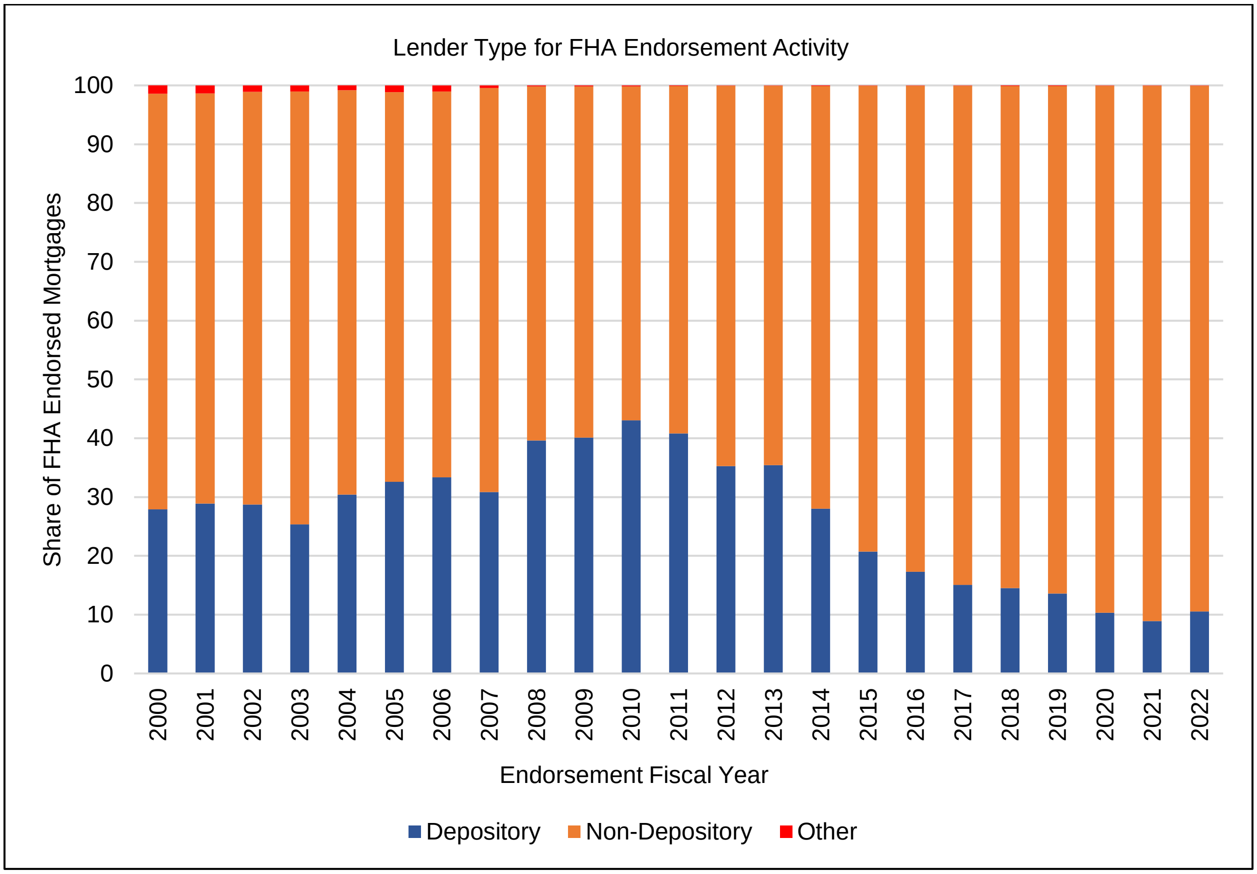


NOTE: Data does not account for instances where down payment assistance data was missing from origination data submitted to FHA.
SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table D-10 in Appendix D.

FHA permits a borrower's minimum required investment, sometimes referred to as a down payment, to be funded by eligible sources other than the borrower. As Exhibit III-10 shows above, in FY 2022, 40.13 percent were for loans utilizing down payment assistance. Gift funds from eligible family members were the largest source of down payment assistance for borrowers with FHA-insured mortgages in FY 2022 and also grew the most as a category, representing 25.36 percent of FHA's total forward mortgage purchase volume this past fiscal year. Loans with down payment assistance from government sources represented 13.64 percent of FY 2022 forward mortgage endorsements.[4]

[4] Borrowers accepting down payment assistance from a governmental entity may execute a note and security instrument agreeing to repay the assistance under specified conditions, unlike a gift from a relative.

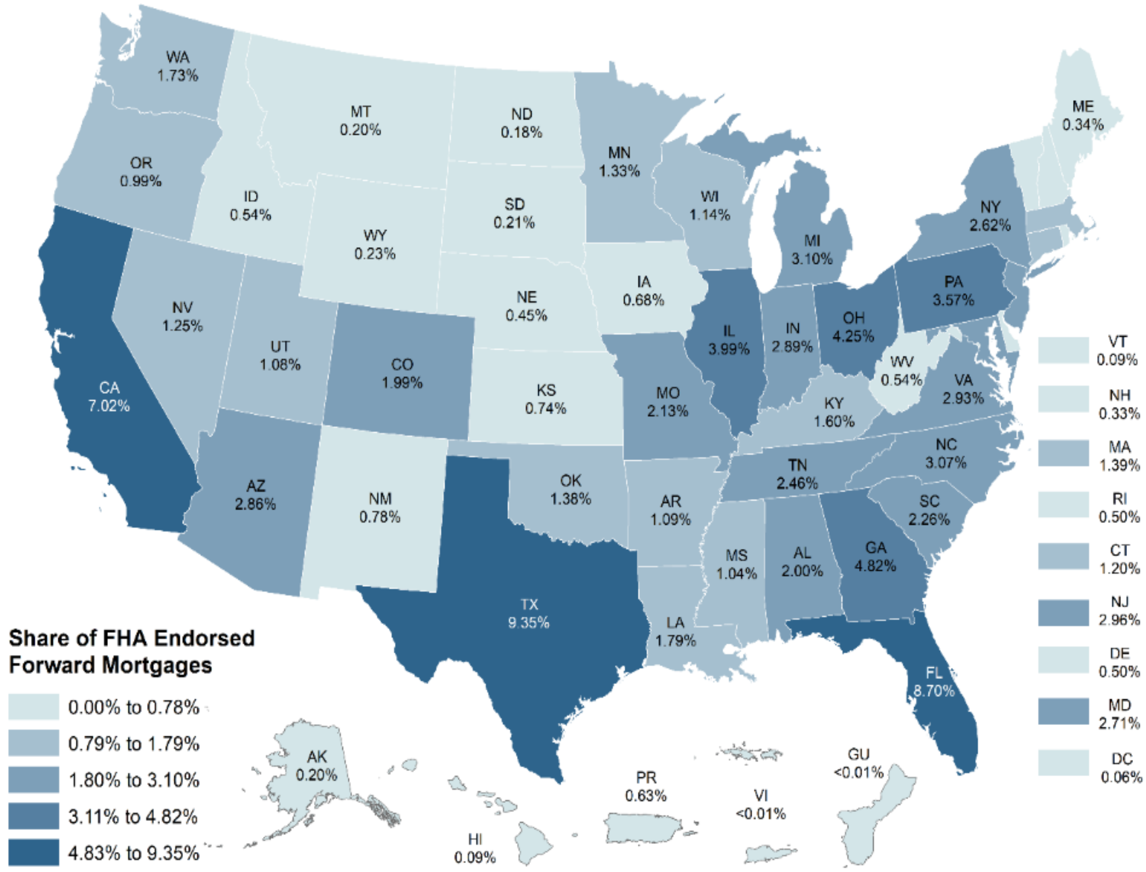
Exhibit III-13: Lender Type for FHA Endorsement Activity



SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table D-13 in Appendix D.

Over the past twelve years, an increasing share of new FHA endorsements have been originated by non-depository institutions, as illustrated in Exhibit III-13 above. In FY 2022, non-depository lenders originated mortgages representing 89.41 percent of all FHA forward endorsements. However, the share of endorsements originated by depositories increased for the first-time since 2010, from 8.91 percent in FY 2021 to 10.52 percent in FY 2022.

Exhibit III-14: FY 2022 FHA Forward Endorsement Concentration by State



SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table D-14 in Appendix D.

Exhibit III-14 above shows the percentage of FY 2022 endorsements by state. The three most populous states, California, Texas, and Florida, are also the states that had the greatest counts of FHA-insured mortgage endorsements in FY 2022, totaling 25.06 percent of forward endorsements. Slightly over half of all forward endorsements were concentrated in just ten states.

Forward Mortgage Program: Portfolio Overview and Performance Trends

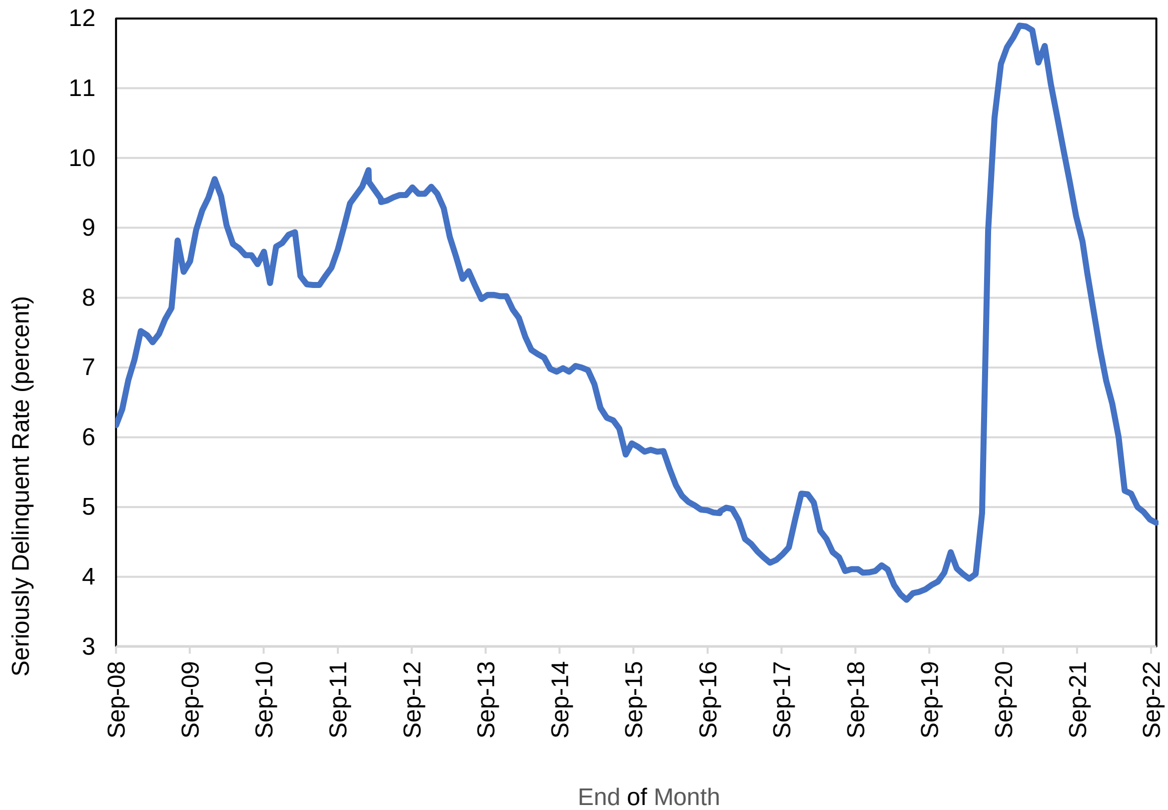
Exhibit III-15: Insurance-in-Force, Unpaid Principal Balance, and Seriously Delinquent by Vintage as of September 30, 2022

Endorsement Fiscal Year	Insurance-in-Force				Seriously Delinquent	
	Counts	IIF Share (Percent)	UPB ($ millions)	UPB Share (Percent)	Counts	SDQ Rate
Pre-2004	346,895	4.78	12,720	1.05	19,061	5.49
2004	96,256	1.33	5,696	0.47	5,146	5.35
2005	69,828	0.96	4,507	0.37	4,394	6.29
2006	55,553	0.76	4,120	0.34	4,042	7.28
2007	53,490	0.74	4,572	0.38	4,409	8.24
2008	122,169	1.68	12,174	1.01	10,273	8.41
2009	238,212	3.28	25,507	2.11	14,461	6.07
2010	287,861	3.96	30,016	2.48	13,755	4.78
2011	230,299	3.17	24,637	2.03	9,570	4.16
2012	292,912	4.03	32,593	2.69	9,833	3.36
2013	411,547	5.67	49,328	4.07	11,902	2.89
2014	176,897	2.44	19,185	1.58	10,136	5.73
2015	296,826	4.09	38,782	3.20	16,954	5.71
2016	416,764	5.74	59,922	4.95	23,324	5.60
2017	459,664	6.33	71,355	5.89	27,590	6.00
2018	374,891	5.16	60,962	5.03	30,233	8.06
2019	376,884	5.19	66,341	5.48	31,291	8.30
2020	749,616	10.32	154,632	12.77	37,310	4.98
2021	1,237,711	17.04	284,181	23.47	46,986	3.80
2022	968,919	13.34	249,652	20.62	15,973	1.65
Total	7,263,194	100.00	1,210,882	100.00	346,643	4.77

NOTE: These mortgage counts and balances are active as of September 30, 2022. Portfolio UPB differs slightly from IIF amounts reported in Chapter 4.
SOURCE: U.S. Department of HUD/FHA, October 2022.

Exhibit III-15 above provides a breakdown of FHA Insurance-in-Force (IIF) by vintage, including the seriously delinquent (SDQ) rate for each fiscal year. The SDQ rate, a key indicator of portfolio performance, tracks the percentage of FHA-insured mortgages where the borrower is 90 or more days delinquent, including mortgages in foreclosure and bankruptcy.

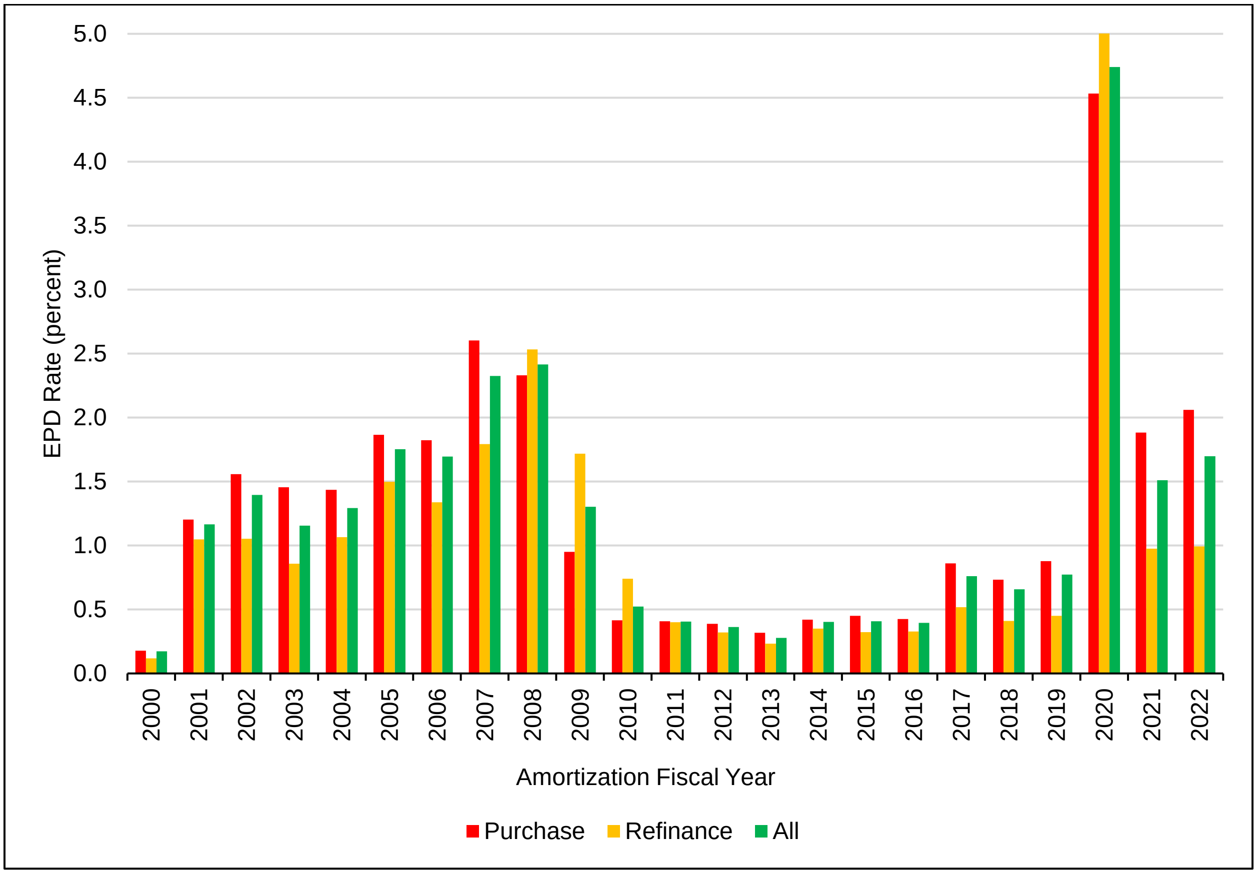
Exhibit III-16: Historical Seriously Delinquent Rates for FHA Mortgages



SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table D-16 in Appendix D.

Starting in April 2020, a significant number of FHA borrowers began to request approval to defer their monthly mortgage payments under the forbearance provisions of the CARES Act. Because FHA's systems count a forbearance as a delinquency, the SDQ rate rose from 3.97 percent in March 2020 to a peak of 11.90 percent in November 2020. As borrowers continued to transition out of forbearance, the SDQ rate quickly decreased from 8.81 percent at the end of FY 2021 to 4.77 percent at the end of FY 2022, with FHA's loss mitigation policies playing a central role in that decline, as discussed in Chapter 1 of this report.

Exhibit III-17: FHA Early Payment Default Rates by Mortgage Purpose



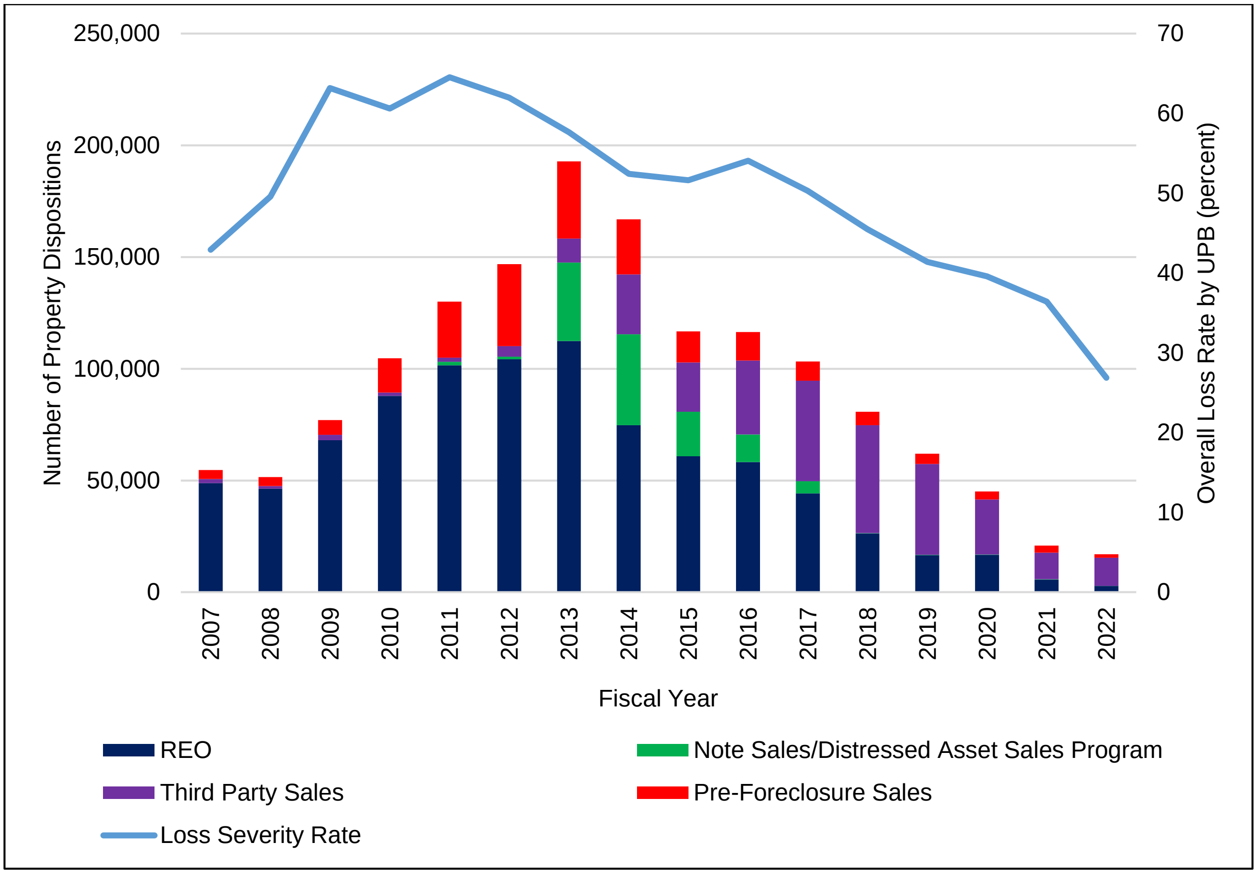
NOTE: FY 2022 data is through February 2022.
SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table D-17 in Appendix D.

Early Payment Defaults (EPDs) are FHA-insured mortgages where the borrower becomes 90 days or more delinquent within the first six mortgage payments. EPDs have historically reflected the credit quality of new endorsements and served as an early indicator of mortgage performance. However, macroeconomic conditions in the post-pandemic environment make it more challenging to rely on this indication. While EPDs remain elevated perhaps due to inflationary pressures, strong employment has seemingly kept overall SDQs trending downward. FHA continues to closely monitor trends in the transitions in delinquencies from 30 days to 90+ days for signs of additional stress.

As illustrated in Exhibit III-17 above, EPD rates remained relatively low from FY 2010 through FY 2019. Adverse impacts of the COVID-19 pandemic began to dominate the second half of FY 2020. Starting in April 2021, a significant number of FHA borrowers began to request approval to defer their monthly mortgage payments under the forbearance provisions of the CARES Act. As a result, the EPD rate rose from 0.60 percent in March 2020 before peaking at 9.27 percent in July 2020. The EPD rate has since decreased to 1.70 percent at the end of FY 2022, much lower than the July 2020 peak but still elevated from pre-pandemic levels.

Loss and Claims Activity

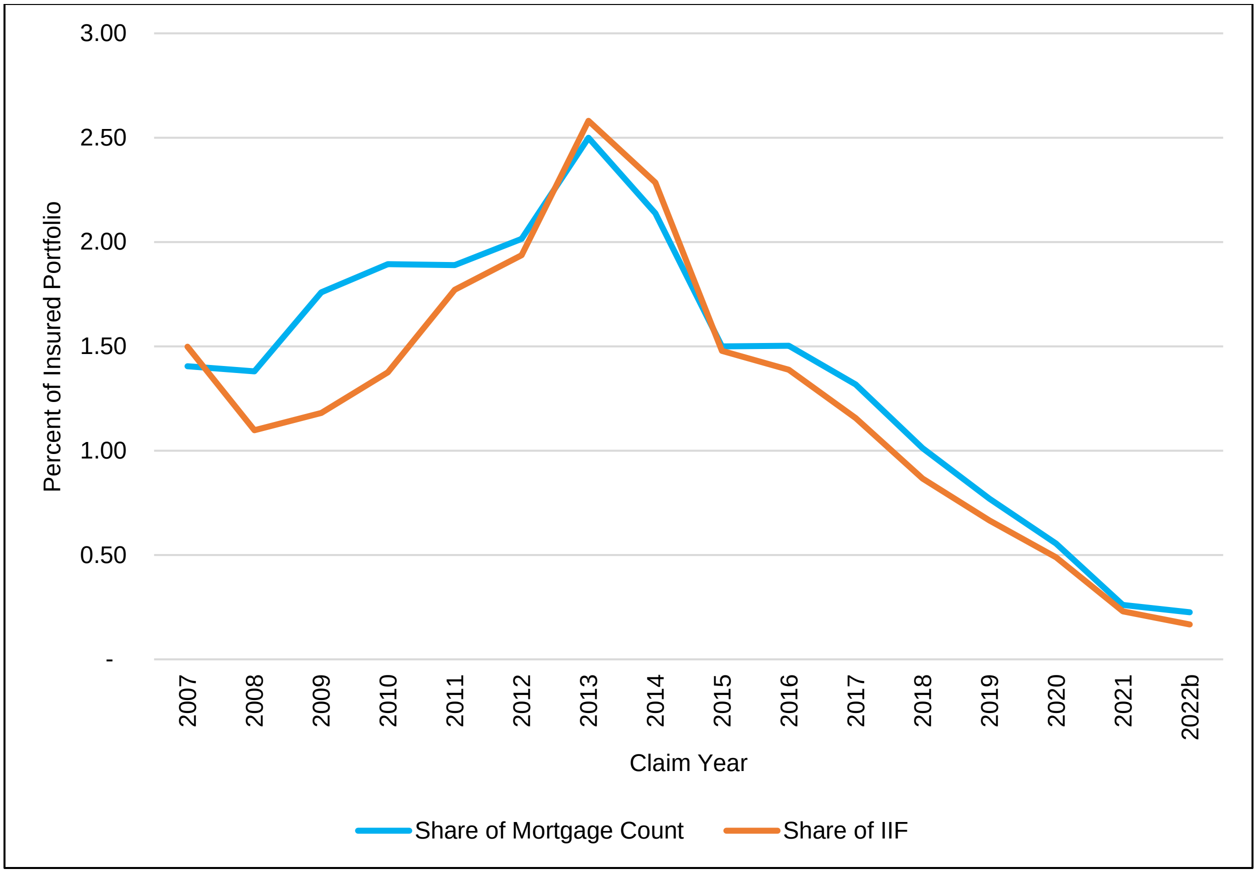
Exhibit III-20: FHA Loss Severity and Claim Count by Disposition Strategy



SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table D-20 in Appendix D.

Exhibit III-20 above shows the average loss rate for defaulted FHA-insured mortgages declined to 26.86 percent in FY 2022, down from a peak of 64.52 percent in FY 2011. The decline in loss severity was chiefly due to the substantial growth in home price appreciation, which increased sales proceeds for defaulted assets. The total supply of assets for disposition declined precipitously in FY 2021 and FY 2022, as the foreclosure and eviction moratoria limited foreclosures exclusively to vacant properties.

Exhibit III-21: Annual FHA Claims as a Share of Mortgage Count and Initial Insurance-in-Force



NOTE: [b]Data through October 31, 2022, includes funds outside of MMI Fund. Includes outbids.
SOURCE: U.S. Department of HUD/FHA, October 2022.Fiscal Year 2022 data may have de minimis adjustments due to late reporting of disposition sales.
Refer to data table D-21 in Appendix D.

Exhibit III-21 above reflects claims paid as a percentage of IIF for both the number of claims and the dollar balance of claims. The continued improvement in claims paid as a percentage of IIF since FY 2013 reflects a favorable housing and economic environment. The foreclosure moratorium extended by the Biden-Harris Administration during the COVID-19 pandemic further reduced the share of claims in FY 2021 and FY 2022.

Home Equity Conversion Mortgage Program

Overview

FHA insures the majority of the nation's reverse mortgages through the Home Equity Conversion Mortgage (HECM) program.

The HECM program enables senior homeowners aged 62 or older who meet various borrower, property ownership, and financial requirements to withdraw an actuarially determined portion of the value of their home without any corresponding periodic requirement to repay amounts borrowed. Instead, the principal borrowed, along with interest, Mortgage Insurance Premiums, and servicing fees are added to the mortgage balance over time. As a result, HECM balances, over time, may equal or exceed the value of the home, which would result in losses to the MMI Fund. HECM borrowers remain responsible for the payment of taxes, insurance, and property charges for as long as they remain in their home.

There are two primary ways in which FHA manages its HECM risk exposure:

- Limiting the Maximum Claim Amount, which defines the greatest HECM insurance claim a lender can receive. The Maximum Claim Amount is determined at origination and does not change over the life of the mortgage.

