

HOUSING FINANCE POLICY CENTER



HOUSING FINANCE AT A GLANCE

A MONTHLY CHARTBOOK

January 2016

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

Stealth GSE Reform Continues

The FHFA recently released its 2016 Scorecard for Fannie Mae and Freddie Mac with updated guidance for credit risk transfer transactions. A year ago, under the 2015 scorecard, the FHFA had required Fannie Mae and Freddie Mac to transfer credit risk on a fixed dollar amount of UPB – \$150 billion for Fannie Mae and \$120 billion for Freddie Mac. Both exceeded those targets (Fannie \$187 billion and Freddie 210 billion). Additionally, the 2015 scorecard did not indicate how much credit risk should be transferred (expected or unexpected, or a specific numeric threshold for example), instead leaving it to the GSEs' discretion.

But that changes in 2016. FHFA's 2016 scorecard is a notable departure from 2015 in that it requires the GSEs to transfer credit risk on "at least 90 percent" of the newly acquired UPB (with exceptions for HARP refinances, mortgages with maturities 20 years and below and with loan-to-value ratios 60 percent and below). Another departure from 2015 is the added requirement to transfer a substantial portion of credit risk covering "most of the credit losses projected to occur during stressful economic scenarios." In other words, GSEs are required to transfer nearly all credit risk on new production, except for what is catastrophic. These two requirements are highly noteworthy because over time they will put the GSEs (and hence the taxpayers) in a remote, catastrophic risk position, letting private capital bear vast majority of credit losses the vast majority of the time – a key objective of most housing finance reform proposals.

FHFA's Issues Final Rule of Federal Home Loan Bank Membership

The FHFA also recently released its eagerly awaited final rule on Federal Home Loan Bank Membership, putting an end to the industry practice of using captive insurance subsidiaries as a conduit to access FHLB advances. The HFPC had [commented](#) on the proposed rule a year ago and recommended that the FHFA continue to allow mortgage Real Estate Investment

Trusts (mREITs) to access FHLB advances because of their nearly singular focus on the mortgage market and significant ownership of residential mortgage assets. mREITs' purchases of MBS not only provide liquidity to the mortgage market, but more importantly, help lower mortgage rates for borrowers. Additionally in recent years many mREITs have built the capability to provide funding for loans that might not qualify for traditional financing, including loans that do not meet qualified mortgage (QM) requirements – a loan segment for which lending otherwise remains extremely tight.

The final rule provision allowing some captives to remain FHLB members for up to five years and some for one year notwithstanding, we expect this decision to have an adverse effect on REIT efforts to facilitate credit availability for non-QM borrowers. The final rule also takes away a stable source of low-cost funding from REITs, potentially reducing REIT demand for agency-MBS and marginally increasing mortgage rates.

INSIDE THIS ISSUE

- Both the GSEs and MBA have predicted a decrease in mortgage originations, primarily due to higher projected interest rates (page 12)
- FICO scores of new borrowers remain elevated (page 14)
- With year-over-year shrinkage rates of 17 and 14 percent, respectively, Fannie Mae and Freddie Mac's portfolios were well below 2015 cap and just above the 2016 cap (page 19)
- Freddie Mac issued a new risk-sharing deal in January 2016 (page 21)
- Since mid-2007, there have been 7.7 million modifications and 7.9 million liquidations (page 28)
- Agency gross issuance totaled \$1,282 billion in 2015, up 39 percent from 2014 (pages 30, 31)

