HOUSING FINANCE AT A GLANCE

A MONTHLY CHARTBOOK

September 2019
ABOUT THE CHARTBOOK

The Housing Finance Policy Center’s (HFPC) mission is to produce analyses and ideas that promote sound public policy, efficient markets, and access to economic opportunity in the area of housing finance. **At A Glance**, a monthly chartbook and data source for policymakers, academics, journalists, and others interested in the government’s role in mortgage markets, is at the heart of this mission.

We welcome feedback from our readers on how we can make **At A Glance** a more useful publication. Please email any comments or questions to ataglance@urban.org.

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Related HFPC Work

Publications and Events
HELOC debt outstanding falls to its lowest level since 2004

The Federal Reserve Bank of New York’s Household Debt and Credit Report indicates that closed-end single-family residential mortgage debt outstanding (MDO) reached a new high of $9.4 trillion in the second quarter of 2019, surpassing its previous peak level of $9.3 trillion in 2008. In contrast, the outstanding amount of home equity lines of credit (HELOCs), which peaked at $714 billion in 2009, continues to shrink, falling below $400 billion for the first time since 2004.

Home equity lines of credit are typically originated by banks and the outstanding amounts tend to remain on their balance sheet, as opposed to getting securitized. Analysis of FDIC call report data in the figure below shows that both the rapid expansion during the housing boom and the steep decline in the years following was mostly concentrated among large banks, the top 20 banks in any given year.

The decline in HELOC debt outstanding has contributed to the slow recovery across total mortgage debt outstanding (see page 6 of this chart book). In contrast, aggregate home values are at a record high. These dynamics have contributed to the growth of homeowners’ equity as a share of total home values, which currently sits at 64 percent, 18 percentage points above the post-recession low reached in 2011. Conversely, total mortgage debt relative to home values, a measure of the loan-to-value ratio across all households, has fallen from 54 percent in 2011 to 36 percent today.

INSIDE THIS ISSUE

• Total value of the housing market reached $30.6 trillion in the second quarter of 2019, 28.0 percent higher than the 2006 peak of $23.9 trillion according to the Federal Reserve’s Flow of Funds report (page 6).
• Non-agency MBS issuance totaled $19.24 billion in Q2 2019, significantly lower than the $29.4 billion issued in the same period last year; a decline in scratch and dent securitizations accounted for most of the difference (page 12).
• Originator profitability reached $2.62 per $100 loan in August 2019, its highest point since January of 2017, reflecting falling rates resulting in capacity constrained lenders (page 19).
MARKET SIZE OVERVIEW

The Federal Reserve’s Flow of Funds report has indicated a gradually increasing total value of the housing market driven by growing household equity since 2012, and 2Q 2019 was no different. While total mortgage debt outstanding was steady at $11.0 trillion, household equity grew from $16.6 trillion in Q1 2019 to $19.7 trillion in Q2 2019, bringing the total value of the housing market to $30.6 trillion, 28.0 percent higher than the pre-crisis peak in 2006. Agency MBS account for 62.2 percent of the total mortgage debt outstanding, private-label securities make up 4.1 percent, and unsecuritized first liens make up 28.9 percent. Second liens comprise the remaining 4.7 percent of the total.

Value of the US Housing Market

$30.6
$19.7
$11.0


Size of the US Residential Mortgage Market


Note: Unsecuritized first liens includes loans held by commercial banks, GSEs, savings institutions, and credit unions.
MARKET SIZE OVERVIEW

As of July 2019, debt in the private-label securitization market totaled $354 billion and was split among prime (13.0 percent), Alt-A (33.7 percent), and subprime (53.2 percent) loans. In August 2019, outstanding securities in the agency market totaled $6.8 trillion, 42.7 percent of which was Fannie Mae, 27.7 percent Freddie Mac, and 29.6 percent Ginnie Mae. Ginnie Mae has had more outstanding securities than Freddie Mac since May 2016.

Private-Label Securities by Product Type

Sources: CoreLogic, Black Knight and Urban Institute.

Agency Mortgage-Backed Securities

Sources: eMBS and Urban Institute.
First Lien Origination Volume

At the end of 1H 2019, first lien originations totaled $920 billion, up from $825 billion in 1H 2018. The share of portfolio originations was 40.2 percent in 1H 2019, up from 32.3 percent during the same period in 2018. The GSE share was down at 38.6 percent, compared to 43.9 percent in 1H 2018. The FHA/VA share was 18.7 percent, down from 21.9 percent. Private-label securitization at 2.1 percent was marginally higher than its 2.0 percent share in 1H 2018; it remains a fraction of its share in the pre-bubble years.

Adjustable-rate mortgages (ARMs) accounted for as much as 52 percent of all new originations during the peak of the housing bubble (top chart). The ARM share fell to an historic low of 1 percent in 2009, and then slowly increased to a high of 12 percent in December 2013. The June 2019 share of 3.2 percent is slightly higher than last month. The 15-year fixed-rate mortgage, predominantly a refinance product, accounted for 5.2 percent of new originations in June 2019. Since late 2018, while there has been some month-to-month variation, the refinance share (bottom chart) has generally grown for both the GSEs and Ginnie Mae as interest rates have dropped.

Sources: Black Knight, eMBS, HMDA, SIFMA and Urban Institute.
Note: Includes purchase and refinance originations.

Sources: eMBS and Urban Institute.
Note: Based on at-issuance balance. Figure based on data from August 2019.
OVERVIEW

CASH-OUT REFINANCES

When mortgage rates are low, the share of cash-out refinance loans tends to be small, as refinancing allows borrowers to save money by taking advantage of lower rates. But when rates are high, the cash-out refinance share is higher since the rate reduction incentive is gone and the only reason to refinance is to take out equity. The cash-out share of all refinances fell from 76 percent in the first quarter of 2019 to 61 percent in the second quarter, reflecting increased rate-refi activity due to falling rates in 2019 Q2. Since June 2019, Freddie Mac’s cash-out refinance share has sunk slightly below the FHAs. While the cash-out refinance share for conventional mortgages is close to bubble-era peak, equity take-out volumes are substantially lower.