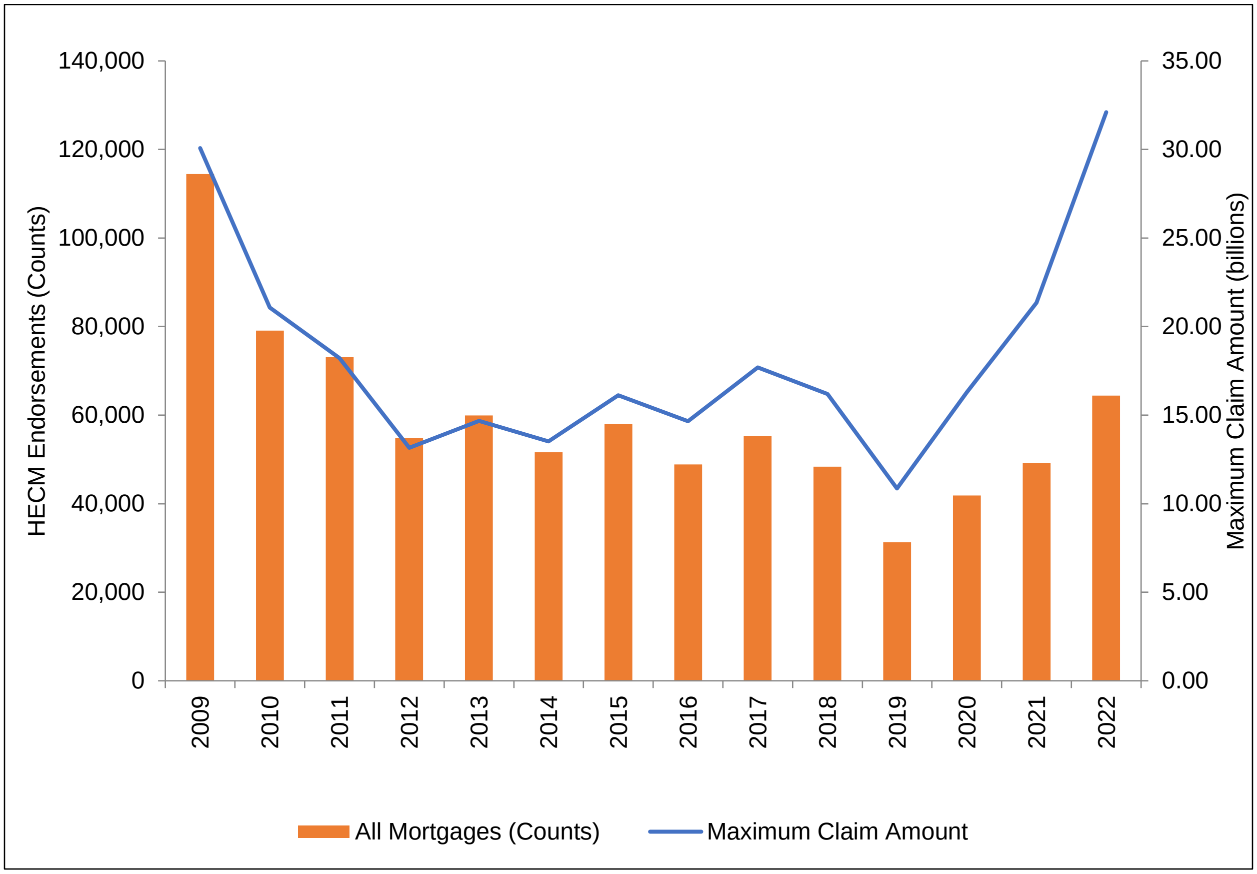
- Defining the Principal Limit Factor that limits the percentage of the initial available equity that a HECM borrower can draw. Conceptually, the Principal Limit Factor is similar to the LTV ratio applied to a traditional forward mortgage.

Subject to nationwide limits on claim amounts, the amount of funds that any borrower can access through a HECM depends on a variety of factors, including the value of the property, the age of the youngest borrower or eligible non-borrowing spouse,[5] and the interest rate charged to the borrower.

When initially authorized by the Housing and Community Development Act of 1987, the HECM program was made available on a limited basis and all HECMs became obligations of FHA's General Insurance (GI) Fund. In FY 2009, all new HECM endorsements became obligations of the MMI Fund. The program expanded from $93.2 billion of HECM Maximum Claim Amount insured by FHA in the 19 years prior to FY 2009 to over $250 billion insured in the 14 fiscal years since.

[5] The inclusion of a non-borrowing spouse was made for all HECMs after August 4, 2014. In addition, the age of the youngest non-borrowing spouse was first introduced as a factor on August 4, 2014.

Exhibit III-22: FHA HECM Endorsement Activity

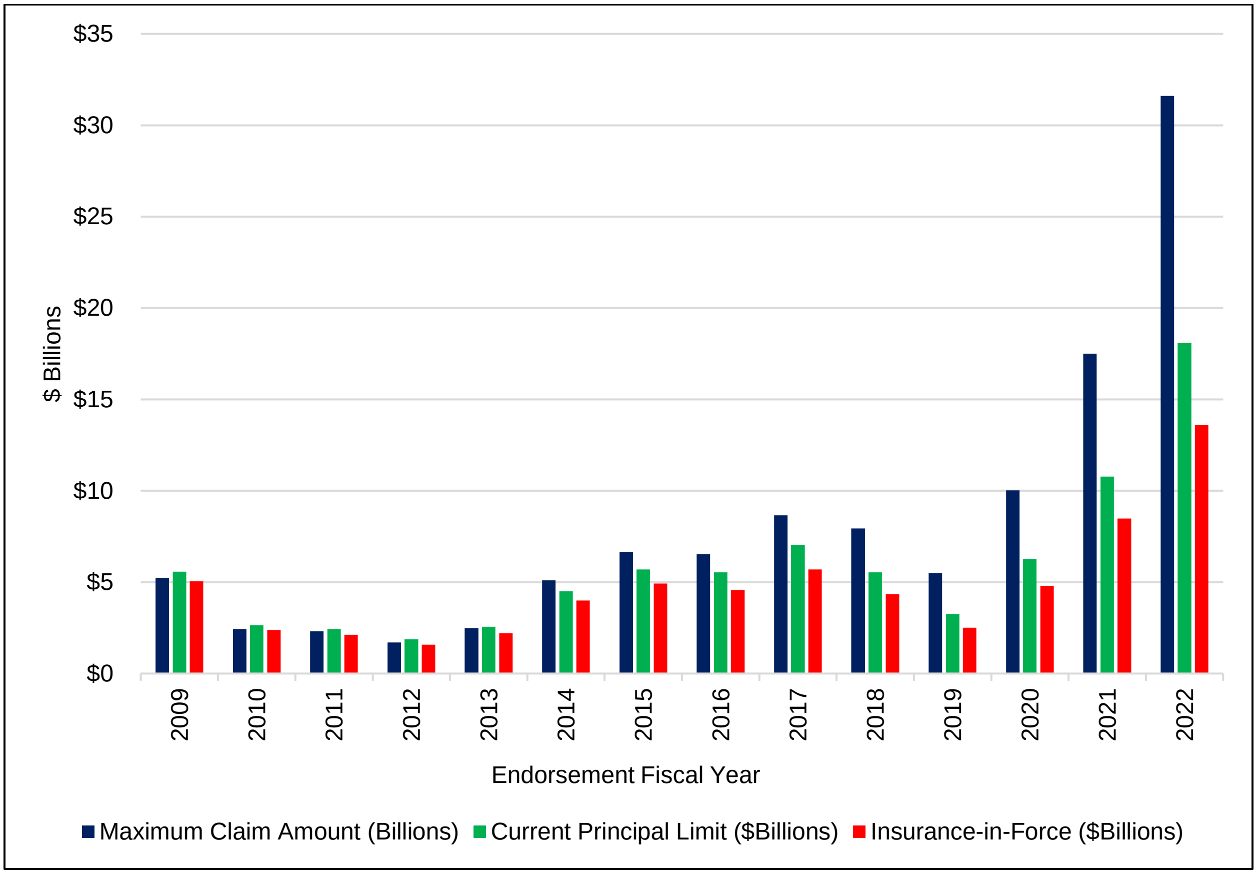


SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table D-22 in Appendix D.

As shown in Exhibit III-22 above, FHA provided an insurance endorsement for 64,437 HECMs in FY 2022, representing a Maximum Claim Amount[6] of $32.10 billion, which is a record high for the HECM program.

[6] Maximum Claim Amount is used to calculate proceeds and is equal either to the appraised value of the home or the FHA lending limit, whichever is less.

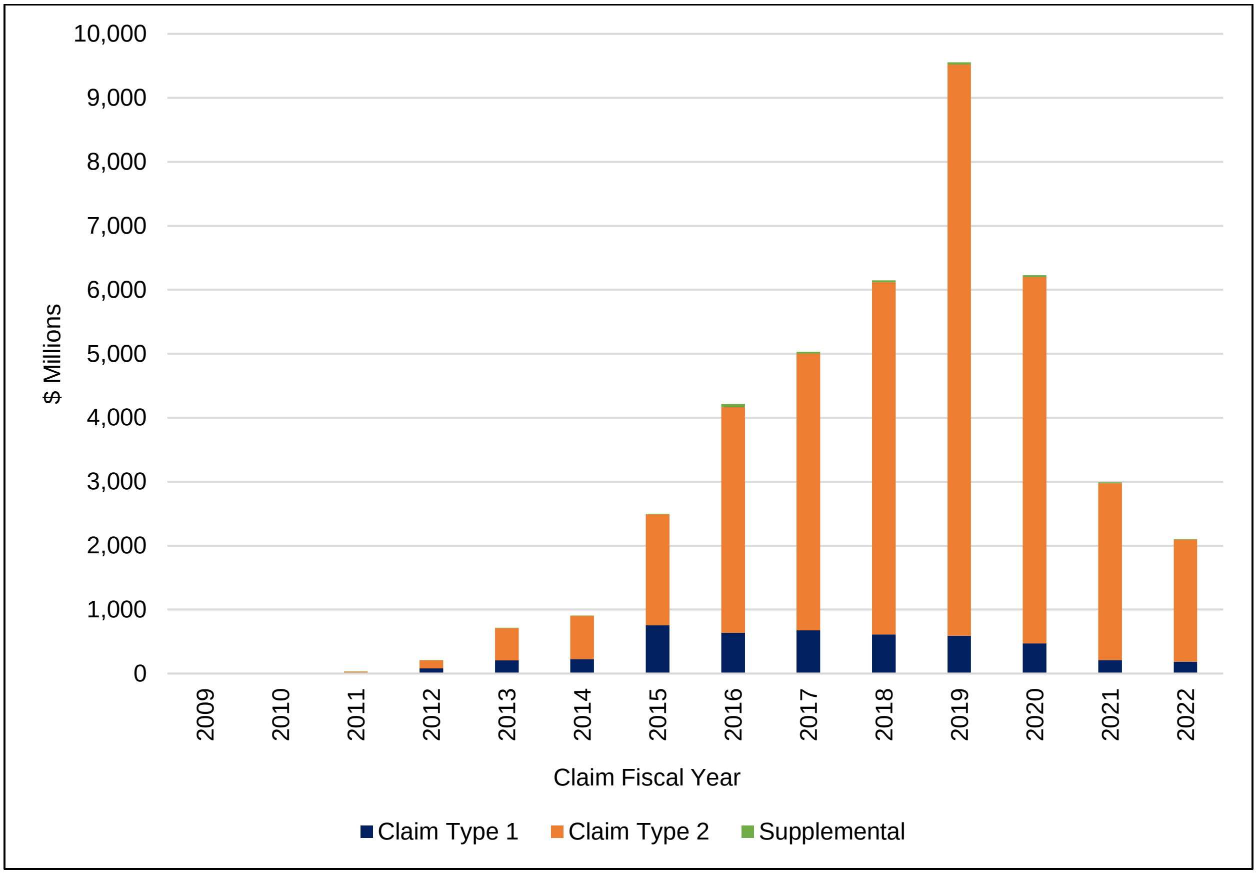
Exhibit III-23: Current HECM Portfolio by Year of Endorsement



SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table D-23 in Appendix D.

Exhibit III-23 above provides a breakdown of the current HECM portfolio by vintage year. For each vintage year, the current outstanding Maximum Claim Amount, current total principal limit, and current IIF are shown. As of September 30, 2022, the HECM portfolio in the MMI Fund represented a total Maximum Claim Amount of $113.72 billion, a current principal limit of $81.82 billion and a current IIF of $66.27 billion. The growth in Maximum Claim Amount has largely tracked to overall equity appreciation in housing markets.

Exhibit III-24: FHA HECM Claims by Claim Type



SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table D-24 in Appendix D.

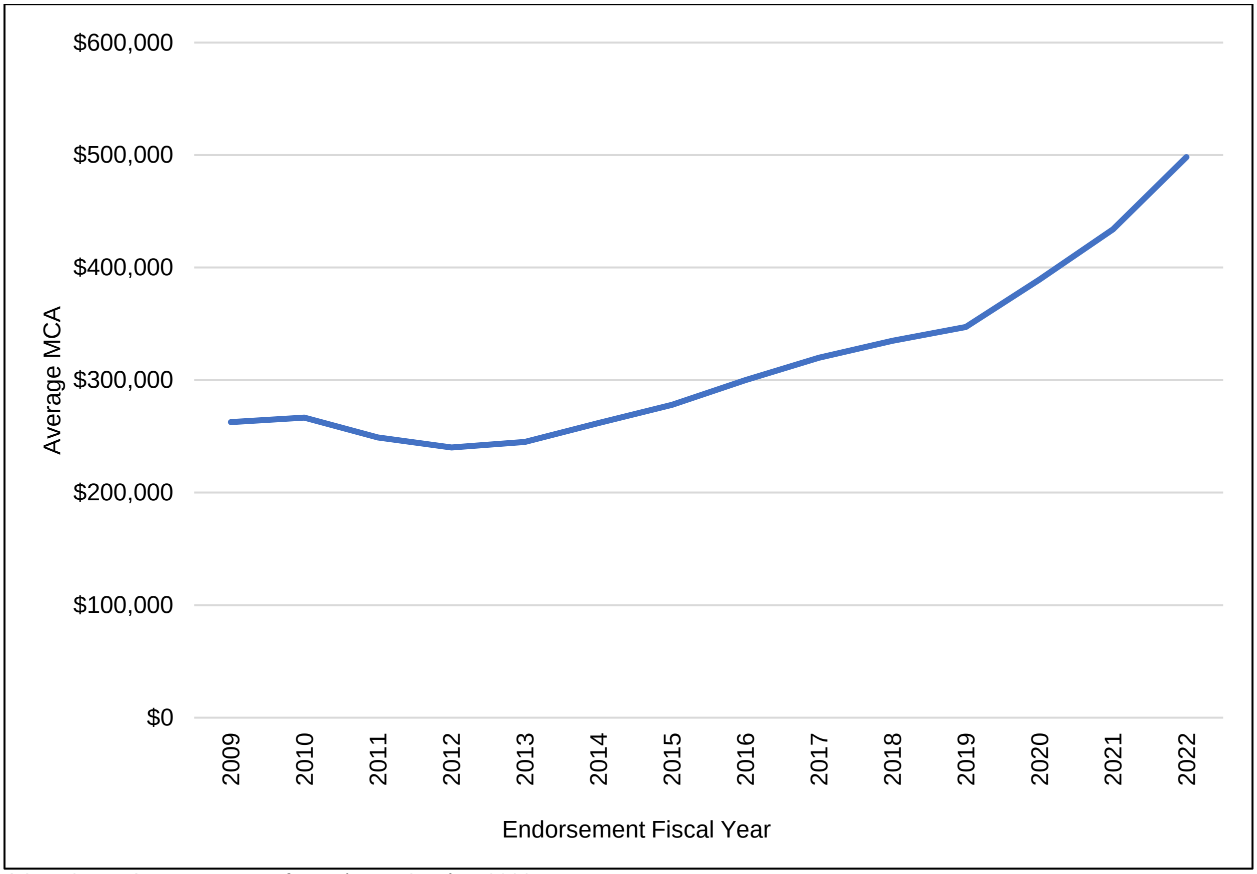
Exhibit III-24 above shows the total amount and distribution of HECM claims by claim type. The Claim Type 1 category represents the dollar volume of claims generated when the borrower no longer occupies the home, and the property is sold at a loss. The Claim Type 2 category represents the dollar volume of claims resulting from the assignment of the mortgage to the Secretary of HUD when the mortgage reaches 98 percent of the Maximum Claim Amount. Supplemental claims are those claims submitted by lenders for other eligible expenses not included in original claims, such as property preservation expenses.

In FY 2022, claims totaled $2.10 billion, down from $2.99 billion in FY 2021. Type 2 claims accounted for a majority of the decrease in total claim amount under the HECM program. Type 2 claims increased between FY 2009 and FY 2019, primarily due to the seasoning of the HECM portfolio, which resulted in more mortgage balances reaching 98 percent of the Maximum Claim Amount.

The introduction of the Mortgagee Optional Election Assignment was another contributing factor to the increase in type 2 Claims. The Mortgagee Optional Election, which may be offered at the election of an FHA-approved servicer, refers to an alternative claim payment option in which HUD pays the insurance claim, and an eligible non-borrowing spouse is allowed to remain in the home.

The Mortgagee Optional Election is available for all HECMs with FHA case numbers assigned prior to August 4, 2014.

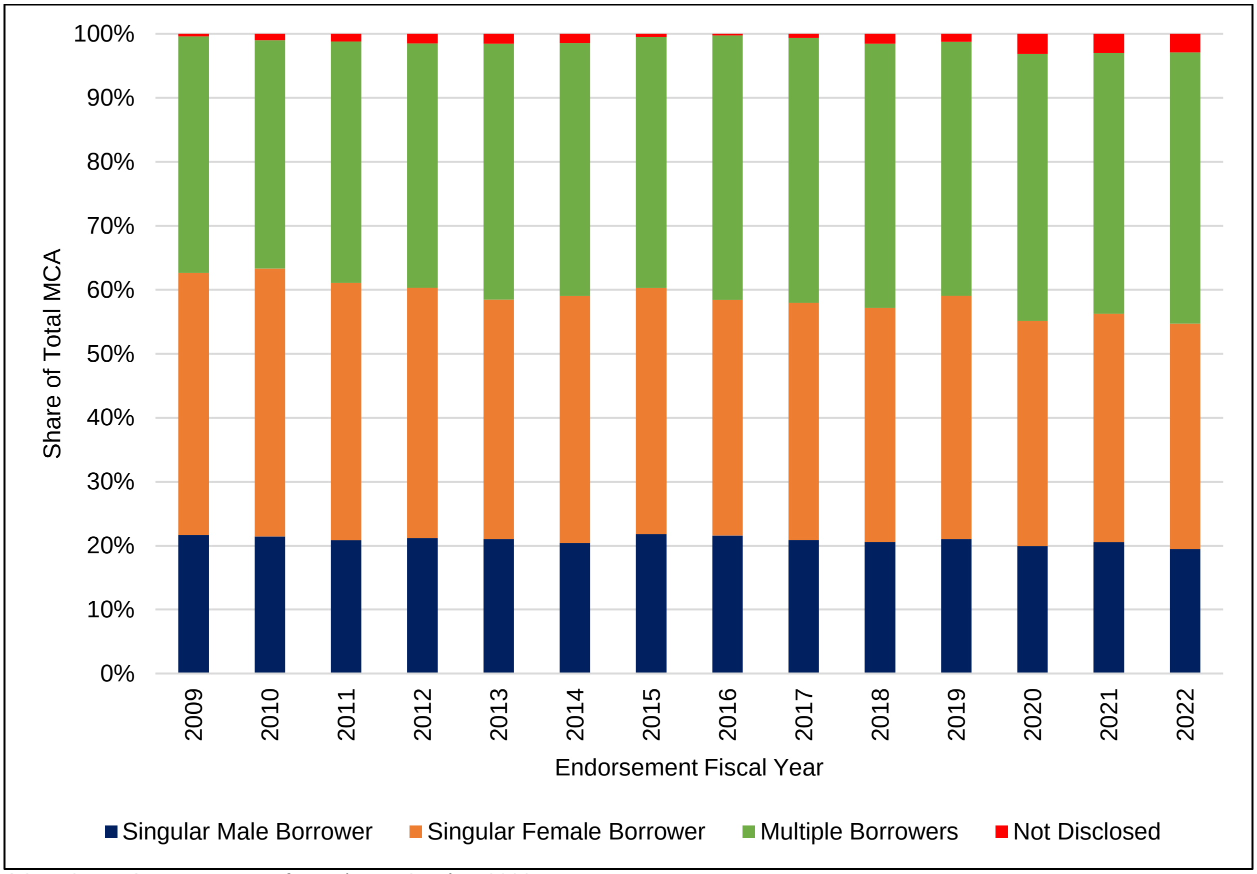
Exhibit III-25: Average Maximum Claim Amount for FHA-Endorsed HECMs



SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table D-25 in Appendix D.

As shown in Exhibit III-25 above, the average Maximum Claim Amount per HECM endorsement has continued to rise since FY 2013, increasing to $498,221 in FY 2022. Rising average Maximum Claim Amounts coincide with higher appraised values on homes occupied by HECM borrowers. The FHA mortgage maximum loan limit for HECMs in FY 2022 was $970,800. This limit is currently applied uniformly across the country, unlike the FHA forward mortgage loan limits which vary based on geographic locations and are subject to minimum and maximum loan limits.

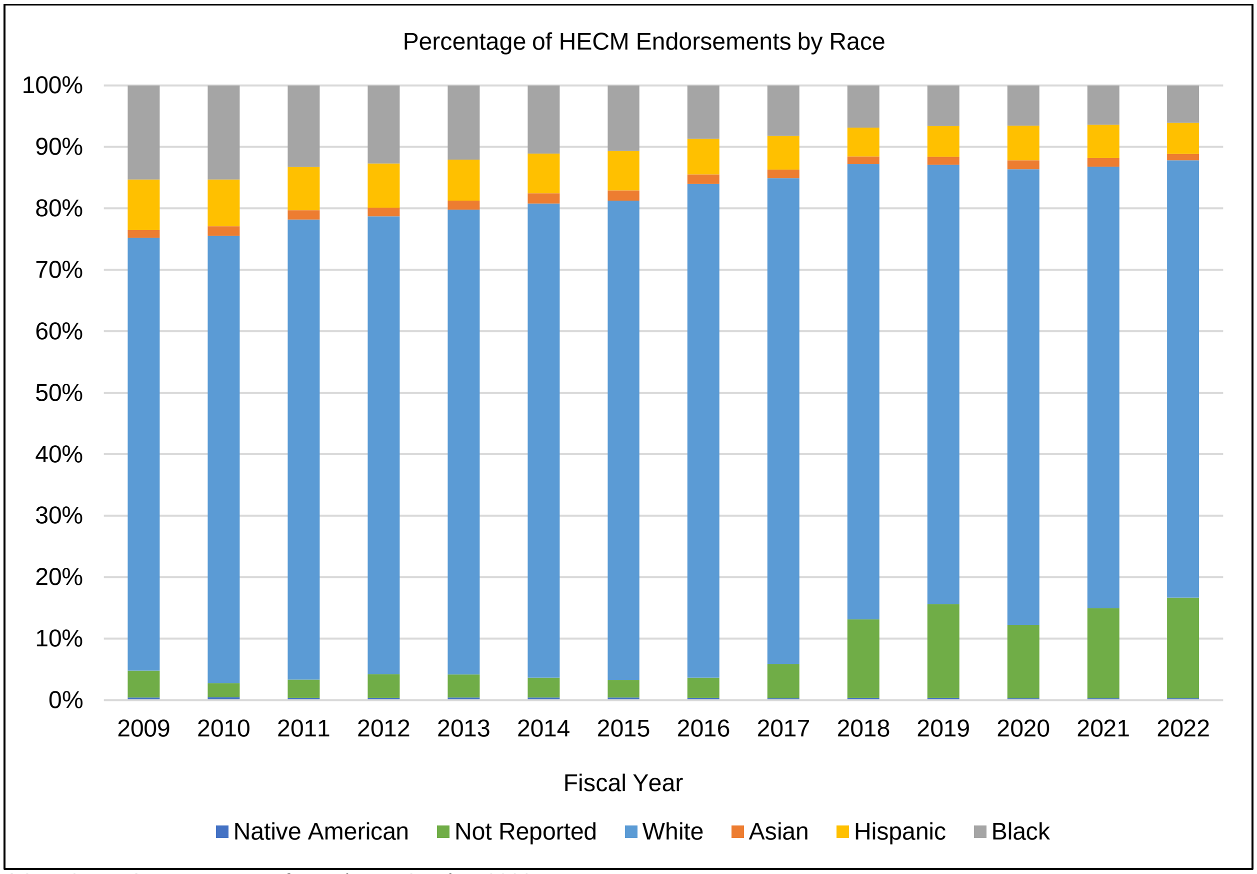
Exhibit III-26: Composition of FHA HECM Borrowers



SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table D-26 in Appendix D.

Exhibit III-26 above illustrates the share of HECM endorsement counts by borrower type. In FY 2022, 35.23 percent of HECM endorsements served singular female borrowers, 19.48 percent served singular male borrowers, and 42.39 percent served multiple borrowers. The composition of HECM borrowers has remained relatively consistent since FY 2009.

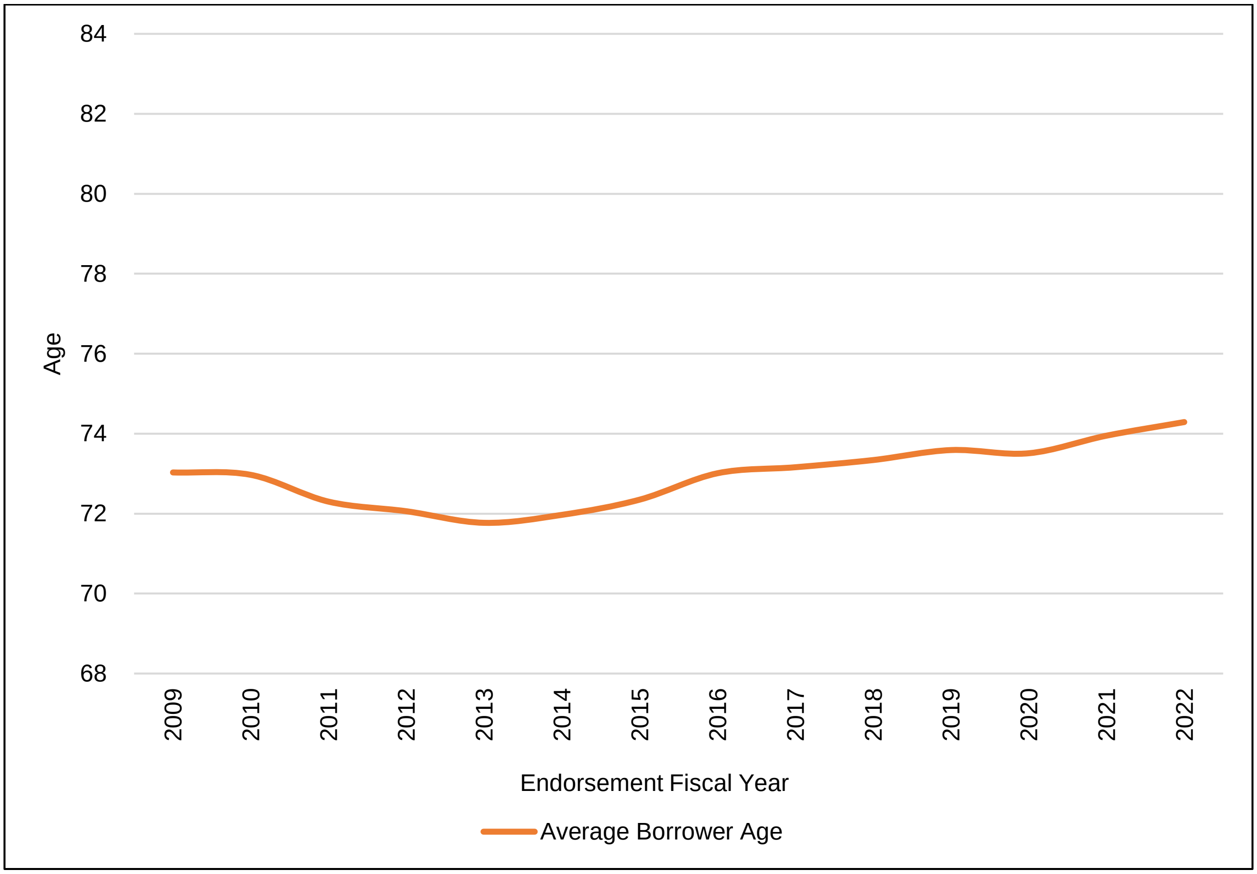
Exhibit III-27: Racial Composition of FHA HECM Borrowers



SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table D-27 in Appendix D.

