



HOUSING FINANCE AT A GLANCE

A MONTHLY CHARTBOOK

October 2015

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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INTRODUCTION

Next steps for GSE risk transfer

As we have discussed [elsewhere](#), the GSEs' efforts to transfer credit risk to the private sector remain in its infancy. While the current structure has proved to be an effective vehicle for reducing taxpayer risk, a recent [panel discussion](#) hosted by the Bipartisan Policy Commission offered further insight into how risk transfer could evolve more usefully.

The panelists discussed the pros and cons of the approach to risk-transfer that currently dominates, in which risk is transferred after the mortgages have been originated and sold to the GSEs ("back-end risk transfer") and expressed two main concerns. First, any savings the GSEs see as a result of risk-transfer are not passed on to the borrower because the terms of the mortgage are set before the GSEs determine pricing for the risk transferred. Second was the need for greater transparency around pricing to enable better price discovery – which would ultimately lead to more accurate pricing of g-fees. Panelists discussed ways to address the problem, including using back-end transactions to inform g-fees charged by the GSEs on an ongoing basis, and sharing risk at the time of origination ("front-end risk sharing") either through deeper mortgage insurance coverage or risk sharing with lenders at the time of origination. While these approaches would pass on the potential benefit of favorable private capital pricing to borrowers, they would also pass on the cost. If the price charged by private investors increased substantially – which is likely during economic downturns – then borrowers will end up paying more during such times, creating more g-fee volatility compared to today.

The collapse of the PLS market can affect even those with perfect credit

HFPC director Laurie Goodman recently authored a [blog](#) outlining reasons why the collapse of the private-label securities market could eventually affect access to credit even for those with perfect credit. This scenario hasn't played out so far because banks are willing to hold the mortgages of those with perfect credit on their balance sheets given their strong profitability, giving these borrowers somewhere to go even if their loans don't qualify for purchase by GSEs

or the FHA. However, if the profitability of holding these loans were to decline relative to other kinds of lending, banks are likely to reduce their exposure to such mortgages, leaving even pristine borrowers without a place to go for a mortgage.

INSIDE THIS ISSUE

- Refi rates continued to fall with elevated interest rates (page 11)
- The GSEs have increased their mortgage origination volume projections for 2015 and 2016 (page 12)
- With year-over-year shrinkage rates of 15 and 14 percent, respectively, Fannie Mae and Freddie Mac's portfolios were well below 2015 cap (page 19)
- Fannie Mae has transferred risk on 15 percent of its book of business via CAS; Freddie has transferred 21 percent via STACR (page 21)
- Serious delinquency rates of GSE loans continue to decline (pages 22, 23)
- The share of modifications featuring a principal reduction fell in the second quarter of 2015 (page 27)
- The Fed's absorption of agency gross issuance declined to 20 percent in September 2015, the lowest level since the end of its purchase program in October 2014 (pages 31)

CONTENTS

Overview

Market Size Overview

Value of the US Residential Housing Market	6
Size of the US Residential Mortgage Market	6
Private Label Securities	7
Agency Mortgage-Backed Securities	7

Origination Volume and Composition

First Lien Origination Volume & Share	8
---------------------------------------	---

Mortgage Origination Product Type

Composition (All Originations & Purchase Originations Only)	9
---	---

Securitization Volume and Composition

Agency/Non-Agency Share of Residential MBS Issuance	10
Non-Agency MBS Issuance	10
Non-Agency Securitization	10

Agency Activity: Volumes and Purchase/Refi Composition

Agency Gross Issuance	11
Percent Refi at Issuance	11

State of the Market

Mortgage Origination Projections

Total Originations and Refinance Shares	12
Housing Starts and Home Sales	12

Originator Profitability

Originator Profitability and Unmeasured Costs (OPUC)	13
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Credit Availability for Purchase Loans

Borrower FICO Score at Origination Month	14
Combined LTV at Origination Month	14
Origination FICO and LTV by MSA	15

Housing Affordability

National Housing Affordability Over Time	16
Affordability Adjusted for MSA-Level DTI	16

Home Price Indices

National Year-Over-Year HPI Growth	17
Changes in CoreLogic HPI for Top MSAs	17

Negative Equity & Serious Delinquency

Negative Equity Share	18
Loans in Serious Delinquency	18

GSEs under Conservatorship

GSE Portfolio Wind-Down

Fannie Mae Mortgage-Related Investment Portfolio	19
Freddie Mac Mortgage-Related Investment Portfolio	19

CONTENTS

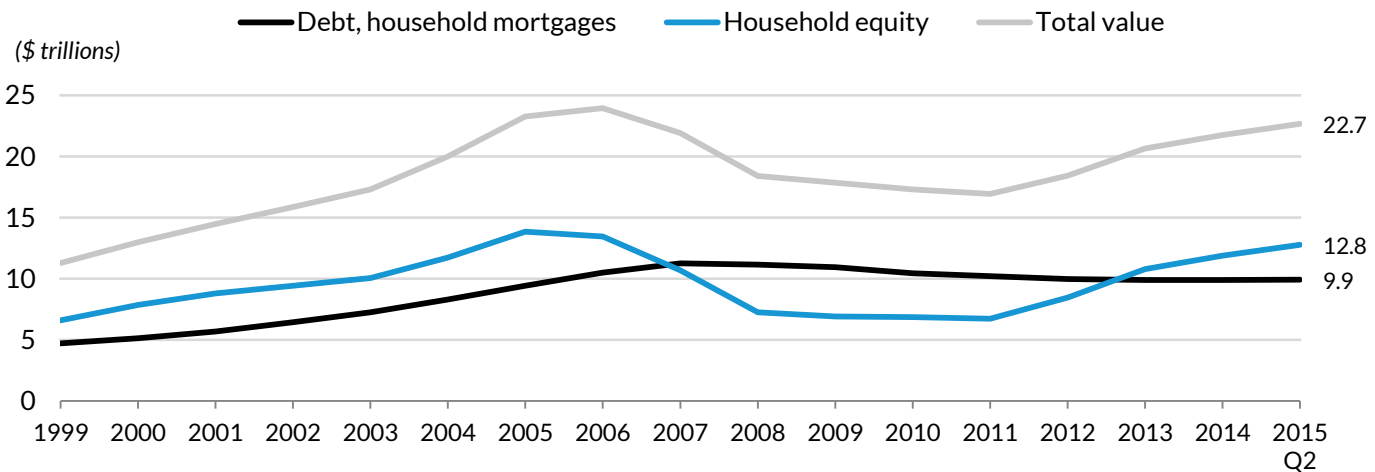
<i>Effective Guarantee Fees & GSE Risk-Sharing Transactions</i>	
Effective Guarantee Fees	20
Fannie Mae Upfront Loan-Level Price Adjustment	20
GSE Risk-Sharing Transactions	21
<i>Serious Delinquency Rates</i>	
Serious Delinquency Rates – Fannie Mae & Freddie Mac	22
Serious Delinquency Rates – Single-Family Loans & Multifamily GSE Loans	23
<i>Refinance Activity</i>	
Total HARP Refinance Volume	24
HARP Refinances	24
<i>GSE Loans: Potential Refinances</i>	
Loans Meeting HARP Pay History Requirements	25
Modification Activity	
<i>HAMP Activity</i>	
New HAMP Modifications	26
Cumulative HAMP Modifications	26
<i>Modification by Type of Action and Bearer of Risk</i>	
Changes in Loan Terms for Modifications	27
Type of Modification Action by Investor and Product Type	27
<i>Modifications and Liquidations</i>	
Loan Modifications and Liquidations (By Year & Cumulative)	28
<i>Modification Redefault Rates by Bearer of the Risk</i>	
Redefault Rate after Modification (12 Months & 24 Months)	29
Agency Issuance	
<i>Agency Gross and Net Issuance</i>	
Agency Gross Issuance	30
Agency Net Issuance	30
<i>Agency Gross Issuance & Fed Purchases</i>	
Monthly Gross Issuance	31
Fed Absorption of Agency Gross Issuance	31
<i>Mortgage Insurance Activity</i>	
MI Activity & Market Share	32
FHA MI Premiums for Typical Purchase Loan	33
Initial Monthly Payment Comparison: FHA vs. PMI	33
Related HFPC Work	
<i>Publications and Events</i>	34

OVERVIEW

MARKET SIZE OVERVIEW

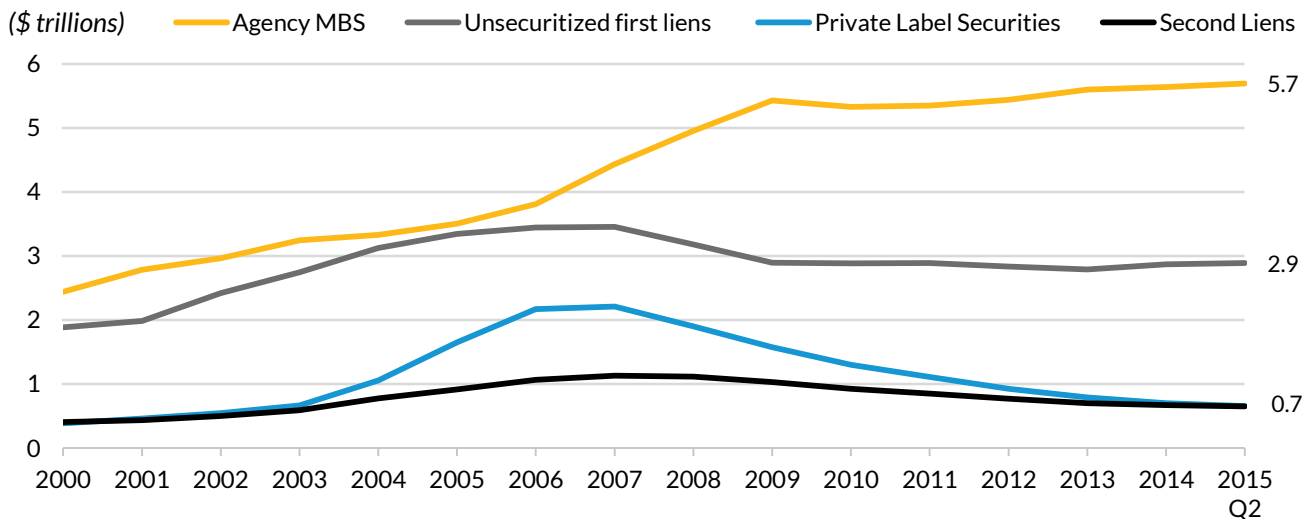
The Federal Reserve's Flow of Funds report has consistently indicated an increasing total value of the housing market driven by growing household equity in each quarter of the past 2 years, and the trend continued according to the latest data, covering Q2 2015. Total debt and mortgages increased slightly to \$9.90 trillion, while household equity increased by 3.4 percent to \$12.76 trillion, bringing the total value of the housing market to \$22.7 trillion. Agency MBS make up 56.6 percent of the total mortgage market (a slight increase from the prior quarter), private-label securities make up 7.5 percent, and unsecuritized first liens at the GSEs, commercial banks, savings institutions, and credit unions make up 29.0 percent. Second liens comprise the remaining 6.9 percent of the total.

Value of the US Housing Market



Sources: Federal Reserve Flow of Funds and Urban Institute.

Size of the US Residential Mortgage Market



Sources: Federal Reserve Flow of Funds, Inside Mortgage Finance, Fannie Mae, Freddie Mac, eMBS and Urban Institute.

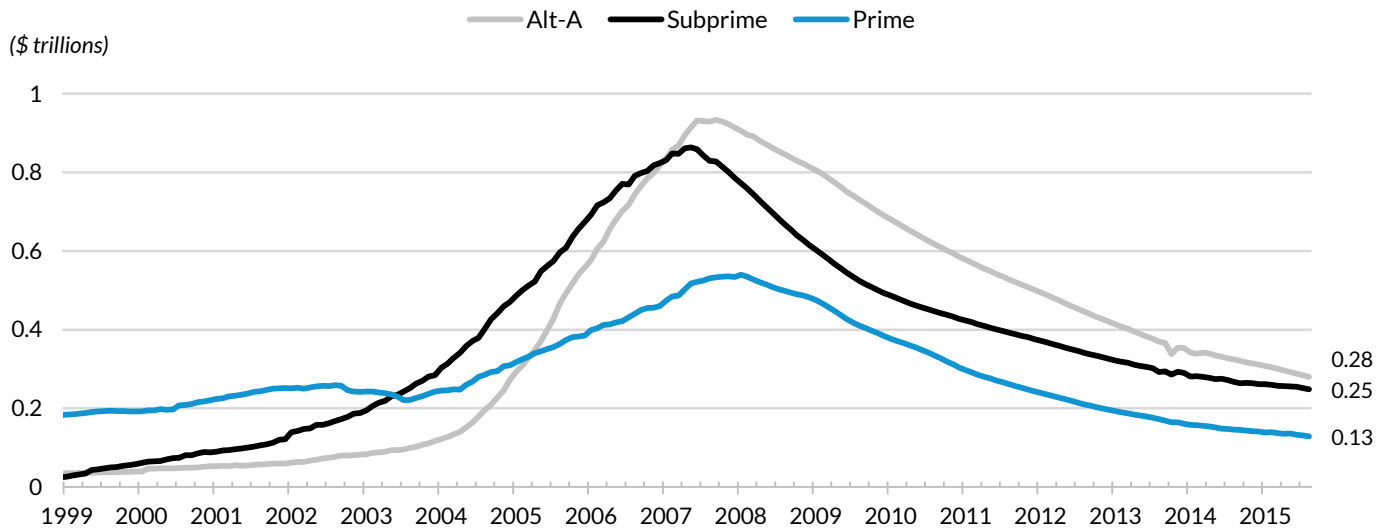
Note: Unsecuritized first liens includes loans held by commercial banks, GSEs, savings institutions, and credit unions.

OVERVIEW

MARKET SIZE OVERVIEW

As of August 2015, debt in the private-label securitization market totaled \$657 billion and was split among prime (19.6 percent), Alt-A (42.6 percent), and subprime (37.8 percent) loans. In August 2015, outstanding securities in the agency market totaled \$5.77 trillion and were 45.5 percent Fannie Mae, 27.7 percent Freddie Mac, and 26.8 percent Ginnie Mae.

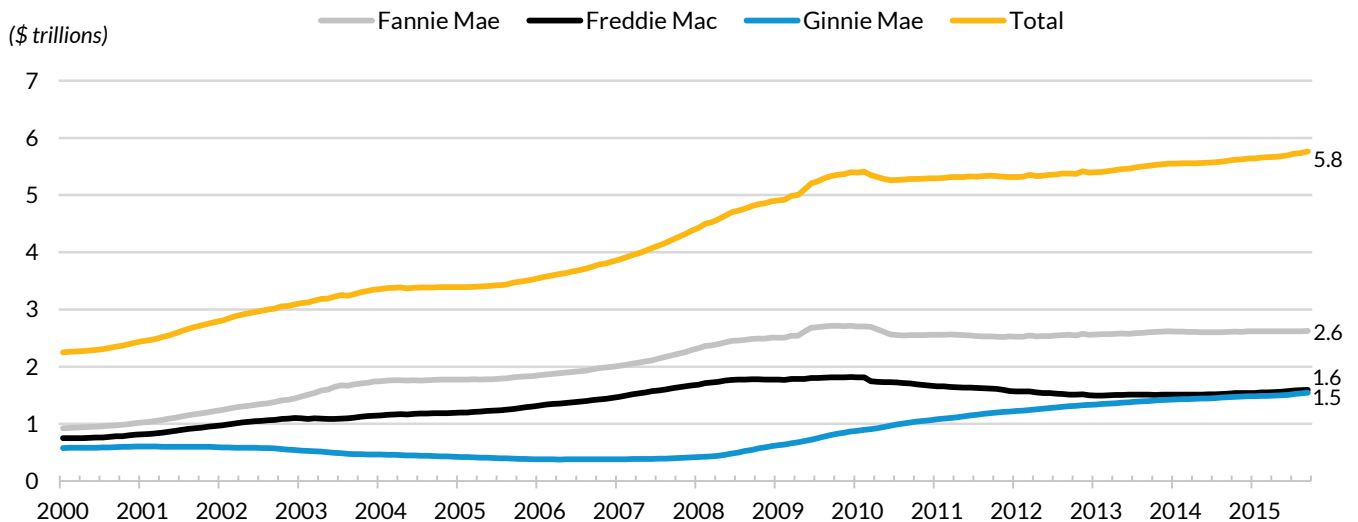
Private-Label Securities by Product Type



Sources: CoreLogic and Urban Institute.

August 2015

Agency Mortgage-Backed Securities



Sources: eMBS and Urban Institute.