Loan Amount after Refinancing

Sources: Freddie Mac and Urban Institute.
Note: Estimates include conventional mortgages only.

Cash-out Refi Share of All Originations

Equity Take-Out from Conventional Mortgage Refinance Activity

Sources: eMBS and Urban Institute.
Note: Data as of July 2019.

Sources: Freddie Mac and Urban Institute.
Note: Estimates include conventional mortgages only.
AGENCY NONBANK ORIGINATION SHARE

The nonbank origination share has been rising steadily for all three agencies since 2013. The Ginnie Mae nonbank share has been consistently higher than the GSEs, falling slightly to 84 percent in August 2019, just below its record high of 86 percent in May. Freddie and Fannie’s nonbank shares also fell in August, to 42 and 53 percent respectively (note that these numbers can be volatile on a month-to-month basis.) Ginnie Mae, Fannie Mae and Freddie Mac all have higher nonbank origination shares for refi activity than for purchase activity.

Nonbank Origination Share: All Loans

Nonbank Origination Share: Purchase Loans

Nonbank Origination Share: Refi Loans

Sources: eMBS and Urban Institute.
SECURITIZATION VOLUME AND COMPOSITION

Agency/Non-Agency Share of Residential MBS Issuance

The non-agency share of mortgage securitizations has increased gradually over the post-crisis years, from 1.8 percent in 2016 to 7.4 percent in 2018. It fell slightly, to 5.21 percent, as of August 2019. Non-agency securitization volume totaled $36.52 billion for 1H 2019, lower than the $45.97 billion in 1H 2018, with a change in the mix. Alt-A and subprime securitizations have grown, while scratch and dent securitizations have fallen by about half their size since the same period last year. Non-agency securitizations continue to be tiny compared to pre-crisis levels.

Sources: Inside Mortgage Finance and Urban Institute.
Note: Based on data from August 2019. Monthly non-agency volume is subject to revision.
The Urban Institute’s Housing Credit Availability Index (HCAI) assesses lenders’ tolerance for both borrower risk and product risk, calculating the share of owner-occupied purchase loans that are likely to go 90+ days delinquent over the life of the loan. The latest HCAI shows that mortgage credit availability increased to 5.95 percent in the first quarter of 2019 (Q1 2019), up marginally from 5.75% the previous quarter. This is the highest level since 2013. This quarter’s increase was caused by an increase in risk taken in the portfolio and private-label securities channel. Credit also expanded in both the GSE and government channels, but by a smaller margin. More information about the HCAI is available here.

All Channels

The GSE market has expanded the credit box for borrowers more effectively than the government channel has in recent years. The downward trend of credit availability in the GSE channel began a reversal in Q2 2011. From Q2 2011 to Q1 2019, the total risk taken by the GSE channel has more than doubled, from 1.4 percent to 3.1 percent.
**CREDIT BOX**

**HOUSING CREDIT AVAILABILITY INDEX**

**Government Channel**

The total default risk the government loan channel is willing to take bottomed out at 9.6 percent in Q4 2013. In the past ten quarters starting in Q4 2016, the risk in the government channel has increased from 9.9 to 12.1 percent, the highest level since 2009, but still around half the pre-bubble level of 19–23 percent.

**Portfolio and Private Label Securities Channels**

The portfolio and private-label securities (PP) channel took on more product risk than the government and GSE channels during the bubble. After the crisis, PP channel’s product and borrower risks dropped sharply. The numbers have stabilized since 2013, with product risk fluctuating below 0.6 percent and borrower risk around 2.0 percent. Borrower risk increased in the first quarter of 2019, reaching 3.1 percent, driven primarily by a decline in FICO scores and an increase in high-LTV lending.

Sources: eMBS, CoreLogic, HMDA, IMF, and Urban Institute.

Note: Default is defined as 90 days or more delinquent at any point. Last updated July 2019.
Access to credit remains tight, especially for lower FICO borrowers. The median FICO for current purchase loans is about 33 points higher than the pre-crisis level of around 700. The 10th percentile, which represents the lower bound of creditworthiness to qualify for a mortgage, was 641 in June 2019, compared to low-600s pre-bubble. The median LTV at origination of 95 percent remains relatively high, reflecting the rise of FHA and VA lending. Although current median DTI of 40 percent exceeds the pre-bubble level of 36 percent, higher FICO scores serve as a strong compensating factor.

Sources: Black Knight, eMBS, HMDA, SIFMA, CoreLogic and Urban Institute.

Note: Includes owner-occupied purchase loans only. DTI data prior to April 2018 is from CoreLogic; after that date, it is from Black Knight. Data as of June 2019.
CREDIT AVAILABILITY BY MSA FOR PURCHASE LOANS

Credit has been tight for all borrowers with less-than-stellar credit scores—especially in MSAs with high housing prices. For example, the mean origination FICO for borrowers in San Francisco-Redwood City-South San Francisco, CA is 775. Across all MSAs, lower average FICO scores tend to be correlated with high average LTVs, as these MSAs rely heavily on FHA/VA financing.

Origination FICO and LTV

Sources: Black Knight, eMBS, HMDA, SIFMA and Urban Institute.
Note: Includes owner-occupied purchase loans only. Data as of June 2019.
Nonbank originators have played a key role in opening access to credit. Median GSE and Ginnie Mae FICOs for nonbank originations are lower than their bank counterparts, with a larger differential in the Ginnie Mae market. Within the GSE space, bank FICOs have declined slightly since 2014 and nonbank FICOs are up slightly. By contrast, for Ginnie Mae originations, FICO scores for bank originations rose while nonbank FICOs fell since 2014, reflecting a sharp cut-back in FHA lending by many banks. As pointed out on page 11, banks comprise only about 15 percent of Ginnie Mae originations. Many banks temporarily relaxed their overlays in Spring 2019, causing FICOs to drift down to 690 in April ‘19. Since May ‘19, Ginnie Mae Bank FICOs have increased to 699, a level last seen in late 2018.

Sources: eMBS and Urban Institute.