Exhibit III-27 above illustrates the share of HECM endorsement counts by race/ethnicity. In FY 2022, 71.12 percent of HECM endorsements served white borrowers, 6.07 percent served black borrowers, 5.03 percent served Hispanic borrowers, 1.08 percent served Asian borrowers, and 0.31 percent served Native American borrowers. Documentation of race/ethnicity is voluntary. The share of non-respondents for HECMs has climbed in recent years, reaching 16.37 percent in 2022.

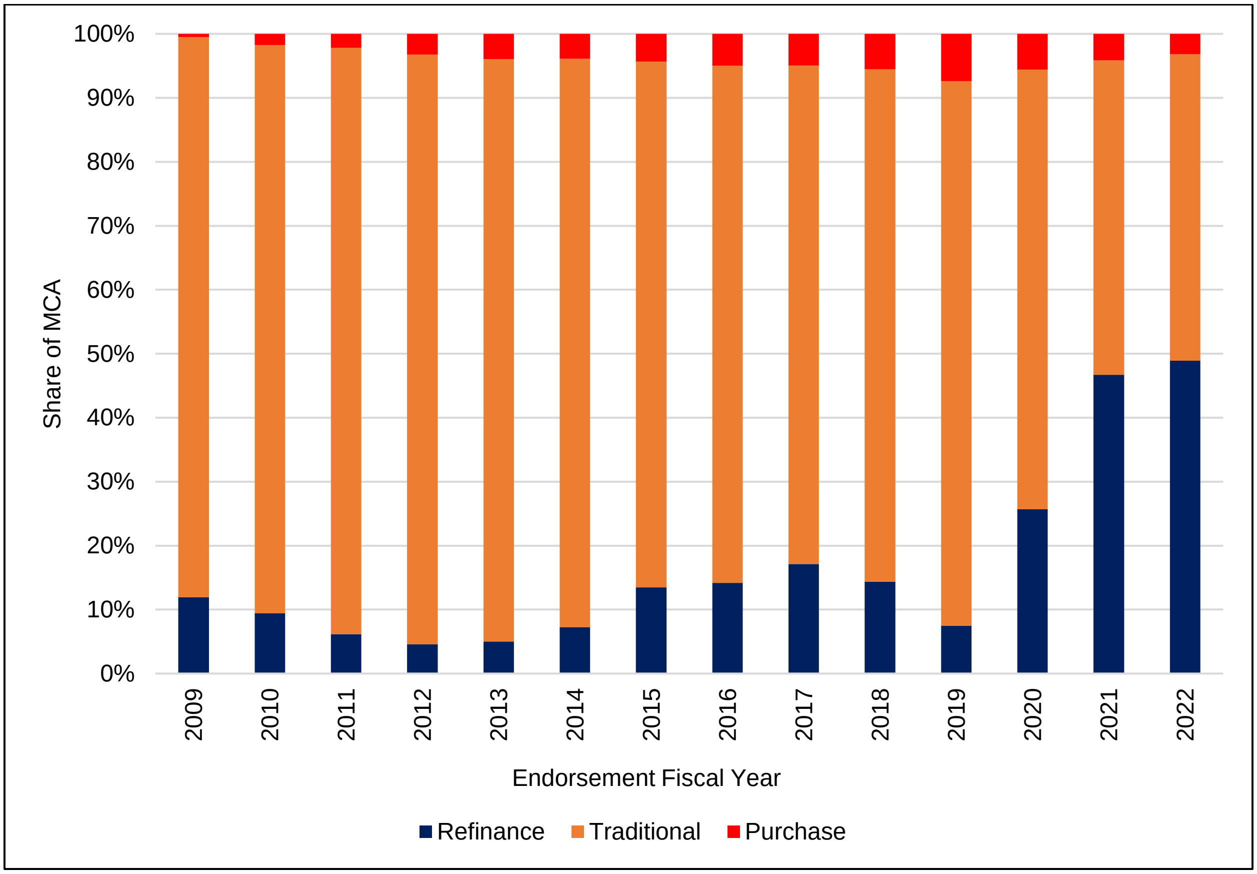
Exhibit III-28: Average Borrower Age at Endorsement of FHA HECMs



SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table D-28 in Appendix D.

Exhibit III-28 above shows the trend in the average age of HECM borrowers, which has been relatively stable. In FY 2022, the average borrower age increased slightly to 74.29 years from 73.95 years in FY 2021.

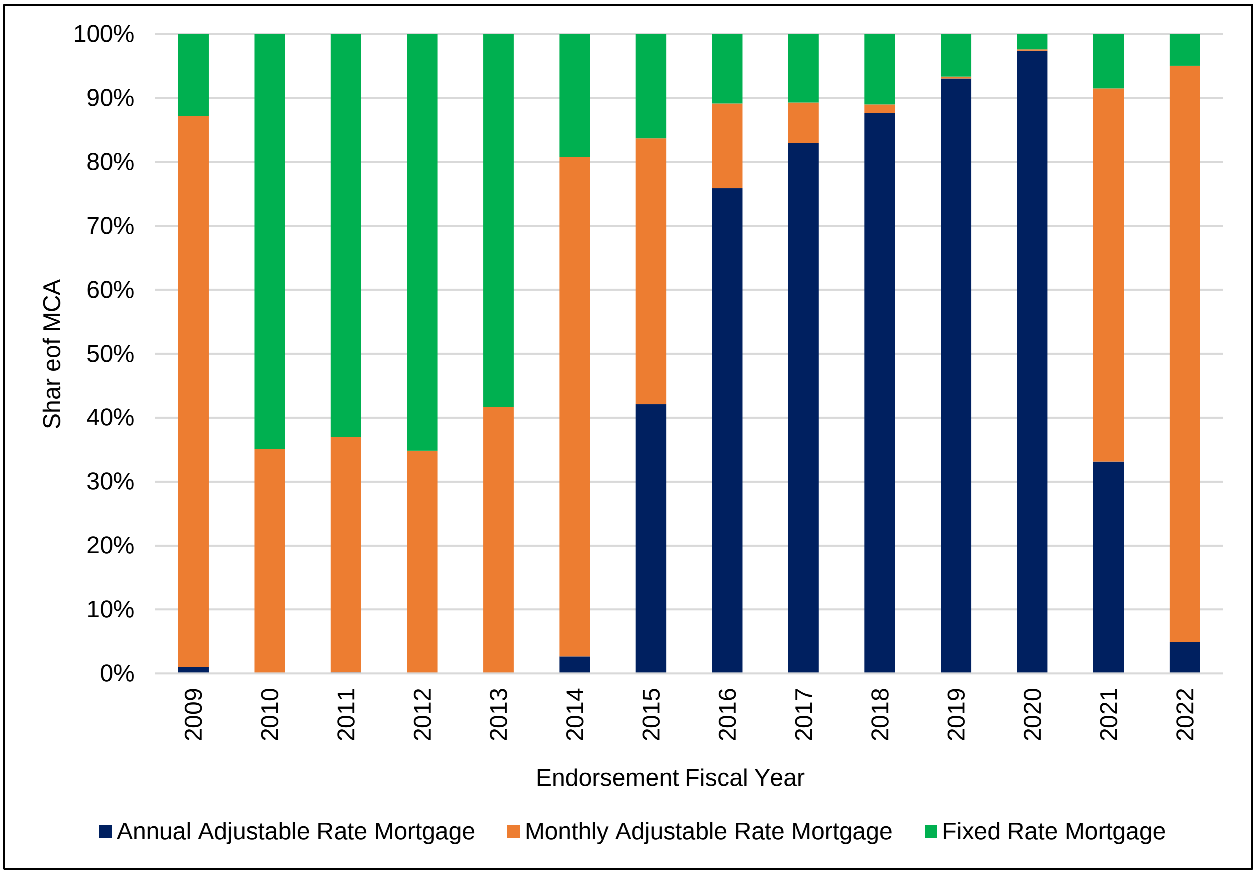
Exhibit III-29: FHA HECM Endorsement Activity by Mortgage Purpose



SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table D-29 in Appendix D.

As shown in Exhibit III-29 above, the share of HECM Maximum Claim Amount for refinance transactions continued its rise since FY 2019. The share of HECM refinances increased from FY 2021, rising from 46.72 percent of endorsements in FY 2021 to 48.88 percent in FY 2022, as homeowners took advantage of favorable house prices to extract more equity.

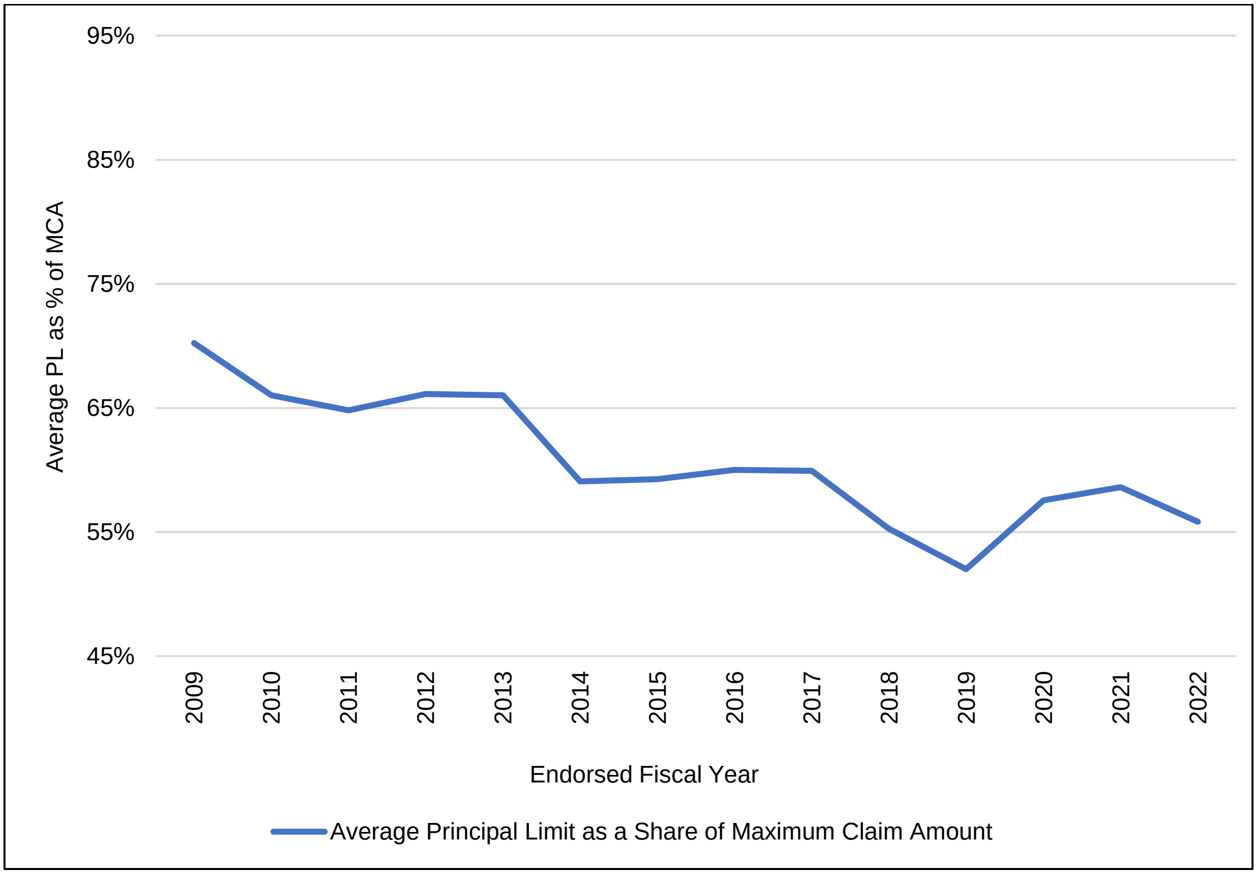
Exhibit III-30: FHA HECM Endorsement Activity by Mortgage Type Option



SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table D-30 in Appendix D.

Exhibit III-30 above illustrates the shift from fixed-rate HECMs to adjustable-rate HECMs since FY 2013. In FY 2022, 95.06 percent of FHA's HECM endorsements were for adjustable-rate mortgages (ARMs). This change in composition is, in part, a result of policies implemented in FY 2014 related to the insurability of fixed-rate HECMs, including eliminating the option of future draws and a reduction in the amount of principal made available to the borrower.

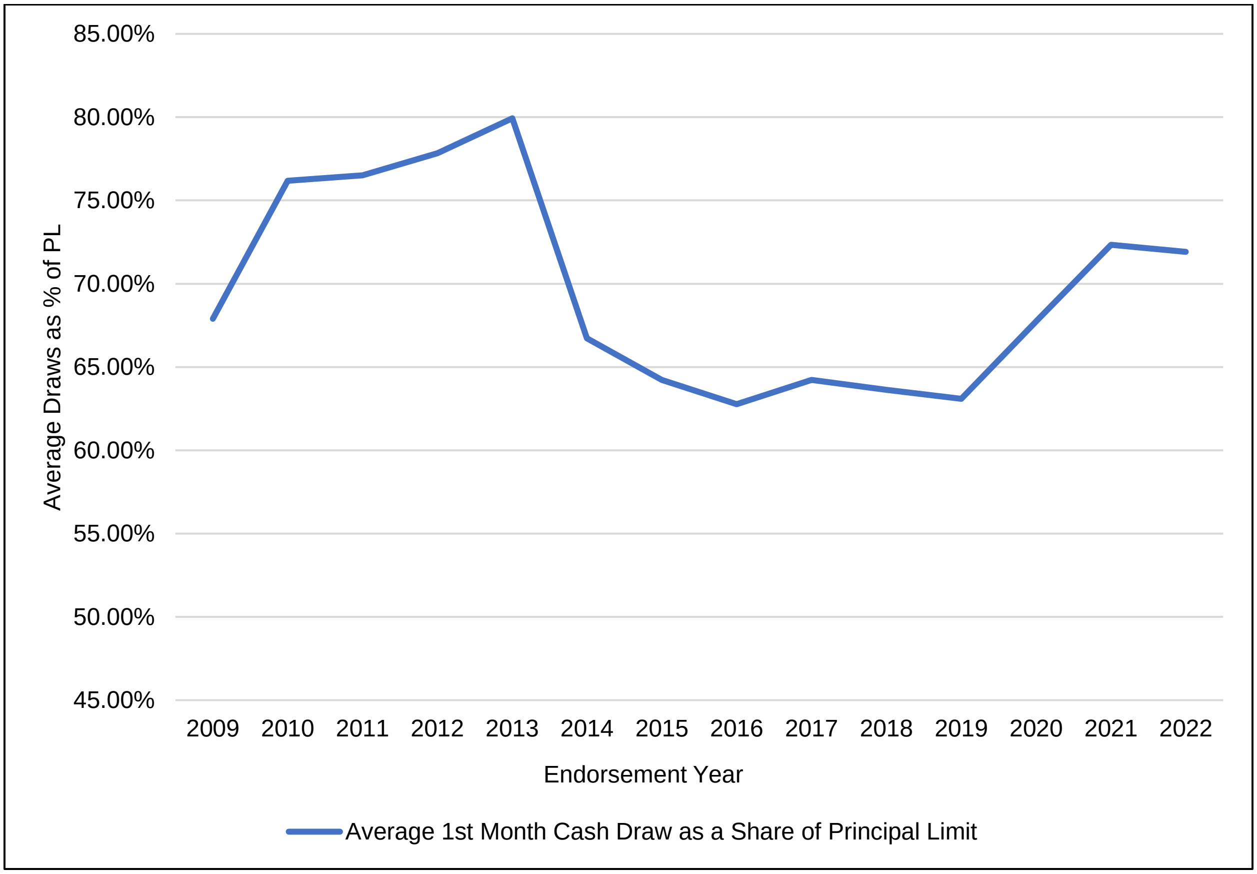
Exhibit III-31: Average Principal Limit of FHA HECMs



SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table D-31 in Appendix D.

The average principal limit, or amount that borrowers have access to withdraw, on a HECM in FY 2022 was 55.82 percent of the Maximum Claim Amount, down from 58.62 percent in FY 2021.

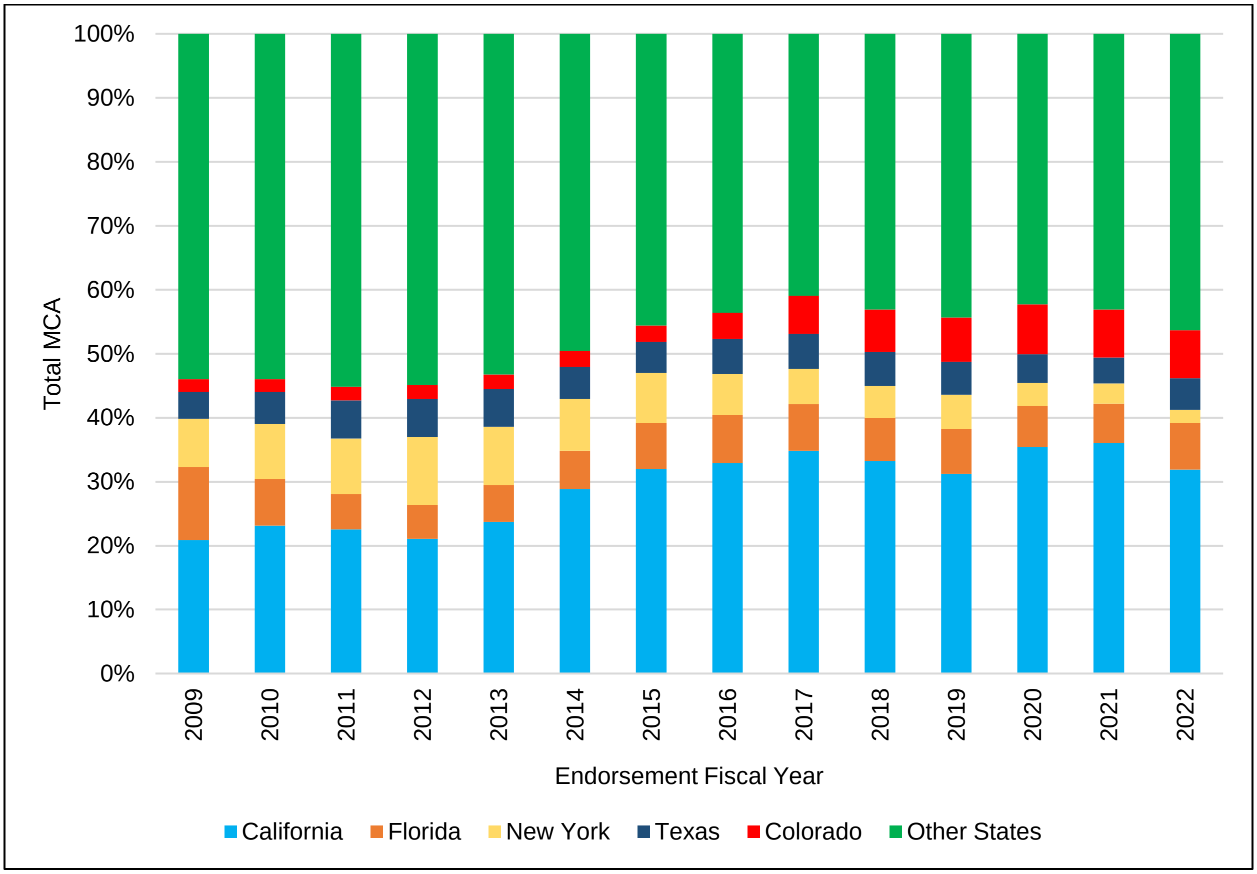
Exhibit III-32: Average Initial Cash Draws of FHA-Endorsed HECMs



SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table D-32 in Appendix D.

HECM borrowers withdrew an average of 71.91 percent of their available principal limit on their initial draw in FY 2022, as reflected in Exhibit III-32 above. Large upfront draws increase the risk to borrowers and to FHA, as they decrease the financial resources available to pay future obligations such as taxes and insurance. In addition, large upfront draws cause HECM balances to compound more quickly, resulting in faster depletion of borrower equity in the home and increased potential losses for FHA.

Exhibit III-33: States with the Highest Share of FHA HECMs by Maximum Claim Amount

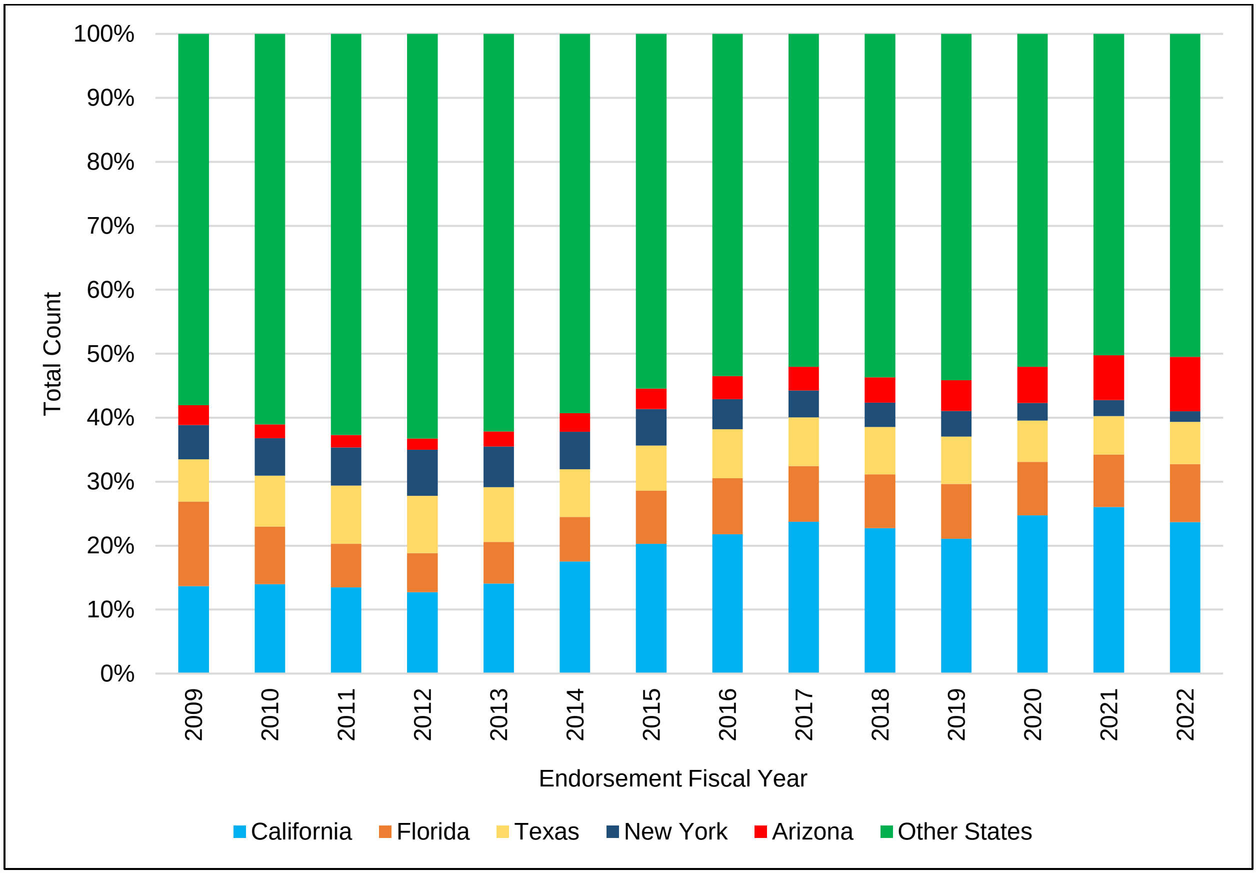


SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table D-33 in Appendix D.

HECMs are more geographically concentrated than FHA-insured forward mortgages. California remains by far the state with the largest share of HECM production, at 31.88 percent of FHA's HECM FY 2022 endorsements based on total Maximum Claim Amount. The top five states represented 53.67 percent of new HECM endorsements in FY 2022.

As a result, future HECM performance will most likely be more reliant on economic factors such as house price appreciation in these specific states, particularly in California where the share of HECM Maximum Claim Amount is 4.36 times greater than that for Florida, the state with the second highest share of HECMs.

Exhibit III-33A: States with the Highest Share of FHA HECMs by count

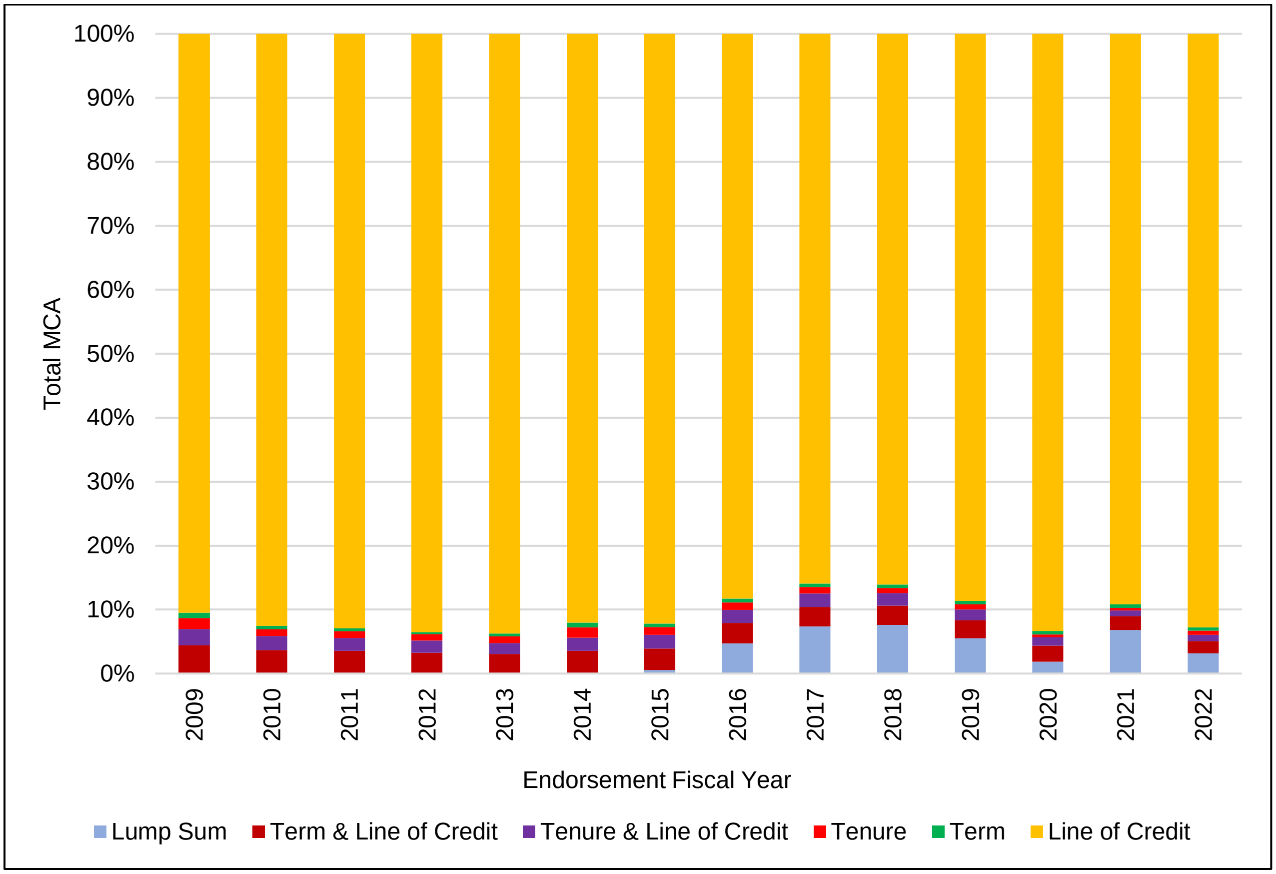


SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table D-33A in Appendix D.