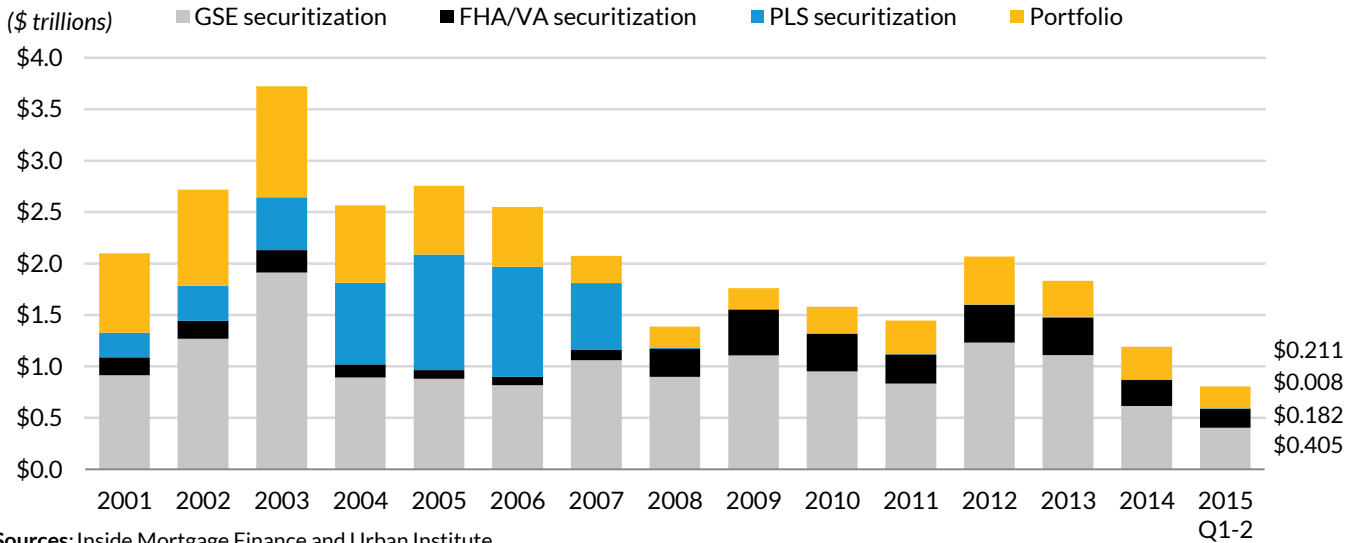
September 2015

OVERVIEW

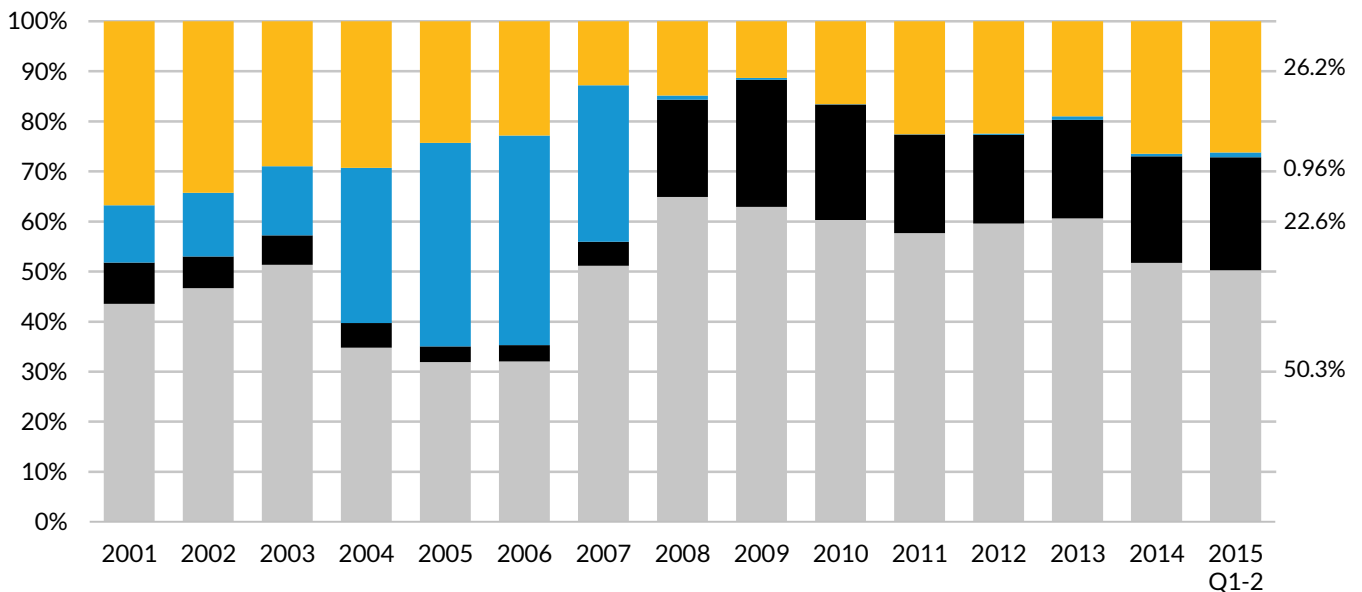
ORIGINATION VOLUME AND COMPOSITION

First Lien Origination Volume

First lien originations in 2015 Q1 and Q2 totaled approximately \$805 billion. The share of portfolio originations was 26 percent, while the GSE share dropped to 50 percent from 52 last year, reflecting a small loss of market share to FHA due to the FHA premium cut. FHA/VA originations account for another 23 percent, and private label originations were about 1 percent.



(Share, percent)

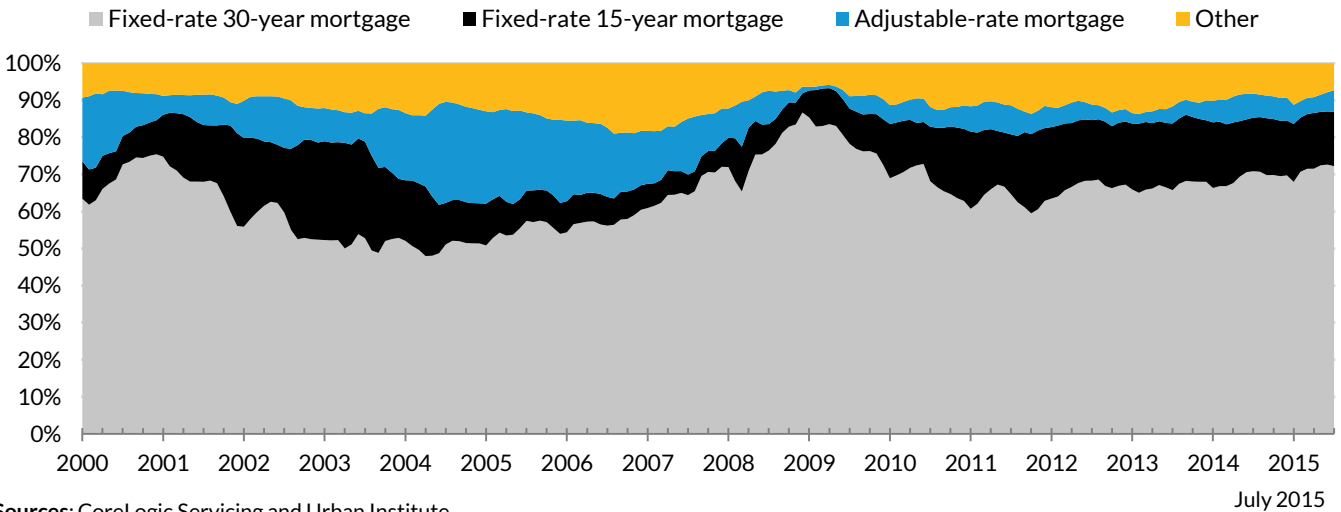


OVERVIEW

MORTGAGE ORIGINATION PRODUCT TYPE

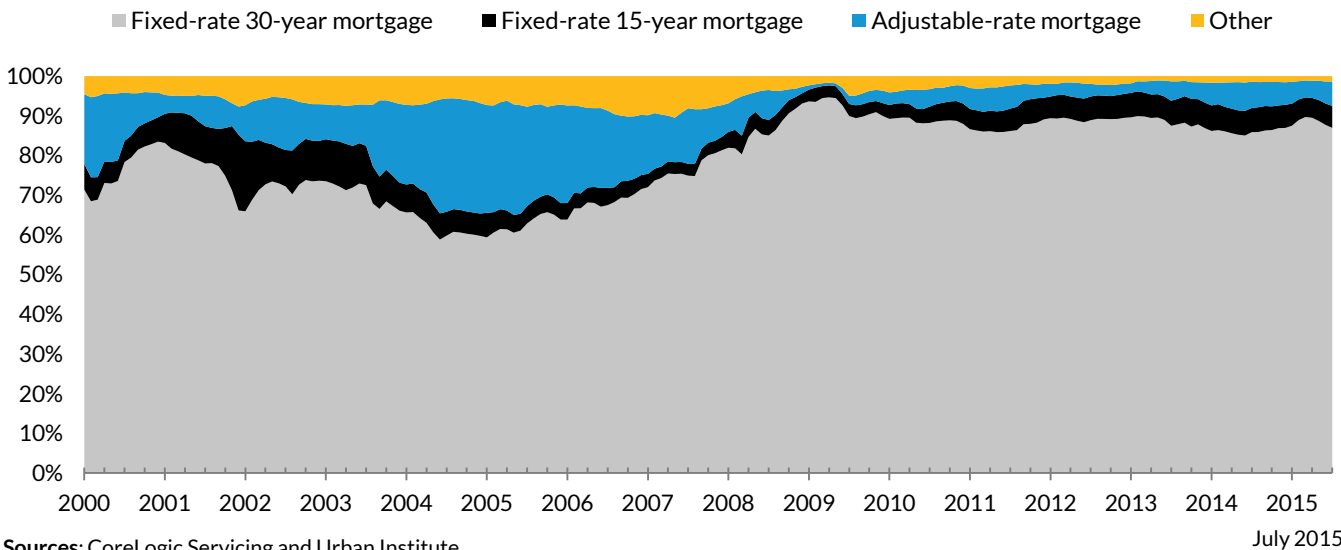
Adjustable-rate mortgages (ARMs) accounted for as much as 27 percent of all new originations during the peak of the recent housing bubble in 2004 (top chart). They fell to a historic low of 1 percent in 2009, and then slowly grew to 7.2 percent in May 2014. Since then they have edged down again to 5.8 percent of total originations in July 2015, 10 percent lower than the level one year ago. 15-year fixed-rate mortgages (FRMs), predominantly a refinance product, comprise 14.6 percent of new originations. If we exclude refinances (bottom chart), the share of 30-year FRMs in July 2015 stood at 87 percent, 15-year FRMs at 5.5 percent, and ARMs at 6.1 percent.

All Originations



Sources: CoreLogic Servicing and Urban Institute.

Purchase Loans Only



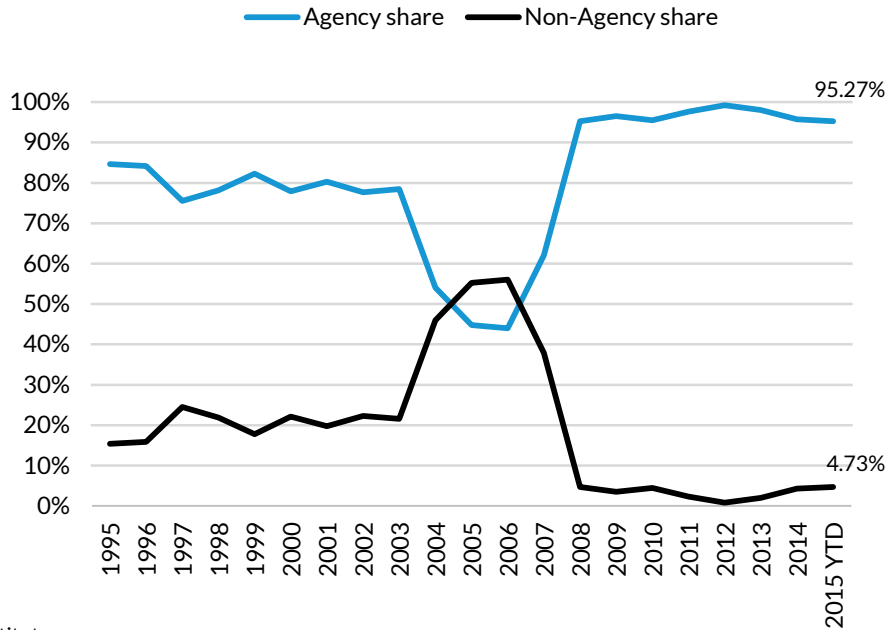
Sources: CoreLogic Servicing and Urban Institute.

OVERVIEW

SECURITIZATION VOLUME AND COMPOSITION

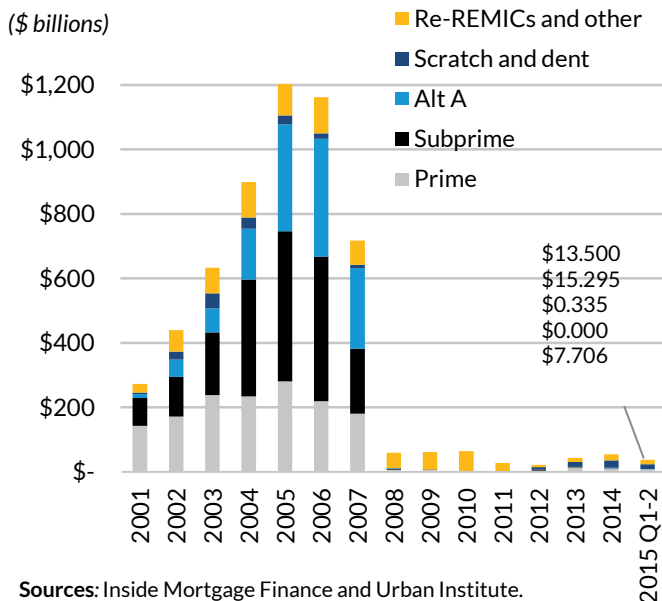
Agency/Non-Agency Share of Residential MBS Issuance

The non-agency share of mortgage securitizations was 4.7% through September 2015, compared to 4.3% in 2014 and 2.0% in 2013. This reflects the growing volume in scratch and dent securitizations (those backed by non-performing and re-performing loans, bottom left table). The volume of non-agency prime securitizations for Q1 and Q2 2015 totaled \$7.7 billion or \$15.4 billion annualized, far exceeding last year's \$9.6 billion. However, this is still small compared to pre-crises levels. To put it in perspective, in 2001, prime origination totaled \$142 billion.



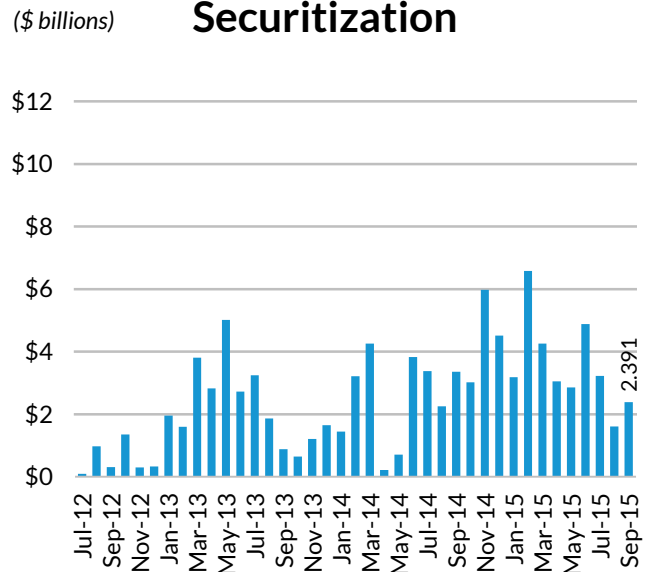
Sources: Inside Mortgage Finance and Urban Institute.

Non-Agency MBS Issuance



Sources: Inside Mortgage Finance and Urban Institute.

Monthly Non-Agency Securitization



Sources: Inside Mortgage Finance and Urban Institute.