**Agency FICO: Bank vs. Nonbank**

**GSE FICO: Bank vs. Nonbank**

**Ginnie Mae FICO: Bank vs. Nonbank**

Sources: eMBS and Urban Institute.
The median LTVs for nonbank and bank originations are comparable, while the median DTI for nonbank loans is higher than for bank loans, indicating that nonbanks are more accommodating in both this and the FICO dimension. From early 2017 to early 2019, there was a sustained increase in DTIs, which has partially reversed in the past few months. This is true for both Ginnie Mae and the GSEs, for banks and nonbanks. As interest rates increased, DTIs rose, because borrower payments were driven up relative to incomes. With the fall in interest rates in 2019, DTIs have come down measurably, more so for banks.
STATE OF THE MARKET

MORTGAGE ORIGINATION PROJECTIONS

With the drop in interest rates and concurrent rise in refinance activity in 2019, Fannie Mae, Freddie Mac and the MBA estimate 2019 volume to be between $1.9-$2.0 trillion, higher than the $1.64 trillion in 2018. This increased origination estimate follows drops in origination volumes, due to declining refinancing activity, over the past few years: 2018 was down from $1.76-$1.83 trillion in 2017, and 2017 was down from $1.89-$2.05 trillion in 2016.

**Total Originations and Refinance Shares**

<table>
<thead>
<tr>
<th>Period</th>
<th>Total, FNMA estimate ($ billions)</th>
<th>Total, FHLMC estimate</th>
<th>Total, MBA estimate</th>
<th>Refi Share (percent)</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>FNMA estimate</td>
<td>FHLMC estimate</td>
<td>MBA estimate</td>
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<tr>
<td>2018 Q1</td>
<td>410</td>
<td>377</td>
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<td>508</td>
<td>440</td>
<td>452</td>
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<td>2018 Q3</td>
<td>465</td>
<td>435</td>
<td>457</td>
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<td>383</td>
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<td>349</td>
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<td>617</td>
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Sources: Fannie Mae, Freddie Mac, Mortgage Bankers Association and Urban Institute.

Note: Shaded boxes indicate forecasted figures. All figures are estimates for total single-family market. Regarding interest rates, the yearly averages for 2015, 2016, 2017 and 2018 were 3.9, 3.8, 4.0 and 4.6 percent. For 2019, the respective projections for Fannie, Freddie, and MBA are 3.9, 3.9, and 3.7 percent.

**Originator Profitability and Unmeasured Costs**

In August 2019, Originator Profitability and Unmeasured Costs (OPUC) stood at $2.62 per $100 loan, much lower than the 2013 peak, but still up from the final months of 2018. OPUC, formulated and calculated by the Federal Reserve Bank of New York, is a good relative measure of originator profitability. OPUC uses the sales price of a mortgage in the secondary market (less par) and adds two sources of profitability; retained servicing (both base and excess servicing, net of g-fees), and points paid by the borrower. OPUC is generally high when interest rates are low, as originators are capacity constrained due to refinance demand and have no incentive to reduce rates. Conversely, when interest rates are higher and refi activity low, competition forces originators to lower rates, driving profitability down.

**Dollars per $100 loan**


Note: OPUC is a is a monthly (4-week moving) average as discussed in Fuster et al. (2013).
STATE OF THE MARKET

HOUSING SUPPLY

Strong demand for housing in recent years, coupled with historically low new home construction has led to a low, 4.1 months, supply of for-sale homes in August 2019. This level is marginally lower than the 4.3 months in August 2018. Pre-crisis it averaged 4.6 months. Fannie Mae, Freddie Mac, the MBA and the NAHB forecast 2019 housing starts to be 1.24 to 1.27 million units, very similar to 2018. Fannie Mae, Freddie Mac and the MBA predict total home sales of 5.9 to 6.1 million units in 2019, slightly outpacing (Fannie Mae, MBA) or roughly flat (Freddie Mac) from 2018. The NAHB predicts homes sales to fall by about 64,000 units in 2019.

Months of Supply

Housing Starts and Homes Sales

<table>
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<tr>
<th>Year</th>
<th>Total, FNMA estimate</th>
<th>Total, FHLMC estimate</th>
<th>Total, MBA estimate</th>
<th>Total, NAHB estimate</th>
<th>Total, FNMA estimate</th>
<th>Total, FHLMC estimate</th>
<th>Total, MBA estimate</th>
<th>Total, NAHB estimate</th>
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<td>5751</td>
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<td>2016</td>
<td>1174</td>
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<td>6011</td>
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<td>6001</td>
<td>5385</td>
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<td>2017</td>
<td>1203</td>
<td>1200</td>
<td>1208</td>
<td>1208</td>
<td>6123</td>
<td>6120</td>
<td>6158</td>
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<td>2019</td>
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<td>1243</td>
<td>5990</td>
<td>5940</td>
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<td>2020</td>
<td>1234</td>
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<td>1286</td>
<td>6038</td>
<td>6040</td>
<td>6163</td>
<td>5331</td>
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</table>

Sources: Mortgage Bankers Association, Fannie Mae, Freddie Mac, National Association of Home Builders and Urban Institute.
Note: Shaded boxes indicate forecasted figures; column labels indicate source of estimate. NAHB home sales estimate is for single-family structures only, it excludes condos and co-ops. Other figures include all single-family sales.

Source: National Association of Realtors and Urban Institute.
Home prices remain affordable by historic standards, despite price increases over the last 7 years, as interest rates remain relatively low in an historic context. As of August 2019, with a 20 percent down payment, the share of median income needed for the monthly mortgage payment stood at 22.2 percent; with 3.5 down, it is 25.5 percent. Since February, the median housing expenses to income ratio has been slightly lower than the 2001-2003 average. As shown in the bottom picture, mortgage affordability varies widely by MSA.

**Mortgage Affordability by MSA**

Mortgage affordability index


**Note:** Mortgage affordability is the share of median family income devoted to the monthly principal, interest, taxes, and insurance payment required to buy the median home at the Freddie Mac prevailing rate 2018 for a 30-year fixed-rate mortgage and property tax and insurance at 1.75 percent of the housing value. Data for the bottom chart as of Q4 2018.
STATE OF THE MARKET

HOME PRICE INDICES

National Year-Over-Year HPI Growth

Year-over-year home price appreciation slowed slightly in July 2019, as measured by Zillow’s hedonic index, but remained steady according to Black Knight’s repeat sales index. Although housing affordability remains constrained, especially at the lower end of the market, recent declines in rates serve as a partial offset. We would expect the lower end of the market to continue to appreciate more than the upper end, as low-end inventory is very tight.