In addition to high concentration by Maximum Claim Amount, HECMs are also more geographically concentrated by counts than FHA-insured forward mortgages. California remains by far the state with the largest share of HECM production, at 23.69 percent of FHA's HECM FY 2022 endorsements based on total counts. The top five states represented 49.49 percent of new HECM endorsements in FY 2022, illustrating that the geographical risk profile for the HECM program has become more concentrated in recent years.

As a result, future HECM performance will most likely be more reliant on economic factors such as house price appreciation in these specific states, particularly in California where the share of HECM counts is 2.6 times greater than that for Florida, the state with the second highest share of HECMs.

Exhibit III-34: FHA HECMs by Payment Plan Option



SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table D-34 in Appendix D.

Exhibit III-34 above summarizes the share of aggregate HECM Maximum Claim Amount by payment plan option type for each fiscal year since FY 2009. HECM borrowers can choose from the following payment options to receive mortgage proceeds:

- Lump Sum: Under the Lump Sum payment option, the borrower receives a single lump sum disbursement at closing. This payment option is only available for fixed-rate HECMs.
- Term: Under the term payment option, equal monthly payments are made to the borrower for a fixed term of months chosen by the borrower.
- Tenure: Under the tenure payment option, equal monthly payments are made to the borrower.
- Line of Credit: Under the Line of Credit payment option, payments are made to the borrower at times and in amounts determined by the borrower until the Line of Credit is exhausted.
- Term or Tenure with Line of Credit: Under the term or tenure payment options with a Line of Credit, equal monthly payments are made to the borrower for a fixed period.

These payment plans segregate a portion of the available principal for a Line of Credit and then calculate monthly draws based on the borrower's selection of Term or Tenure.

As was the case in previous years, the HECM Line of Credit draw option was the most popular payment plan type with HECM borrowers due to its flexibility. Borrowers with fixed-rate HECMs may not request a change in payment option. Borrowers with adjustable-rate HECMs originated after FY 2014 may request a change in payment option after the first 12-month disbursement period if the outstanding mortgage balance is less than the principal limit.

Chapter IV:
Condition of the Mutual Mortgage Insurance Fund

Mutual Mortgage Insurance (MMI) Fund Capital Ratio

As of September 30, 2022, the MMI Fund Capital Ratio stood at 11.11 percent of Insurance-in-Force (IIF), representing an increase of 3.08 percentage points from the FY 2021 MMI Fund Capital Ratio of 8.03 percent.[7]

Consistent with the Federal Credit Reform Act of 1990, the Net Present Value (NPV) of future MMI Fund cash flows (NPV Cash Flows) were estimated using the underlying economic assumptions.

Federal law (12 USC § 1708(a)(4)) requires FHA to conduct an annual independent actuarial study of the MMI Fund and to submit a report to Congress describing the results of such study. The actuarial study serves as an independent verification of FHA's methodology. For this Annual Report, FHA engaged RMA Associates to test the reasonableness of FHA's FY 2022 estimates of forward and Home Equity Conversion Mortgage (HECM) Cash Flow NPVs. FHA's and RMA Associates' estimates were prepared in accordance with the Federal Credit Reform Act and Actuarial Standards of Practice.

Forecast scenarios of Cash Flow NPV were estimated by FHA and tested for reasonableness by RMA Associates. For FY 2022, RMA Associates concluded that FHA's Cash Flow NPV is reasonable and within RMA Associates' reasonable range of Actuarial Estimates.

RMA Associates' Actuarial Reviews for the forward and HECM portfolios are available on FHA's website at: https://www.hud.gov/program_offices/housing/rmra/oe/rpts/actr/actrmenu.

[7] The MMI Fund Capital Ratio includes the stand-alone Capital Ratios for the forward and HECM reverse mortgage programs. In the past, the $1.7 billion mandatory appropriation that was taken in FY 2013 was not attributed to either the forward or HECM portfolios. This year, the $1.7 billion mandatory appropriation is permanently attributed to the HECM portfolio, as it reflects the original intent of the appropriation.

Exhibit IV-1: Mutual Mortgage Insurance Fund Balance and Capital Ratio FY 2020 – FY 2022 ($ millions)

Description	FY 2020	FY 2021	FY 2022
Total Capital Resources	$70,652	$83,604	$98,441
Cash Flow NPV	$8,298	$16,871	$43,260
MMI Fund Capital	**$78,950**	**$100,475**	**$141,701**
Insurance-In-Force	$1,294,731	$1,251,270	$1,275,212
Total Capital Resources	5.46%	6.68%	7.72%
Cash Flow NPV	0.64%	1.35%	3.39%
MMI Fund Capital Ratio	**6.10%**	**8.03%**	**11.11%**

SOURCE: U.S. Department of HUD/FHA, October 2022.

As shown in Exhibit IV-1 above, MMI Fund Capital is the sum of Total Capital Resources ("Assets") and Cash Flow NPV.

Cash Flow NPV is determined by combining two components:

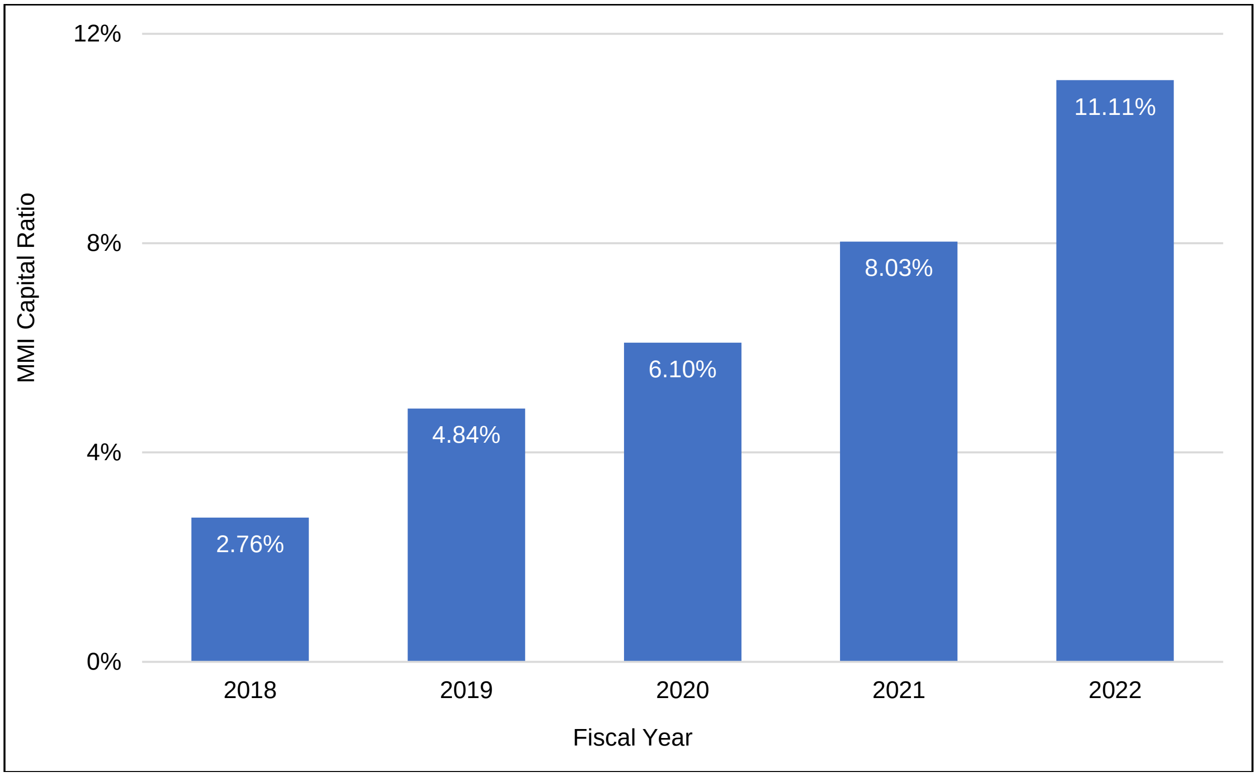
- Net Present Value of Projected Mortgage Insurance Premium (MIP) Revenue (NPV Projected Revenue) – Estimated value of monthly insurance premiums through the life of the loan after applying modeled prepay assumptions.
- Net Present Value of Projected Claims Losses (NPV Projected Losses) – Projected claim payments to cover default costs minus collections from recoveries on defaulted loans. Also includes property preservation and disposition expenses.

The formula for calculating MMI Fund Capital and the MMI Fund Capital Ratio using these factors is shown below:

- MMI Fund Capital[8] = (Total Capital Resources + NPV Projected Revenue – NPV Projected Losses)

[8] The term "MMI Fund Capital" means the economic net worth of the Mutual Mortgage Insurance Fund, as determined by the Secretary under the annual audit required under section 1735f–16 of 12 U.S. Code § 1711 . This terminology was introduced in FHA's FY 2019 Annual Report, and is more consistent with industry standards, as the MMI Fund Capital Ratio can now be expressed as MMI Fund Capital/IIF.

Exhibit IV-2: MMI Fund Capital Ratio FY 2018 – FY 2022



SOURCE: U.S. Department HUD/FHA, October 2022.
Refer to data table E-2 in Appendix E.

The MMI Fund Capital Ratio has improved in each of the last four fiscal years, as shown by Exhibit IV-2 above.

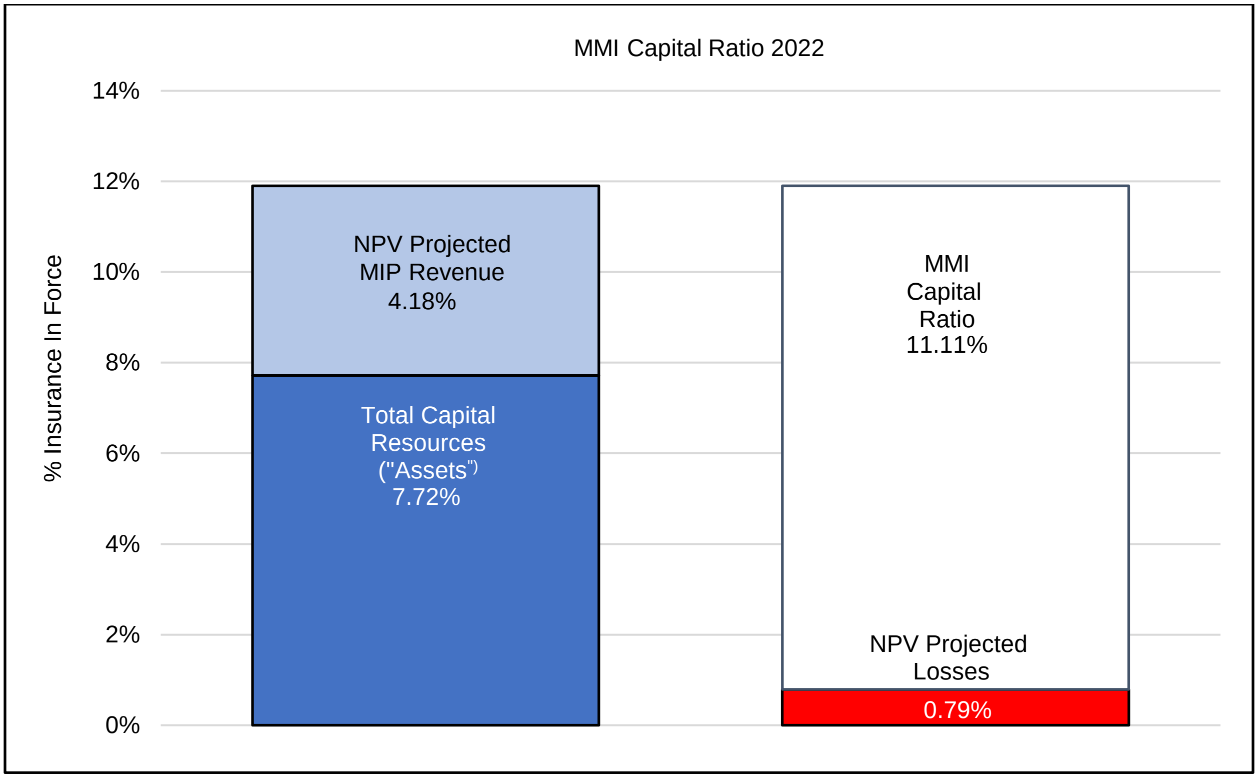
Exhibit IV-3: MMI Fund Capital Ratio Components FY 2020 – FY 2022

Description	FY 2020	FY 2021	FY 2022
Total Capital Resources	$70,652	$83,604	$98,441
Plus: NPV Projected Revenue	$48,807	$49,045	$53,352
Equals: Claims Paying Capacity	$119,459	$132,579	$151,793
Less: NPV Projected Losses	($40,509)	($32,174)	($10,092)
Equals: MMI Fund Capital	**$78,950**	**$100,475**	**$141,701**
Insurance-In-Force	$1,294,731	$1,251,270	$1,275,212
Total Capital Resources	5.46%	6.68%	7.72%
Plus: NPV Projected Revenue	3.77%	3.92%	4.18%
Equals: Claims Paying Capacity	9.23%	10.60%	11.90%
Less: NPV Projected Losses	-3.13%	-2.57%	-0.79%
Equals: MMI Fund Capital Ratio	**6.10%**	**8.03%**	**11.11%**

SOURCE: U.S. Department of HUD/FHA, October 2022.

Exhibit IV-3, above, presents an itemization of the components that comprise the MMI Fund Capital Ratio calculation.

Exhibit IV-4: Claims Paying Capacity and NPV Projected Losses FY 2022



SOURCE: U.S. Department of HUD/FHA, October 2022
Refer to data table E-4 in Appendix E.

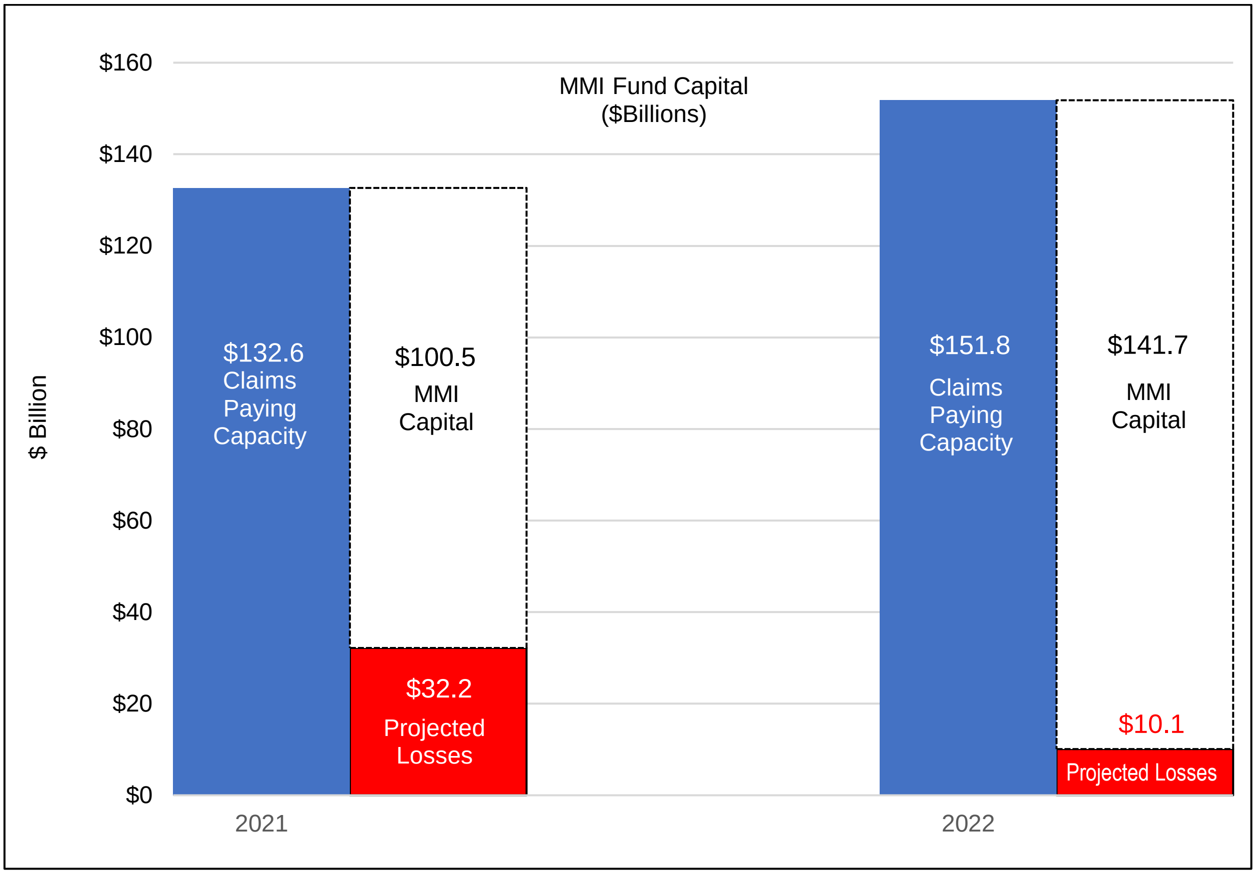
Exhibit IV-4, above, illustrates the components that make up the FY 2022 MMI Fund Capital Ratio. It highlights an important observation regarding the composition of MMI Fund Capital: not all elements comprising MMI Fund Capital can be used as a capital buffer[9] against adverse shocks and financial events during uncertain times, as a portion of the capital consists of the NPV of expected future premium revenue and claims losses. The sum of the two components on the left side of Exhibit IV-4, Total Capital Resources (essentially cash and other similar assets) plus NPV of Projected Revenue, provides a metric that aligns conceptually with that of a capital buffer. Together, the sum of the two components measures the MMI Fund's ability to pay for claims losses and will be referred to as Claims Paying Capacity throughout this report.

The third component of the MMI Fund Capital Ratio, NPV Projected Losses, is a model-driven estimate that is highly dependent on forecasted rates of home price appreciation (HPA). HPA

[9] Basel III formalized the concept of "capital buffer", which is capital that financial institutions are required to hold in addition to other minimum capital requirements, designed to reduce adverse impacts due to the procyclical nature of lending.
https://research.stlouisfed.org/publications/economic-synopses/2019/06/21/can-countercyclical-capital-buffers-help-prevent-a-financial-crisis

estimates historically have been shown to be a volatile and lagging indicator of the health of the economy, which in turn has an impact on valuation projections of the MMI Fund.

Exhibit IV-5: Changes to Claims Paying Capacity and NPV Projected Losses from FY 2021 to FY 2022



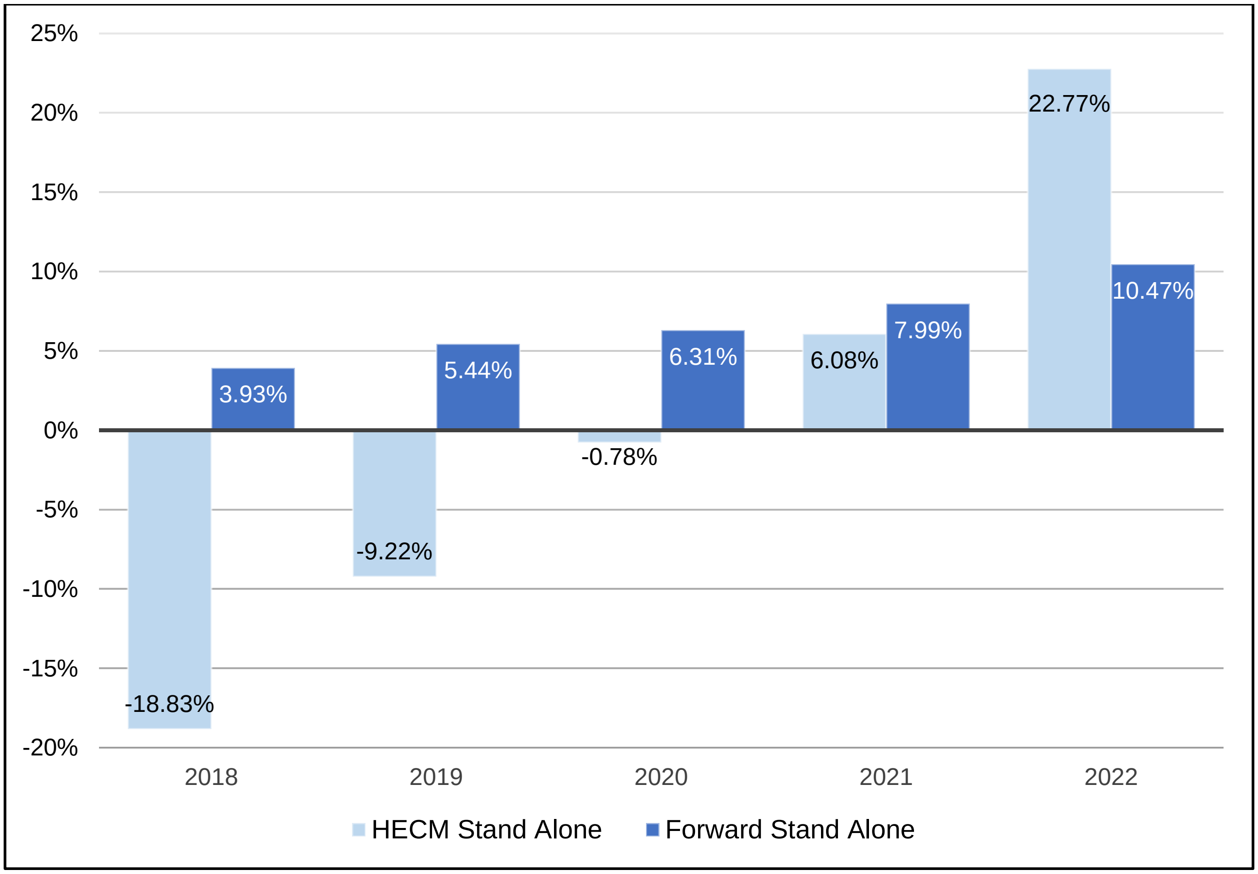
SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table E-5 in Appendix E.

Exhibit IV-5, above, shows that MMI Fund Capital grew by $41.2 billion over the last year. As can be seen in the Exhibit, a decrease in NPV Projected Losses was responsible for $22.1 billion of the total increase in MMI Fund Capital.

Stand-Alone Capital Ratios for Forward Mortgages and HECMs

The MMI Fund includes capital for both the forward and HECM programs. The following sections describe the individual (stand-alone) status of each portfolio[10].

Exhibit IV-6: Forward and HECM Stand-Alone Capital Ratios



SOURCE: U.S. Department HUD/FHA, October 2022.
Refer to data table E-6 in Appendix E.

Exhibit IV-6 provides a comparison of stand-alone capital ratios for the forward and HECM portfolios since 2018. The financial performance of the HECM portfolio has improved in each of the last four years and is now positive for the second time since FY 2015. The HECM portfolio is historically more volatile than the forward mortgage portfolio, as projections of the HECM portfolio's financial performance are highly sensitive to changes in HPA.

It is important to note that HECMs comprise only about 5 percent of the MMI portfolio and therefore the stand-alone capital ratio is significantly more sensitive to relatively small changes in capital position. For example, the same $11.3 billion growth in MMI Capital that resulted in a 16.7 percentage points increase in the HECM stand-alone MMI Capital Ratio would have

[10] The Housing and Economic Recovery Act of 2008 placed new HECMs in FHA's MMI Fund starting in 2009.

increased the stand-alone MMI Capital Ratio for the forward portfolio by only 0.9 percentage points.

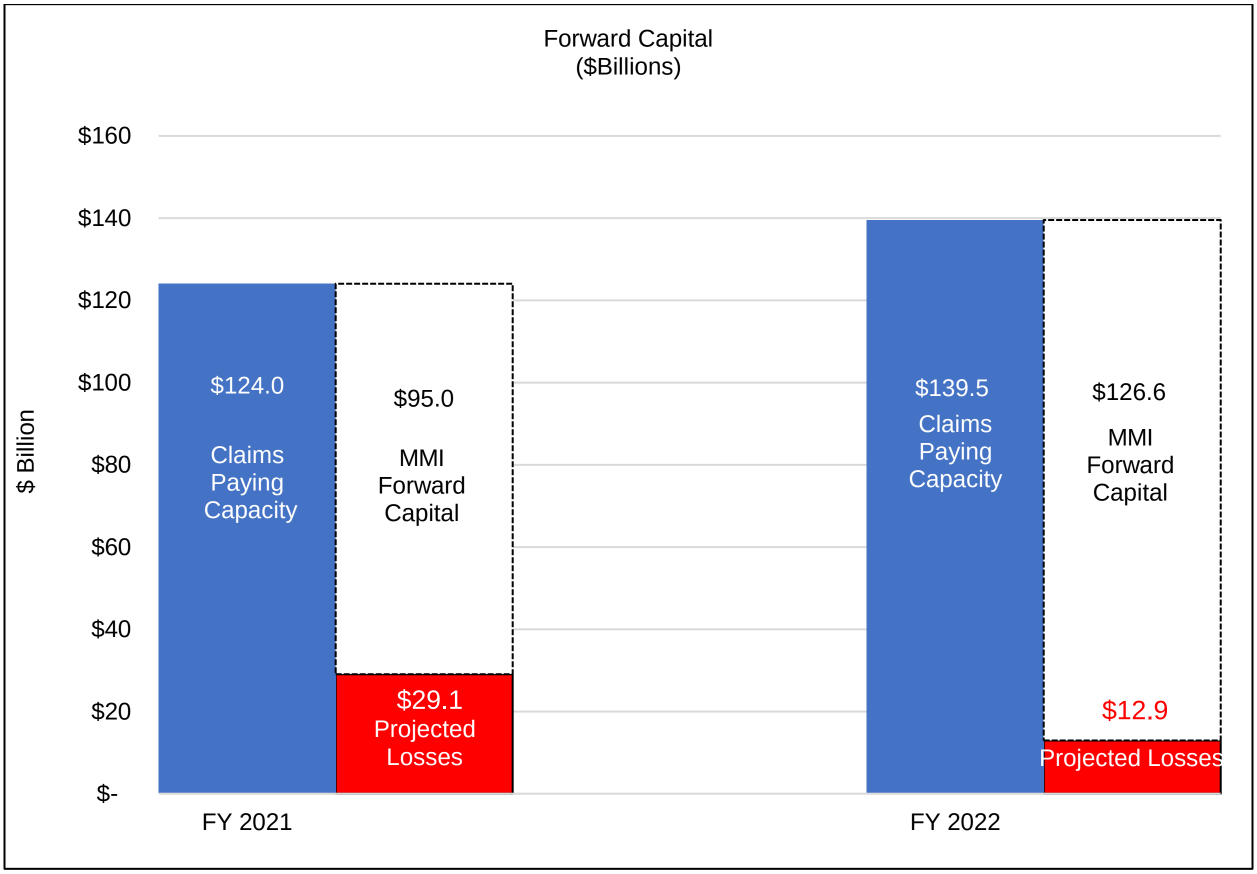
Exhibit IV-7: Forward Mortgage Stand-Alone Capital Ratio Components ($ millions)

Description	FY 2020	FY 2021	FY 2022
Total Capital Resources	$67,368	$78,500	$89,512
Plus: NPV Revenue	$44,574	$45,544	$50,033
Equals: Claims Paying Capacity	$111,942	$124,044	$139,545
Less: NPV Losses	($34,187)	($29,063)	($12,944)
Equals: MMI Fund Capital	**$77,755**	**$94,889**	**$126,600**
Insurance-In-Force	$1,232,093	$1,188,595	$1,208,886
Total Capital Resources	5.47%	6.60%	7.40%
Plus: NPV Revenue	3.62%	3.83%	4.14%
Equals: Claims Paying Capacity	9.09%	10.43%	11.54%
Less: NPV Losses	-2.77%	-2.45%	-1.07%
Equals: MMI Fund Capital Ratio	6.31%	7.99%	10.47%
Insurance-In-Force	100.00%	100.00%	100.00%

SOURCE: U.S. Department of HUD/FHA, October 2022.

Exhibit IV-7, above, shows that the stand-alone MMI Fund capital ratio for the forward portfolio increased from 7.99 percent in FY 2021 to 10.47 percent in FY 2022. MMI Fund Capital for the forward portfolio grew by $31.7 billion over the last fiscal year.

Exhibit IV-8: Changes in Forward Portfolio Claims Paying Capacity and NPV Projected Losses from FY 2021 to FY 2022



SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table E-8 in Appendix E.