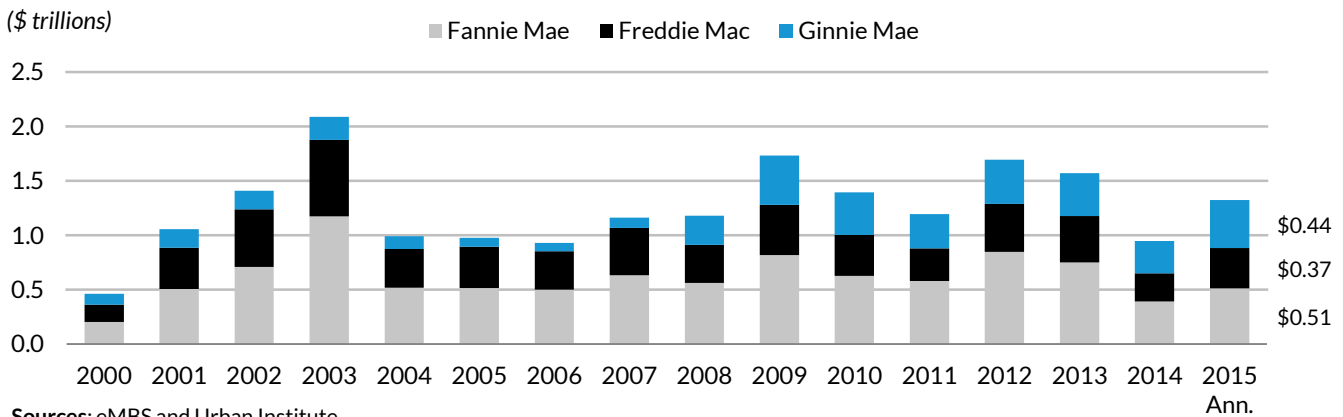
Note: Monthly figures equal total non-agency MBS issuance minus Re-REMIC issuance.

OVERVIEW

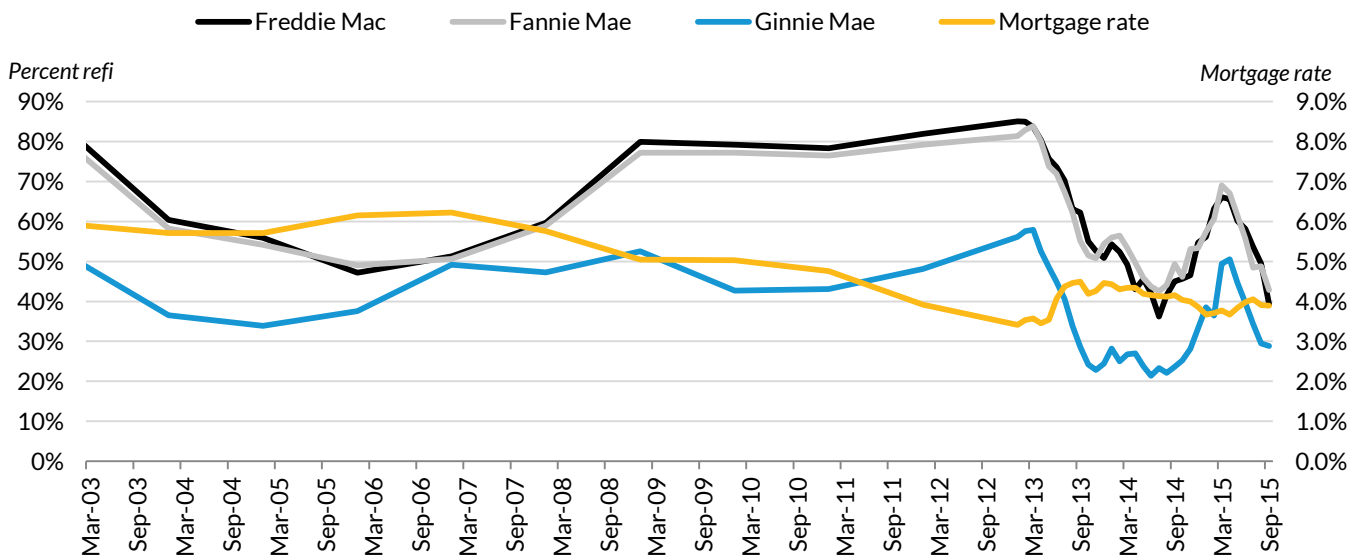
AGENCY ACTIVITY: VOLUMES AND PURCHASE/ REFI COMPOSITION

Agency issuance totaled \$992 billion in the first three quarters of 2015, up from \$679 billion for the same period a year ago. In September 2015, refinances dropped to 39 and 43 percent of the Freddie Mac's and Fannie Mae's business, respectively, as the average mortgage rate began to edge up from low levels. The GNMA response to interest rate changes in 2015, both increases and decreases, has been somewhat larger than the GSE response, due to the 50 bps cut in the FHA premium in January. The Ginnie Mae refinance volume stood at 29 percent in September 2015, down since April but still high relative to the past two years.

Agency Gross Issuance



Percent Refi at Issuance



STATE OF THE MARKET

MORTGAGE ORIGINATION PROJECTIONS

The GSEs and MBA have increased their origination volume projections for 2015. The MBA anticipates a total of \$1,391 billion originations in 2015, while Freddie Mac and Fannie Mae expect \$1,530 billion and \$1,477 billion, respectively. The GSEs' higher projected volumes are tied to their higher estimates of refinance activity in 2015, while the MBA expects a slight decline in the refi share to 42 percent of originations. Home sales were slightly softer in 2014 than in 2013, while housing starts picked up some steam. Both housing starts and home sales are expected to strengthen considerably in 2015.

Total Originations and Refinance Shares

Period	Originations (\$ billions)			Refi Share (%)		
	Total, FNMA estimate	Total, FHLMC estimate	Total, MBA estimate	FNMA estimate	FHLMC estimate	MBA estimate
2015 Q1	345	370	330	60	57	53
2015 Q2	438	460	395	50	50	43
2015 Q3	371	480	363	38	45	35
2015 Q4	323	300	303	35	40	39
2016 Q1	250	280	273	39	40	36
2016 Q2	330	425	346	29	30	28
2016 Q3	332	420	355	28	26	27
2016 Q4	307	275	291	29	25	31
FY 2012	2154	2122	2044	72	70	71
FY 2013	1866	1925	1845	60	59	60
FY 2014	1184	1350	1122	43	42	43
FY 2015	1477	1530	1391	46	48	42
FY 2016	1219	1400	1264	31	30	30

Sources: Mortgage Bankers Association, Fannie Mae, Freddie Mac and Urban Institute.

Note: Shaded boxes indicate forecasted figures. All figures are estimates for total single-family market. Column labels indicate source of estimate. Regarding interest rates, the yearly averages for 2013, 2014, 2015, and 2016 were 4.0%, 4.2%, 3.9% and 4.6%, respectively. For 2015, Fannie Mae, Freddie Mac, and the MBA project rates are 3.9%. For 2016, their respective projections are 4.1%, 4.8%, and 4.8%.

Housing Starts and Homes Sales

Year	Housing Starts, thousands			Home Sales, thousands				
	Total, FNMA estimate	Total, FHLMC estimate	Total, MBA estimate	Total, FNMA estimate	Total, FHLMC estimate	Total, MBA estimate	Existing, MBA estimate	New, MBA Estimate
FY 2012	781	780	783	5028	5030	5030	4661	369
FY 2013	925	920	930	5519	5520	5505	5073	432
FY 2014	1003	1000	1001	5377	5380	5360	4920	440
FY 2015	1108	1150	1108	5801	5740	5785	5265	520
FY 2016	1224	1400	1238	5988	5960	6033	5464	569

Sources: Mortgage Bankers Association, Fannie Mae, Freddie Mac and Urban Institute.

Note: Shaded boxes indicate forecasted figures. All figures are estimates for total single-family market; column labels indicate source of estimate.

STATE OF THE MARKET

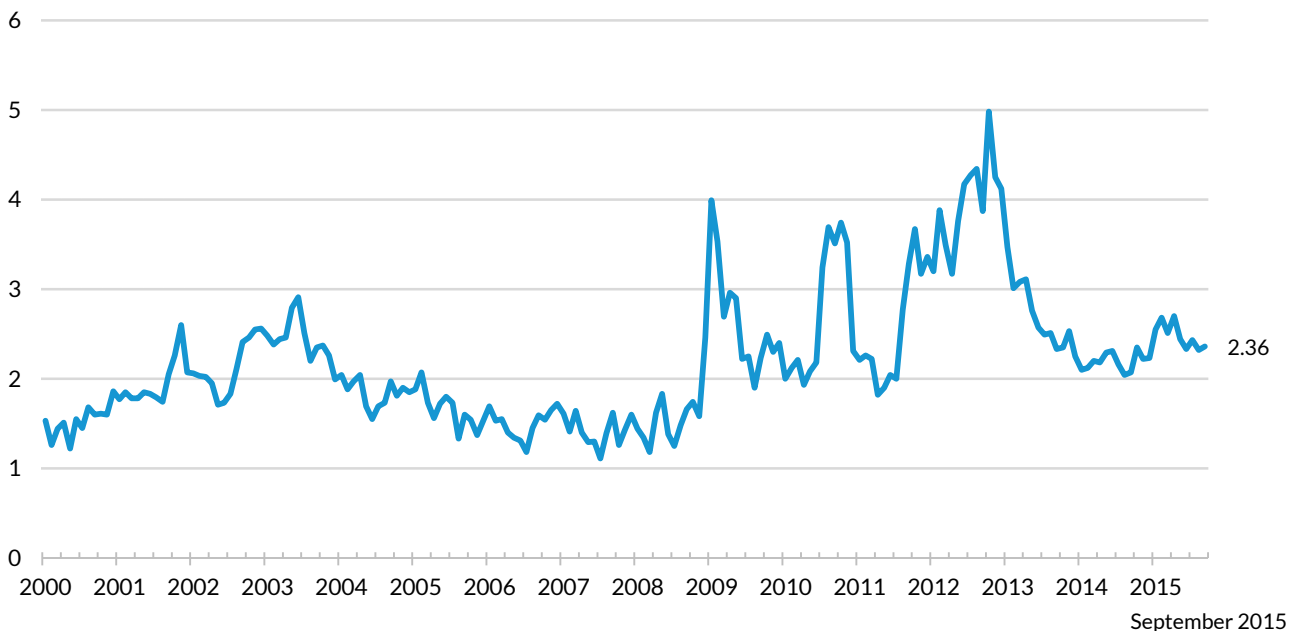
ORIGINATOR PROFITABILITY

When originator profitability is high, mortgage rates tend to be less responsive to the general level of interest rates, as originators are capacity-constrained. When originator profitability is low, mortgage rates are far more responsive to the general level of interest rates. As interest rates have risen from the lows in 2012, and fewer borrowers find it economical to refinance, originator profitability has trended lower. Originator profitability is often measured as the spread between the rate the borrower pays for the mortgage (the primary rate) and the yield on the underlying mortgage-backed security in the secondary market (the secondary rate). However, with guarantee fees up dramatically from 2011 levels, the so-called primary-secondary spread has become a very imperfect measure to compare profitability across time.

The measure used here, Originator Profitability and Unmeasured Costs (OPUC), is formulated and calculated by the Federal Reserve Bank of New York. It looks at the price at which the originator actually sells the mortgage into the secondary market and adds the value of retained servicing (both base and excess servicing, net of g-fees) as well as points paid by the borrower. This measure has been in the narrow range of 2.04 to 2.70 since 2014, and stood at 2.36 in September 2015.

Originator Profitability and Unmeasured Costs

Dollars per \$100 loan



Sources: Federal Reserve Bank of New York, updated monthly and available at this link:

<http://www.ny.frb.org/research/epr/2013/1113fust.html> and Urban Institute.

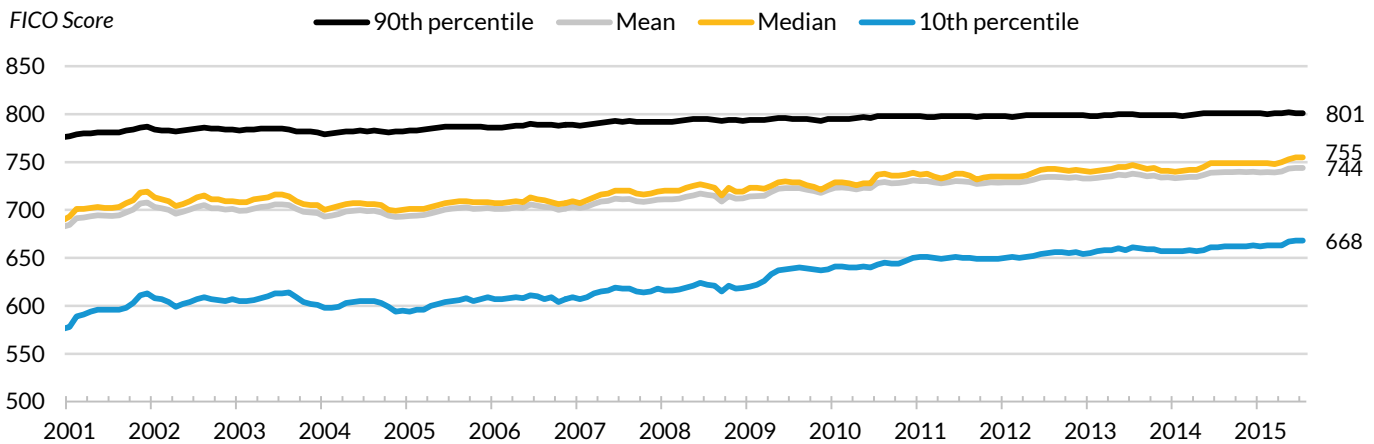
Note: OPUC stands for "originator profits and unmeasured costs" as discussed in [Fuster et al. \(2013\)](#). The OPUC series is a monthly (4-week moving) average.

STATE OF THE MARKET

CREDIT AVAILABILITY FOR PURCHASE LOANS

Access to credit has become extremely tight, especially for borrowers with low FICO scores. The mean and median FICO scores on new originations have both drifted up about 42 and 47 points over the last decade. The 10th percentile of FICO scores, which represents the lower bound of creditworthiness needed to qualify for a mortgage, stood at 668 as of July 2015. Prior to the housing crisis, this threshold held steady in the low 600s. LTV levels at origination remain relatively high, averaging 85, which reflects the large number of FHA purchase originations.

Borrower FICO Score at Origination

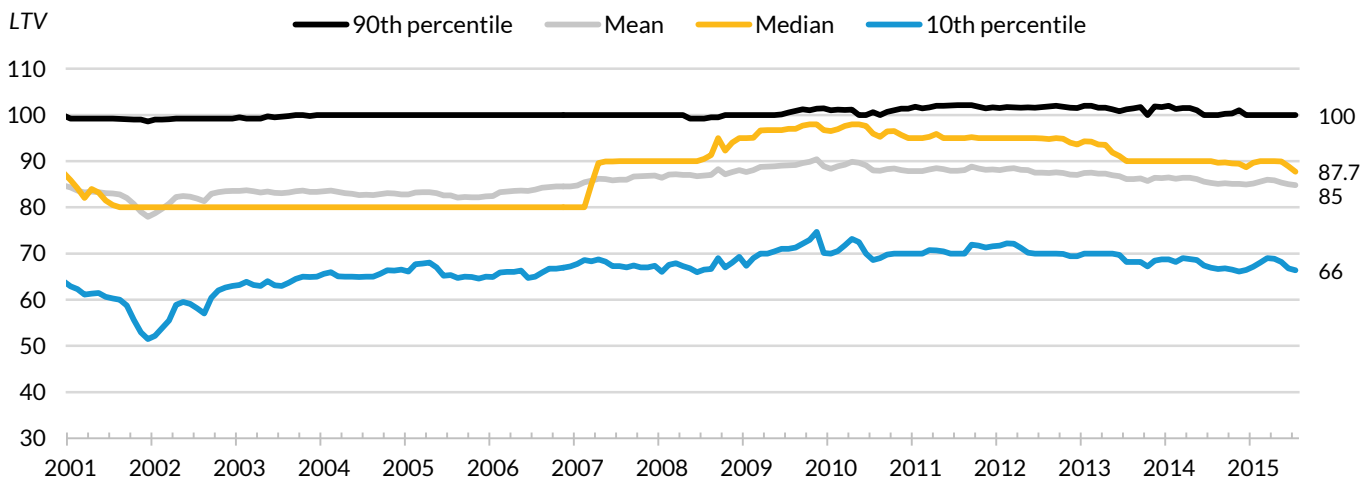


Sources: CoreLogic Servicing and Urban Institute.

July 2015

Note: Purchase-only loans.

Combined LTV at Origination



Sources: CoreLogic Servicing and Urban Institute.