Sources: Black Knight, Zillow, and Urban Institute. Note: Data as of July 2019.

Changes in Black Knight HPI for Top MSAs

After rising 54.7 percent from the trough, national house prices are now 15.3 percent higher than pre-crisis peak levels. At the MSA level, ten of the top 15 MSAs have exceeded their pre-crisis peak HPI: New York, NY; Los Angeles, CA; Atlanta, GA; Houston, TX; Dallas, TX; Minneapolis, MN; Seattle, WA; Denver, CO; San Diego, CA, and Anaheim, CA. Two MSAs particularly hard hit by the boom and bust—Chicago, IL and Riverside, CA—are 8.8 and 8.9 percent, respectively, below peak values.

Sources: Black Knight HPI and Urban Institute. Data as of July 2019.
Note: This table includes the largest 15 Metropolitan areas by mortgage count.
First-Time Homebuyer Share

In June 2019, the FTHB share for FHA, which has always been more focused on first time homebuyers, fell very slightly to 83.1 percent. The FTHB share of VA lending also fell in June, to 53.6 percent. The GSE FTHB share in June was 47.9 percent. The bottom table shows that based on mortgages originated in June 2019, the average FTHB was more likely than an average repeat buyer to take out a smaller loan, have a lower credit score, and higher LTV and higher DTI, thus paying a higher interest rate.

Sources: eMBS, Federal Housing Administration (FHA) and Urban Institute.

Note: All series measure the first-time homebuyer share of purchase loans for principal residences.

Comparison of First-Time and Repeat Homebuyers, GSE and FHA Originations

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>GSEs</th>
<th>FHA</th>
<th>GSEs and FHA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Amount ($)</td>
<td>247,147</td>
<td>275,751</td>
<td>217,901</td>
</tr>
<tr>
<td>Credit Score</td>
<td>742</td>
<td>757</td>
<td>668</td>
</tr>
<tr>
<td>LTV (%)</td>
<td>88</td>
<td>80</td>
<td>96</td>
</tr>
<tr>
<td>DTI (%)</td>
<td>35</td>
<td>36</td>
<td>43</td>
</tr>
<tr>
<td>Loan Rate (%)</td>
<td>4.3</td>
<td>4.21</td>
<td>4.46</td>
</tr>
</tbody>
</table>

Sources: eMBS and Urban Institute.

Note: Based on owner-occupied purchase mortgages originated in June 2019.
Loans in and near negative equity continued to decline in 2Q 2019; 3.8 percent now have negative equity, an additional 0.9 percent have less than 5 percent equity. Loans that are 90 days delinquent or in foreclosure have also been in a long decline, falling to 1.95 percent in the second quarter of 2019. New loan modifications and liquidations (bottom) have continued to decline. Since Q3, 2007, total loan modifications (HAMP and proprietary) are roughly equal to total liquidations. Hope Now reports show 8,582,314 borrowers received a modification from Q3 2007 to Q1 2019, compared with 8,807,889 liquidations in the same period.

**Negative Equity Share**

- **Negative equity**
- **Near or in negative equity**

**Loans in Serious Delinquency/Foreclosure**

- Percent of loans 90 days or more delinquent
- Percent of loans in foreclosure
- Percent of loans 90 days or more delinquent or in foreclosure

**Loan Modifications and Liquidations**

*Number of loans (thousands)*

**Sources:** CoreLogic and Urban Institute.

**Note:** Loans with negative equity refer to loans above 100 percent LTV. Loans near negative equity refer to loans above 95 percent LTV. Last updated September 2019.

**Sources:** Mortgage Bankers Association and Urban Institute. Last updated August 2019.

**Sources:** Hope Now and Urban Institute.

**Note:** Liquidations include both foreclosure sales and short sales. Last updated June 2019.
Both GSEs continue to contract their retained portfolios. Since July 2018, Fannie Mae has contracted by 21.1 percent and Freddie Mac by 10.4 percent. They are shrinking their less-liquid assets (mortgage loans and non-agency MBS) faster than they are shrinking their entire portfolio. The Fannie Mae and Freddie Mac portfolios are now both well below the $250 billion maximum portfolio size; they were required to reach this terminal level by year end 2018. Fannie met the target in 2017, Freddie met the target in February 2018.

Fannie Mae Mortgage-Related Investment Portfolio Composition

Current size: $178.2 billion
2018 cap: $250 billion
Shrinkage year-over-year: 21.1 percent
Shrinkage in less-liquid assets year-over-year: 22.6 percent

Sources: Fannie Mae and Urban Institute.

Freddie Mac Mortgage-Related Investment Portfolio Composition

Current size: $218.9 billion
2018 cap: $250 billion
Shrinkage year-over-year: 10.4 percent
Shrinkage in less-liquid assets year-over-year: 16.0 percent

Sources: Freddie Mac and Urban Institute.
Guarantee Fees Charged on New Acquisitions

Fannie Mae’s 2019 10-Q indicates that its average g-fees charged on new acquisitions fell from 60.4 to 56.7 bps in Q2 2019, while Freddie rose from 50.0 to 54.0. These are markedly higher than g-fee levels in 2011 and 2012, and have contributed to the GSEs’ earnings. The GSE’s latest Loan-Level Pricing Adjustments (LLPAs) took effect in September 2015; the bottom table shows the Fannie Mae LLPAs, which are expressed as upfront charges.

Sources: Fannie Mae, Freddie Mae and Urban Institute.
Last updated August 2019.