Exhibit IV-8, above, shows that the NPV Projected Losses for the forward portfolio decreased by $16.2 billion in FY 2022. Growth in Claims Paying Capacity (resources available to pay for claims losses) contributed another $15.5 billion to the total increase in MMI Fund Capital for the forward portfolio of $31.6 billion.

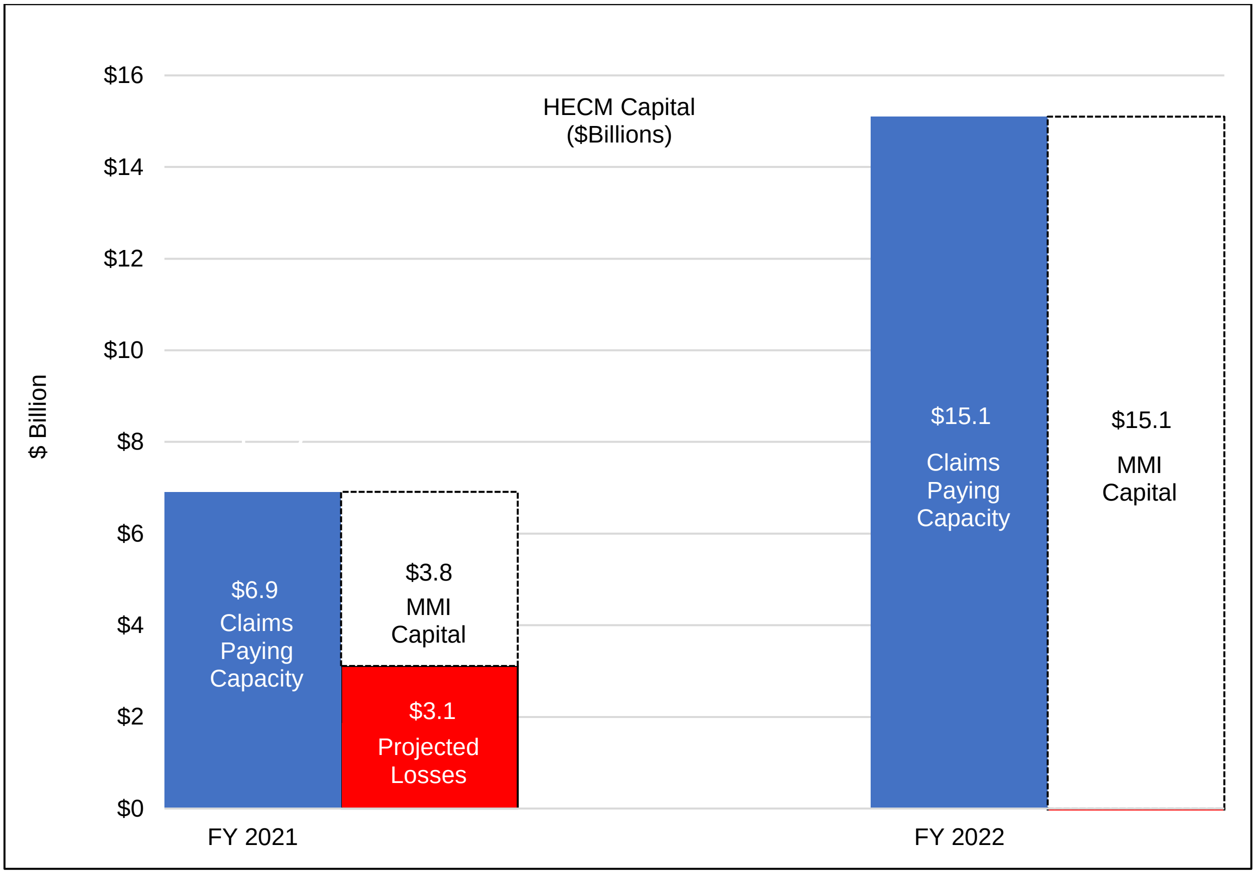
Exhibit IV-9: HECM Stand-Alone Capital Ratio Components ($ millions)

Description	FY 2020	FY 2021	FY 2022
Total Capital Resources	$1,597	$3,418	$8,929
Plus: NPV Revenue	$4,233	$3,501	$3,319
Equals: Claims Paying Capacity	$5,830	$6,919	$12,248
Less: NPV Losses	($6,322)	($3,111)	$2,853
Equals: MMI Fund Capital	**($492)**	**$3,808**	**$15,101**
Insurance-In-Force	$62,638	$62,675	$66,326
Equals: Total Capital Resources	2.55%	5.45%	13.46%
Plus: NPV Revenue	6.76%	5.59%	5.00%
Equals: Claims Paying Capacity	9.31%	11.04%	18.47%
Less: NPV Losses	-10.09%	-4.96%	4.30%
Equals: MMI Fund Capital Ratio	**-0.78%**	**6.08%**	**22.77%**
Insurance-In-Force	100.00%	100.00%	100.00%

SOURCE: U.S. Department of HUD/FHA, October 2022.

As shown in Exhibit IV-9, above, the stand-alone capital ratio of the HECM portfolio increased by 16.69 percentage points, from 6.08 percent in FY 2021 to 22.77 percent in FY 2022. Traditional forward mortgages are underwritten with both borrower income and property value considered. HECM mortgages do not require a borrower to have current income. Instead, HECM mortgages are asset-based loans that are underwritten based on property value. Because long term HPA projections drive HECM valuations rather than income, the HECM portfolio has particularly benefited from the extreme increases to HPA that we have experienced over the last two years. However, this portfolio's valuations will meaningfully decline as a result of even minor downward changes in forecasted HPA.

Exhibit IV-10: Changes in HECM Portfolio Claims Paying Capacity and NPV Projected Losses from FY 2021 to FY 2022



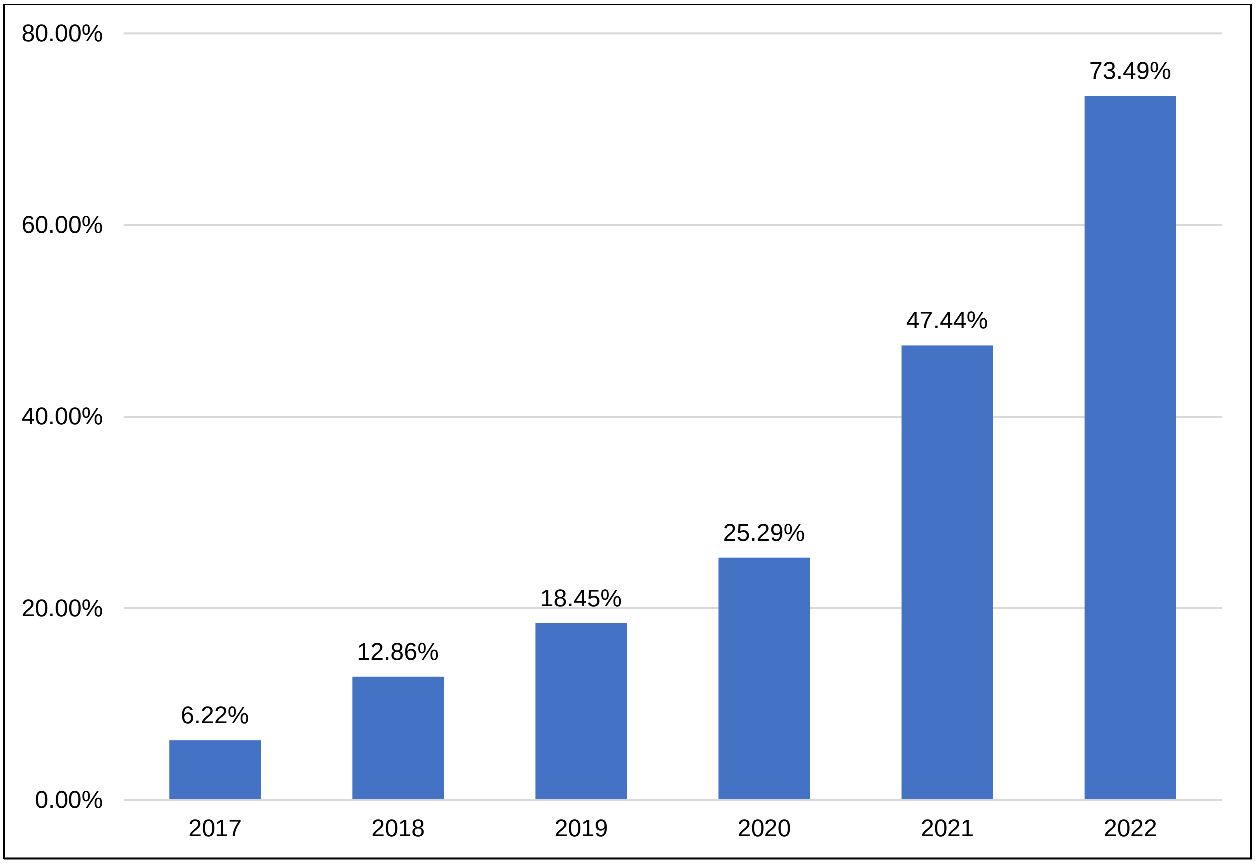
SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table E-10 in Appendix E.

MMI Fund Capital for the HECM portfolio increased by $11.3 billion over the last year. The improvement is largely based on an increase in the Claims Paying Capacity that generated $8.2 billion of new MMI HECM Capital, as shown in Exhibit IV-10, above. This increase includes a reallocation to the HECM portfolio in FY 2022 of the $1.7 billion mandatory appropriation that was taken in FY 2013; this reallocation properly reflects that the mandatory appropriation was originally required due to the performance of the HECM portfolio.

The Impact of Rising (HPA)

Significant tailwinds support MMI Capital valuations. Rapid HPA growth is the most significant driver.

Exhibit IV-11: Cumulative House Price Appreciation FY 2017 – FY 2022



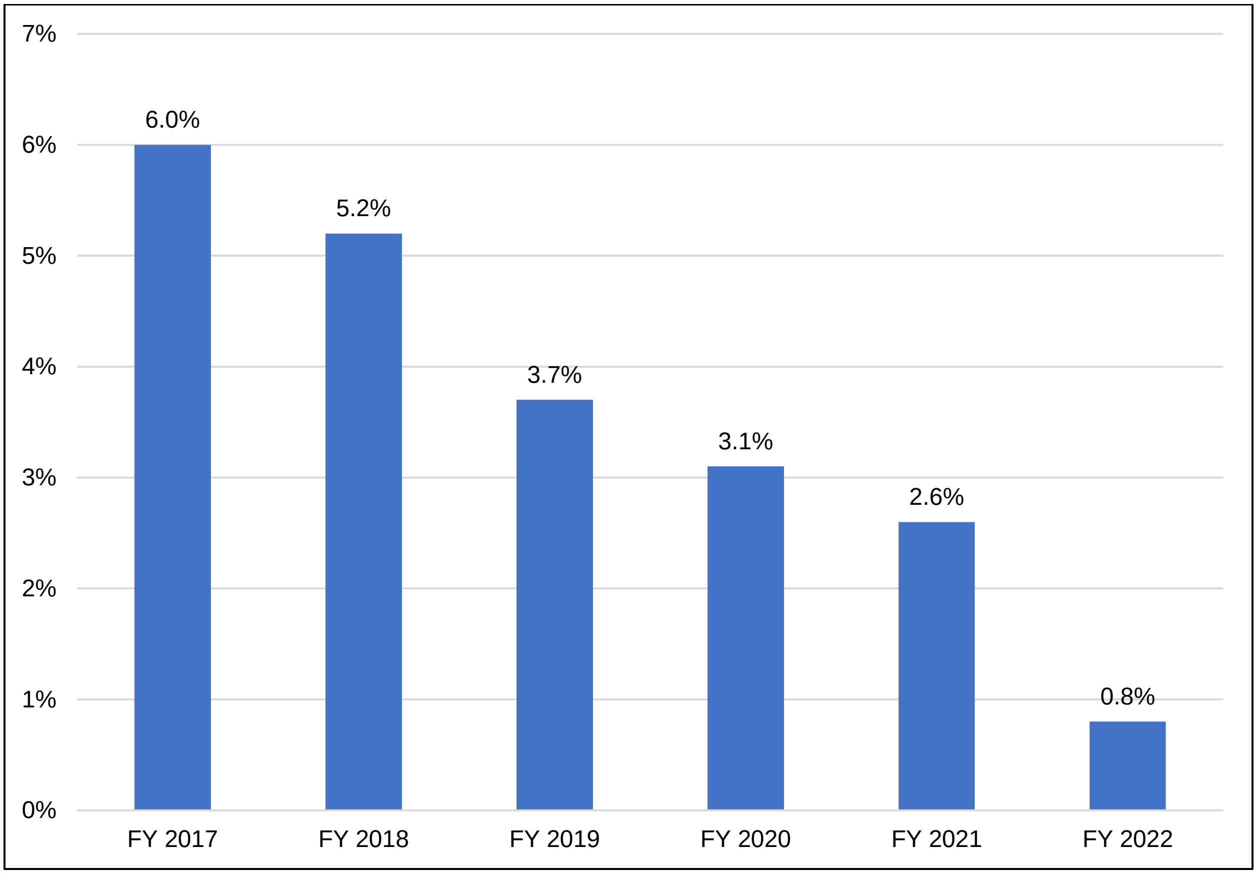
SOURCE: U.S. Department HUD/FHA, Federal Housing Finance Agency (FHFA) House Price Index, October 2022.
Refer to data table E-11 in Appendix E.

As suggested by Exhibit IV-11, above, average house prices have increased by 73 percent over the last six years, with the most significant appreciation occurring over the last two years.

Rapidly rising HPA shows itself in the portfolio valuation process through lower NPV Projected Losses. The two primary drivers of lower projected losses:

- Reduced loss severity
- Decreased probability of loss

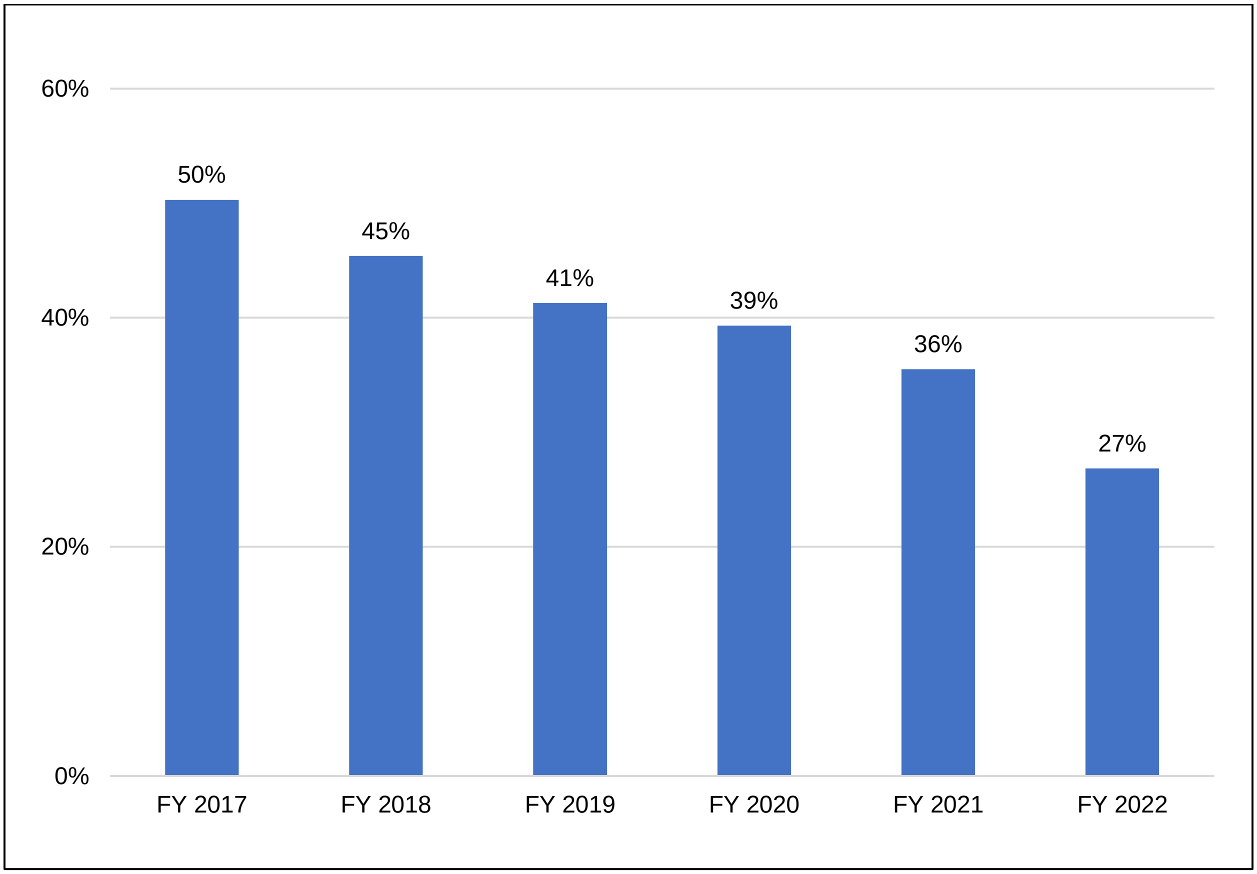
Exhibit IV-13: NPV Projected Losses for the MMI Portfolio FY 2017 – FY 2022



SOURCE: U.S. Department HUD/FHA, October 2022.
Refer to data table E-13 in Appendix E.

Exhibit IV-13 shows that NPV Projected Losses decreased by 87% over the last five years, from 6.0% in FY 2017 to 0.8% in FY 2022. Reduced loss expectations were responsible for generating $64 billion of the total $115 billion increase in MMI Capital over that time.

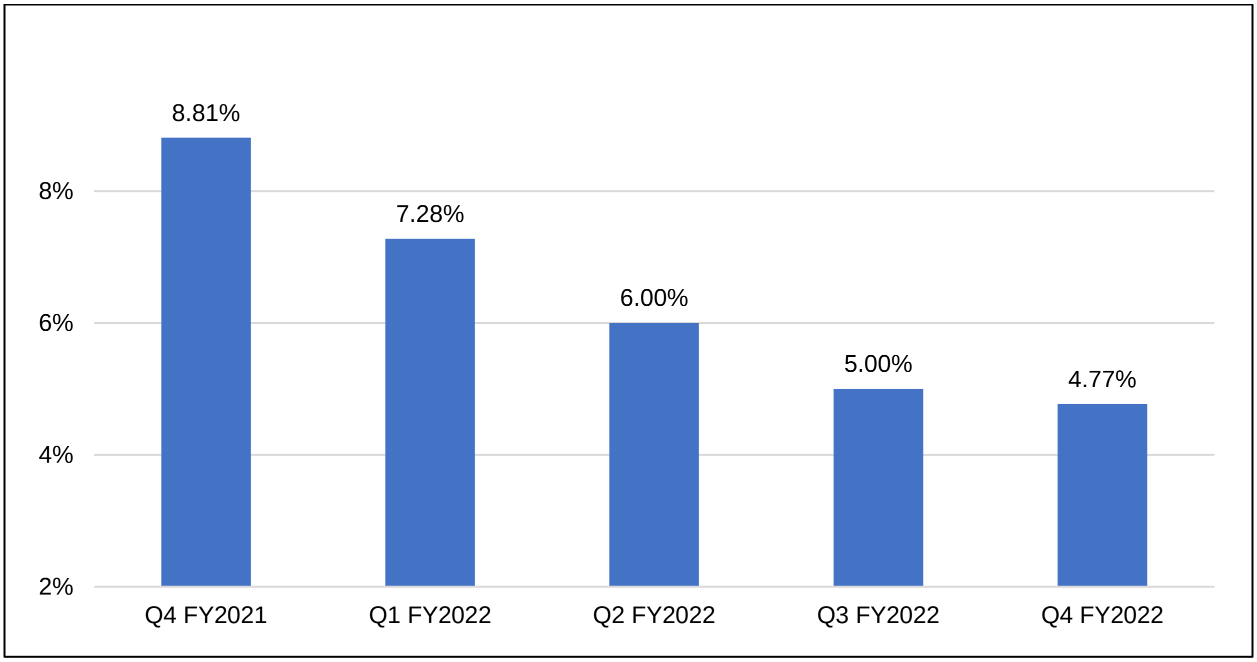
Exhibit IV-14: Loss Severity for the Forward Portfolio FY 2017 – FY 2022



SOURCE: U.S. Department HUD/FHA, October 2022.
Refer to data table E-14 in Appendix E.

Loss severity is one important driver of projected losses. Exhibit IV-14 shows that loss severity for the forward portfolio decreased by 46 percent over the last five years, from 50 percent in FY 2017 to 27 percent in FY 2022, as rising HPA improved recoveries on distressed assets.

Exhibit IV-15: Serious Delinquencies within the Forward Portfolio FY 2021 – FY 2022



SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table E-15 in Appendix E.

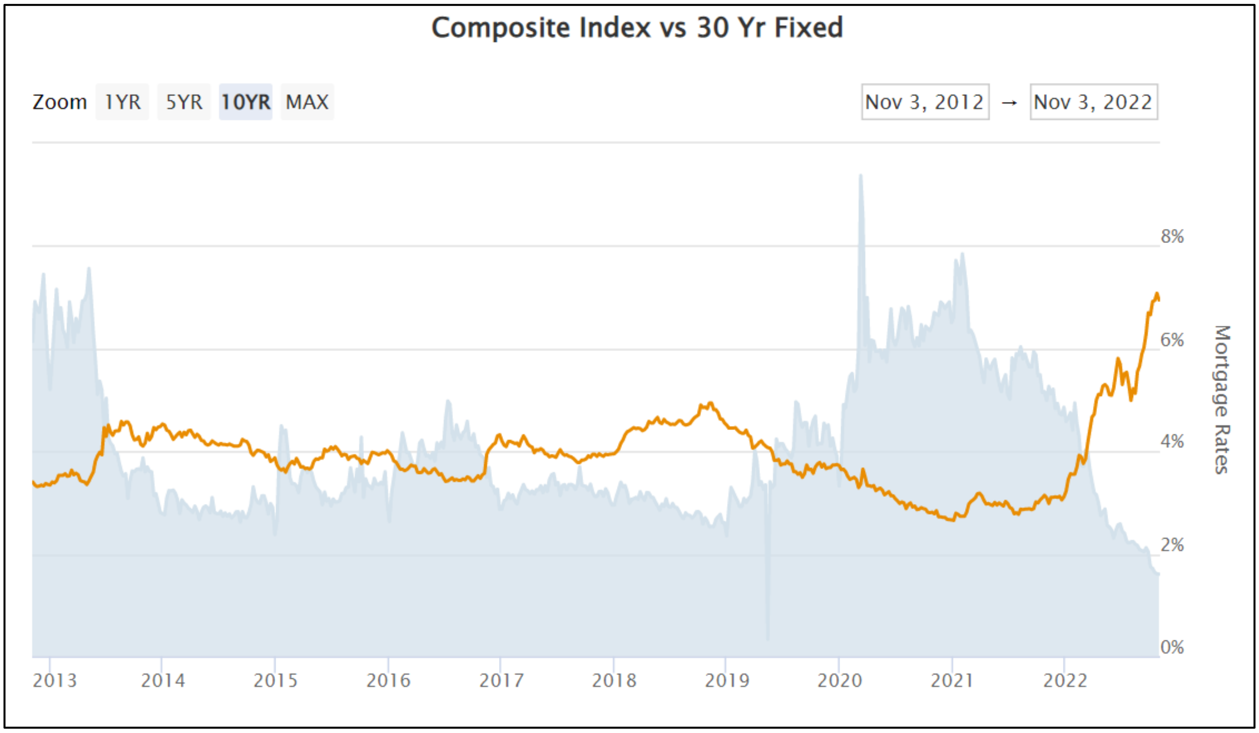
Lower probability of claim is the second important driver of projected losses. Loans that are seriously delinquent (at least 90 days delinquent) generally result in the highest claim probability. Exhibit IV-15, above, shows that the number of seriously delinquent borrowers at the end of FY 2022 is almost half the number at the end of FY 2021, falling from approximately 8.81 percent to 4.77 percent.

Potential Economic Headwinds

The previous section provided insight on the positive impact rising HPA has made to the MMI Portfolio between FY 2021 and FY 2022. However, certain emerging economic trends could adversely affect performance in the coming years. Rising inflation could negatively impact HPA growth in the near term. The Consumer Price Index has been at least 8 percent since the second quarter of FY 2022, an elevation that has prompted the Federal Reserve to execute a series of 75 basis point increases to short term rates throughout the year.

The rate increases have generated market concerns that the Federal Reserve's efforts could trigger a recession. For example, some of the nation's largest depository institutions recently bolstered their reserves to guard against future loan losses, a sign of concern that elevated inflation, rising interest rates and the possibility of higher unemployment in the future could stress borrowers' ability to pay.

Exhibit IV-16: Mortgage rates and mortgage applications over time



SOURCE: Mortgage News Daily, MBS Weekly Survey[11]

Federal Reserve rate increases resulted in sharply higher mortgage rates in 2022. The rise in mortgage rates had the impact of quickly cooling what had been a very strong housing market. As shown by Exhibit IV-16, mortgage rates began FY 2022 around 3 percent, but then began a rapid rise starting January 2022, exceeding 6 percent for much of the month of September. Rising mortgage rates tamped down demand, as measured by weekly mortgage applications, which fell sharply throughout FY 2022 and ended the fiscal year at their lowest level in 25 years.

HPA also was impacted by the rapid rise in mortgage rates. According to CoreLogic[12], average HPA nationwide through the first six months of 2022 was 10.2 percent. It then reported a combined negative 1.5 percent HPA for the fourth quarter of FY 2022. Similarly, Black Knight [13] reported a combined negative 2.6 percent HPA for the last three months of FY 2022. Despite the abrupt reversal in HPA that occurred over the summer, most housing analysts project positive year-over-year HPA for calendar year 2022 followed by flat growth through 2023.

[11] https://www.mortgagenewsdaily.com/data/mortgage-applications
[12] https://www.corelogic.com/intelligence/u-s-home-price-insights-november-2022/
[13] https://investor.blackknightinc.com/press-releases/news-details/2022/Black-Knight-Mortgage-Holders-Lose-1.3-Trillion-in-Equity-in-Q3-as-Price-Correction-Continues-Nationally-Homes-Shed-2.6-of-Value-Over-Past-Three-Months/default.aspx

FHA conducted sensitivity analyses to better understand the potential impact of falling HPA on MMI Fund valuations.

Exhibit IV-17: Sensitivity of MMI Fund Capital Ratio to Decreases in HPA

Scenario	Forward Capital ($ billion)	HECM Capital ($ billion)	MMI Capital ($ billion)	MMI Capital Ratio
Baseline	$126.6	$15.1	$141.7	11.11%
HPA -1%	($4.6)	($7.6)	($12.1)	-0.95%
HPA -2%	($8.8)	($15.6)	($24.4)	-1.91%

SOURCE: U.S. Department of HUD/FHA, October 2022.