July 2015

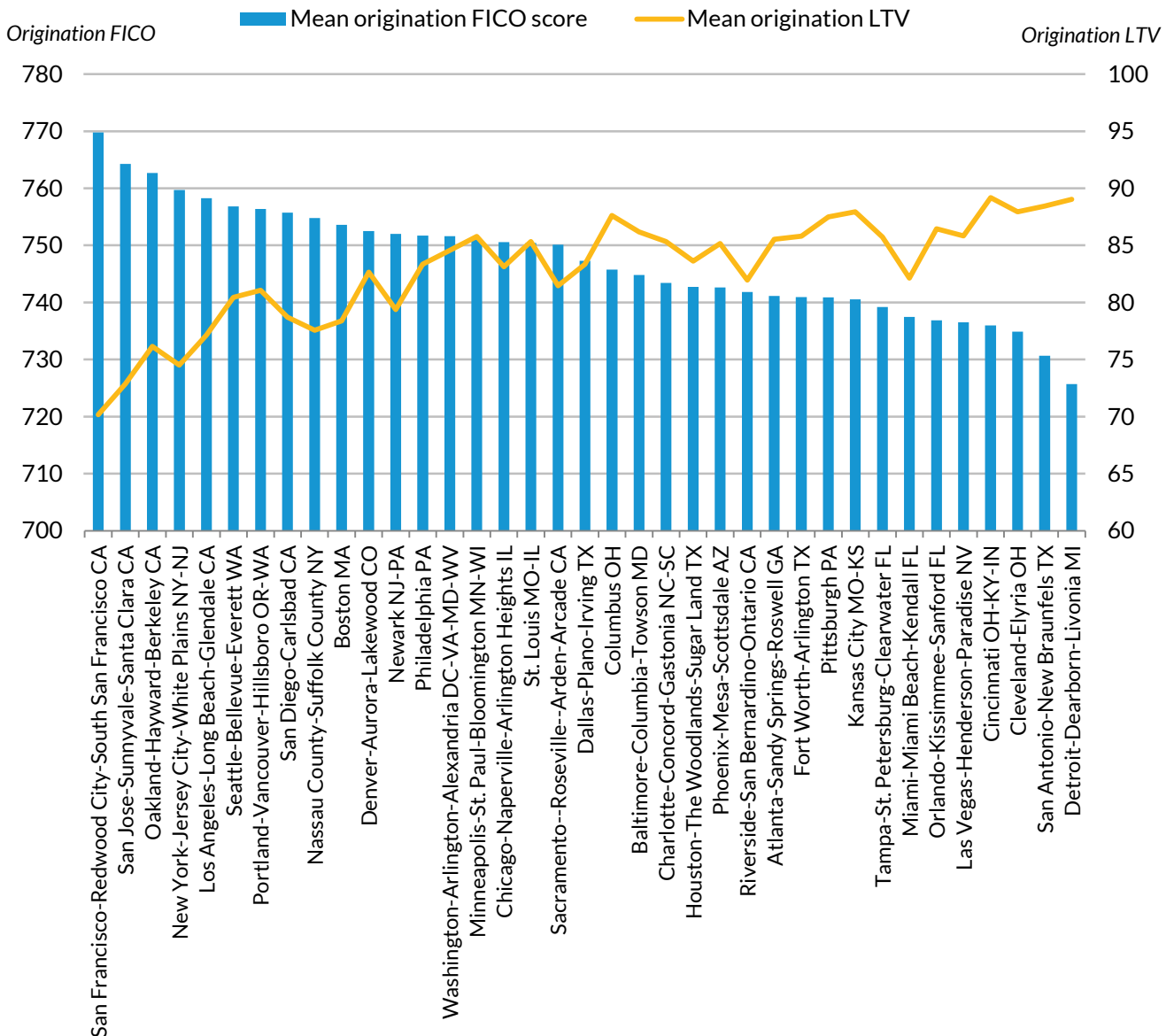
Note: Purchase-only loans.

STATE OF THE MARKET

CREDIT AVAILABILITY FOR PURCHASE LOANS

Credit has been tight for all borrowers with less-than-stellar credit scores, but there are significant variations across MSAs. For example, the mean origination FICO for borrowers in San Francisco- Redwood City- South San Francisco, CA is 770, while in Detroit-Dearborn-Livonia, MI it is 726. 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: CoreLogic Servicing as of July 2015 and Urban Institute.

Note: Purchase-only loans.

STATE OF THE MARKET

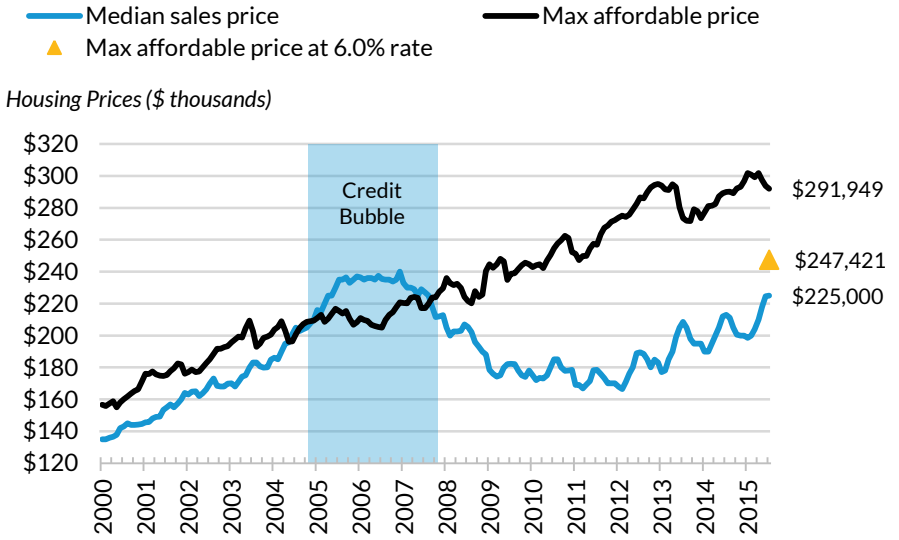
HOUSING AFFORDABILITY

National Housing Affordability Over Time

Home prices are still very affordable by historical standards, despite increases over the last three years. Even if interest rates rose to 6 percent, affordability would be at the long term historical average. The bottom chart shows that some areas are much more affordable than others.

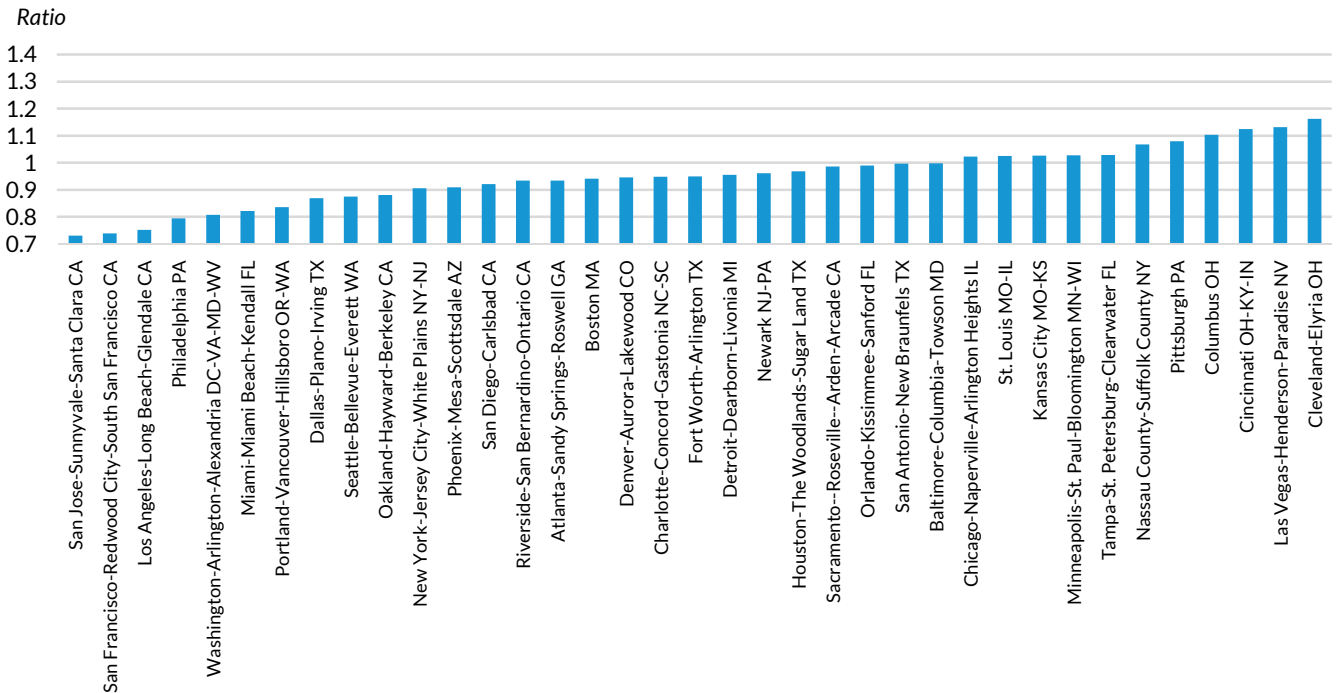
Sources: CoreLogic, US Census, Freddie Mac and Urban Institute.

Note: The maximum affordable price is the house price that a family can afford putting 28 percent down, with a monthly payment of 28 percent of median family income, at the Freddie Mac prevailing rate for 30-year fixed-rate mortgage, and property tax and insurance at 1.75 percent of housing value.



July 2015

Affordability Adjusted for MSA-Level DTI



Sources: CoreLogic, US Census, Freddie Mac and Urban Institute calculations based on NAR methodology.

Note: Index is calculated relative to home prices in 2000-03. A ratio above 1 indicates higher affordability in July 2015 than in 2000-03.

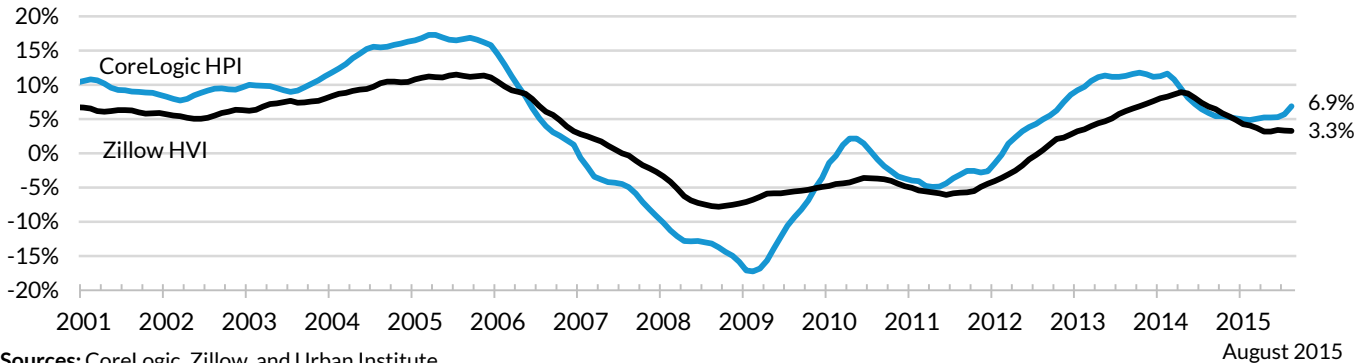
STATE OF THE MARKET

HOME PRICE INDICES

National Year-Over-Year HPI Growth

The strong year-over-year house price growth through 2013 has slowed somewhat since 2014, as indicated by both the repeat-sales index from CoreLogic and hedonic index from Zillow.

Year-over-year growth rate



Sources: CoreLogic, Zillow, and Urban Institute.

August 2015

Changes in CoreLogic HPI for Top MSAs

Despite rising 38 percent from the trough, national house prices still must grow 7 percent to reach pre-crisis peak levels. At the MSA level, four of the top 15 MSAs have reached their peak HPI – Houston, TX; Dallas, TX; Seattle, WA and Denver, CO. Two MSAs particularly hard hit by the boom and bust – Phoenix, AZ and Riverside, CA – would need to rise 34 and 37 percent to return to peak levels, respectively.

MSA	HPI changes (%)			% Rise needed to achieve peak
	2000 to peak	Peak to trough	Trough to current	
United States	98.7	-32.1	37.9	6.8
New York-Jersey City-White Plains NY-NJ	114.3	-20.0	23.8	0.9
Los Angeles-Long Beach-Glendale CA	181.1	-38.8	52.8	7.0
Chicago-Naperville-Arlington Heights IL	65.0	-36.3	30.2	20.5
Atlanta-Sandy Springs-Roswell GA	40.8	-33.3	47.8	1.4
Washington-Arlington-Alexandria DC-VA-MD-WV	159.3	-33.1	32.1	13.2
Houston-The Woodlands-Sugar Land TX	44.8	-12.6	39.7	-18.1
Phoenix-Mesa-Scottsdale AZ	126.4	-52.6	57.4	34.1
Riverside-San Bernardino-Ontario CA	194.4	-53.2	56.5	36.5
Dallas-Plano-Irving TX	38.4	-13.5	37.1	-15.7
Minneapolis-St. Paul-Bloomington MN-WI	73.9	-30.3	31.4	9.2
Seattle-Bellevue-Everett WA	93.8	-31.6	48.6	-1.7
Denver-Aurora-Lakewood CO	36.5	-14.3	49.6	-22.0
Baltimore-Columbia-Towson MD	128.9	-25.7	10.6	21.7
San Diego-Carlsbad CA	148.3	-38.0	45.2	11.1
Anaheim-Santa Ana-Irvine CA	162.0	-36.8	44.3	9.6

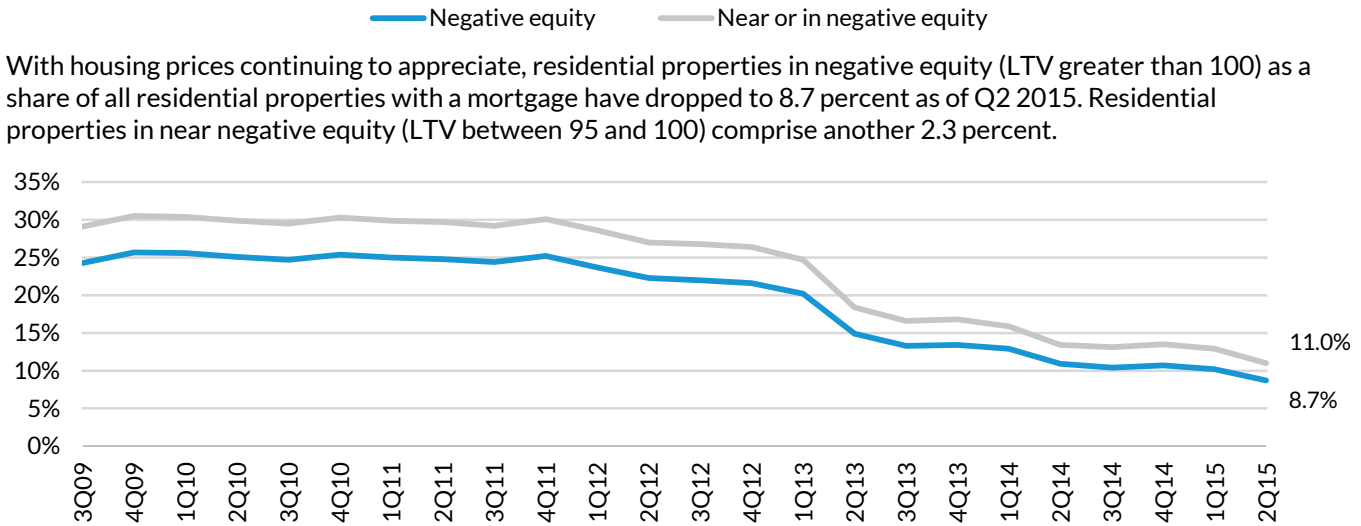
Sources: CoreLogic HPIs as of August 2015 and Urban Institute.

Note: This table includes the largest 15 Metropolitan areas by mortgage count.