Fannie Mae Upfront Loan-Level Price Adjustments (LLPAs)

<table>
<thead>
<tr>
<th>Credit Score</th>
<th>≤60</th>
<th>60.01 – 70</th>
<th>70.01 – 75</th>
<th>75.01 – 80</th>
<th>80.01 – 85</th>
<th>85.01 – 90</th>
<th>90.01 – 95</th>
<th>95.01 – 97</th>
<th>&gt;97</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 740</td>
<td>0.00</td>
<td>0.25</td>
<td>0.25</td>
<td>0.50</td>
<td>0.25</td>
<td>0.25</td>
<td>0.25</td>
<td>0.75</td>
<td>0.75</td>
</tr>
<tr>
<td>720 – 739</td>
<td>0.00</td>
<td>0.25</td>
<td>0.50</td>
<td>0.75</td>
<td>0.50</td>
<td>0.50</td>
<td>0.50</td>
<td>1.00</td>
<td>1.00</td>
</tr>
<tr>
<td>700 – 719</td>
<td>0.00</td>
<td>0.50</td>
<td>1.00</td>
<td>1.25</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.50</td>
<td>1.50</td>
</tr>
<tr>
<td>680 – 699</td>
<td>0.00</td>
<td>0.50</td>
<td>1.25</td>
<td>1.75</td>
<td>1.50</td>
<td>1.25</td>
<td>1.25</td>
<td>1.50</td>
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<tr>
<td>660 – 679</td>
<td>0.00</td>
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<td>2.75</td>
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<td>2.25</td>
<td>2.25</td>
<td>2.25</td>
</tr>
<tr>
<td>640 – 659</td>
<td>0.50</td>
<td>1.25</td>
<td>2.75</td>
<td>3.00</td>
<td>3.25</td>
<td>2.75</td>
<td>2.75</td>
<td>2.75</td>
<td>2.75</td>
</tr>
<tr>
<td>620 – 639</td>
<td>0.50</td>
<td>1.50</td>
<td>3.00</td>
<td>3.00</td>
<td>3.25</td>
<td>3.25</td>
<td>3.25</td>
<td>3.50</td>
<td>3.50</td>
</tr>
<tr>
<td>&lt; 620</td>
<td>0.50</td>
<td>1.50</td>
<td>3.00</td>
<td>3.00</td>
<td>3.25</td>
<td>3.25</td>
<td>3.75</td>
<td>3.75</td>
<td>3.75</td>
</tr>
</tbody>
</table>

Product Feature (Cumulative)


Sources: Fannie Mae and Urban Institute.
Last updated March of 2019.
Fannie Mae and Freddie Mac have been laying off back-end credit risk through CAS and STACR deals and through reinsurance transactions. They have also done front-end transactions with originators and reinsurers, and experimented with deep mortgage insurance coverage with private mortgage insurers. FHFA’s 2019 scorecard requires the GSEs to lay off credit risk on 90 percent of newly acquired loans in categories targeted for transfer. Fannie Mae’s CAS issuances since inception total $1.294 trillion; Freddie’s STACR totals $1.302 trillion.

**Fannie Mae – Connecticut Avenue Securities (CAS)**

<table>
<thead>
<tr>
<th>Date</th>
<th>Transaction</th>
<th>Reference Pool Size ($m)</th>
<th>Amount Issued ($m)</th>
<th>% of Reference Pool Covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>CAS 2013 deals</td>
<td>$26,756</td>
<td>$675</td>
<td>2.5</td>
</tr>
<tr>
<td>2014</td>
<td>CAS 2014 deals</td>
<td>$227,234</td>
<td>$5,849</td>
<td>2.6</td>
</tr>
<tr>
<td>2015</td>
<td>CAS 2015 deals</td>
<td>$187,126</td>
<td>$5,463</td>
<td>2.9</td>
</tr>
<tr>
<td>2016</td>
<td>CAS 2016 deals</td>
<td>$236,459</td>
<td>$7,392</td>
<td>3.1</td>
</tr>
<tr>
<td>2017</td>
<td>CAS 2017 deals</td>
<td>$264,697</td>
<td>$8,707</td>
<td>3.3</td>
</tr>
<tr>
<td>February 2018</td>
<td>CAS 2018 – C01</td>
<td>$44,900</td>
<td>$1,494</td>
<td>3.3</td>
</tr>
<tr>
<td>March 2018</td>
<td>CAS 2018 - C02</td>
<td>$26,500</td>
<td>$1,007</td>
<td>3.8</td>
</tr>
<tr>
<td>May 2018</td>
<td>CAS 2018 - C03</td>
<td>$31,100</td>
<td>$1,050</td>
<td>3.4</td>
</tr>
<tr>
<td>June 2018</td>
<td>CAS 2018 - C04</td>
<td>$24,700</td>
<td>$940</td>
<td>3.8</td>
</tr>
<tr>
<td>July 2018</td>
<td>CAS 2018 - C05</td>
<td>$28,700</td>
<td>$983</td>
<td>3.4</td>
</tr>
<tr>
<td>October 2018</td>
<td>CAS 2018 - C06</td>
<td>$25,700</td>
<td>$918</td>
<td>3.6</td>
</tr>
<tr>
<td>October 2018</td>
<td>CAS 2018 - R07</td>
<td>$24,300</td>
<td>$922</td>
<td>3.8</td>
</tr>
<tr>
<td>January 2019</td>
<td>CAS 2019 - R01</td>
<td>$28,000</td>
<td>$960</td>
<td>3.4</td>
</tr>
<tr>
<td>February 2019</td>
<td>CAS 2019 - R02</td>
<td>$27,000</td>
<td>$1,000</td>
<td>3.7</td>
</tr>
<tr>
<td>April 2019</td>
<td>CAS 2019 - R03</td>
<td>$21,000</td>
<td>$857</td>
<td>4.1</td>
</tr>
<tr>
<td>June 2019</td>
<td>CAS 2019 - R04</td>
<td>$25,000</td>
<td>$1,000</td>
<td>4.0</td>
</tr>
<tr>
<td>July 2019</td>
<td>CAS 2019 - R05</td>
<td>$24,000</td>
<td>$993</td>
<td>4.1</td>
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<tr>
<td>Total</td>
<td></td>
<td>$1,294,172</td>
<td>$40,210</td>
<td>3.1</td>
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</table>