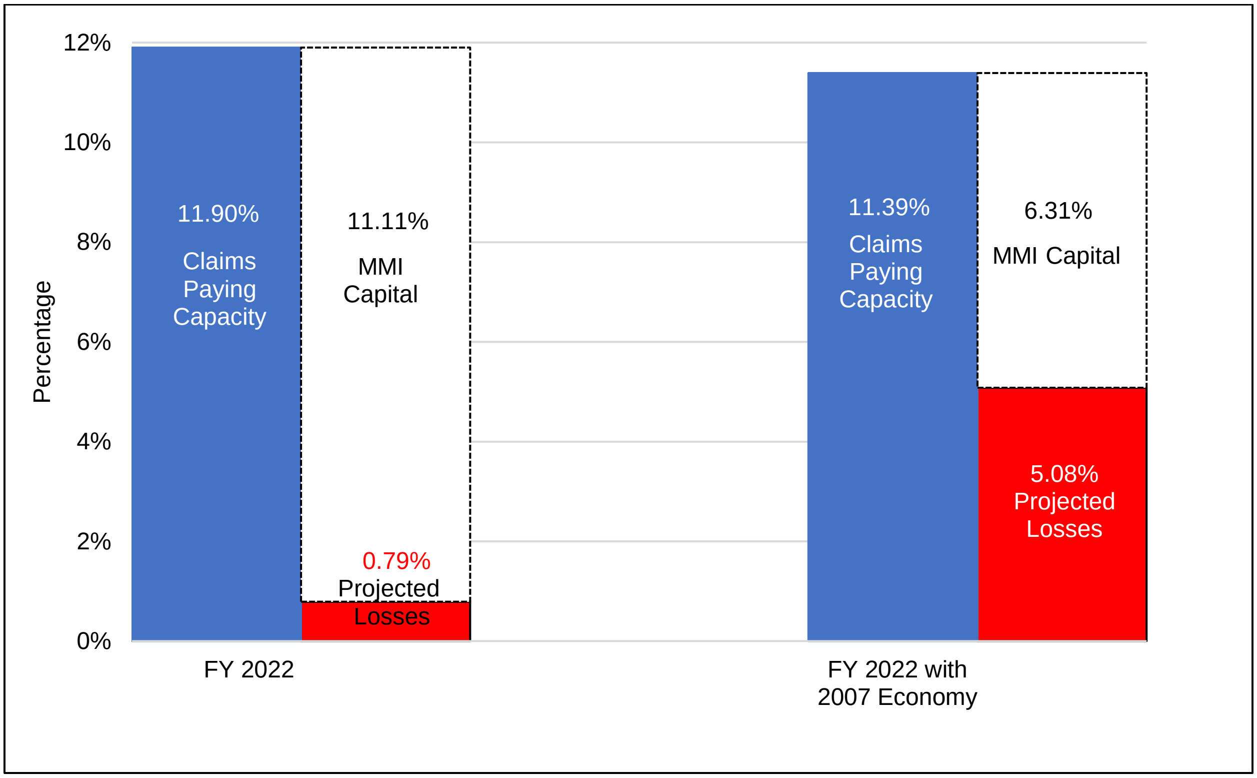
One method used to test the sensitivity of the MMI Fund Capital Ratio to declining HPA is to shift the future path of home prices as projected by the President's Economic Assumptions downward by one percent and two percent. Overall:

- A one percentage decrease in HPA projections would reduce the MMI Fund Capital Ratio by 0.95 percent.
- A two percentage decrease in HPA projections would reduce the MMI Fund Capital Ratio by 1.91 percent. The entire HECM capital base is depleted in this scenario, resulting in a negative stand-alone capital ratio, highlighting how much more sensitive HECM capital projections are to changes in HPA.

Historical context can provide additional insights into the potential impacts of decreasing HPA on the MMI Portfolio. To better assess the resilience of the MMI Fund, FHA ran over 100 historical scenarios to predict the outcomes of potential stress events. Historical 30-year economic scenarios were constructed from actual coincident quarterly changes in interest rates and house prices starting in 1954.

The economic conditions consistent with those at the start of Q3 FY 2007 produced the highest loss of the 100 scenarios and provides the basis for the 2007 Stress Test. FHA's 2007 portfolio experienced a contraction of negative 17 percent in HPA over the following five years. Further, the impact of the unemployment rate, which rose precipitously from 4.6 percent in January 2007 to 10.0 percent by October 2009, is reflected in the stress scenario.

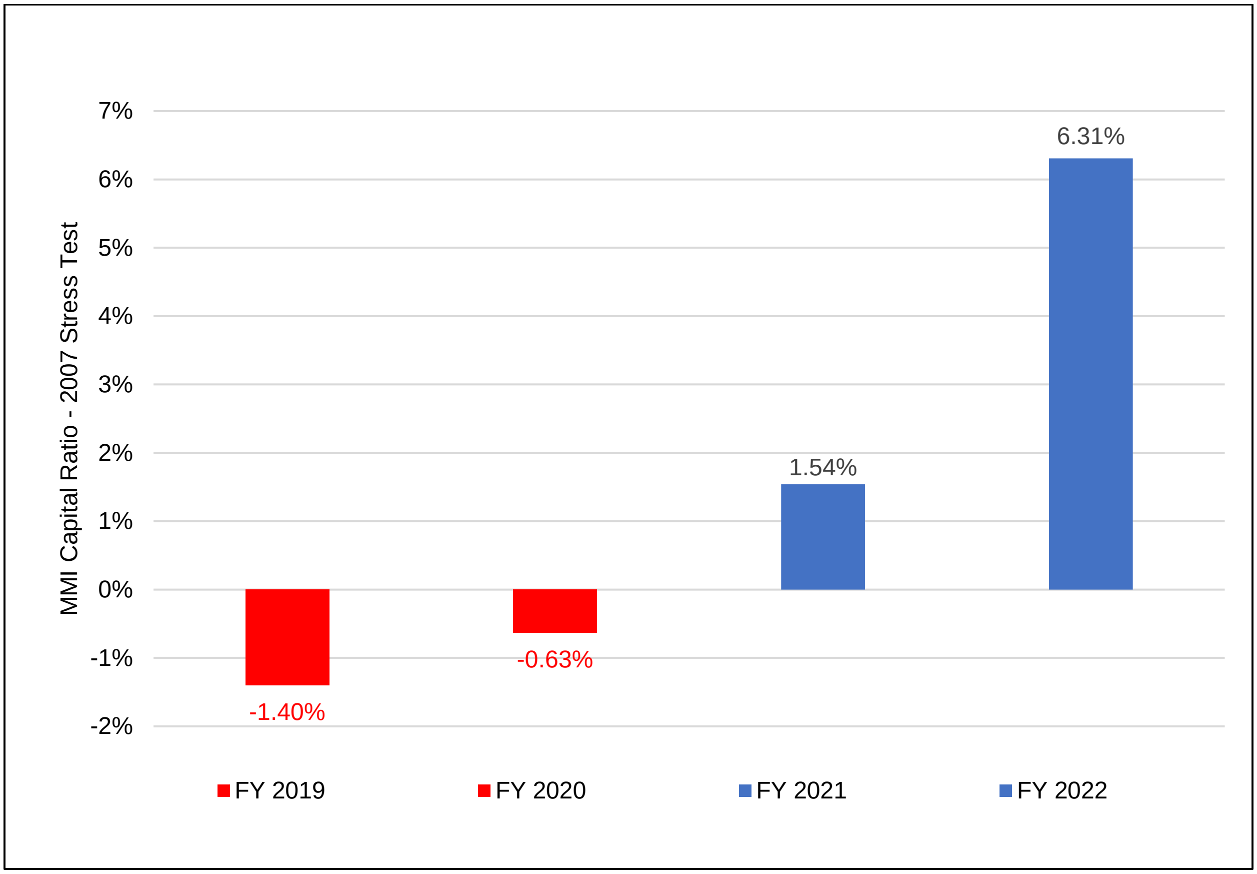
Exhibit IV-19: 2007 Stress Test: Impact of Q3 FY 2007 Economic Conditions on the FY 2022 Portfolio



SOURCE: U.S. Department HUD/FHA, October 2022.
Refer to data table E-19 in Appendix E.

As shown above by Exhibit IV-19, subjecting the FY 2022 portfolio to the same macroeconomic conditions faced by the 2007 portfolio would diminish the MMI Capital Ratio by 4.80 percent, resulting in an MMI Fund Capital Ratio of 6.31 percent, still well above the statutory two percent minimum established by the Cranston-Gonzalez National Affordable Housing Act of 1990.

Exhibit IV-20: 2007 Stress Test Analysis – MMI Capital Impact (FY 2019 – FY 2022)



SOURCE: U.S. Department of HUD/FHA, October 2022.
Refer to data table D-20 in Appendix D.

Exhibit IV-20 shows the results of the 2007 stress scenario over the last four fiscal years. As indicated by Exhibit IV-20, MMI Capital Ratio valuations under this stress test was negative 1.40 percent for the 2019 MMI Portfolio and increased each year, reaching positive 6.31 percent for the 2022 MMI Portfolio. MMI Capital increased by $79 billion over that period.

These results suggest that FHA, as a countercyclical force in the economy, has accumulated enough capital in recent times so that it need not further bolster reserves in preparation for a potential recession, as major depositories have done recently. FHA is already well-positioned to manage economic headwinds that may lie ahead.

Appendix A:
Data Tables for Executive Summary

Table A-1: Data Table for Exhibit E-1: FHA Forbearance Requests in FY 2022 (Count)

FY 2022 Q1	116,155
FY 2022 Q2	113,222
FY 2022 Q3	86,159
FY 2022 Q4	93,285

SOURCE: U.S. Department of HUD/FHA, October 2022.

Table A-2: Data Table for Exhibit E-2: Status of Borrowers Impacted During the COVID-19 Emergency

Category	Total SDQ (Count in Thousands)	Percent of Total
Payoff	321	15.07%
Self-Cure	334	15.68%
Loss Mit	1,020	47.89%
Loss Mit in Progress	51	2.39%
Claim	47	2.21%
Still in Forbearance	132	6.20%
DQ	225	10.56%
Total	2,130	100%

SOURCE: U.S. Department of HUD/FHA, October 2022.

Table A-3: Data Table for Exhibit E-3: Seriously Delinquent Borrowers

Fiscal Year/Quarter	Non- Forbearance SDQ	Forbearance SDQ	Total SDQ
Q4 2021	351,047	309,581	660,628
Q1 2022	374,690	153,373	528,063
Q2 2022	317,195	108,678	425,873
Q3 2022	261,122	98,203	359,325
Q4 2022	255,692	83,385	339,077

SOURCE: U.S. Department of HUD/FHA, October 2022.

Table A-4: Data Table for Exhibit E-4: Share of FHA's Purchase Volume to First-time Homebuyers Compared to Other Market Participants

Year	FHA	Rest of Market
2020	83.10%	45.76%
2021	84.61%	46.06%
2022	83.52%	46.50%

U.S. Department of HUD/FHA, Recursion.

Table A-5: Data Table for Exhibit E-5: Share Produced by the Origination Market – First-time Homebuyers with LTV >95% and Credit Score <680

Year	FHA	Rest of Market
2020	74.70%	25.30%
2021	75.72%	24.28%
2022	74.70%	25.30%

SOURCE: U.S. Department of HUD/FHA, Recursion.

Table A-6: Data Table for Exhibit E-6: FHA's Share of Low Down-Payment (less than 5%) Lending to Selected Underserved Borrower Groups

Year - 2021	Black	Hispanic	Rural Area
	60.21%	61.30%	52.22%

SOURCE: U.S. Department of HUD/FHA, Recursion.

Table A-7: Data Table for Exhibit E-7: Share of Low-Income Households

Year - 2021	FHA	Rest of Market
	43.75%	22.91%

SOURCE: U.S. Department of HUD/FHA, Recursion.

Table A-8: Data Table for Exhibit E-8: MMI Fund Capital Ratio FY 2018 – FY 2022

MMI Capital Ratio	2018	2019	2020	2021	2022
	2.76%	4.84%	6.10%	8.03%	11.11%

SOURCE: U.S. Department of HUD/FHA, October 2022.

Table A-9: Data Table for Exhibit E-9: Forward and HECM Stand-Alone Capital Ratios

Category	2018	2019	2020	2021	2022
HECM Stand-Alone	-18.83%	-9.22%	-0.79%	6.08%	22.77%
Forward Stand-Alone	3.93%	5.44%	6.31%	7.99%	10.47%

SOURCE: U.S. Department of HUD/FHA, October 2022.

Table A-10: Data Table for Exhibit E-10: House Price Appreciation (HPA) FY 2017 – FY 2022

Region	Year	HPA	Quarter	HPI
USA	2016	na	2	227.68
USA	2017	6.22%	2	241.84
USA	2018	12.86%	2	256.96
USA	2019	18.45%	2	269.69
USA	2020	25.29%	2	285.25
USA	2021	47.44%	2	335.69
USA	2022	73.49%	2	395.01

SOURCE: U.S. Department of HUD/FHA, October 2022.

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Appendix B: Data Tables for Chapter I

Table B-1: Data Table for Exhibit I-1: FHA Forbearance Requests in FY 2022 (Count)

FY 2022 Q1	116,155
FY 2022 Q2	113,222
FY 2022 Q3	86,159
FY 2022 Q4	93,285

SOURCE: U.S. Department of HUD/FHA, October 2022.

Table B-2: Data Table for Exhibit I-2: Status of Borrowers Impacted During the COVID-19 Emergency

Category	Total SDQ (Count in Thousands)	Percent of Total
Payoff	321	15.07%
Self-Cure	334	15.68%
Loss Mit	1,020	47.89%
Loss Mit in Progress	51	2.39%
Claim	47	2.21%
Still in Forbearance	132	6.20%
DQ	225	10.56%
Total	2,130	100%

SOURCE: U.S. Department of HUD/FHA, October 2022.

Table B-4: Data Table for Exhibit I-4: Seriously Delinquent Homeowners

Fiscal Year/Quarter	Non- Forbearance SDQ	Forbearance SDQ	Total SDQ
Q4 2021	351,047	309,581	660,628
Q1 2022	374,690	153,373	528,063
Q2 2022	317,195	108,678	425,873
Q3 2022	261,122	98,203	359,325
Q4 2022	255,692	83,385	339,077

SOURCE: U.S. Department of HUD/FHA, October 2022.

Appendix C:
Data Tables for Chapter II

Table C-1: Data Table for Exhibit II-1: Share of FHA's Purchase to First-time Homebuyers Compared to Other Market Participants

Year	FHA	Rest of Market
2020	83.10%	45.76%
2021	84.61%	46.06%
2022	83.52%	46.50%

U.S. Department of HUD/FHA, Recursion.

Table C-2: Data Table for Exhibit II-2: Share Produced by the Origination Market – First-Time Homebuyers with LTV >95% and Credit Score <680

Year	FHA	Rest of Market
2020	74.70%	25.30%
2021	75.72%	24.28%
2022	74.70%	25.30%

SOURCE: U.S. Department of HUD/FHA, Recursion.

Table C-3: Data Table for Exhibit II-3: FHA's Share of Low Down-Payment (less than 5%) Lending to Selected Underserved Borrower Groups

Year - 2021	Black	Hispanic	Rural Area
	60.21%	61.30%	52.22%

SOURCE: U.S. Department of HUD/FHA, Recursion.

Table C-4: Data Table for Exhibit II-4: FHA's Share of Lending to Hispanic and Black Borrowers Compared to Other Market Participants

Category	FHA	Rest of Market
Black	18.28%	5.92%
Hispanic	22.97%	10.41%

SOURCE: U.S. Department of HUD/FHA, Recursion.

Table C-5: Data Table for Exhibit II-5: Share of Homebuyers Under the Age of 35

Category	Share of Homebuyers
FHA	44.25%
VA	37.63%
Conventional	32.93%

SOURCE: U.S. Department of HUD/FHA, Recursion.

Table C-6: Data Table for Exhibit II-6: Share of Low-Income Homebuyers

	FHA	Rest of Market
Year - 2021	43.75%	22.91%

SOURCE: U.S. Department of HUD/FHA, Recursion.

Table C-7: Data Table for Exhibit II-7: Lifetime Savings – FHA Mortgage over a 96.5% LTV Conventional Mortgage with Private Mortgage Insurance ($250,000 Home)

Credit Score	Prepay in 10-yr	30-yr
620 - 639	$ 29,626.23	$ 15,865.75
640 - 659	$ 22,667.94	$ 8,493.96
660 - 680	$ 18,764.65	$ 4,374.07

SOURCE: U.S. Department of HUD/FHA, Urban Institute Chartbook, FHA and Conforming Rate from MBA Weekly Application Survey.

Table C-8: Data Table for Exhibit II-8: FHA's Share of Manufactured Home Loans

Share of MH Lending	MH	SF-4F	MH%	SF-4F%
FHA	44,372	1,330,222	3.23%	96.77%
Other Types	187,494	13,371,156	1.38%	98.62%

SOURCE: 2021 Home Mortgage Disclosure Act (HMDA), Recursion

Appendix D:
Data Tables for Chapter III

Table D-1: Data Table for Exhibit III-1: Historical FHA Forward Mortgage Endorsement Activity

Endorsement Fiscal Year	Mortgage Amount ($ billions)	FHA Forward Endorsed Mortgage Counts				
		Purchase	FHA Streamline Refinance	Other FHA Refinance	Conventional-to-FHA Refinance	Total
2000	94.22	839,870	34,443	6,780	32,007	913,100
2001	117.69	806,818	188,422	17,230	46,207	1,058,677
2002	148.10	862,899	318,245	28,525	64,475	1,274,144
2003	159.23	658,639	560,891	37,504	62,694	1,319,728
2004	115.98	586,110	291,483	26,147	56,695	960,435
2005	62.36	353,845	113,062	11,840	33,580	512,327
2006	55.30	313,998	36,374	14,722	60,397	425,491
2007	59.84	278,395	22,087	16,504	107,738	424,724
2008	181.17	631,656	66,773	28,510	360,455	1,087,394
2009	330.49	995,550	329,436	38,071	468,941	1,831,998
2010	297.60	1,109,582	212,896	39,602	305,530	1,667,610
2011	217.81	777,426	180,265	44,559	195,559	1,197,809
2012	213.30	733,864	274,059	47,596	129,221	1,184,740
2013	240.12	702,415	511,843	39,088	91,500	1,344,846
2014	135.22	594,998	115,038	20,962	55,354	786,352
2015	213.12	753,387	232,811	50,018	80,014	1,116,230
2016	245.41	879,512	210,629	60,443	107,464	1,258,048
2017	250.95	882,077	161,308	76,172	126,877	1,246,434
2018	209.05	776,275	51,255	77,616	109,455	1,014,601
2019	214.62	743,278	56,432	86,767	103,948	990,425
2020	310.32	817,834	315,557	105,205	94,555	1,333,151
2021	342.82	846,243	397,596	104,452	84,575	1,432,866
2022	255.51	692,846	83,987	114,574	90,795	982,202

SOURCE: U.S. Department of HUD/FHA, October 2022.

Table D-2: Data Table for Exhibits III-2: Historical Purchase Mortgage Activity and FHA First-Time Homebuyer Share

Endorsement Fiscal Year	FHA Forward Mortgages			First-Time Homebuyer Percentage	Average Age for First-Time Homebuyer
	First-Time Buyer	Repeat Buyer	Purchase Total		
2000	684,999	154,871	839,870	81.56	29.84
2001	643,640	163,178	806,818	79.78	25.68
2002	683,582	179,317	862,899	79.22	30.02
2003	521,723	136,916	658,639	79.21	35.67
2004	454,241	131,869	586,110	77.50	33.77
2005	280,082	73,763	353,845	79.15	33.74
2006	248,884	65,114	313,998	79.26	33.65
2007	221,473	56,922	278,395	79.55	34.24
2008	492,288	139,368	631,656	77.94	34.65
2009	781,681	213,869	995,550	78.52	34.73
2010	882,099	227,483	1,109,582	79.50	34.89
2011	585,005	192,421	777,426	75.25	35.65
2012	569,826	164,038	733,864	77.65	35.70
2013	553,078	149,337	702,415	78.74	36.02
2014	483,051	111,947	594,998	81.19	36.92
2015	614,313	139,074	753,387	81.54	37.27
2016	722,069	157,443	879,512	82.10	37.55
2017	725,218	156,859	882,077	82.22	37.91
2018	641,910	134,365	776,275	82.69	38.10
2019	615,708	127,570	743,278	82.84	38.22
2020	679,620	138,214	817,834	83.10	37.77
2021	716,024	130,219	846,243	84.61	37.99
2022	578,675	114,171	692,846	83.52	38.55

SOURCE: U.S. Department of HUD/FHA, October 2022.

Table D-3: Data Table for Exhibit III-3: Racial Composition of FHA Forward Mortgages

Endorsement Fiscal Year	Share of FHA Forward Endorsed Mortgages					
	Indian American	Asian	Black	Hispanic	White	Not Reported
2000	0.43	1.97	14.48	19.18	57.71	6.23
2001	0.40	1.86	13.48	18.25	57.67	8.35
2002	0.40	1.78	12.86	17.63	57.15	10.18
2003	0.41	1.66	12.59	16.41	58.52	10.41
2004	0.60	2.19	13.88	16.42	58.57	8.34
2005	0.51	2.92	14.95	15.30	61.88	4.44
2006	0.52	3.11	13.76	11.96	66.02	4.62
2007	0.55	2.09	14.83	11.47	65.97	5.08
2008	0.45	2.11	13.31	10.99	65.69	7.45
2009	0.42	2.75	9.86	11.48	66.77	8.73
2010	0.39	3.41	9.00	12.01	67.13	8.06
2011	0.35	3.59	8.07	12.98	67.25	7.77
2012	0.36	3.71	8.07	13.50	66.81	7.55
2013	0.37	3.42	8.75	14.12	65.63	7.71
2014	0.41	3.27	10.86	17.09	61.32	7.05
2015	0.43	3.35	10.40	17.36	60.16	8.30
2016	0.39	3.13	10.91	17.49	58.83	9.25
2017	0.41	3.02	11.69	18.14	57.10	9.65
2018	0.36	2.60	12.62	18.17	55.50	10.74
2019	0.34	2.27	12.83	17.75	53.03	13.78
2020	0.36	2.20	12.74	17.29	50.11	17.30
2021	0.37	2.04	13.42	16.09	43.75	24.32
2022	0.37	1.71	12.85	14.07	37.11	33.89

SOURCE: U.S. Department of HUD/FHA, October 2022.

Table D-3A: Data Table for Exhibit III-3: Racial Composition of FHA Forward Mortgages

Endorsement Fiscal Year	Share of FHA Forward Mortgage Count					
	Indian American	Asian	Black	Hispanic	White	Not Reported
2000	3,956	18,010	132,195	175,099	526,988	56,852
2001	4,203	19,647	142,662	193,250	610,525	88,390
2002	5,132	22,629	163,863	224,626	728,160	129,734
2003	5,355	21,861	166,215	216,632	772,267	137,398
2004	5,743	20,991	133,342	157,737	562,549	80,073
2005	2,627	14,947	76,569	78,404	317,024	22,756
2006	2,228	13,222	58,551	50,904	280,915	19,671
2007	2,345	8,885	62,988	48,735	280,204	21,567
2008	4,910	22,901	144,729	119,460	714,362	81,032
2009	7,638	50,309	180,561	210,354	1,223,136	160,000
2010	6,425	56,799	150,164	200,348	1,119,504	134,370
2011	4,189	42,962	96,677	155,439	805,487	93,055
2012	4,292	43,905	95,581	159,947	791,564	89,451
2013	5,029	46,001	117,618	189,896	882,669	103,633
2014	3,220	25,722	85,431	134,352	482,216	55,411
2015	4,813	37,343	116,091	193,788	671,514	92,681
2016	4,894	39,434	137,244	220,035	740,052	116,389
2017	5,060	37,608	145,752	226,085	711,677	120,252
2018	3,671	26,363	128,072	184,360	563,147	108,988
2019	3,319	22,474	127,042	175,816	525,263	136,511
2020	4,745	29,347	169,884	230,495	668,005	230,675
2021	5,319	29,278	192,302	230,572	626,912	348,483
2022	3,636	16,776	126,195	138,200	364,528	332,867

SOURCE: U.S. Department of HUD/FHA, October 2022.

Table D-4: Data Table for Exhibit III-4: Historical FHA Forward Endorsement Activity

Endorsement Fiscal Year	FHA Forward Endorsed Mortgages			
	Purchase	No Cash-Out Refinance	Cash-Out Refinance	Total
2000	839,870	73,230	na	913,100
2001	806,818	251,859	na	1,058,677
2002	862,899	411,245	na	1,274,144
2003	658,639	661,089	na	1,319,728
2004	586,110	374,325	na	960,435
2005	353,845	158,482	na	512,327
2006	313,998	111,493	na	425,491
2007	278,395	146,329	na	424,724
2008	631,656	455,738	na	1,087,394
2009	995,550	620,859	215,589	1,831,998
2010	1,109,582	431,774	126,254	1,667,610
2011	777,426	341,233	79,150	1,197,809
2012	733,864	396,563	54,313	1,184,740
2013	702,415	599,379	43,052	1,344,846
2014	594,998	154,708	36,646	786,352
2015	753,387	299,063	63,780	1,116,230
2016	879,512	279,588	98,948	1,258,048
2017	882,077	222,472	141,885	1,246,434
2018	776,275	87,442	150,884	1,014,601
2019	743,278	87,298	159,849	990,425
2020	817,834	391,242	124,075	1,333,151
2021	846,243	472,844	113,779	1,432,866
2022	692,846	111,507	177,849	982,202

NOTE: Cash-Out Refinance data is not available prior to FY 2009.
SOURCE: U.S. Department of HUD/FHA, October 2022.

Table D-5: Data Table for Exhibit III-5: FHA Endorsement Activity by Refinance Type

Endorsement Fiscal Year	Share of FHA Forward Refinance Mortgage Count				
	Conventional Cash-Out	FHA Cash-Out	Conventional No Cash-Out	FHA No Cash-Out	Streamline
2009	23.47	2.31	32.60	2.24	39.39
2010	20.17	2.46	34.58	4.64	38.15
2011	16.18	2.65	30.34	7.95	42.88
2012	9.93	2.11	18.73	8.45	60.78
2013	5.10	1.60	9.14	4.48	79.67
2014	12.90	6.25	16.02	4.71	60.12
2015	10.88	6.70	11.17	7.09	64.16
2016	16.49	9.65	11.90	6.32	55.64
2017	23.38	15.56	11.44	5.34	44.27
2018	35.05	28.26	10.87	4.31	21.51
2019	34.75	29.93	7.31	5.18	22.83
2020	13.18	10.90	5.17	9.51	61.24
2021	9.73	9.67	4.69	8.14	67.78
2022	26.60	34.86	4.78	4.73	29.03

SOURCE: U.S. Department of HUD/FHA, October 2022.

Table D-5A: Data Table for Exhibit III-5: FHA Endorsement Activity by Refinance Type

Endorsement Fiscal Year	Share of FHA Forward Refinance Mortgage Count				
	Conventional Cash-Out	FHA Cash-Out	Conventional No Cash-Out	FHA No Cash-Out	Streamline
2009	196,289	19,300	272,652	18,771	329,436
2010	112,552	13,702	192,978	25,900	212,896
2011	68,026	11,124	127,533	33,435	180,265
2012	44,794	9,519	84,427	38,077	274,059
2013	32,757	10,295	58,743	28,793	511,843
2014	24,693	11,953	30,661	9,009	115,038
2015	39,472	24,308	40,542	25,710	232,811
2016	62,433	36,515	45,031	23,928	210,629
2017	85,181	56,704	41,696	19,468	161,308
2018	83,540	67,344	25,915	10,272	51,255
2019	85,884	73,965	18,064	12,802	56,432
2020	67,899	56,176	26,656	49,029	315,557
2021	57,053	56,726	27,522	47,726	397,596
2022	76,971	100,878	13,824	13,696	83,987

SOURCE: U.S. Department of HUD/FHA, October 2022.

Table D-6: Data Table for Exhibit III-6: Average FHA Forward Loan-To-Value Ratio by Mortgage Purpose

Endorsement Fiscal Year	Purchase	Conventional Loan Refinance	Conventional-to-FHA Refinance
2000	97.36	82.95	85.23
2001	96.45	82.84	85.89
2002	96.49	82.54	84.92
2003	96.47	81.71	83.83
2004	96.35	81.53	82.05
2005	96.14	81.91	80.50
2006	96.02	85.47	84.97
2007	95.99	87.54	87.30
2008	96.12	89.03	88.18
2009	95.80	88.52	88.03
2010	95.58	85.95	86.96
2011	95.70	85.95	87.98
2012	95.99	83.49	88.20
2013	95.88	84.06	86.94
2014	95.71	81.55	83.46
2015	95.69	80.29	84.35
2016	95.71	79.18	82.44
2017	95.72	78.41	81.51
2018	95.70	78.00	81.25
2019	95.58	77.42	81.71
2020	95.63	76.33	82.22
2021	95.54	73.81	78.85
2022	95.01	69.72	74.06

NOTE: In accordance with statutory requirements for determining eligibility of mortgages for FHA insurance, FHA measures LTV without including any Mortgage Insurance Premium financed into the mortgage balance. Exhibit III-6 includes only fully underwritten mortgages and excludes Streamline Refinances.
SOURCE: US Department of HUD/FHA, October 2022.