STATE OF THE MARKET

NEGATIVE EQUITY & SERIOUS DELINQUENCY

Negative Equity Share

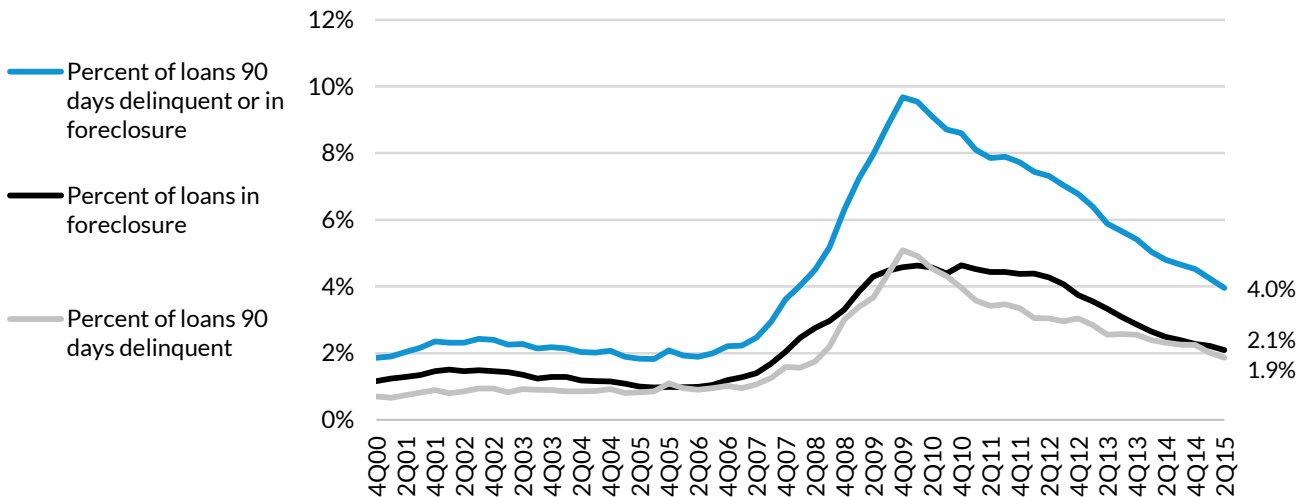


Sources: CoreLogic and Urban Institute.

Note: CoreLogic negative equity rate is the percent of all residential properties with a mortgage in negative equity. Loans with negative equity refer to loans above 100 percent LTV. Loans near negative equity refer to loans above 95 percent LTV.

Loans in Serious Delinquency/Foreclosure

Serious delinquencies and foreclosures continue to decline with the housing recovery, but remain quite high relative to the early 2000s. Loans 90 days delinquent or in foreclosure totaled 4.0% in the second quarter of 2015, down from 4.8% for the same quarter a year earlier.



Sources: Mortgage Bankers Association and Urban Institute.

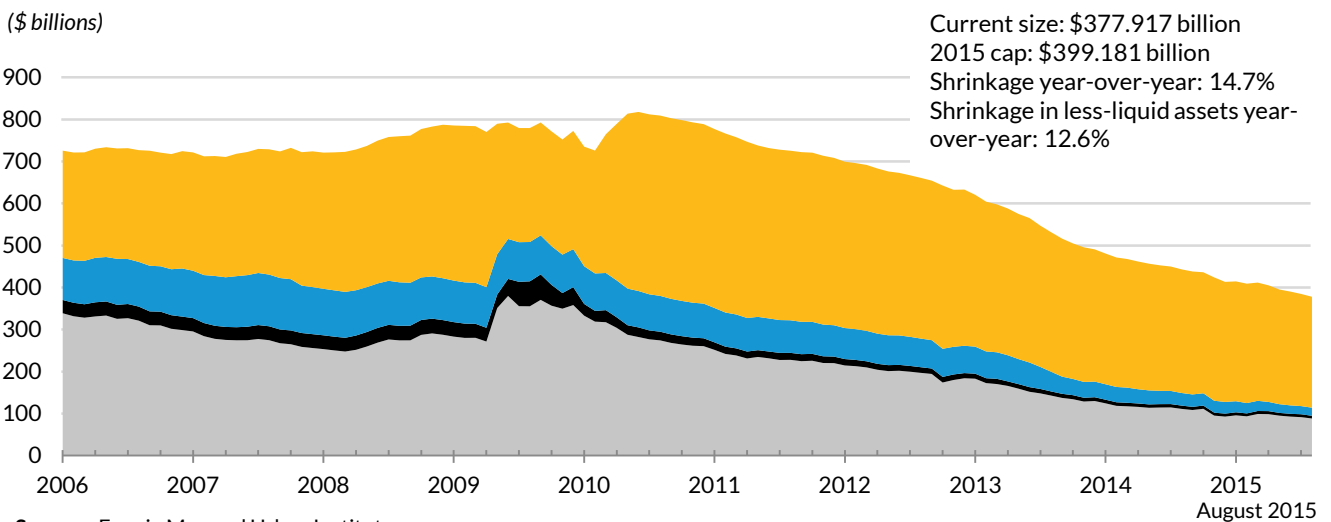
GSES UNDER CONSERVATORSHIP

GSE PORTFOLIO WIND-DOWN

Fannie and Freddie ended 2014 with portfolios totaling \$413.3 billion and \$408.4 billion, respectively, well below the 2014 cap and just above the 2015 cap of \$399 billion. In August 2015, portfolio size declined to below the 2015 caps for both GSEs, adding to the evident downward trend of the past year. Relative to August 2014, Fannie contracted by 14.7 percent, and Freddie Mac by 13.9 percent. They are shrinking their less liquid assets (mortgage loans and non-agency MBS) at close to the same pace, or even more rapidly, than they are shrinking their entire portfolios.

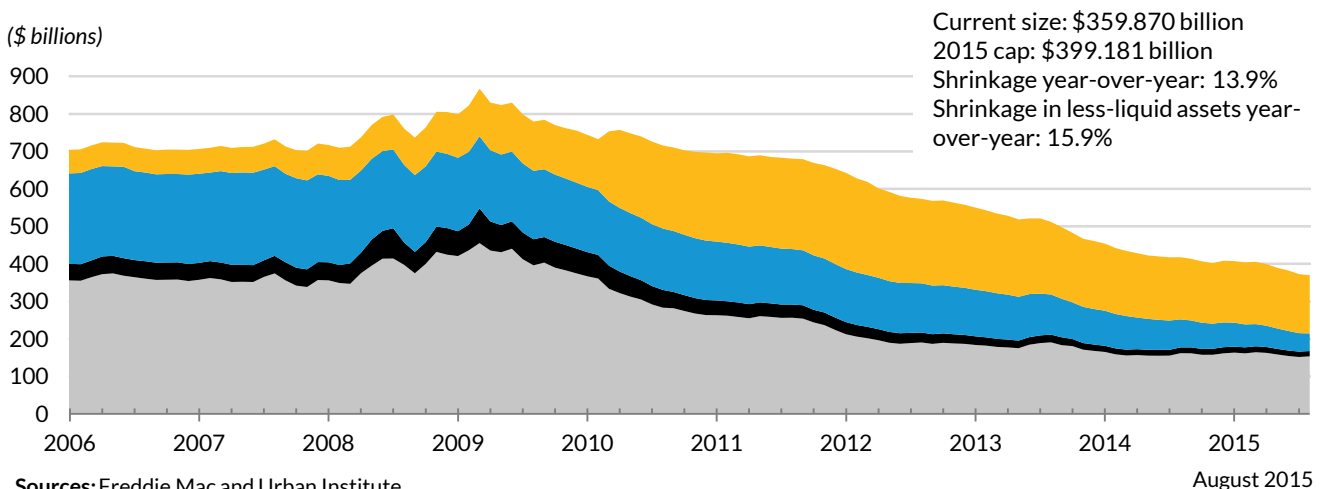
Fannie Mae Mortgage-Related Investment Portfolio Composition

■ FNMA MBS in portfolio ■ Non-FNMA agency MBS ■ Non-agency MBS ■ Mortgage loans



Freddie Mac Mortgage-Related Investment Portfolio Composition

■ FHLMC MBS in portfolio ■ Non-FHLMC agency MBS ■ Non-agency MBS ■ Mortgage loans

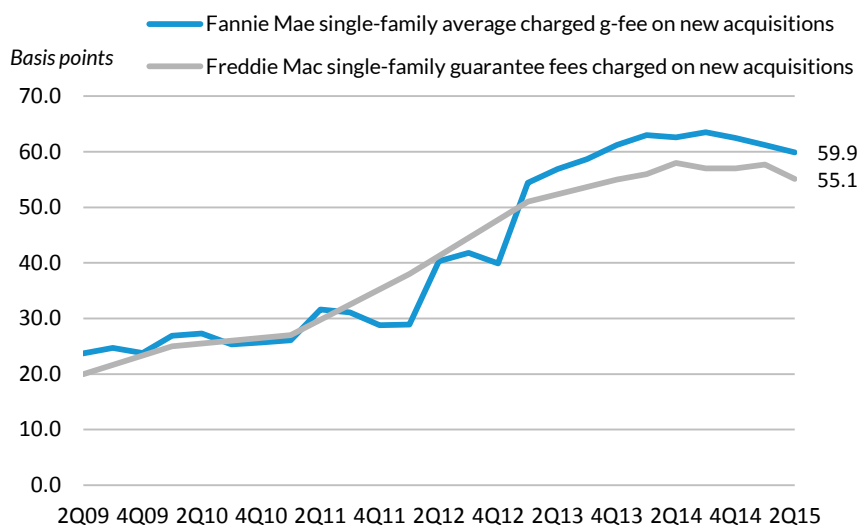


GSES UNDER CONSERVATORSHIP

EFFECTIVE GUARANTEE FEES AND GSE RISK-SHARING TRANSACTIONS

Guarantee Fees Charged on New Acquisitions

Fannie's average charged g-fee on new single-family originations dipped to 59.9 bps in Q2 2015, down from 61.2 bps in the previous quarter. Freddie's fee also fell in this quarter, to 55.1 bps from 57.7 bps. This is still a marked increase over 2012 and 2011, and has contributed to the GSEs' profits. Fannie's new Loan-Level Price Adjustments (LLPAs), effective as of September 2015, are shown in the second table. The Adverse Market Delivery Charge (AMDC) of 0.25 percent is eliminated, and LLPAs for some borrowers are slightly increased to compensate for the revenue lost from the AMDC. As a result, the new LLPAs are expected to have a modest impact on GSE pricing.



Sources: Fannie Mae, Freddie Mae and Urban Institute.

Fannie Mae Upfront Loan-Level Price Adjustments (LLPAs)

Credit Score	LTV							
	≤60	60.01 – 70	70.01 – 75	75.01 – 80	80.01 – 85	85.01 – 90	90.01 – 95	95.01 – 97
> 740	0.00%	0.25%	0.25%	0.50%	0.25%	0.25%	0.25%	0.75%
720 – 739	0.00%	0.25%	0.50%	0.75%	0.50%	0.50%	0.50%	1.00%
700 – 719	0.00%	0.50%	1.00%	1.25%	1.00%	1.00%	1.00%	1.50%
680 – 699	0.00%	0.50%	1.25%	1.75%	1.50%	1.25%	1.25%	1.50%
660 – 679	0.00%	1.00%	2.25%	2.75%	2.75%	2.25%	2.25%	2.25%
640 – 659	0.50%	1.25%	2.75%	3.00%	3.25%	3.75%	2.75%	2.75%
620 – 639	0.50%	1.50%	3.00%	3.00%	3.25%	3.25%	3.25%	3.50%
< 620	0.50%	1.50%	3.00%	3.00%	3.25%	3.25%	3.25%	3.75%
Product Feature (Cumulative)								
High LTV	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Investment Property	2.125%	2.125%	2.125%	3.375%	4.125%	N/A	N/A	N/A

Sources: Fannie Mae and Urban Institute.

Note: For whole loans purchased on or after September 1, 2015, or loans delivered into MBS pools with issue dates on or after September 1, 2015.

GSES UNDER CONSERVATORSHIP

GSE RISK-SHARING TRANSACTIONS: CAS AND STACR

Fannie Mae – Connecticut Avenue Securities (CAS)

Date	Transaction	Reference Pool Size (\$ millions)
October 2013	CAS 2013 – C01	\$26,756.40
January 2014	CAS 2014 – C01	\$29,308.70
May 2014	CAS 2014 – C02	\$60,818.48
July 2014	CAS 2014 – C03	\$78,233.73
November 2014	CAS 2014 – C04	\$58,872.70
February 2015	CAS 2015 – C01	\$50,192.00
May 2015	CAS 2015 – C02	\$45,009.10
June 2015	CAS 2015 – C03	\$48,326.40
Fannie Mae Total Reference Collateral		\$397,547.50
Percent of Fannie Mae's Total Book of Business		15.18%

Freddie Mac – Structured Agency Credit Risk (STACR)

Date	Transaction	Reference Pool Size (\$ millions)
July 2013	STACR Series 2013 - DN1	\$22,584.40
November 2013	STACR Series 2013 - DN2	\$35,327.30
February 2014	STACR Series 2014 - DN1	\$32,076.80
April 2014	STACR Series 2014 - DN2	\$28,146.98
August 2014	STACR Series 2014 - DN3	\$19,746.23
August 2014	STACR Series 2014 - HQ1	\$9,974.68
September 2014	STACR Series 2014 - HQ2	\$33,434.43
October 2014	STACR Series 2014 - DN4	\$15,740.71
October 2014	STACR Series 2014 - HQ3	\$8,000.61
February 2015	STACR Series 2015 - DN1	\$27,600.00
March 2015	STACR Series 2015 - HQ1	\$16,551.60
April 2015	STACR Series 2015 - DNA1	\$31,875.70
May 2015	STACR Series 2015 - HQ2	\$30,324.90
June 2015	STACR Series 2015 - DNA2	\$31,985.70
September 2015	STACR Series 2015 - HQA1	\$19,376.9
Freddie Mac Total Reference Collateral		\$362,747.0
Percent of Freddie Mac's Total Book of Business		21.21%

Details of Freddie Mac's latest capital markets transaction, STACR Series 2015 – HQA1

Class	Amount (\$ millions)	Tranche Thickness (%)	CE (%)	Fitch's Rating	Coupon (1mL+)
A-H	\$18,224.0	94.05	5.95	NR	NR
M-1, M-1H, Total	\$160, \$33.7, \$193.7	1	4.95	A	125
M-2, M-2H, Total	\$360, \$76, \$436	2.25	2.7	BBB	265
M-3, M-3H, Total	\$272, \$57.4, \$329.4	1.7	1	B+	470
B, BH, Total	\$80, \$113.7, \$193.7	1	0	NR	880
Reference Pool Size	\$19,376.9	100	--	--	--

Sources: Fannie Mae, Freddie Mac and Urban Institute.

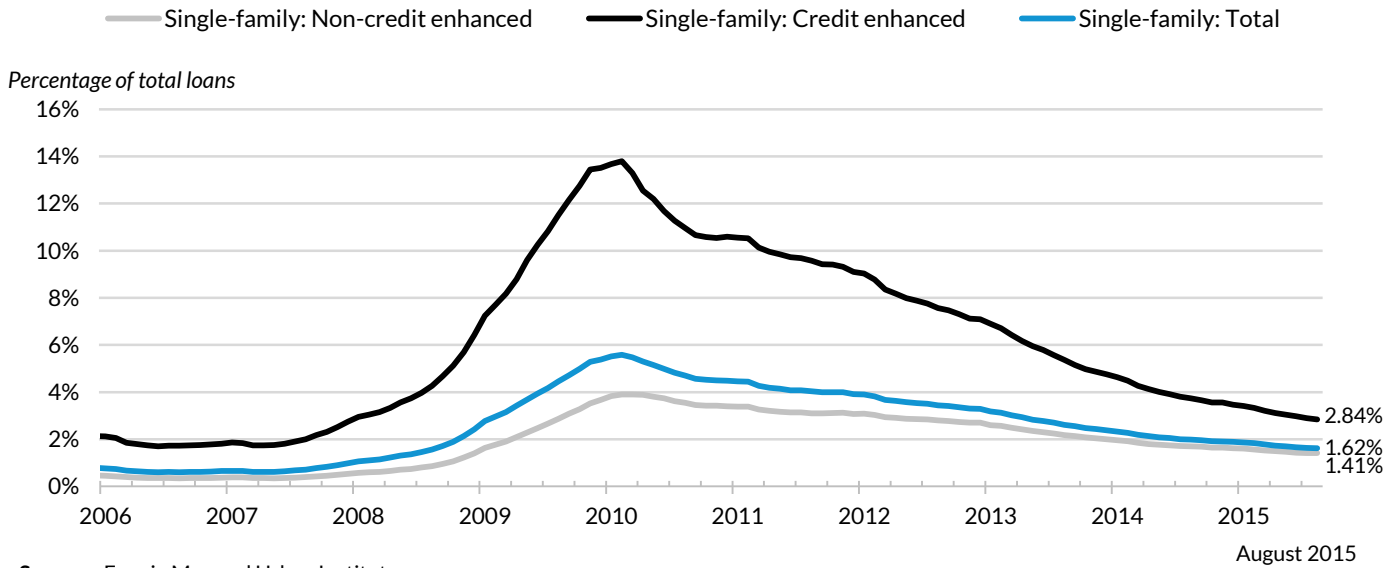
Note: Classes A-H, M-1H, M-2H, and B-H are reference tranches only. These classes are not issued or sold. The risk is retained by Fannie Mae and Freddie Mac. "CE" = credit enhancement.