**Freddie Mac – Structured Agency Credit Risk (STACR)**

<table>
<thead>
<tr>
<th>Date</th>
<th>Transaction</th>
<th>Reference Pool Size ($m)</th>
<th>Amount Issued ($m)</th>
<th>% of Reference Pool Covered</th>
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<tbody>
<tr>
<td>2013</td>
<td>STACR 2013 deals</td>
<td>$57,912</td>
<td>$1,130</td>
<td>2.0</td>
</tr>
<tr>
<td>2014</td>
<td>STACR 2014 deals</td>
<td>$147,120</td>
<td>$4,916</td>
<td>3.3</td>
</tr>
<tr>
<td>2015</td>
<td>STACR 2015 deals</td>
<td>$209,521</td>
<td>$6,658</td>
<td>3.2</td>
</tr>
<tr>
<td>2016</td>
<td>STACR 2016 deals</td>
<td>$199,130</td>
<td>$5,541</td>
<td>2.8</td>
</tr>
<tr>
<td>2017</td>
<td>STACR 2017 deals</td>
<td>$248,821</td>
<td>$5,663</td>
<td>2.3</td>
</tr>
<tr>
<td>January 2018</td>
<td>STACR Series 2018 – DNA1</td>
<td>$34,733</td>
<td>$900</td>
<td>2.6</td>
</tr>
<tr>
<td>March 2018</td>
<td>STACR Series 2018 – HQA1</td>
<td>$40,102</td>
<td>$985</td>
<td>2.5</td>
</tr>
<tr>
<td>June 2018</td>
<td>STACR Series 2018 – DNA2</td>
<td>$49,346</td>
<td>$1,050</td>
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</tr>
<tr>
<td>September 2018</td>
<td>STACR Series 2018 – DNA3</td>
<td>$30,000</td>
<td>$820</td>
<td>2.7</td>
</tr>
<tr>
<td>October 2018</td>
<td>STACR Series 2018 – HQA2</td>
<td>$36,200</td>
<td>$1,000</td>
<td>2.8</td>
</tr>
<tr>
<td>November 2018</td>
<td>STACR Series 2018 – HRP2</td>
<td>$26,200</td>
<td>$1,300</td>
<td>5.0</td>
</tr>
<tr>
<td>January 2019</td>
<td>STACR Series 2019 – DNA1</td>
<td>$24,600</td>
<td>$714</td>
<td>2.9</td>
</tr>
<tr>
<td>February 2019</td>
<td>STACR Series 2019 – HQA1</td>
<td>$20,760</td>
<td>$640</td>
<td>3.1</td>
</tr>
<tr>
<td>March 2019</td>
<td>STACR Series 2019 – DNA2</td>
<td>$20,500</td>
<td>$608</td>
<td>3.0</td>
</tr>
<tr>
<td>May 2019</td>
<td>STACR Series 2019 – HQA2</td>
<td>$19,500</td>
<td>$615</td>
<td>3.2</td>
</tr>
<tr>
<td>May 2019</td>
<td>STACR Series 2019 – FTR1</td>
<td>$44,590</td>
<td>$140</td>
<td>0.3</td>
</tr>
<tr>
<td>June 2019</td>
<td>STACR Series 2019 – HRP1</td>
<td>$5,782</td>
<td>$281</td>
<td>4.9</td>
</tr>
<tr>
<td>July 2019</td>
<td>STACR Series 2019 – DNA3</td>
<td>$25,533</td>
<td>$756</td>
<td>3.0</td>
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<tr>
<td>August 2019</td>
<td>STACR Series 2019 – FTR2</td>
<td>$11,511</td>
<td>$284</td>
<td>2.5</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$1,302,927</td>
<td>$34,001</td>
<td>2.6</td>
</tr>
</tbody>
</table>

**Sources:** Fannie Mae, Freddie Mac and Urban Institute. **Note:** Classes A-H, M-1H, M-2H, and B-H are reference tranches only. These classes are not issued or sold. The risk is retained by Fannie Mae and Freddie Mac. “CE” = credit enhancement.
GSEs Under Conservatorship

GSE Risk-Sharing Indices

The figures below show the spreads on the 2015, 2016, 2017 and 2018 indices, as priced by dealers. Note that the older indices (2015 and 2016) skyrocketed this summer, before stabilizing, while the newer indices have increased much less. This reflects the fact that the older indices have narrowed since issuance, and hence are at considerable price premiums. The drop in interest rates has generated faster prepayment speeds; spreads have widened to compensate investors for a loss in the value of their premium bonds. Note that the 2015 and 2016 indices consist of the bottom mezzanine tranche in each deal, weighted by the original issuance amount; the equity tranches were not sold in these years. The 2017 and 2018 indices contain both the bottom mezzanine tranche as well as the equity tranche (the B tranche), in all deals when the latter was sold.

Sources: Vista Data Services and Urban Institute.
Note: Data as of September 13, 2019.
SERIOUS DELINQUENCY RATES

Serious delinquencies for single-family GSE, FHA, and VA loans declined in 2018 and this trend continued in the second quarter of 2019. GSE delinquencies are now in line with 2005-2007 levels, while FHA and VA delinquencies (which are higher than their GSE counterparts) are at levels lower than 2005-2007. GSE multifamily delinquencies have declined post-crisis and remain very low.

Serious Delinquency Rates—Single-Family Loans

Sources: Fannie Mae, Freddie Mac, MBA Delinquency Survey and Urban Institute. Note: Serious delinquency is defined as 90 days or more past due or in the foreclosure process. Not seasonally adjusted. FHA and VA delinquencies are reported on a quarterly basis, last updated August 2019. GSE delinquencies are reported monthly, last updated September of 2019.

Serious Delinquency Rates—Multifamily GSE Loans

Sources: Fannie Mae, Freddie Mac and Urban Institute. Note: Multifamily serious delinquency rate is the unpaid balance of loans 60 days or more past due, divided by the total unpaid balance.
Agency gross issuance was $879.1 billion in the first eight months of 2019, up 9.7 percent from the same period in 2018. Issuance in January and February 2019 was much lower than in January and February 2018, however April through August has outpaced the previous year. Net issuance (which excludes repayments, prepayments, and refinances on outstanding mortgages) totaled $186.8 billion in the first eight months of 2019, or $280.3 billion on an annualized basis, up 13.3 percent from the same period in 2018.