Table D-7: Data Table for Exhibit III-7: Average Borrower Credit Score for FHA-Endorsed Mortgages

Fiscal Year	Purchase	Conventional-to-FHA Refinance	FHA-to-FHA Refinance	Average Borrower Credit Score
2005	641	612	614	637
2006	644	623	626	640
2007	634	618	626	629
2008	654	632	638	646
2009	685	673	667	681
2010	697	696	688	697
2011	700	705	701	701
2012	696	706	707	698
2013	693	694	700	693
2014	683	674	674	682
2015	680	675	675	680
2016	681	677	673	680
2017	678	674	668	676
2018	671	665	661	670
2019	667	663	660	666
2020	673	666	666	672
2021	673	667	664	672
2022	668	651	647	664

NOTE: Borrower credit score data was not collected prior to 2005 and does not include Streamline Refinance mortgages.
SOURCE: US Department of HUD/FHA, October 2022.

Table D-8: Data Table for Exhibit III-8: Distribution of FHA Borrower Credit Score by Fiscal Year

Endorsement Fiscal Year	Share of FHA Forward Mortgage Counts					
	720 or Higher	680-719	620-679	580-619	Less than 579	Missing
2005	11.87	11.61	32.01	20.75	15.96	7.81
2006	12.97	11.86	32.95	20.81	15.53	5.87
2007	10.25	9.89	30.97	23.11	20.53	5.25
2008	14.96	13.14	34.95	20.85	13.18	2.92
2009	27.18	19.89	37.51	11.49	2.63	1.29
2010	34.18	22.55	38.27	3.30	0.47	1.24
2011	35.69	23.61	36.78	2.62	0.26	1.05
2012	32.63	24.25	39.55	2.69	0.20	0.67
2013	27.26	26.86	43.43	1.72	0.15	0.57
2014	18.30	26.49	51.53	3.13	0.18	0.38
2015	18.03	26.13	50.20	5.06	0.23	0.34
2016	18.75	25.97	49.19	5.55	0.25	0.30
2017	17.49	24.81	49.68	7.32	0.42	0.27
2018	14.38	22.43	51.75	10.37	0.81	0.24
2019	12.89	21.04	53.17	11.69	1.01	0.21
2020	14.69	23.08	53.12	8.37	0.59	0.15
2021	13.32	22.75	57.16	6.37	0.31	0.09
2022	10.67	19.83	57.21	11.22	0.93	0.13

NOTE: Borrower credit score data was not collected prior to 2005 and does not include Streamline Refinance mortgages.
SOURCE: US Department of HUD/FHA, October 2022.

Table D-8A: Data Table for Exhibit III-8: Distribution of FHA Borrower Credit Score by Fiscal Year

Endorsement Fiscal Year	Share of FHA Forward Mortgage Counts					
	720 or Higher	680-719	620-679	580-619	Less than 579	Missing
2005	47,403	46,346	127,799	82,835	63,712	31,170
2006	50,486	46,150	128,208	80,991	60,422	22,860
2007	41,270	39,814	124,693	93,056	82,674	21,130
2008	152,640	134,083	356,720	212,780	134,558	29,840
2009	408,457	298,925	563,678	172,608	39,459	19,435
2010	497,177	328,015	556,706	48,004	6,808	18,004
2011	363,156	240,244	374,241	26,634	2,614	10,655
2012	297,197	220,826	360,176	24,519	1,833	6,130
2013	227,112	223,765	361,811	14,289	1,286	4,740
2014	122,828	177,830	345,933	21,011	1,181	2,531
2015	159,316	230,856	443,490	44,683	2,051	3,023
2016	196,374	272,014	515,175	58,114	2,593	3,149
2017	189,823	269,246	539,057	79,473	4,571	2,956
2018	138,577	216,121	498,554	99,946	7,799	2,349
2019	120,365	196,527	496,582	109,144	9,414	1,961
2020	149,443	234,868	540,584	85,191	6,029	1,479
2021	137,848	235,562	591,782	65,963	3,179	936
2022	95,840	178,090	513,906	100,822	8,351	1,206

NOTE: Borrower credit score data was not collected prior to 2005 and does not include Streamline Refinance mortgages.
SOURCE: US Department of HUD/FHA, October 2022.

Table D-9: Data Table for Exhibit III-9: Borrower Debt-to-Income (DTI) Ratio for FHA Purchase Mortgages

Endorsement Fiscal Year	Share of FHA-Endorsed Purchase Mortgages				
	<=36	>36 - <43	>=43 - <50	>= 50	Average DTI ratios
2000	39.28	35.76	19.20	5.76	37.58
2001	39.30	34.07	20.37	6.25	37.72
2002	38.45	33.76	21.88	5.91	37.97
2003	38.12	33.34	23.55	4.99	38.04
2004	36.81	32.79	24.90	5.50	38.36
2005	37.70	32.63	23.67	6.00	38.25
2006	34.89	31.19	24.84	9.07	38.99
2007	33.58	30.92	26.02	9.48	39.25
2008	30.28	29.10	27.43	13.20	40.28
2009	29.84	25.18	26.02	18.97	41.00
2010	30.62	25.55	27.08	16.76	40.65
2011	30.40	25.18	27.73	16.69	40.66
2012	31.44	25.70	27.44	15.42	40.34
2013	32.08	26.83	27.56	13.54	40.03
2014	29.00	28.61	28.02	14.37	40.59
2015	29.88	28.82	26.72	14.58	40.44
2016	28.70	27.91	27.06	16.33	40.85
2017	25.27	25.60	28.82	20.30	41.93
2018	21.69	23.70	29.81	24.80	43.09
2019	20.19	23.26	29.82	26.73	43.58
2020	21.47	24.14	30.19	24.20	43.08
2021	20.66	24.12	31.51	23.71	43.18
2022	17.56	22.24	32.24	27.95	44.19

SOURCE: US Department of HUD/FHA, October 2022.

Table D-9A: Data Table for Exhibit III-9: Borrower Debt-to-Income (DTI) Ratio for FHA Purchase Mortgages

Endorsement Fiscal Year	Share of FHA-Endorsed Purchase Mortgages (Counts)			
	<=36	>36 - <43	>=43 - <50	>= 50
2000	329,888	300,358	161,274	48,350
2001	317,104	274,909	164,344	50,461
2002	331,805	291,327	188,807	50,960
2003	251,093	219,575	155,114	32,857
2004	215,737	192,187	145,955	32,231
2005	133,395	115,458	83,757	21,235
2006	109,558	97,945	78,011	28,484
2007	93,477	86,075	72,448	26,395
2008	191,245	183,791	173,258	83,362
2009	297,038	250,692	259,002	188,818
2010	339,708	283,443	300,479	185,952
2011	236,331	195,744	215,601	129,750
2012	230,713	188,603	201,368	113,180
2013	225,314	188,438	193,583	95,080
2014	172,541	170,247	166,720	85,490
2015	225,142	217,094	201,309	109,842
2016	252,401	245,483	237,964	143,664
2017	222,930	225,812	254,242	179,093
2018	168,352	184,006	231,372	192,545
2019	150,041	172,877	221,663	198,697
2020	175,609	197,437	246,904	197,884
2021	174,812	204,092	266,662	200,677
2022	121,691	154,104	223,406	193,645

SOURCE: US Department of HUD/FHA, October 2022.

Table D-10: Exhibit III-10: FHA Purchase Activity by Type of Downpayment Assistance

Endorsement Fiscal Year	Share of FHA-Endorsed Forward Mortgages			
	Government	Eligible Family Member	Non-Government/Non-Relative	No DPA
2010	5.27	24.64	0.68	69.41
2011	7.06	22.01	0.46	70.47
2012	7.80	22.19	0.40	69.61
2013	7.10	22.47	0.40	70.03
2014	8.37	25.57	0.66	65.41
2015	9.88	25.91	1.54	62.67
2016	10.27	26.33	1.86	61.55
2017	10.56	26.10	1.70	61.64
2018	11.40	26.16	1.24	61.21
2019	12.91	25.41	1.02	60.66
2020	15.43	23.44	0.93	60.20
2021	15.09	23.30	0.97	60.64
2022	13.64	25.36	1.12	59.87

NOTE: Data does not account for instances where downpayment assistance data was missing from origination data submitted to FHA.SOURCE: US Department of HUD/FHA, October 2022.

Table D-10A: Exhibit III-10: FHA Purchase Activity by Type of Down Payment Assistance

Endorsement Fiscal Year	Share of FHA-Endorsed Forward Mortgages			
	Government	Eligible Family Member	Non-Government/Non-Relative	No DPA
2000	17,991	170,302	16,382	635,195
2001	14,777	126,164	41,135	624,742
2002	17,598	118,647	80,109	646,545
2003	38,912	98,001	125,371	396,355
2004	45,969	88,418	163,762	287,961
2005	34,359	48,172	119,668	151,646
2006	36,214	38,852	105,379	133,553
2007	31,306	32,074	100,169	114,846
2008	40,307	74,863	210,189	306,297
2009	40,095	203,286	58,694	693,475
2010	58,426	273,363	7,596	770,197
2011	54,876	171,111	3,599	547,840
2012	57,230	162,839	2,935	510,860
2013	49,847	157,829	2,838	491,901
2014	49,797	152,115	3,921	389,165
2015	74,437	195,202	11,566	472,182
2016	90,311	231,542	16,348	541,311
2017	93,118	230,231	14,983	543,745
2018	88,471	203,064	9,610	475,130
2019	95,990	188,849	7,587	450,852
2020	126,204	191,666	7,623	492,341
2021	127,717	197,144	8,222	513,160
2022	94,527	175,709	7,787	414,823

NOTE: Data does not account for instances where downpayment assistance data was missing from origination data submitted to FHA.SOURCE: US Department of HUD/FHA, October 2022.

Table D-13: Data Table for Exhibit III-13: Lender Type for FHA Endorsement Activity

Endorsement Fiscal Year	Share of FHA Forward Endorsed Mortgages		
	Other	Non-Depository	Depository
2000	1.45	70.66	27.9
2001	1.38	69.70	28.92
2002	1.08	70.19	28.73
2003	1.01	73.63	25.36
2004	0.85	68.75	30.41
2005	1.13	66.28	32.59
2006	1.04	65.62	33.34
2007	0.43	68.71	30.86
2008	0.15	60.23	39.62
2009	0.15	59.73	40.12
2010	0.15	56.80	43.05
2011	0.09	59.09	40.82
2012	0.05	64.68	35.27
2013	0.07	64.53	35.4
2014	0.09	71.87	28.03
2015	0.07	79.20	20.73
2016	0.08	82.65	17.27
2017	0.08	84.88	15.04
2018	0.10	85.39	14.51
2019	0.09	86.34	13.57
2020	0.08	89.57	10.35
2021	0.07	91.02	8.91
2022	0.07	89.41	10.52

SOURCE: US Department of HUD/FHA, October 2022.

Table D-13A: Data Table for Exhibit III-13: Lender Type for FHA Endorsement Activity

Endorsement Fiscal Year	Share of FHA Forward Endorsed Mortgages (Counts)		
	Other	Non-Depository	Depository
2000	13,215	644,361	255,524
2001	14,657	736,928	307,092
2002	13,736	893,068	367,340
2003	13,315	970,348	336,065
2004	8,119	658,744	293,572
2005	5,809	338,513	168,005
2006	4,447	277,807	143,237
2007	1,810	290,738	132,176
2008	1,655	651,467	434,272
2009	2,672	1,087,930	741,396
2010	2,480	940,113	725,017
2011	1,084	702,459	494,266
2012	642	760,904	423,194
2013	880	862,168	481,798
2014	738	560,787	224,827
2015	824	878,856	236,550
2016	959	1,034,381	222,708
2017	982	1,052,525	192,927
2018	1,046	862,261	151,294
2019	911	851,653	137,861
2020	1,090	1,189,567	142,494
2021	981	1,299,725	132,160
2022	734	875,398	106,070

SOURCE: US Department of HUD/FHA, October 2022.

Table D-14: Data Table for Exhibit III-14: FY 2022 FHA Forward Endorsement Concentration by State

State	Share of FHA-Endorsed Forward Mortgages Endorsement Fiscal Year	
	FY 2021	FY 2022
Alabama	1.75%	2.00%
Alaska	0.18%	0.20%
Arizona	3.19%	2.86%
Arkansas	0.95%	1.09%
California	7.93%	7.02%
Colorado	2.25%	1.99%
Connecticut	1.25%	1.20%
Delaware	0.49%	0.50%
District of Columbia	0.06%	0.06%
Florida	9.15%	8.70%
Georgia	4.65%	4.82%
Guam	0.00%	0.00%
Hawaii	0.10%	0.09%
Idaho	0.51%	0.54%
Illinois	3.86%	3.99%
Indiana	2.68%	2.89%
Iowa	0.61%	0.68%
Kansas	0.71%	0.74%
Kentucky	1.38%	1.60%
Louisiana	1.55%	1.79%
Maine	0.33%	0.34%
Maryland	3.03%	2.71%
Massachusetts	1.47%	1.39%
Michigan	2.70%	3.10%
Minnesota	1.38%	1.33%
Mississippi	0.86%	1.04%
Missouri	1.93%	2.13%
Montana	0.21%	0.20%
Nebraska	0.42%	0.45%
Nevada	1.51%	1.25%
New Hampshire	0.38%	0.33%
New Jersey	3.16%	2.96%
New Mexico	0.77%	0.78%
New York	2.29%	2.62%
North Carolina	2.85%	3.07%
North Dakota	0.17%	0.18%
Ohio	3.65%	4.25%
Oklahoma	1.24%	1.38%
Oregon	1.03%	0.99%
Pennsylvania	3.39%	3.57%
Puerto Rico	0.55%	0.63%

Rhode Island	0.51%	0.50%
South Carolina	2.03%	2.26%
South Dakota	0.18%	0.21%
Tennessee	2.27%	2.46%
Texas	10.35%	9.35%
Utah	1.26%	1.08%
Vermont	0.09%	0.09%
Virgin Islands	0.00%	0.00%
Virginia	2.99%	2.93%
Washington	2.00%	1.73%
West Virginia	0.41%	0.54%
Wisconsin	1.11%	1.14%
Wyoming	0.23%	0.23%

SOURCE: US Department of HUD/FHA, October 2022.

Table D-14A: Data Table for Exhibit III-14: FY 2022 FHA Forward Endorsement Concentration by State

State	Share of FHA-Endorsed Forward Mortgages Endorsement Fiscal Year (Counts)	
	FY 2021	FY 2022
Alabama	25,124	19,655
Alaska	2,605	1,934
Arizona	45,678	28,122
Arkansas	13,651	10,716
California	113,686	68,955
Colorado	32,179	19,582
Connecticut	17,957	11,753
Delaware	7,091	4,907
District of Columbia	850	590
Florida	131,143	85,426
Georgia	66,619	47,372
Guam	15	13
Hawaii	1,375	911
Idaho	7,346	5,334
Illinois	55,253	39,221
Indiana	38,334	28,431
Iowa	8,796	6,717
Kansas	10,169	7,230
Kentucky	19,806	15,760
Louisiana	22,199	17,602
Maine	4,664	3,385
Maryland	43,434	26,638
Massachusetts	21,011	13,662
Michigan	38,655	30,423
Minnesota	19,757	13,022
Mississippi	12,351	10,246
Missouri	27,619	20,929
Montana	3,017	1,938
Nebraska	6,055	4,378
Nevada	21,631	12,258
New Hampshire	5,492	3,263
New Jersey	45,221	29,025
New Mexico	11,015	7,680
New York	32,774	25,700
North Carolina	40,796	30,175
North Dakota	2,491	1,814
Ohio	52,287	41,780
Oklahoma	17,830	13,565
Oregon	14,709	9,700
Pennsylvania	48,512	35,018
Puerto Rico	7,847	6,173

Rhode Island	7,293	4,950
South Carolina	29,037	22,216
South Dakota	2,621	2,065
Tennessee	32,540	24,143
Texas	148,322	91,788
Utah	18,054	10,622
Vermont	1,316	876
Virgin Islands	43	40
Virginia	42,787	28,757
Washington	28,661	16,976
West Virginia	5,942	5,257
Wisconsin	15,859	11,202
Wyoming	3,347	2,307
All	1,432,866	928,202

SOURCE: US Department of HUD/FHA, October 2022.

Table D-16: Data Table for Exhibit III-16: Historical Seriously Delinquent Rates for FHA Mortgages

End of Month	Rate
Sep-08	6.17
Oct-08	6.40
Nov-08	6.82
Dec-08	7.11
Jan-09	7.52
Feb-09	7.46
Mar-09	7.36
Apr-09	7.48
May-09	7.69
Jun-09	7.85
Jul-09	8.82
Aug-09	8.37
Sep-09	8.52
Oct-09	8.97
Nov-09	9.25
Dec-09	9.43
Jan-10	9.70
Feb-10	9.45
Mar-10	9.04
Apr-10	8.77
May-10	8.71
Jun-10	8.61
Jul-10	8.61
Aug-10	8.48
Sep-10	8.66
Oct-10	8.21
Nov-10	8.73
Dec-10	8.78
Jan-11	8.90
Feb-11	8.94
Mar-11	8.31
Apr-11	8.19
May-11	8.18
Jun-11	8.18
Jul-11	8.31
Aug-11	8.43
Sep-11	8.69
Oct-11	9.01
Nov-11	9.35
Dec-11	9.59
Jan-12	9.83
Feb-12	9.66
Mar-12	9.42
Apr-12	9.37
May-12	9.39
Jun-12	9.44
Jul-12	9.47
Aug-12	9.47
Sep-12	9.58
Oct-12	9.49
Nov-12	9.49
Dec-12	9.59
Jan-13	9.49
Feb-13	9.28
Mar-13	8.87
Apr-13	8.58
May-13	8.27
Jun-13	8.38
Jul-13	8.17

Aug-13	7.98
Sep-13	8.04
Oct-13	8.04
Nov-13	8.02
Dec-13	8.02
Jan-14	7.83
Feb-14	7.71
Mar-14	7.44
Apr-14	7.25
May-14	7.19
Jun-14	7.14
Jul-14	6.98
Aug-14	6.94
Sep-14	6.99
Oct-14	6.94
Nov-14	7.02
Dec-14	7.00
Jan-15	6.96
Feb-15	6.76
Mar-15	6.42
Apr-15	6.28
May-15	6.24
Jun-15	6.12
Jul-15	5.75
Aug-15	5.91
Sep-15	5.86
Oct-15	5.79
Nov-15	5.82
Dec-15	5.79
Jan-16	5.80
Feb-16	5.55
Mar-16	5.31
Apr-16	5.16
May-16	5.07
Jun-16	5.02
Jul-16	4.96
Aug-16	4.95
Sep-16	4.92
Oct-16	4.91
Nov-16	4.94
Dec-16	4.99
Jan-17	4.97
Feb-17	4.81
Mar-17	4.54
Apr-17	4.47
May-17	4.36
Jun-17	4.28
Jul-17	4.20

Aug-17	4.24
Sep-17	4.32
Oct-17	4.42
Nov-17	4.83
Dec-17	5.19
Jan-18	5.18
Feb-18	5.06
Mar-18	4.66
Apr-18	4.54
May-18	4.35
Jun-18	4.28
Jul-18	4.08
Aug-18	4.11
Sep-18	4.11
Oct-18	4.06
Nov-18	4.06
Dec-18	4.08
Jan-19	4.16
Feb-19	4.10
Mar-19	3.88
Apr-19	3.74
May-19	3.67
Jun-19	3.76
Jul-19	3.78
Aug-19	3.82
Sep-19	3.88
Oct-19	3.93
Nov-19	4.06
Dec-19	4.35
Jan-20	4.12
Feb-20	4.04
Mar-20	3.97
Apr-20	4.04
May-20	4.91
Jun-20	8.96
Jul-20	10.58
Aug-20	11.35
Sep-20	11.59
Oct-20	11.73
Nov-20	11.90
Dec-20	11.89
Jan-21	11.83
Feb-21	11.37
Mar-21	11.61
Apr-21	11.06
May-21	10.59
Jun-21	10.11
Jul-21	9.66

Aug-21	9.17
Sep-21	8.81
Oct-21	8.35
Nov-21	7.83
Dec-21	7.28
Jan-22	6.81
Feb-22	6.48
Mar-22	6.00
Apr-22	5.23
May-22	5.19
Jun-22	5.00
Jul-22	4.93
Aug-22	4.82
Sep-22	4.77

SOURCE: US Department of HUD/FHA, October 2022

Table D-17: Data Table for Exhibit III-17: FHA Early Payment Default Rates by Mortgage Purpose

	FHA Endorsed Forward Mortgages		
Endorsement Fiscal Year	**Purchase**	**Refinance**	**All**
2000	0.18	0.12	0.17
2001	1.20	1.05	1.17
2002	1.56	1.05	1.40
2003	1.46	0.86	1.16
2004	1.44	1.07	1.29
2005	1.87	1.50	1.75
2006	1.82	1.34	1.70
2007	2.60	1.79	2.32
2008	2.33	2.53	2.42
2009	0.95	1.72	1.30
2010	0.42	0.74	0.52
2011	0.41	0.40	0.40
2012	0.39	0.32	0.36
2013	0.32	0.23	0.28
2014	0.42	0.35	0.40
2015	0.45	0.32	0.41
2016	0.43	0.33	0.40
2017	0.86	0.52	0.76
2018	0.73	0.41	0.66
2019	0.88	0.45	0.77
2020	4.53	5.07	4.74
2021	1.88	0.98	1.51
2022*	2.06	0.99	1.70

*NOTE: FY 2022 data is through February 2022. There is a 7-month Lag. SOURCE: U.S. Department of HUD/FHA, October 2022.

Table D-20: Data Table for Exhibit III-20: FHA Loss Severity and Claim Count by Disposition Strategy

Claim Fiscal Year	Insurance-in-Force	FHA Claim Disposition Type				Loss Severity Rate
		REO	Note Sales/Distressed Asset Sales Program	Third Party Sales	Pre-Foreclosure Sales	
2007	3,737,757	48,849		1,802	4,026	42.90
2008	4,366,032	46,370		1,122	4,071	49.57
2009	5,525,783	68,042		2,437	6,473	63.17
2010	6,650,022	87,690	125	1,568	15,287	60.60
2011	7,288,440	101,500	1,606	1,861	25,064	64.52
2012	7,711,684	104,257	1,154	4,718	36,728	61.96
2013	7,810,422	112,441	35,020	10,739	34,548	57.62
2014	7,787,092	74,653	40,746	26,829	24,696	52.41
2015	7,742,143	60,759	19,975	22,052	13,968	51.60
2016	7,838,495	58,290	12,243	33,173	12,668	54.07
2017	7,982,070	44,158	5,549	44,867	8,703	50.28
2018	8,048,639	26,317	68	48,377	6,000	45.49
2019	8,107,806	16,569	131	40,681	4,528	41.38
2020	7,988,354	16,716	47	24,694	3,573	39.57
2021	7,498,614	5,692	68	11,895	3,125	36.43
2022[b]	7,263,194	2,808	9	12,629	1,467	26.86

NOTE: De minimis note sales may be reflected in the table above in which final resolution may result in an alternative disposition type. Includes funds outside of MMI Fund and includes outbids. Due to time lag in reporting of dispositions, data as of October 31, 2022 and are therefore missing one month of comparable data to prior fiscal years.

SOURCE: U.S. Department of HUD/FHA, October 2022. Fiscal year 2022 data may have de minimis adjustments due to late reporting of dispositions sales.

Table D-21: Data Table for Exhibit III-21: Annual FHA Claims as a Share of Initial Insurance-in-Force

Claim Fiscal Year	FHA Forward Mortgage Count		Share of Mortgage Count	Insurance-in-Force Unpaid Principal Balance ($ billions)		Share of IIF
	Mortgage Claims	Active Mortgages (Beginning-of-FY)		Mortgage Claims[b]	Active Mortgages (Beginning-of-FY)	
2007	54,677	3,892,440	1.40	5.13	342.60	1.50
2008	51,563	3,737,757	1.38	5.21	474.40	1.10
2009	76,952	4,366,032	1.76	8.23	697.30	1.18
2010	104,670	5,525,783	1.89	13.03	947.80	1.37
2011	130,031	6,650,022	1.89	17.98	1,015.20	1.77
2012	146,857	7,288,440	2.01	20.98	1,083.30	1.94
2013	192,748	7,711,684	2.50	28.32	1,097.40	2.58
2014	166,924	7,810,422	2.14	24.75	1,083.50	2.28
2015	116,754	7,787,092	1.50	15.86	1,072.80	1.48
2016	116,374	7,742,143	1.50	15.35	1,106.30	1.39
2017	103,277	7,838,495	1.32	13.39	1,158.80	1.16
2018	80,762	7,982,070	1.01	10.37	1,196.30	0.87
2019	61,909	8,048,639	0.77	8.17	1,228.00	0.67
2020	45,030	8,107,806	0.56	6.04	1,235.40	0.49
2021	20,780	7,988,354	0.26	2.73	1,191.30	0.23
2022[b]	16,913	7,498,614	0.23	2.02	1,210.90	0.17

NOTE: [b]Data through August 31, 2022. Includes funds outside of MMI Fund. Mortgage Claims includes outbids.
SOURCE: U.S. Department of HUD/FHA, October 2022. Fiscal year 2022 may have de minimis adjustments due to late reporting of disposition sales.

Table D-22: Data Table for Exhibit III-22: FHA HECM Endorsement Activity

Endorsement Fiscal Year	Home Equity Conversion Mortgages (HECM)						
	Mortgage Purpose Type		Mortgage Product Type			All Mortgages	Original Maximum Claim Amount ($ billions)
	Fixed Rate	Adjustable Rate	Purchase	Refinance	Traditional		
2009	13,312	101,113	559	8,973	104,893	114,425	30.07
2010	54,483	24,575	1,389	4,836	72,833	79,058	21.07
2011	49,742	23,370	1,538	2,737	68,837	73,112	18.21
2012	38,051	16,761	1,627	1,444	51,741	54,812	13.16
2013	36,326	23,598	2,091	1,835	55,998	59,924	14.68
2014	9,635	41,981	1,825	2,406	47,385	51,616	13.52
2015	9,131	48,859	2,411	5,571	50,008	57,990	16.13
2016	5,198	43,670	2,367	5,398	41,103	48,868	14.66
2017	5,710	49,580	2,634	8,016	44,640	55,290	17.69
2018	4,898	43,431	2,615	5,860	39,854	48,329	16.19
2019	1,890	29,382	2,295	1,679	27,298	31,272	10.86
2020	793	41,042	2,472	8,614	30,749	41,835	16.29
2021	3,533	45,662	2,228	20,660	26,307	49,195	21.35
2022	2,868	61,569	2,235	28,966	33,236	64,437	32.10

SOURCE: US Department of HUD/FHA, October 2022.

Table D-23: Data Table for Exhibit III-23: Current HECM Portfolio by Year of Endorsement

Endorsement Fiscal Year	Active HECM	Current Maximum Claim Amount ($ billions)	Current Principal Limit ($ billions)	Insurance-in-Force ($ billions)
2009	20,510	5.24	5.57	5.05
2010	8,782	2.45	2.65	2.38
2011	8,667	2.32	2.44	2.11
2012	6,462	1.71	1.88	1.58
2013	9,887	2.49	2.57	2.21
2014	20,533	5.11	4.50	3.99
2015	25,736	6.66	5.69	4.92
2016	23,288	6.54	5.54	4.57
2017	28,791	8.65	7.04	5.70
2018	25,282	7.93	5.55	4.35
2019	16,785	5.51	3.27	2.50
2020	26,583	10.03	6.28	4.79
2021	40,510	17.49	10.77	8.48
2022	63,404	31.61	18.09	13.61
Total	325,220	113.72	81.82	66.27

SOURCE: US Department of HUD/FHA, October 2022.