GSES UNDER CONSERVATORSHIP

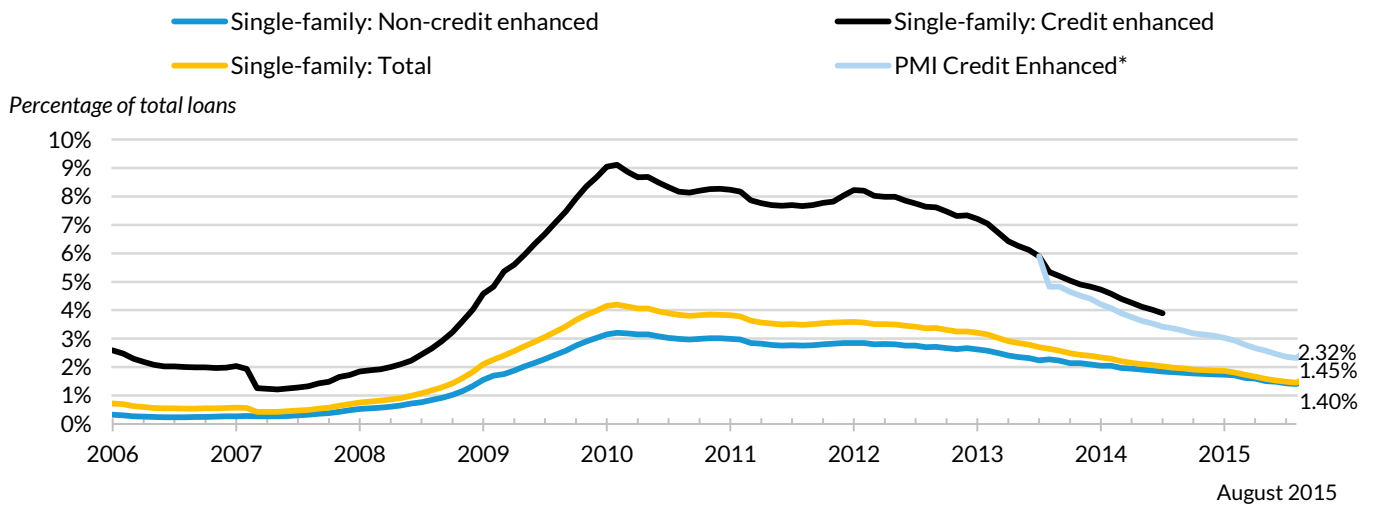
SERIOUS DELINQUENCY RATES

Serious delinquency rates of GSE loans continue to decline as the legacy portfolio is resolved and the pristine, post-2009 book of business exhibits very low default rates. As of August 2015, 1.62 percent of the Fannie portfolio and 1.45 percent of the Freddie portfolio were seriously delinquent, down from 2.00 percent for Fannie and 1.98 percent for Freddie in August 2014.

Serious Delinquency Rates—Fannie Mae



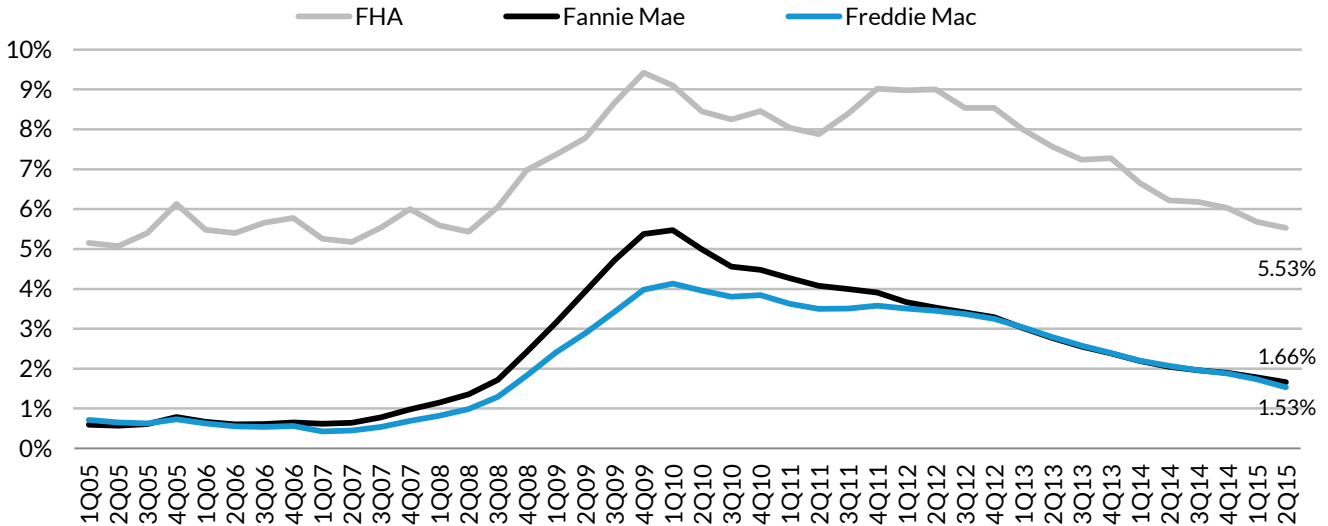
Serious Delinquency Rates—Freddie Mac



GSES UNDER CONSERVATORSHIP SERIOUS DELINQUENCY RATES

Serious delinquencies for FHA and GSE single-family loans continue to decline. GSE delinquencies remain higher relative to 2005-2007, while FHA delinquencies (which are much higher than their GSE counterparts) are now at levels similar to 2005-2007. GSE multifamily delinquencies have declined to pre-crisis levels, though they did not reach problematic levels even in the worst years.

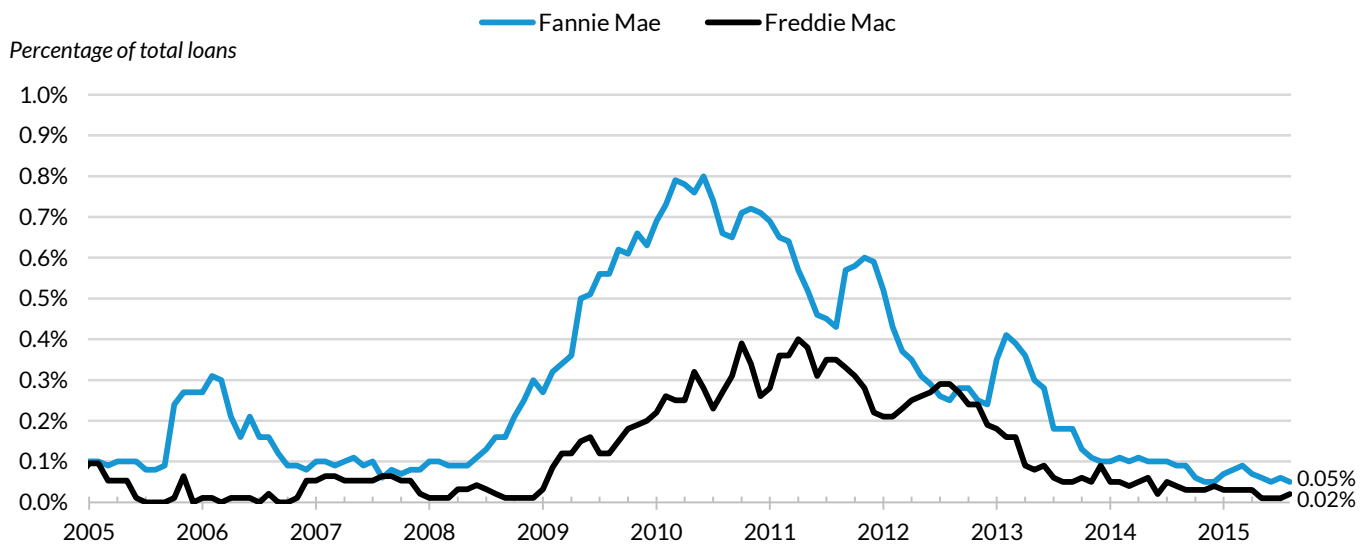
Serious Delinquency Rates—Single-Family Loans



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.

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.

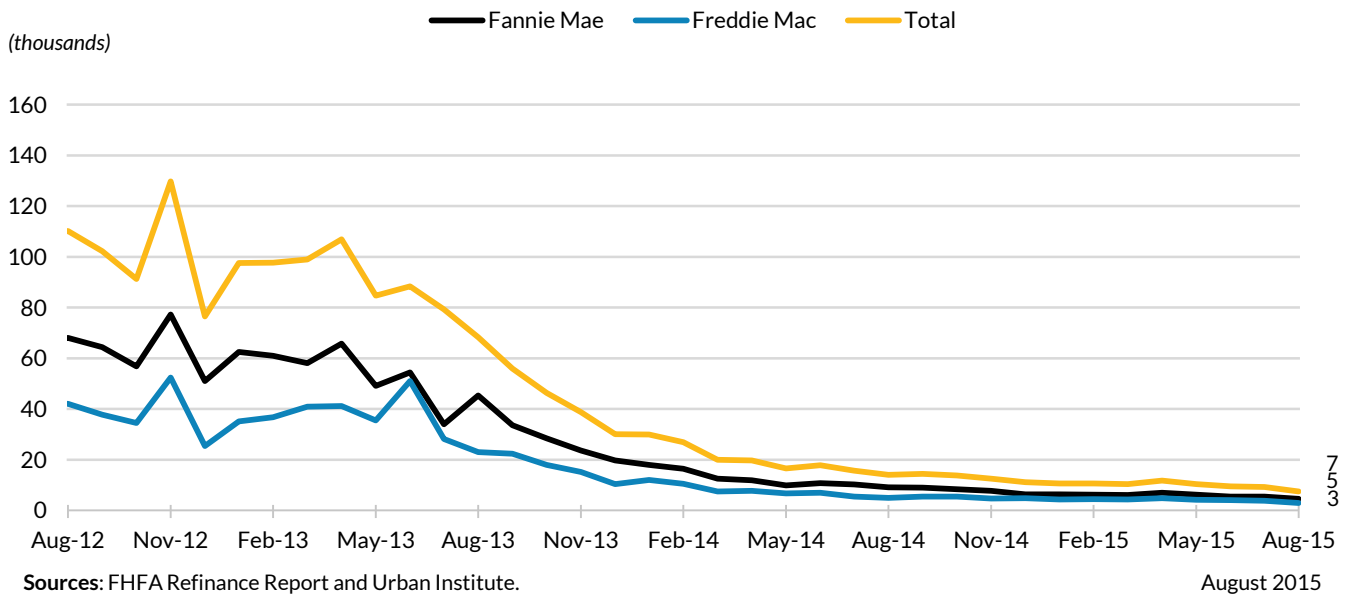
August 2015

GSES UNDER CONSERVATORSHIP

REFINANCE ACTIVITY

The Home Affordable Refinance Program (HARP) refinances have slowed considerably. Two factors are responsible for this: (1) higher interest rates, leaving fewer eligible loans where refinancing is economically advantageous (in-the-money), and (2) a considerable number of borrowers who have already refinanced. Since the program's Q2 2009 inception, HARP refinances total 3.3 million, accounting for 16 percent of all GSE refinances in this period.

Total HARP Refinance Volume



HARP Refinances

	August 2015	Year-to-date 2015	Inception to date	2014	2013	2012
Total refinances	154,049	1,513,304	21,922,342	1,536,788	4,081,911	4,750,530
Total HARP refinances	7,496	79,972	3,350,410	212,488	892,914	1,074,769
Share 80-105 LTV	75.8%	75.7%	70.1%	72.5%	56.4%	56.4%
Share 105-125 LTV	15.8%	15.9%	17.2%	17.2%	22.4%	22.4%
Share >125 LTV	8.4%	8.4%	12.7%	10.3%	21.2%	21%
All other streamlined refinances	15,691	158,390	3,679,625	268,026	735,210	729,235

Sources: FHFA Refinance Report and Urban Institute.

GSES UNDER CONSERVATORSHIP

GSE LOANS: POTENTIAL REFINANCES

To qualify for HARP, a loan must have been originated before the June 2009 cutoff date, have a marked-to-market loan-to-value (MTM LTV) ratio above 80, and have no more than one delinquent payment in the past year and none in the past six months. There are 437,665 eligible loans, but 47 percent are out-of-the-money because the closing cost would exceed the long-term savings, leaving 232,593 loans where a HARP refinance is both permissible and economically advantageous for the borrower. Loans below the LTV minimum but meeting all other HARP requirements are eligible for GSE streamlined refinancing. Of the 5,792,776 loans in this category, 4,665,409 are in-the-money.

More than 75 percent of the GSE book of business that meets the pay history requirements was originated after the June, 2009 cutoff date. FHFA Director Mel Watt announced in May 2014 that they are not planning to extend the cutoff date. On May 8, 2015 Director Watt extended the deadline for the HARP program for an additional year, until the end of 2016.

Total loan count	26,992,400
Loans that do not meet pay history requirement	1,315,772
Loans that meet pay history requirement:	25,676,628
Pre-June 2009 origination	6,230,441
Post-June 2009 origination	19,446,187

Loans Meeting HARP Pay History Requirements

Pre-June 2009

LTV category	In-the-money	Out-of-the-money	Total
≤80	4,665,409	1,127,367	5,792,776
>80	232,593	205,072	437,665
Total	4,898,002	1,332,439	6,230,441

Post-June 2009

LTV category	In-the-money	Out-of-the-money	Total
≤80	3,251,247	13,856,683	17,107,930
>80	556,560	1,781,698	2,338,257
Total	3,807,807	15,638,380	19,446,187

Sources: CoreLogic Prime Servicing as of August 2015 and Urban Institute.

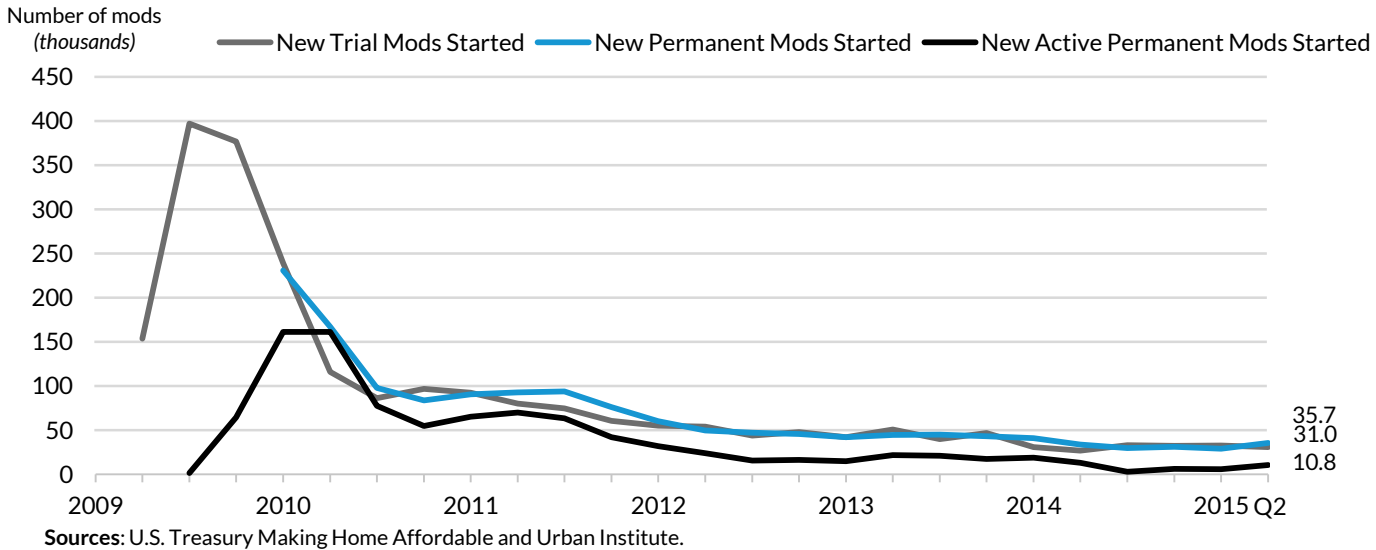
Note: Figures are scaled up from source data to account for data coverage of the GSE active loan market (based on MBS data from eMBS). Shaded box indicates HARP-eligible loans that are in-the-money.