---

### Agency Gross Issuance

<table>
<thead>
<tr>
<th>Issuance Year</th>
<th>GSEs</th>
<th>Ginnie Mae</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>$360.6</td>
<td>$102.2</td>
<td>$462.8</td>
</tr>
<tr>
<td>2001</td>
<td>$885.1</td>
<td>$171.5</td>
<td>$1,056.6</td>
</tr>
<tr>
<td>2002</td>
<td>$1,238.9</td>
<td>$169.0</td>
<td>$1,407.9</td>
</tr>
<tr>
<td>2003</td>
<td>$1,874.9</td>
<td>$213.1</td>
<td>$2,088.0</td>
</tr>
<tr>
<td>2004</td>
<td>$872.6</td>
<td>$119.2</td>
<td>$991.9</td>
</tr>
<tr>
<td>2005</td>
<td>$894.0</td>
<td>$81.4</td>
<td>$975.3</td>
</tr>
<tr>
<td>2006</td>
<td>$853.0</td>
<td>$76.7</td>
<td>$929.7</td>
</tr>
<tr>
<td>2007</td>
<td>$1,066.2</td>
<td>$94.9</td>
<td>$1,161.1</td>
</tr>
<tr>
<td>2008</td>
<td>$911.4</td>
<td>$267.6</td>
<td>$1,179.0</td>
</tr>
<tr>
<td>2009</td>
<td>$1,280.0</td>
<td>$451.3</td>
<td>$1,731.3</td>
</tr>
<tr>
<td>2010</td>
<td>$1,003.5</td>
<td>$390.7</td>
<td>$1,394.3</td>
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<tr>
<td>2011</td>
<td>$879.3</td>
<td>$315.3</td>
<td>$1,194.7</td>
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<tr>
<td>2012</td>
<td>$1,288.8</td>
<td>$405.0</td>
<td>$1,693.8</td>
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<tr>
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<td>$393.6</td>
<td>$1,570.1</td>
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<tr>
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<td>$296.3</td>
<td>$947.2</td>
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<tr>
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<td>$845.7</td>
<td>$436.3</td>
<td>$1,282.0</td>
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<tr>
<td>2016</td>
<td>$991.6</td>
<td>$508.2</td>
<td>$1,499.8</td>
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<tr>
<td>2017</td>
<td>$877.3</td>
<td>$455.6</td>
<td>$1,332.9</td>
</tr>
<tr>
<td>2018</td>
<td>$795.0</td>
<td>$400.6</td>
<td>$1,195.3</td>
</tr>
<tr>
<td>2019 YTD</td>
<td>$587.9</td>
<td>$291.2</td>
<td>$879.1</td>
</tr>
<tr>
<td>% Change YOY</td>
<td>10.9%</td>
<td>7.1%</td>
<td>9.7%</td>
</tr>
<tr>
<td>2019 Ann.</td>
<td>$881.9</td>
<td>$436.8</td>
<td>$1,318.7</td>
</tr>
</tbody>
</table>

### Agency Net Issuance

<table>
<thead>
<tr>
<th>Issuance Year</th>
<th>GSEs</th>
<th>Ginnie Mae</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>$159.80</td>
<td>$29.30</td>
<td>$189.10</td>
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<tr>
<td>2001</td>
<td>$368.40</td>
<td>-$9.90</td>
<td>$358.50</td>
</tr>
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<td>2002</td>
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<td>2003</td>
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<td>-$42.20</td>
<td>$132.00</td>
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<td>2006</td>
<td>$313.60</td>
<td>$0.20</td>
<td>$313.80</td>
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<tr>
<td>2007</td>
<td>$514.90</td>
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<td>$545.70</td>
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<tr>
<td>2008</td>
<td>$314.80</td>
<td>$196.40</td>
<td>$511.30</td>
</tr>
<tr>
<td>2009</td>
<td>$250.60</td>
<td>$257.40</td>
<td>$508.00</td>
</tr>
<tr>
<td>2010</td>
<td>-$303.20</td>
<td>$198.30</td>
<td>-$105.00</td>
</tr>
<tr>
<td>2011</td>
<td>-$128.40</td>
<td>$149.60</td>
<td>$21.20</td>
</tr>
<tr>
<td>2012</td>
<td>-$42.40</td>
<td>$119.10</td>
<td>$76.80</td>
</tr>
<tr>
<td>2013</td>
<td>$69.10</td>
<td>$87.90</td>
<td>$157.00</td>
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<td>$30.50</td>
<td>$61.60</td>
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<td>2015</td>
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<td>2016</td>
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<td>$126.10</td>
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<tr>
<td>2018</td>
<td>$147.70</td>
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<td>$261.60</td>
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<tr>
<td>2019 YTD</td>
<td>$120.1</td>
<td>$66.8</td>
<td>$186.8</td>
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<tr>
<td>% Change YOY</td>
<td>33.0%</td>
<td>-10.6%</td>
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<tr>
<td>2019 Ann.</td>
<td>$180.1</td>
<td>$100.1</td>
<td>$280.3</td>
</tr>
</tbody>
</table>

Sources: eMBS and Urban Institute.
Note: Dollar amounts are in billions. Data as of August 2019.
Monthly Gross Issuance

While FHA, VA and GSE lending have dominated the mortgage market since the crisis, there has been a change in the mix. The Ginnie Mae share of new issuances has risen from a precrisis level of 10-12 percent to 29.7 percent in August 2019. This share increase reflected both increases in the purchase share and in the refi share. More precisely, when interest rates rose, there was a proportionately sharper curtailment in GSE refis than in Ginnie Mae refis. The recent drop in rates has not been large enough to alter that pattern.

Sources: eMBS, Federal Reserve Bank of New York, and Urban Institute.

Fed Absorption of Agency Gross Issuance

The Fed is winding down its MBS portfolio; new MBS purchases are minimal. During the period October 2014 to September 2017, the Fed ended its purchase program, but was reinvesting funds from mortgages and agency debt into the mortgage market, absorbing 20-30 percent of agency gross issuance. The portfolio wind down started in October 2017, with the Fed allowing a pre-established amount of MBS to run off each month. From October 2017 to September 2018, the Fed was still reinvesting, but by less than the prepayments and repayments. In October 2018, the amount of MBS permitted to run off each month (MBS taper) hit the $20 billion cap. Since then the amount of Fed purchases has been tiny; in August 2019 Fed purchases totaled $3.8 billion, corresponding to Fed absorption of gross issuance of 2.18 percent.