Table D-24: Data Table for Exhibit III-24: FHA HECM Claims by Claim Type

Claim Fiscal Year	Claim Amount Paid in Fiscal Year ($)			
	Claim Type 1	Claim Type 2	Supplemental	Total
2009	5,818	280,946		286,764
2010	2,429,944	511,603	6,088	2,947,636
2011	10,978,684	17,521,667	47,061	28,547,412
2012	81,388,383	123,067,358	5,479	204,461,219
2013	207,874,582	504,097,996	1,265,207	713,237,784
2014	224,538,487	676,797,426	644,761	901,980,675
2015	755,477,982	1,734,780,373	8,884,319	2,499,142,673
2016	636,636,110	3,529,360,512	47,313,221	4,213,309,843
2017	676,564,968	4,325,602,086	27,628,098	5,029,795,151
2018	612,273,102	5,502,089,113	34,182,468	6,148,544,683
2019	591,073,714	8,930,409,213	35,470,645	9,556,953,572
2020	468,935,669	5,728,949,124	28,786,484	6,226,671,278
2021	210,727,402	2,764,261,459	13,954,911	2,988,943,772
2022	184,607,809	1,909,954,869	10,309,283	2,104,871,961

NOTE: The Claim Type 1 category represents the dollar volume of claims generated when the borrower no longer occupies the home, and the property is sold at a loss, with the mortgage never being assigned to the Secretary of HUD. The Claim Type 2 category represents the dollar volume of claims resulting from the assignment of the mortgage to the Secretary of HUD when the mortgage reaches 98 percent of the MCA. Supplemental claims are those claims submitted by lenders for other eligible expenses not included on original claims, such as property preservation expenses.
SOURCE: US Department of HUD/FHA, October 2022.

Table D-25: Data Table for Exhibit III-25: Average Maximum Claim Amount for FHA-Endorsed HECMs

Endorsement Fiscal Year	HECMs Endorsed (count)	Average MCA ($)	Total MCA Endorsed ($)
2009	114,425	262,833	30,074,665,579
2010	79,058	266,559	21,073,604,164
2011	73,112	249,132	18,214,512,353
2012	54,812	240,138	13,162,427,359
2013	59,924	245,000	14,681,369,941
2014	51,616	261,948	13,520,722,585
2015	57,990	278,145	16,129,647,170
2016	48,868	300,000	14,660,406,133
2017	55,290	319,964	17,690,803,579
2018	48,329	334,986	16,189,558,432
2019	31,272	347,239	10,858,868,290
2020	41,835	389,375	16,289,499,648
2021	49,195	433,991	21,350,191,053
2022	64,437	498,221	32,103,876,827

SOURCE: US Department of HUD/FHA, October 2022.

Table D-26: Data Table for Exhibit III-26: Composition of FHA HECM Borrowers

Endorsement Fiscal Year	Total Endorsements			
	Singular Male Borrower	Singular Female Borrower	Multiple Borrowers	Not Disclosed
2009	24,808	46,826	42,336	455
2010	16,951	33,102	28,214	791
2011	15,236	29,416	27,573	887
2012	11,611	21,449	20,934	818
2013	12,590	22,437	23,971	926
2014	10,549	19,904	20,411	752
2015	12,636	22,321	22,740	293
2016	10,554	17,982	20,205	127
2017	11,532	20,513	22,902	343
2018	9,935	17,701	19,938	755
2019	6,570	11,895	12,414	393
2020	8,327	14,722	17,474	1,312
2021	10,099	17,573	20,046	1,477
2022	12,555	22,702	27,318	1,862

SOURCE: US Department of HUD/FHA, October 2022.

Table D-27: Data Table for Exhibit III-27: Racial Composition of FHA HECM Borrowers

Endorsement Fiscal Year	Racial Composition					
	American Indian	Asian	Black	Hispanic	White	Not Reported
2009	493	1,466	17,523	9,371	80,570	5,002
2010	369	1,218	12,099	6,013	57,525	1,834
2011	272	1,077	9,695	5,162	54,718	2,188
2012	219	787	6,954	3,933	40,806	2,113
2013	252	886	7,219	3,992	45,320	2,255
2014	209	845	5,724	3,330	39,827	1,681
2015	241	971	6,190	3,706	45,203	1,679
2016	188	741	4,246	2,831	39,261	1,601
2017	189	762	4,544	3,023	43,695	3,077
2018	184	628	3,311	2,256	35,786	6,164
2019	118	399	2,060	1,568	22,349	4,778
2020	125	604	2,747	2,351	31,008	5,000
2021	170	715	3,135	2,662	35,317	7,196
2022	205	696	3,914	3,243	45,829	10,550

SOURCE: US Department of HUD/FHA, October 2022.

Table D-28: Data Table for Exhibit III-28: Average Borrower Age at Endorsement of FHA HECMs

Endorsement Fiscal Year	HECMs Endorsed (count)	Average Borrower Age
2009	114,425	73.03
2010	79,058	72.97
2011	73,112	72.30
2012	54,812	72.06
2013	59,924	71.77
2014	51,616	71.97
2015	57,990	72.35
2016	48,868	73.01
2017	55,290	73.16
2018	48,329	73.34
2019	31,272	73.59
2020	41,835	73.51
2021	49,195	73.95
2022	64,437	74.29

SOURCE: US Department of HUD/FHA, October 2022.

Table D-29: Data Table for Exhibit III-29: FHA HECM Endorsement Activity by Mortgage Purpose

Endorsement Fiscal Year	Share of Total Maximum Claim Amount (MCA)		
	Purchase	Refinance	Traditional
2009	0.47	11.90	87.63
2010	1.73	9.41	88.86
2011	2.21	6.16	91.64
2012	3.26	4.56	92.17
2013	3.95	5.03	91.02
2014	3.91	7.24	88.84
2015	4.33	13.48	82.19
2016	4.98	14.19	80.83
2017	4.93	17.11	77.97
2018	5.52	14.39	80.09
2019	7.40	7.44	85.16
2020	5.58	25.66	68.76
2021	4.17	46.72	49.11
2022	3.20	48.88	47.92

SOURCE: US Department of HUD/FHA, October 2022.

Table D-30: Data Table for Exhibit III-30: FHA HECM Endorsement Activity by Mortgage Type Option

Endorsement Fiscal Year	Share of Total Maximum Claim Amount (MCA)		
	Annual Adjustable-Rate Mortgage	Monthly Adjustable-Rate Mortgage	Fixed Rate Mortgage
2009	1.01	86.19	12.80
2010	0.08	35.01	64.90
2011	0.13	36.83	63.04
2012	0.05	34.81	65.15
2013	0.11	41.56	58.33
2014	2.63	78.11	19.26
2015	42.10	41.61	16.29
2016	75.89	13.27	10.84
2017	83.00	6.29	10.72
2018	87.72	1.29	10.99
2019	93.07	0.29	6.64
2020	97.40	0.19	2.41
2021	33.13	58.36	8.51
2022	4.89	90.17	4.94

SOURCE: US Department of HUD/FHA, October 2022.

Table D-31: Data Table for Exhibits III-31: Average Principal Limit of FHA HECMs

Endorsement Fiscal Year	HECMs Endorsed (count)	Average Principal Limit as a Share of Maximum Claim Amount	Average 1st Month Cash Draw as a Share of Principal Limit
2009	114,425	70.23%	67.89%
2010	79,058	66.03%	76.18%
2011	73,112	64.80%	76.52%
2012	54,812	66.14%	77.83%
2013	59,924	66.02%	79.93%
2014	51,616	59.09%	66.72%
2015	57,990	59.27%	64.23%
2016	48,868	60.02%	62.77%
2017	55,290	59.94%	64.23%
2018	48,329	55.26%	63.63%
2019	31,272	52.00%	63.10%
2020	41,835	57.56%	67.74%
2021	49,195	58.62%	72.34%
2022	64,437	55.82%	71.91%

SOURCE: US Department of HUD/FHA, October 2022.

Table D-32: Data Table for Exhibits III-32: Average Initial Cash Draws of FHA-Endorsed HECMs

Endorsement Fiscal Year	HECMs Endorsed (count)	Average Principal Limit as a Share of Maximum Claim Amount	Average 1st Month Cash Draw as a Share of Principal Limit
2009	114,425	70.23%	67.89%
2010	79,058	66.03%	76.18%
2011	73,112	64.80%	76.52%
2012	54,812	66.14%	77.83%
2013	59,924	66.02%	79.93%
2014	51,616	59.09%	66.72%
2015	57,990	59.27%	64.23%
2016	48,868	60.02%	62.77%
2017	55,290	59.94%	64.23%
2018	48,329	55.26%	63.63%
2019	31,272	52.00%	63.10%
2020	41,835	57.56%	67.74%
2021	49,195	58.62%	72.34%
2022	64,437	55.82%	71.91%

SOURCE: US Department of HUD/FHA, October 2022.

Table D-33: Data Table for Exhibit III-33: States with the Highest Share of FHA HECMs by MCA

Endorsement Fiscal Year	Share of Total Maximum Claim Amount (MCA) by Endorsement Fiscal Year					
	California	Florida	New York	Texas	Colorado	Other States
2009	20.89	11.41	7.54	4.23	1.94	53.99
2010	23.11	7.31	8.61	5.05	1.95	53.97
2011	22.52	5.51	8.72	5.94	2.18	55.13
2012	21.09	5.27	10.56	6.00	2.16	54.91
2013	23.73	5.69	9.15	5.89	2.32	53.23
2014	28.83	6.03	8.07	5.04	2.48	49.55
2015	31.92	7.24	7.82	4.85	2.59	45.58
2016	32.87	7.54	6.41	5.50	4.09	43.60
2017	34.86	7.25	5.54	5.45	5.94	40.96
2018	33.17	6.79	4.98	5.30	6.67	43.09
2019	31.26	6.92	5.42	5.17	6.90	44.32
2020	35.39	6.45	3.61	4.44	7.83	42.27
2021	36.03	6.19	3.13	4.07	7.52	43.06
2022	31.88	7.31	2.07	4.89	7.52	46.32

SOURCE: U.S. Department of HUD/FHA, October 2022.

Table D-33A: Data Table for Exhibit III-33A: States with the Highest Share of FHA HECMs by Count

Endorsement Fiscal Year	**Share of Total Loan Count by FHA HECM Endorsement Fiscal Year**					
	California	Florida	Texas	New York	Arizona	Other States
2009	13.68	13.19	6.63	5.32	3.12	58.05
2010	13.99	8.99	7.98	5.85	2.12	61.07
2011	13.47	6.80	9.12	5.94	1.98	62.68
2012	12.70	6.15	8.94	7.19	1.75	63.27
2013	14.06	6.52	8.56	6.35	2.36	62.14
2014	17.53	6.94	7.45	5.87	2.91	59.30
2015	20.28	8.31	7.04	5.74	3.20	55.43
2016	21.77	8.78	7.62	4.75	3.56	53.52
2017	23.74	8.69	7.64	4.17	3.73	52.03
2018	22.73	8.42	7.41	3.81	3.95	53.68
2019	21.07	8.58	7.39	4.03	4.78	54.16
2020	24.74	8.35	6.44	2.76	5.63	52.06
2021	26.04	8.23	6.00	2.50	6.99	50.23
2022	23.69	9.06	6.58	1.68	8.47	50.51

SOURCE: U.S. Department of HUD/FHA, October 2022.

Table D-34: Data Table for Exhibit III-34: FHA HECMs by Payment Plan Option

Endorsement Fiscal Year	Share of Maximum Claim Amount (MCA)					
	HECM Payment Options ($ millions)					
	Term	Line of Credit	Tenure	Term & Line of Credit	Tenure & Line of Credit	Lump Sum
2009	0.85	90.50	1.69	4.43	2.54	0.00
2010	0.55	92.53	1.05	3.65	2.22	0.00
2011	0.46	92.91	1.06	3.55	2.02	0.00
2012	0.32	93.53	0.98	3.28	1.89	0.00
2013	0.46	93.74	1.04	3.05	1.71	0.00
2014	0.74	92.03	1.64	3.54	2.04	0.02
2015	0.57	92.18	1.21	3.36	2.16	0.53
2016	0.62	88.26	1.16	3.24	2.03	4.69
2017	0.55	85.95	1.00	3.08	2.06	7.35
2018	0.57	86.07	0.81	2.98	1.96	7.61
2019	0.55	88.61	0.84	2.80	1.69	5.51
2020	0.53	93.36	0.44	2.52	1.29	1.86
2021	0.53	89.20	0.40	2.11	0.93	6.83
2022	0.52	92.77	0.66	1.89	1.00	3.17

SOURCE: U.S. Department of HUD/FHA, October 2022.

Appendix E:
Data Tables for Chapter IV

Table E-2: Data Table for Exhibit IV-2: MMI Fund Capital Ratio FY 2018 – FY 2022

MMI Capital Ratio	2018	2019	2020	2021	2022
	2.76%	4.84%	6.10%	8.03%	11.11%

SOURCE: U.S. Department of HUD/FHA, October 2022.

Table E-4: Data Table for Exhibit IV-4: Claims Paying Capacity and NPV Projected Losses FY 2022

2022	
Projected MIP Revenue	4.18%
Total Capital Resources	7.72%
MMI Capital Ratio	11.11%
NPV Projected Losses	0.79%

SOURCE: U.S. Department of HUD/FHA, October 2022.

Table E-5: Data Table for Exhibit IV-5: Changes to Claims Paying Capacity and NPV Projected Losses from FY 2021 to FY 2022

2021		2022	
Claims Paying Capacity	$132.60	Claims Paying Capacity	$151.80
MMI Capital	$100.50	MMI Capital	$141.70
NPV Projected Losses	$32.20	NPV Projected Losses	$10.10

SOURCE: U.S. Department of HUD/FHA, October 2022.

Table E-6: Data Table for Exhibit IV-6: Forward and HECM Stand-Alone Capital Ratios

Category	2018	2019	2020	2021	2022
HECM Stand-Alone	-18.83%	-9.22%	-0.79%	6.08%	22.77%
Forward Stand-Alone	3.93%	5.44%	6.31%	7.99%	10.47%

SOURCE: U.S. Department of HUD/FHA, October 2022.

Table E-8: Data Table for Exhibit IV-8: Changes in Forward Portfolio Claims Paying Capacity and NPV Projected Losses from FY 2021 to FY 2022

2021		2022	
Claims Paying Capacity	$124.0	Claims Paying Capacity	$139.5
MMI Forward Capital	$95.0	MMI Forward Capital	$126.6
NPV Projected Losses	$29.1	NPV Projected Losses	$112.9

SOURCE: U.S. Department of HUD/FHA, October 2022.

Table E-10: Data Table for Exhibit IV-10: Changes in HECM Portfolio Claims Paying Capacity and NPV Projected Losses from FY 2021 to FY 2022

2021		2022	
Claims Paying Capacity	$6.9	Claims Paying Capacity	$15.1
MMI HECM Capital	$3.8	MMI HECM Capital	$15.1
NPV Projected Losses	$3.1	NPV Projected Losses	$0.0

SOURCE: U.S. Department of HUD/FHA, October 2022.

Table E-11: Data Table for Exhibit IV-11: Cumulative House Price Appreciation FY 2017 – FY 2022

Region	Year	HPA	Quarter	HPI
USA	2016	na	2	227.68
USA	2017	6.22%	2	241.84
USA	2018	12.86%	2	256.96
USA	2019	18.45%	2	269.69
USA	2020	25.29%	2	285.25
USA	2021	47.44%	2	335.69
USA	2022	73.49%	2	395.01

SOURCE: U.S. Department of HUD/FHA, October 2022.

Table E-13: NPV Projected Losses for the MMI Portfolio FY 2017 – FY 2022

Year	NPV Projected Losses
FY 2017	4.6%
FY 2018	3.7%
FY 2019	2.8%
FY 2020	2.8%
FY 2021	2.5%
FY 2022	0.8%

SOURCE: U.S. Department of HUD/FHA, October 2022.

Table E-14: Data Table for Exhibit IV-14: Loss Severity for the Forward Portfolio FY 2017 – FY 2022

Year	Loss Severity (LGD)
FY 2017	50%
FY 2018	45%
FY 2019	41%
FY 2020	39%
FY 2021	36%
FY 2022	27%

SOURCE: U.S. Department of HUD/FHA, October 2022.

Table E-15: Serious Delinquencies within the Forward Portfolio FY 2021 – FY 2022

Fiscal Year/Quarter	Non- Forbearance SDQ	Forbearance SDQ	Total SDQ	Seriously Delinquent (SDQ) Rate
Q4 2021	351,047	309,581	660,628	8.81%
Q1 2022	374,690	153,373	528,063	7.28%
Q2 2022	317,195	108,678	425,873	6.00%
Q3 2022	261,122	98,203	359,325	5.00%
Q4 2022	255,692	83,385	339,077	4.77%

SOURCE: U.S. Department of HUD/FHA, October 2022.

Table E-19: 2007 Stress Test: Impact of Q3 FY 2007 Economic Conditions on the FY 2022 Portfolio

Category	FY 2022	3Q FY 2007
Claims Paying Capacity	10.60%	9.69%
NPV Projected Losses	-2.57%	-8.15%
CPC/MMI Fund	$ 132,578,793,323	$ 121,209,002,078
CPC/NPV Losses	$ (32,196,255,383)	$ (101,929,861,612)
IIF	$ 1,251,270,728,014	$ 1,251,270,728,014

SOURCE: U.S. Department of HUD/FHA, October 2022.

Table E-20: 2007 Stress Test Analysis – MMI Capital Impact (FY 2019 – FY 2022)

Year	Stress Level Capital
FY 2019	-1.40%
FY 2020	-0.63%
FY 2021	1.54%
FY 2022	6.31%

SOURCE: U.S. Department of HUD/FHA, October 2022.

Table E-21: FY 2022 Forward NPV Cashflows

FY2021 Annual Report Cashflows				
Estimation FY	Premiums	Claims	Recoveries	Total
2023	$ 7,695,293,115	$ (5,825,864,149)	$ 716,409,453	$ 2,585,838,419
2024	$ 6,610,506,556	$ (3,771,202,035)	$ 1,411,092,222	$ 4,250,396,743
2025	$ 5,655,521,394	$ (3,413,630,992)	$ 1,289,971,236	$ 3,531,861,638
2026	$ 4,832,833,951	$ (2,859,898,705)	$ 1,112,652,794	$ 3,085,588,039
2027	$ 4,125,132,546	$ (2,326,334,361)	$ 935,010,481	$ 2,733,808,666
2028	$ 3,510,955,450	$ (1,777,334,254)	$ 759,960,864	$ 2,493,582,060
2029	$ 2,992,070,789	$ (1,354,575,937)	$ 613,859,623	$ 2,251,354,475
2030	$ 2,557,723,486	$ (1,047,663,928)	$ 501,005,160	$ 2,011,064,718
2031	$ 2,166,852,901	$ (804,601,819)	$ 414,043,518	$ 1,776,294,600
2032	$ 1,791,720,763	$ (619,003,638)	$ 345,194,052	$ 1,517,911,178
2033	$ 1,425,264,938	$ (450,666,285)	$ 287,999,170	$ 1,262,597,823
2034	$ 1,166,639,368	$ (288,915,954)	$ 234,348,849	$ 1,112,072,263
2035	$ 995,204,608	$ (166,301,921)	$ 188,518,589	$ 1,017,421,276
2036	$ 845,934,703	$ (81,182,577)	$ 150,437,492	$ 915,189,618
2037	$ 715,962,790	$ (15,372,308)	$ 119,738,322	$ 820,328,804
2038	$ 602,780,784	$ 35,181,054	$ 95,438,218	$ 733,400,057
2039	$ 504,225,993	$ 73,761,358	$ 76,202,341	$ 654,189,691
2040	$ 418,434,359	$ 106,381,591	$ 60,147,206	$ 584,963,155
2041	$ 343,793,980	$ 101,612,601	$ 47,203,839	$ 492,610,420
2042	$ 278,906,501	$ 115,635,546	$ 36,658,517	$ 431,200,563
2043	$ 222,564,690	$ 120,405,699	$ 28,417,713	$ 371,388,102
2044	$ 174,085,353	$ 108,357,125	$ 21,970,058	$ 304,412,535
2045	$ 133,005,778	$ 124,655,275	$ 16,980,171	$ 274,641,225
2046	$ 98,707,464	$ 135,862,224	$ 13,404,071	$ 247,973,759
2047	$ 70,586,008	$ 136,249,006	$ 10,191,485	$ 217,026,499
2048	$ 47,799,564	$ 125,446,008	$ 7,315,852	$ 180,561,424
2049	$ 29,376,459	$ 130,286,566	$ 5,204,384	$ 164,867,409
2050	$ 14,997,960	$ 229,769,936	$ 3,676,840	$ 248,444,737
2051	$ 5,425,485	$ 401,020,440	$ 2,422,397	$ 408,868,322
2052	$ 997,316	$ 406,584,005	$ 1,235,448	$ 408,816,769
2053	$ -	$ (48,468)	$ 200,224	$ 151,755
Totals	$ 50,033,305,053	$ (22,451,388,898)	$ 9,506,910,588	$ 37,088,826,742

SOURCE: US Department of HUD/FHA, October 2022.

Table E-22: FY 2022 HECM NPV Cashflows

FY2022 Annual Report Cashflows				
Estimation FY	Premiums	Claims	Recoveries	Total
2023	$ 447,530,796.41	$ (2,675,423,155.35)	$ -	$ (2,227,892,358.94)
2024	$ 410,867,846.07	$ (2,971,817,726.60)	$ 207,200,254.47	$ (2,353,749,626.06)
2025	$ 364,247,812.52	$ (3,049,632,132.74)	$ 480,148,639.82	$ (2,205,235,680.40)
2026	$ 314,718,670.32	$ (2,817,069,177.80)	$ 745,757,994.80	$ (1,756,592,512.68)
2027	$ 267,567,364.79	$ (2,153,021,288.68)	$ 972,284,625.71	$ (913,169,298.18)
2028	$ 228,869,244.14	$ (1,509,483,101.44)	$ 1,135,955,553.59	$ (144,658,303.72)
2029	$ 199,586,388.36	$ (1,254,775,833.01)	$ 1,231,408,200.27	$ 176,218,755.61
2030	$ 176,110,188.93	$ (1,408,450,881.13)	$ 1,309,883,206.39	$ 77,542,514.19
2031	$ 154,897,733.63	$ (1,785,533,389.85)	$ 1,403,935,577.72	$ (226,700,078.50)
2032	$ 134,217,378.41	$ (2,118,068,592.45)	$ 1,513,438,346.40	$ (470,412,867.64)
2033	$ 113,760,191.73	$ (2,222,734,370.30)	$ 1,655,676,767.14	$ (453,297,411.43)
2034	$ 94,321,072.46	$ (2,031,125,391.15)	$ 1,792,088,285.77	$ (144,716,032.93)
2035	$ 77,081,007.61	$ (1,708,705,576.57)	$ 1,892,224,734.54	$ 260,600,165.58
2036	$ 62,498,477.16	$ (1,341,731,638.17)	$ 1,946,483,157.45	$ 667,249,996.44
2037	$ 50,565,897.67	$ (967,124,977.95)	$ 1,954,550,466.95	$ 1,037,991,386.67
2038	$ 41,139,940.91	$ (650,314,369.52)	$ 1,916,403,411.00	$ 1,307,228,982.39
2039	$ 33,801,284.87	$ (426,134,643.60)	$ 1,844,241,179.47	$ 1,451,907,820.74
2040	$ 28,010,251.32	$ (280,499,262.51)	$ 1,737,650,139.93	$ 1,485,161,128.74
2041	$ 23,331,112.07	$ (192,839,868.90)	$ 1,610,263,188.38	$ 1,440,754,431.54
2042	$ 19,436,452.48	$ (138,295,442.13)	$ 1,467,800,388.53	$ 1,348,941,398.89
2043	$ 16,136,431.17	$ (105,184,267.61)	$ 1,323,818,678.83	$ 1,234,770,842.39
2044	$ 13,294,987.36	$ (85,734,857.70)	$ 1,196,211,299.66	$ 1,123,771,429.32
2045	$ 10,828,639.62	$ (70,918,510.42)	$ 1,049,442,012.19	$ 989,352,141.39
2046	$ 8,711,955.41	$ (58,747,937.51)	$ 913,485,434.84	$ 863,449,452.74
2047	$ 6,914,923.26	$ (48,245,275.97)	$ 778,807,959.61	$ 737,477,606.91
2048	$ 5,411,170.16	$ (39,990,620.12)	$ 654,058,685.55	$ 619,479,235.59
2049	$ 4,168,424.82	$ (32,622,832.96)	$ 540,556,724.63	$ 512,102,316.49
2050	$ 3,158,173.80	$ (26,344,446.65)	$ 439,794,663.62	$ 416,608,390.77
2051	$ 2,352,795.10	$ (20,909,913.06)	$ 350,616,179.62	$ 332,059,061.66
2052	$ 1,723,072.04	$ (16,252,111.46)	$ 274,801,010.03	$ 260,271,970.61
2053	$ 1,236,739.52	$ (12,389,950.75)	$ 211,844,722.48	$ 200,691,511.24
2054	$ 863,592.22	$ (9,286,851.76)	$ 160,844,318.93	$ 152,421,059.39
2055	$ 592,478.96	$ (6,658,689.85)	$ 118,644,759.51	$ 112,578,548.63
2056	$ 396,357.81	$ (4,721,188.19)	$ 86,190,534.26	$ 81,865,703.88
2057	$ 258,656.89	$ (3,277,117.55)	$ 61,428,659.09	$ 58,410,198.43
2058	$ 162,824.37	$ (2,236,122.64)	$ 43,251,954.65	$ 41,178,656.38
2059	$ 99,183.61	$ (1,479,758.44)	$ 29,671,498.44	$ 28,290,923.61
2060	$ 56,767.65	$ (958,213.92)	$ 19,904,536.89	$ 19,003,090.62
2061	$ 30,700.90	$ (593,105.64)	$ 12,931,532.94	$ 12,369,128.21
2062	$ 16,663.13	$ (352,127.36)	$ 8,216,925.22	$ 7,881,460.99
2063	$ 9,003.59	$ (206,725.34)	$ 5,020,925.55	$ 4,823,203.80
2064	$ 4,409.23	$ (117,909.70)	$ 2,982,284.98	$ 2,868,784.51
2065	$ 1,666.48	$ (65,986.21)	$ 1,764,439.43	$ 1,700,119.71
2066	$ 390.08	$ (30,121.97)	$ 832,717.82	$ 802,985.93
2067	$ -	$ (9,119.98)	$ 267,813.93	$ 258,693.95
Totals	$ 3,318,989,119	$ (32,250,114,583)	$ 35,102,784,391	$ 6,171,658,927

SOURCE: US Department of HUD/FHA, October 2022.

Appendix F:
FHA Single Family Housing Mortgagee Letters Published FY 2022

The Federal Housing Administration's (FHA) Office of Single Family Housing issues policy guidance by publishing Mortgagee Letters and/or publishing updates to its *Single Family Housing Policy Handbook* 4000.1 (SF Handbook).

In FY 2022, FHA published the Mortgagee Letters listed in the table below.

ML#	Publication Date	Title
2022-17	9/27/2022	Consideration of Positive Rental Payment History for First-Time Homebuyers in Forward Mortgage Purchase Transactions
2022-15	8/31/2022	Update to Home Equity Conversion Mortgage (HECM) Program Requirements for Notice of Due and Payable Status
2022-14	8/23/2022	Unique Entity Identifier for FHA Approved Lenders, Mortgagees and Institutions Seeking FHA Approval
2022-11	7/12/2022	Revised Appraisal Validity Periods
2022-09	7/7/2022	The Calculating Effective Income After a Reduction or Loss of Income for Borrowers Affected by Presidentially Declared COVID-19 National Emergency
2022-08	5/5/2022	Expanding Affordable Housing Supply Through FHA's Claim Without Conveyance of Title (CWCOT) Process
2022-07	4/18/2022	Update to the COVID-19 Recovery Loss Mitigation Options
2022-06	3/29/2022	Establishing the Claims Standard for Reasonable Payments for Property Preservation and Protection Costs

2022-04	2/15/2022	Update to the Mandatory Use Date for the Federal Housing Administration (FHA) Catalyst: Electronic Appraisal Delivery (EAD) Module
2022-02	2/7/2022	Technical Update to the Extension of the Deadlines for the First Legal Action and Reasonable Diligence Time Frame
2022-01	1/13/2022	Expansion of the Exclusive Listing Period for HUD Real Estate Owned Properties
2021-31	12/30/2021	Update to FHA Catalyst Transition for Single Family Default Monitoring System (SFDMS) Reporting Module
2021-30	11/30/2021	Delay of Effective Date of Mortgage Letter 2021-21, FHA Catalyst: Single Family Default Monitoring System (SFDMS) Reporting Module, and associated changes to the Single Family Default Monitoring System (SFDMS) Reporting Codes and Reporting Data Elements
2021-29	11/30/2021	2022 Home Equity Conversion Mortgage (HECM) Limits
2021-28	11/30/2021	2022 Nationwide Forward Mortgage Limits
2021-27	11/17/2021	Appraisal Fair Housing Compliance and Updated General Appraiser Requirements

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