MODIFICATION ACTIVITY

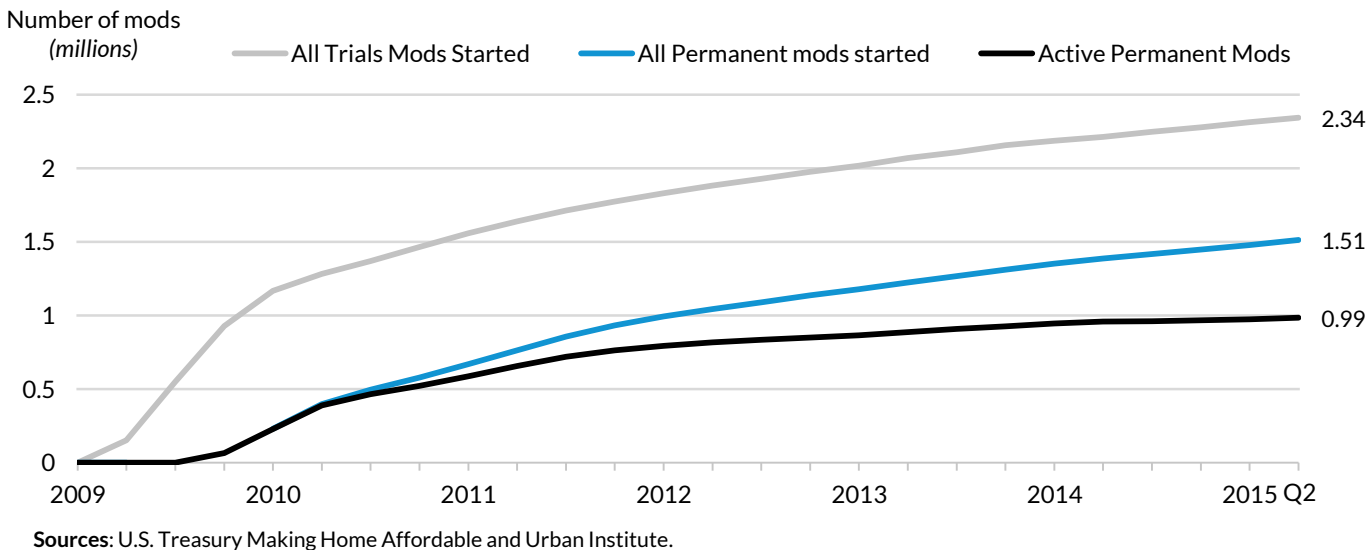
HAMP ACTIVITY

In 2015 Q1 and Q2, new HAMP trial mods were slightly above last year's average rate of 30,800 per quarter, while new permanent mods exhibited their lowest quarterly total ever at 29,101 in Q1 before increasing to 35,738 in Q2. Cumulative permanent HAMP mods started now total 1.51 million.

New HAMP Modifications



Cumulative HAMP Modifications



MODIFICATION ACTIVITY

MODIFICATION BY TYPE OF ACTION AND BEARER OF RISK

The share of modifications that received principal reductions fell to 10 percent in Q2 2015, after sharp increase from 6.6 percent in Q4 2014 to 14.5 percent in Q1 2015. There are two reasons for this decline. First, a lower share (2.8 percent) of government loans is now getting principal reductions, down from 5.8 percent in the previous quarter. Second, the share of portfolio loans receiving principal reductions has decreased significantly, from 50.3 percent in Q1 2015 to 38.5 percent in Q2 2015. The GSEs generally do not allow principal reduction modifications; the FHFA is studying whether a change in this policy is warranted.

Changes in Loan Terms for Modifications

	Modification Quarter						One quarter % change	One year % change
	14Q1	14Q2	14Q3	14Q4	15Q1	15Q2		
Capitalization	74.3	58.7	71	84	88.9	89.9	1.2	53.1
Rate reduction	73.3	71.9	66.4	65	68.2	68.8	0.9	-4.3
Rate freeze	6.5	7.2	7.6	8.4	7.4	7.6	0.7	6.2
Term extension	78	84.5	82.4	84.3	84.9	82.0	-3.8	-2.9
Principal reduction	8.1	5	6.9	6.6	14.5	10	-32	97.8
Principal deferral	25.1	11.5	16	10.5	9.9	9.8	-1.8	-15.5
Not reported*	0.7	0.7	0.5	0.4	0.5	0.4	-17	-47.0

Sources: OCC Mortgage Metrics Report for the Second Quarter of 2015 and Urban Institute.

Note: This table presents modifications of each type as a share of total modifications. Columns sum to over 100% because loans often receive modifications with multiple features.

*Processing constraints at some servicers prevented them from reporting specific modified term(s).

Type of Modification Action by Investor and Product Type

	Fannie Mae	Freddie Mac	Government-guaranteed	Private Investor	Portfolio	Overall
Capitalization	98.7%	98.8%	78.7%	94.3%	97.2%	89.9%
Rate reduction	42.1%	43.8%	86.5%	69.4%	74.4%	68.8%
Rate freeze	17.4%	12.3%	3.3%	5.3%	5.7%	7.6%
Term extension	95.9%	97.3%	92.4%	30.5%	61.3%	82.0%
Principal reduction	0.1%	0.1%	2.8%	20.7%	38.5%	10.0%
Principal deferral	15.8%	14.0%	0.3%	21.5%	15.5%	9.8%
Not reported*	0.02%	0.02%	0.2%	1.0%	0.9%	0.4%

Sources: OCC Mortgage Metrics Report for the Second Quarter of 2015 and Urban Institute.

Note: This table presents modifications of each type as a share of total modifications. Columns sum to over 100% because loans often receive modifications with multiple features.

*Processing constraints at some servicers prevented them from reporting specific modified term(s).

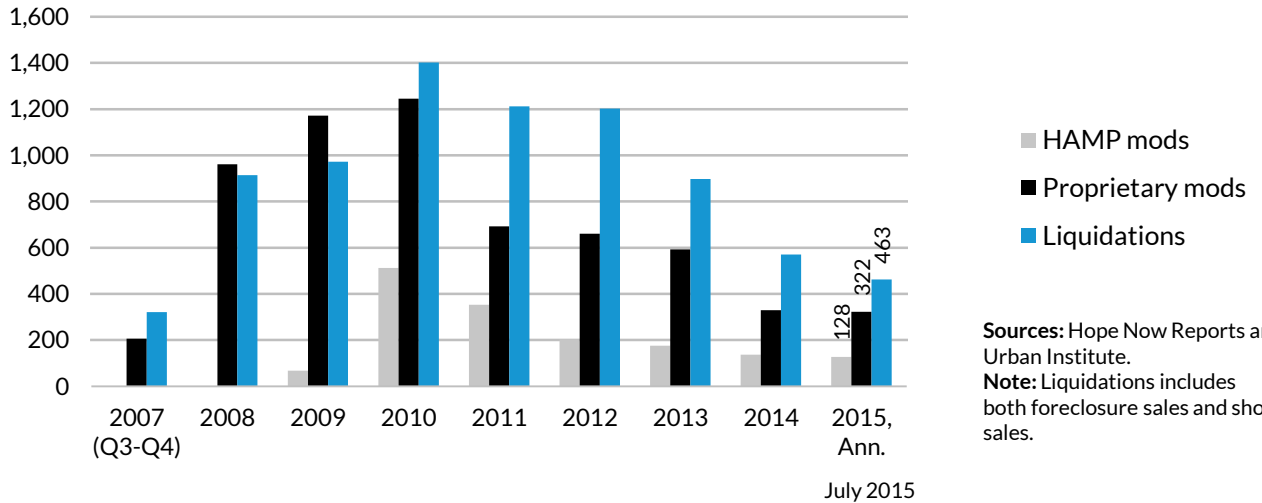
MODIFICATION ACTIVITY

MODIFICATIONS AND LIQUIDATIONS

Total modifications (HAMP and proprietary) are now roughly equal to total liquidations. Hope Now reports show 7,641,619 borrowers have received a modification since Q3 2007, compared with 7,763,430 liquidations in the same period. Modification activity slowed significantly in 2014 and remained level in the first half of 2015, averaging 37,495 monthly through July. Liquidations have continued to decline, averaging 38,569 per month over this period compared to 47,515 per month in 2014.

Loan Modifications and Liquidations

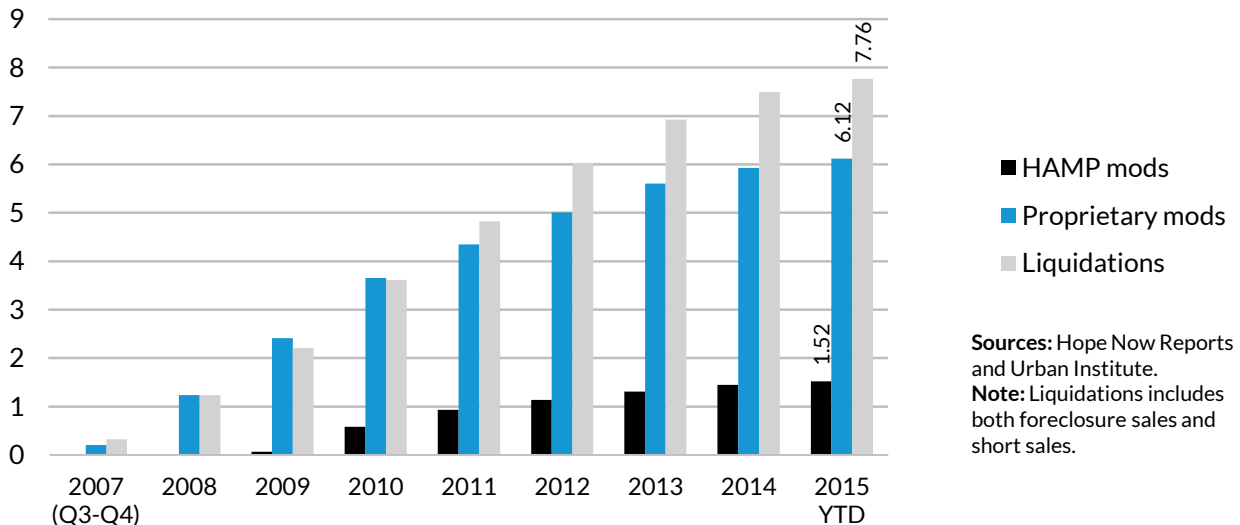
Number of loans (thousands)



Sources: Hope Now Reports and Urban Institute.
 Note: Liquidations includes both foreclosure sales and short sales.

Cumulative Modifications and Liquidations

Number of loans (millions)



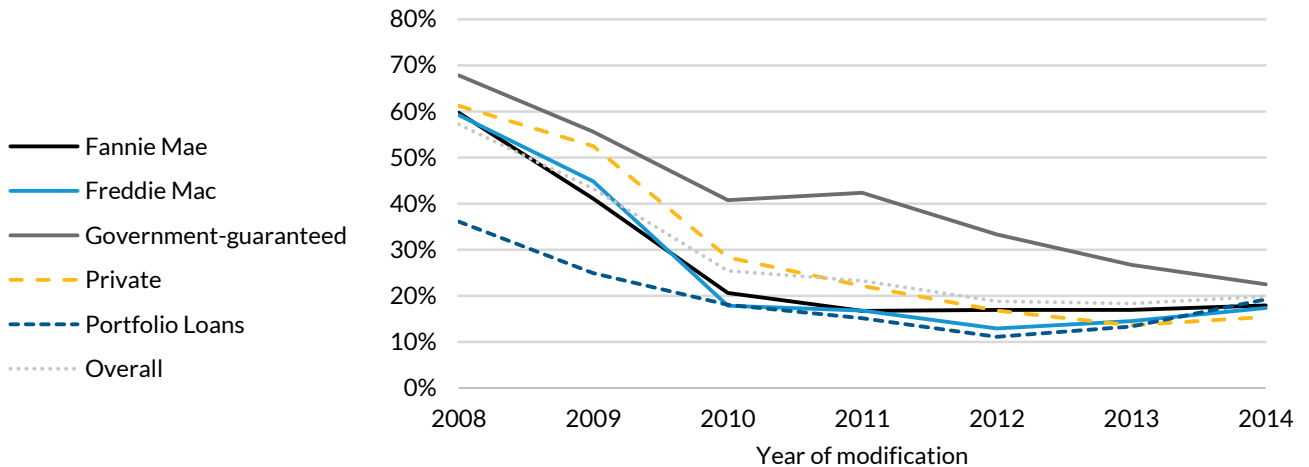
Sources: Hope Now Reports and Urban Institute.
 Note: Liquidations includes both foreclosure sales and short sales.

MODIFICATION ACTIVITY

MODIFICATION REDEFAULTRATES BY BEARER OF THE RISK

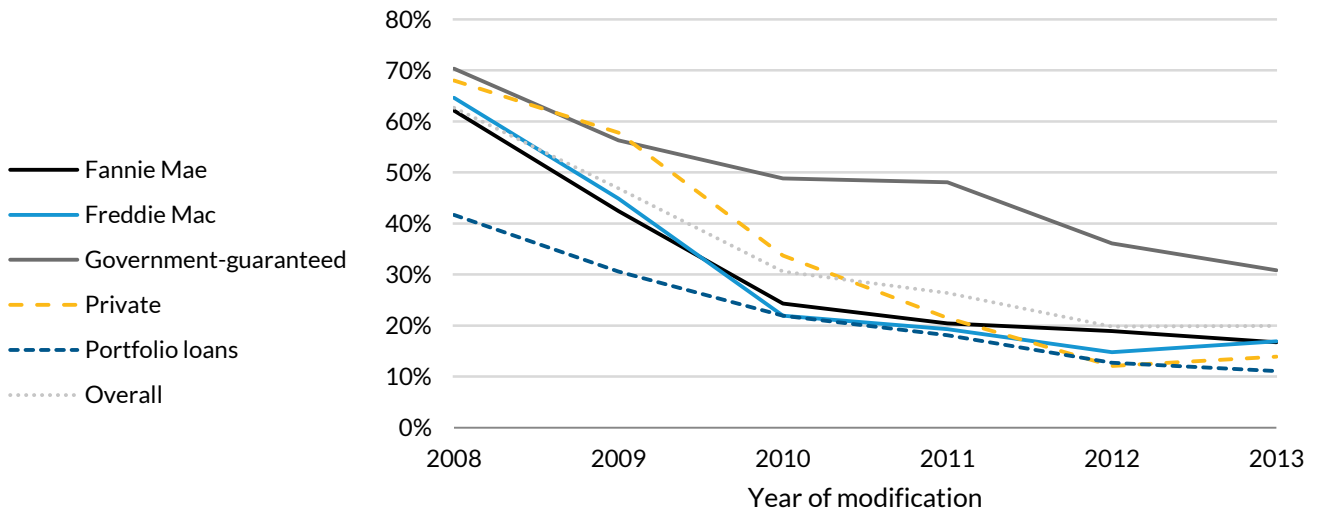
Redeault rates on modified loans have come down dramatically from 2008 to 2014. For the period as a whole, the steepest drops have been on private label modifications. More recently, there have been sharp declines in the redeault rates on government-guaranteed modifications, although this product type still has higher redeault rates than others.

Redeault Rate 12 Months after Modification



Sources: OCC Mortgage Metrics Report for the Second Quarter of 2015 and Urban Institute.

Redeault Rate 24 Months after Modification



Sources: OCC Mortgage Metrics Report for the Second Quarter of 2015 and Urban Institute.

AGENCY ISSUANCE

AGENCY GROSS AND

NET ISSUANCE

While refinancing activity fell off due to higher interest rates through 2014, newly reduced rates and lowered FHA premiums have resulted in agency gross issuance of \$992 billion in the first three quarters of 2015, a 46.1 percent increase year-over-year. Net issuance (which excludes repayments, prepayments, and refinances on outstanding mortgages) remains low.