Sources: eMBS, Federal Reserve Bank of New York and Urban Institute.
MI Activity
Mortgage insurance activity via the FHA, VA and private insurers increased from $183 billion in Q2 2018 to $188 billion in Q2 2019, a 2.9 percent increase. In the second quarter of 2019, private mortgage insurance written increased by $28.31 billion, FHA increased by $13.44 billion and VA increased by $12.17 billion from the previous quarter, reflecting seasonal increases driven by busy spring homebuying. During this period, the VA share fell slightly from 23.8 to 23.4 percent and the FHA share similarly fell from 31.7 to 28.8 percent, while the private mortgage insurers share grew from 44.5 to 46.8 percent compared to the previous quarter.


MI Market Share

AGENCY ISSUANCE
MORTGAGE INSURANCE ACTIVITY

FHA premiums rose significantly in the years following the housing crash, with annual premiums rising from 50 to 135 basis points between 2008 to 2013 as FHA worked to shore up its finances. In January 2015, President Obama announced a 50 bps cut in annual insurance premiums, making FHA mortgages more attractive than GSE mortgages for the overwhelming majority of high LTV borrowers. The April 2016 reduction in PMI rates for borrowers with higher FICO scores and April 2018 reduction for lower FICO borrowers has partially offset that. As shown in the bottom table, a borrower putting 3.5 percent down will now find FHA more economical except for those with FICO scores of 720 or higher.

FHA MI Premiums for Typical Purchase Loan

<table>
<thead>
<tr>
<th>Case number date</th>
<th>Upfront mortgage insurance premium (UFMIP) paid</th>
<th>Annual mortgage insurance premium (MIP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/1/2001 - 7/13/2008</td>
<td>150</td>
<td>50</td>
</tr>
<tr>
<td>7/14/2008 - 4/5/2010*</td>
<td>175</td>
<td>55</td>
</tr>
<tr>
<td>10/4/2010 - 4/17/2011</td>
<td>100</td>
<td>90</td>
</tr>
<tr>
<td>4/18/2011 - 4/8/2012</td>
<td>100</td>
<td>115</td>
</tr>
<tr>
<td>4/9/2012 - 6/10/2012</td>
<td>175</td>
<td>125</td>
</tr>
<tr>
<td>6/11/2012 - 3/31/2013*</td>
<td>175</td>
<td>125</td>
</tr>
<tr>
<td>4/1/2013 - 1/25/2015b</td>
<td>175</td>
<td>135</td>
</tr>
<tr>
<td>Beginning 1/26/2015c</td>
<td>175</td>
<td>85</td>
</tr>
</tbody>
</table>

Sources: Ginnie Mae and Urban Institute.

Note: A typical purchase loan has an LTV over 95 and a loan term longer than 15 years. Mortgage insurance premiums are listed in basis points.

* For a short period in 2008 the FHA used a risk based FICO/LTV matrix for MI.

b Applies to purchase loans less than or equal to $625,500. Those over that amount have an annual premium of 155 bps.

c Applies to purchase loans less than or equal to $625,500. Those over that amount have an annual premium of 105 bps.

Initial Monthly Payment Comparison: FHA vs. PMI

<table>
<thead>
<tr>
<th>Assumptions</th>
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<tbody>
<tr>
<td>Property Value</td>
<td>$250,000</td>
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<tr>
<td>Loan Amount</td>
<td>$241,250</td>
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<td>LTV</td>
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<tr>
<td>Base Rate</td>
<td>3.62</td>
<td></td>
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<tr>
<td>Conforming</td>
<td>3.62</td>
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<tr>
<td>FHA</td>
<td>3.84</td>
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</tbody>
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</thead>
<tbody>
<tr>
<td>FHA MI Premiums</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FHA UFMIP</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
</tr>
<tr>
<td>FHA MIP</td>
<td>0.85</td>
<td>0.85</td>
<td>0.85</td>
<td>0.85</td>
<td>0.85</td>
<td>0.85</td>
<td>0.85</td>
<td>0.85</td>
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<tr>
<td>PMI</td>
<td></td>
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<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>GSE LLPA*</td>
<td>3.50</td>
<td>2.75</td>
<td>2.25</td>
<td>1.50</td>
<td>1.50</td>
<td>1.00</td>
<td>0.75</td>
<td>0.75</td>
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<tr>
<td>PMI Annual MIP</td>
<td>1.86</td>
<td>1.65</td>
<td>1.54</td>
<td>1.21</td>
<td>0.99</td>
<td>0.87</td>
<td>0.70</td>
<td>0.58</td>
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<tr>
<td>Monthly Payment</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FHA</td>
<td>$1,320</td>
<td>$1,320</td>
<td>$1,320</td>
<td>$1,320</td>
<td>$1,320</td>
<td>$1,320</td>
<td>$1,320</td>
<td>$1,320</td>
</tr>
<tr>
<td>PMI</td>
<td>$1,571</td>
<td>$1,507</td>
<td>$1,471</td>
<td>$1,384</td>
<td>$1,340</td>
<td>$1,302</td>
<td>$1,261</td>
<td>$1,237</td>
</tr>
<tr>
<td>PMI Advantage</td>
<td>-$250</td>
<td>-$187</td>
<td>-$151</td>
<td>-$64</td>
<td>-$19</td>
<td>$18</td>
<td>$60</td>
<td>$84</td>
</tr>
</tbody>
</table>

Sources: Genworth Mortgage Insurance, Ginnie Mae, and Urban Institute.

Note: Rates as of August 2019.

Mortgage insurance premiums listed in percentage points. Grey shade indicates FHA monthly payment is more favorable, while blue indicates PMI is more favorable. The PMI monthly payment calculation does not include special programs like Fannie Mae’s HomeReady and Freddie Mac’s Home Possible (HP), both offer more favorable rates for low- to moderate-income borrowers. LLPA = Loan Level Price Adjustment, described in detail on page 25.
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