Agency Gross Issuance

Issuance Year	GSEs	Ginnie Mae	Total
2000	\$360.6	\$102.2	\$462.8
2001	\$885.1	\$171.5	\$1,056.6
2002	\$1,238.9	\$169.0	\$1,407.9
2003	\$1,874.9	\$213.1	\$2,088.0
2004	\$872.6	\$119.2	\$991.9
2005	\$894.0	\$81.4	\$975.3
2006	\$853.0	\$76.7	\$929.7
2007	\$1,066.2	\$94.9	\$1,161.1
2008	\$911.4	\$267.6	\$1,179.0
2009	\$1,280.0	\$451.3	\$1,731.3
2010	\$1,003.5	\$390.7	\$1,394.3
2011	\$879.3	\$315.3	\$1,194.7
2012	\$1,288.8	\$405.0	\$1,693.8
2013	\$1,176.6	\$393.6	\$1,570.1
2014	\$650.9	\$296.3	\$947.2
2015 YTD	\$661.17	\$331.02	\$992.19
%Change year-over-year	42.0%	55.2%	46.1%
2015 Ann.	\$881.56	\$441.36	\$1,322.92

Agency Net Issuance

Issuance Year	GSEs	Ginnie Mae	Total
2000	\$159.8	\$29.3	\$189.1
2001	\$367.8	-\$9.9	\$357.9
2002	\$357.6	-\$51.2	\$306.4
2003	\$335.0	-\$77.6	\$257.4
2004	\$83.3	-\$40.1	\$43.2
2005	\$174.4	-\$42.2	\$132.1
2006	\$313.6	\$0.3	\$313.8
2007	\$514.7	\$30.9	\$545.5
2008	\$314.3	\$196.4	\$510.7
2009	\$249.5	\$257.4	\$506.8
2010	-\$305.5	\$198.2	-\$107.3
2011	-\$133.4	\$149.4	\$16.0
2012	-\$46.5	\$118.4	\$71.9
2013	\$66.5	\$85.8	\$152.3
2014	\$30.3	\$59.8	\$90.1
2015 YTD	\$60.4	\$64.1	\$124.5
%Change year-over-year	612.79%	46.38%	138.15%
2015 Ann.	\$80.49	\$85.49	\$165.98

Sources: eMBS and Urban Institute.

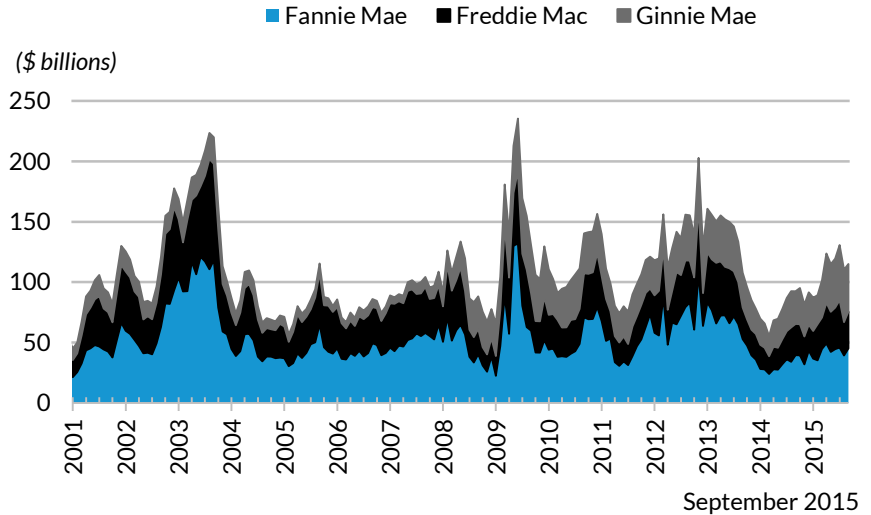
Note: Dollar amounts are in billions. Annualized figure based on data from September 2015.

AGENCY ISSUANCE

AGENCY GROSS ISSUANCE & FED PURCHASES

Monthly Gross Issuance

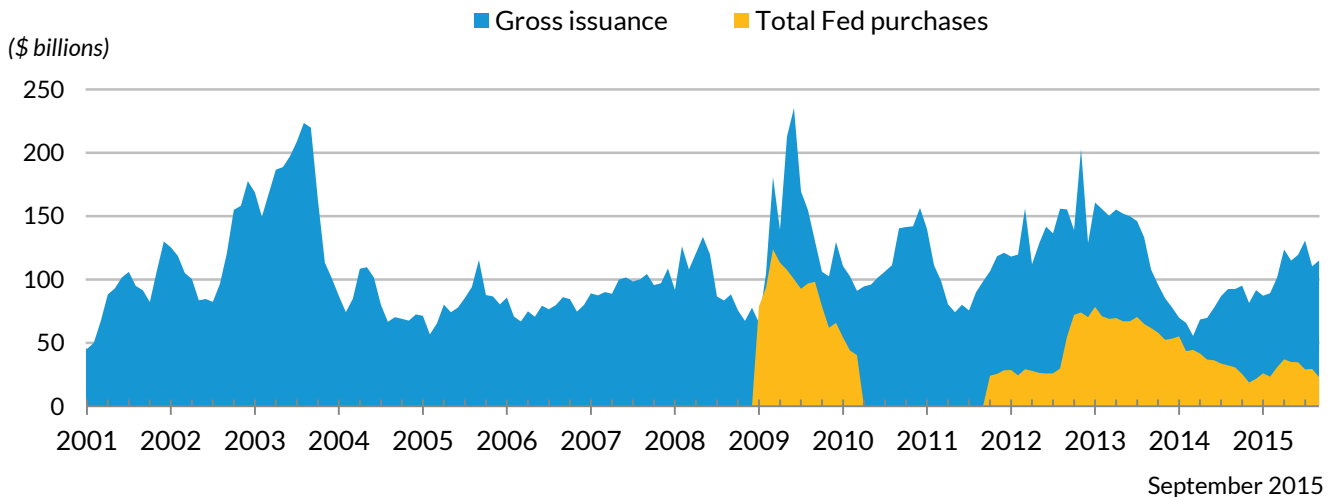
While government and GSE lending have dominated the mortgage market since the crisis, there has been a change in the mix. The Ginnie Mae share reached a peak of 28 percent of total agency issuance in 2010, declined to 25 percent in 2013, and has bounced back sharply since then. Ginnie Mae issuance stood high at 34 percent in September 2015, as FHA refinance activity surged with the recent reduction in the FHA insurance premium.



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

Fed Absorption of Agency Gross Issuance

In October 2014, the Fed ended its purchase program, but continued buying at a much reduced level, reinvesting funds from pay downs on mortgages and agency debentures into the mortgage market. Since then, the Fed's absorption of gross issuance has been between 20 and 30 percent. In September 2015, total Fed purchase declined to \$23 billion, yielding Fed absorption of gross issuance of 20 percent, down from 27 percent last month.

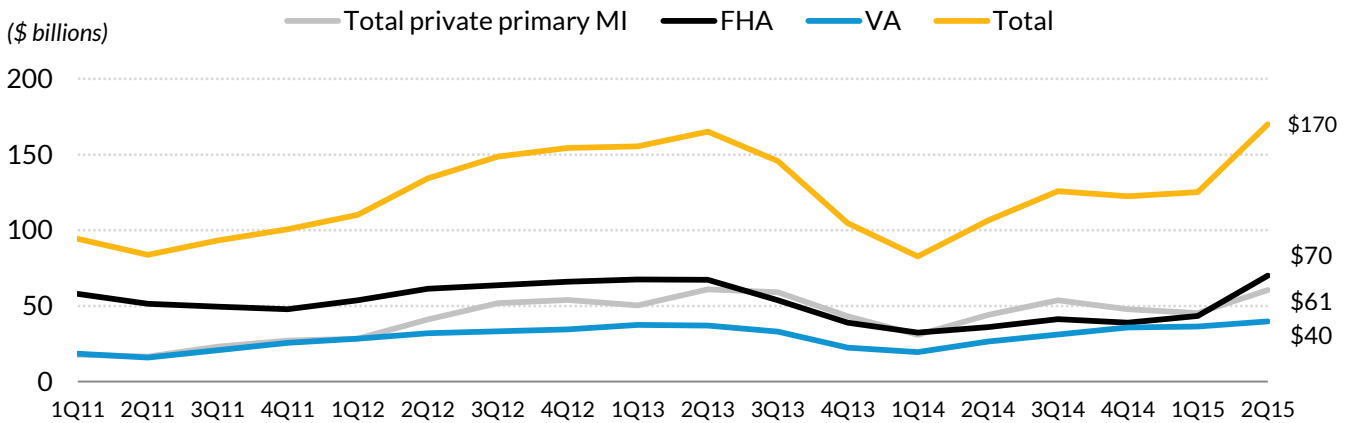


Sources: eMBS, Federal Reserve Bank of New York and Urban Institute.

AGENCY ISSUANCE MORTGAGE INSURANCE ACTIVITY

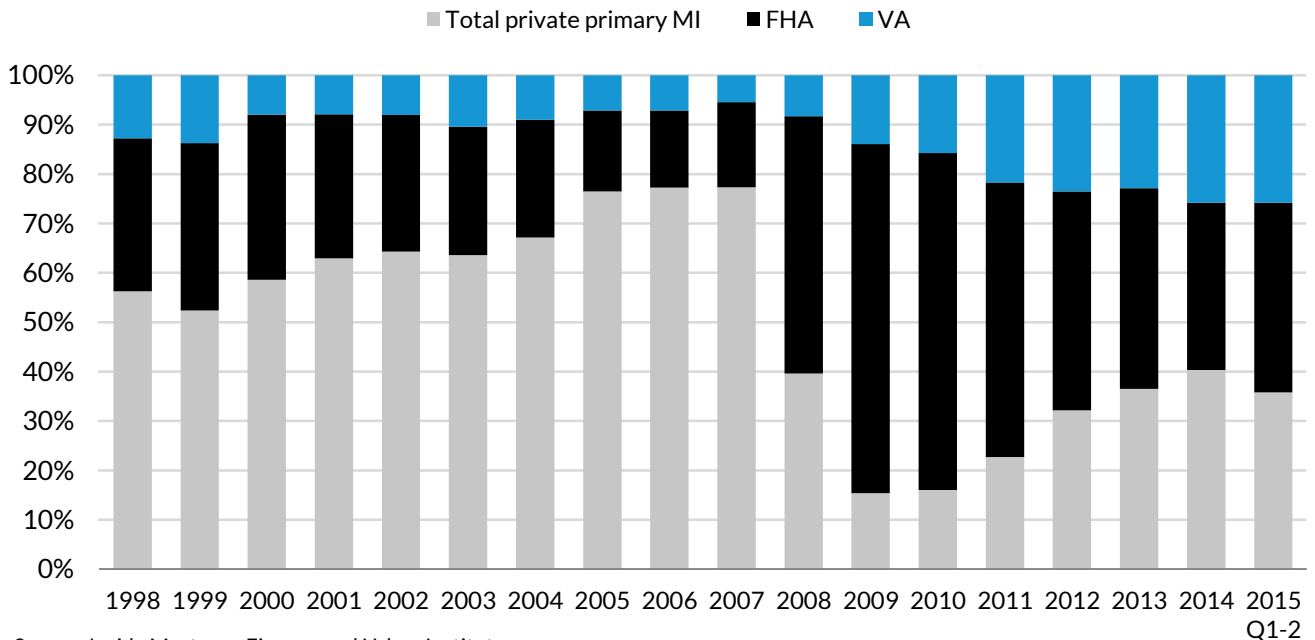
MI Activity

In 2015 Q2, mortgage insurance activity via FHA, VA and private insurers jumped by 36 percent over the previous quarter to a total of \$170.2 billion. While all three MI channels experienced growth, FHA led the pack, bolstered by lower premiums. FHA's market share now stands at 38 percent year to date, surpassing the private insurance market. VA lending is on pace for the agency's highest origination volume on record.



Sources: Inside Mortgage Finance and Urban Institute.

MI Market Share



Sources: Inside Mortgage Finance and Urban Institute.

AGENCY ISSUANCE MORTGAGE INSURANCE ACTIVITY

FHA premiums rose significantly in the years following the housing crash, with annual premiums rising 170% from 2008 to 2013 as FHA worked to shore up its finances. In a move announced by President Obama just after the new year, annual premiums were cut by 50 bps. We expect this reduction to significantly mitigate FHA's problem of adverse selection, in which lower-FICO borrowers disproportionately gravitate to FHA financing over GSE with PMI. As shown in the bottom table, a borrower putting 3.5% down will now find FHA more economical regardless of their FICO score.

FHA MI Premiums for Typical Purchase Loan

Case number date	Upfront mortgage insurance premium (UFMIP) paid	Annual mortgage insurance premium (MIP)
1/1/2001 - 7/13/2008	150	50
7/14/2008 - 4/5/2010*	175	55
4/5/2010 - 10/3/2010	225	55
10/4/2010 - 4/17/2011	100	90
4/18/2011 - 4/8/2012	100	115
4/9/2012 - 6/10/2012	175	125
6/11/2012 - 3/31/2013 ^a	175	125
4/1/2013 - 1/25/2015 ^b	175	135
Beginning 1/26/2015 ^c	175	85

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.

^a Applies to purchase loans less than or equal to \$625,500. Those over that amount have an annual premium of 150 bps.

^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

Assumptions	
Property Value	\$250,000
Loan Amount	\$241,250
LTV	96.5
Base Rate	
Conforming	3.89%
FHA	3.50%

FICO	620 - 639	640 - 659	660 - 679	680 - 699	700 - 719	720 - 739	740 - 759	760 +
FHA MI Premiums								
FHA UFMIP	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
FHA MIP	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85
PMI								
GSE LLPA*	3.75	3.00	2.50	1.75	1.75	1.25	1.00	1.00
PMI Annual MIP	1.48	1.48	1.48	1.31	1.31	1.10	1.10	1.05
Monthly Payment								
FHA	\$1,273	\$1,273	\$1,273	\$1,273	\$1,273	\$1,273	\$1,273	\$1,273
PMI	\$1,533	\$1,512	\$1,498	\$1,442	\$1,442	\$1,386	\$1,379	\$1,369
PMI Advantage	(\$260)	(\$239)	(\$225)	(\$169)	(\$169)	(\$113)	(\$106)	(\$96)

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

Note: Mortgage insurance premiums listed in percentage points. Grey shade indicates FHA monthly payment is more favorable. The PMI monthly payment calculation does not include special programs like Fannie Mae's MyCommunitMortgage (MCM) 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 20.

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PUBLICATIONS AND EVENTS

Upcoming Events

[November 20th at the Newseum: Data, Demand, and Demographics](#), Co-hosted by the Urban Institute and CoreLogic. Featured speakers include: Jason Furman, Sarah Rosen Wartell, Frank Nothaft, Dave Stevens, and Tim Pawlenty. This day long conference will explore a variety of housing policy issues, including the impact of demographic change on multi-family and single-family market growth; housing, urbanization, and demographics; and single-family financing and credit availability. We hope you will join us!

Publications

[Detroit Housing Tracker: Q3 2015](#)

Authors: Bing Bai, Laurie Goodman, and Karan Kaul
Date: October 5, 2015

[Proposed Changes to the Federal Housing Administration's Loan-Level Certification](#)

Authors: Jim Parrott, Laurie Goodman, and Mark Zandi
Date: October 1, 2015

[Single-Family Rentals: A New Approach to Affordable Housing](#)

Authors: Dan Magder and Laurie Goodman
Date: September 28, 2015

[The Rebirth of Securitization: Where is the Private-Label Mortgage Market?](#)

Author: Laurie Goodman
Date: September 10, 2015

[Fixing FHA's Certification: Time to turn a Sword into a Plowshare](#)

Author: Jim Parrott
Date: September 3, 2015

[FHA's Proposed Servicing Reforms Need More Thought](#)

Authors: Laurie Goodman
Date: August 28, 2015

[Principal Reduction and the GSEs](#)

Authors: Laurie Goodman, Jim Parrott, and Jun Zhu
Date: August 18, 2015

[The Credit box Shows Early Signs of Loosening: Evidence from the Latest HCAI Update](#)

Authors: Bing Bai, Wei Li and Laurie Goodman
Date: July 21, 2015

[Fixing the FHA's Loan Certification: A Proposal](#)

Authors: Laurie Goodman, Jim Parrott, Lewis Ranieri, Ellen Seidman and Mark Zandi
Date: July 14, 2015

Blog Posts

[Despite progress, minority borrowers still lag behind in the housing recovery](#)

Authors: Bing Bai, Sheryl Pardo, and Karan Kaul
Date: October 15, 2015

[Why you should care that private investors don't want to buy your mortgage anymore](#)

Author: Laurie Goodman
Date: October 9, 2015

[Is Detroit's "Rehabbed and Ready" program the answer to the city's appraisal problem?](#)

Authors: Laurie Goodman and Karan Kaul
Date: October 5, 2015

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Authors: Rolf Pendall, Laurie Goodman, and Jun Zhu
Date: September 29, 2015

[Single-family homes can help address the affordable rental housing crisis](#)

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Date: September 28, 2015

[FHA's new performance metric could open the credit box](#)

Author: Karan Kaul
Date: September 14, 2015

[A mortgage program to better serve the next generation of borrowers](#)

Authors: Laurie Goodman and Eva Wingren
Date: September 11, 2015

[Is principal reduction an effective way to modify troubled mortgages?](#)

Author: Yamillet Payano
Date: August 17, 2015

[How will we know when the mortgage market has fully recovered?](#)

Author: Karan Kaul
Date: August 10, 2015

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