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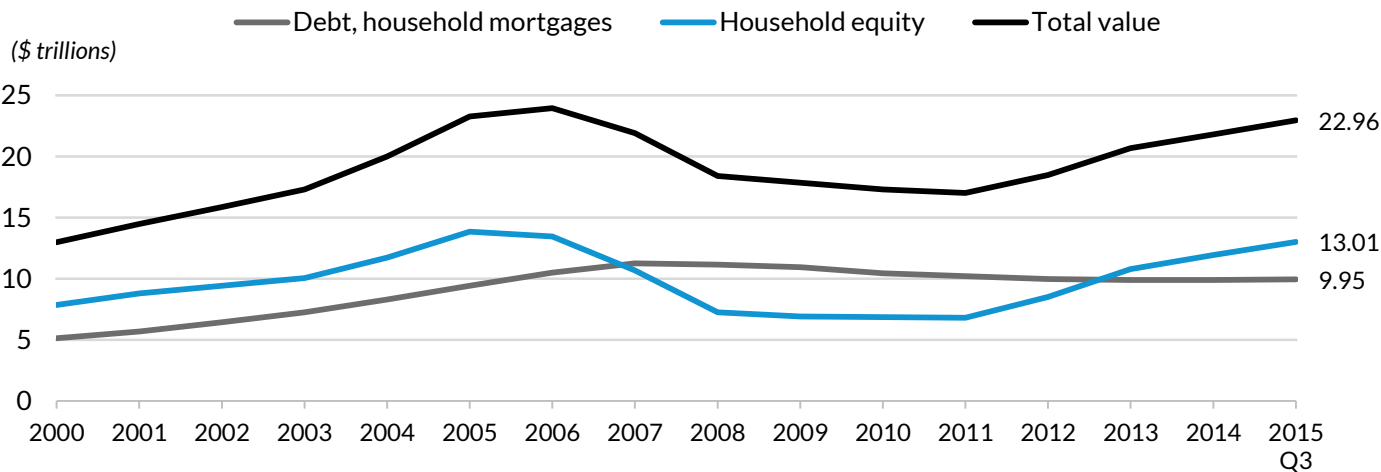
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OVERVIEW

MARKET SIZE OVERVIEW

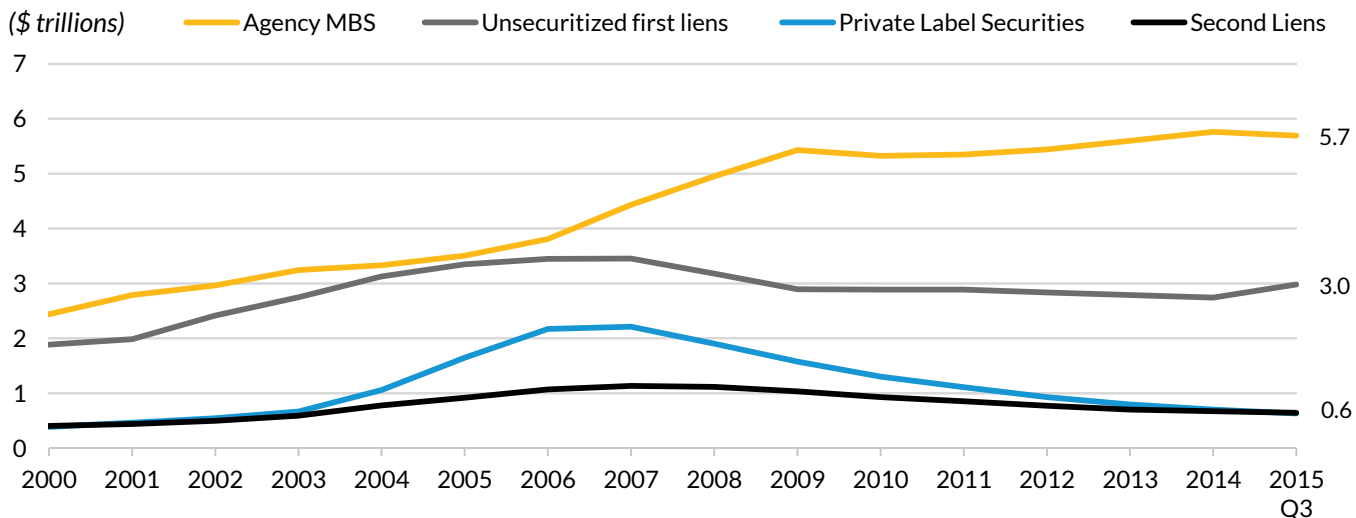
The Federal Reserve's Flow of Funds report has consistently indicated an increasing total value of the housing market driven by growing household equity in each quarter of the past 2 years. This trend has continued according to the latest data, covering Q3 2015. Total debt and mortgages increased slightly to \$9.95 trillion, while household equity increased by 3 percent to \$13.01 trillion, bringing the total value of the housing market to \$22.96 trillion. Agency MBS make up 57.2 percent of the total mortgage market, private-label securities make up 6.4 percent, and unsecuritized first liens at the GSEs, commercial banks, savings institutions, and credit unions make up 29.9 percent. Second liens comprise the remaining 6.5 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.

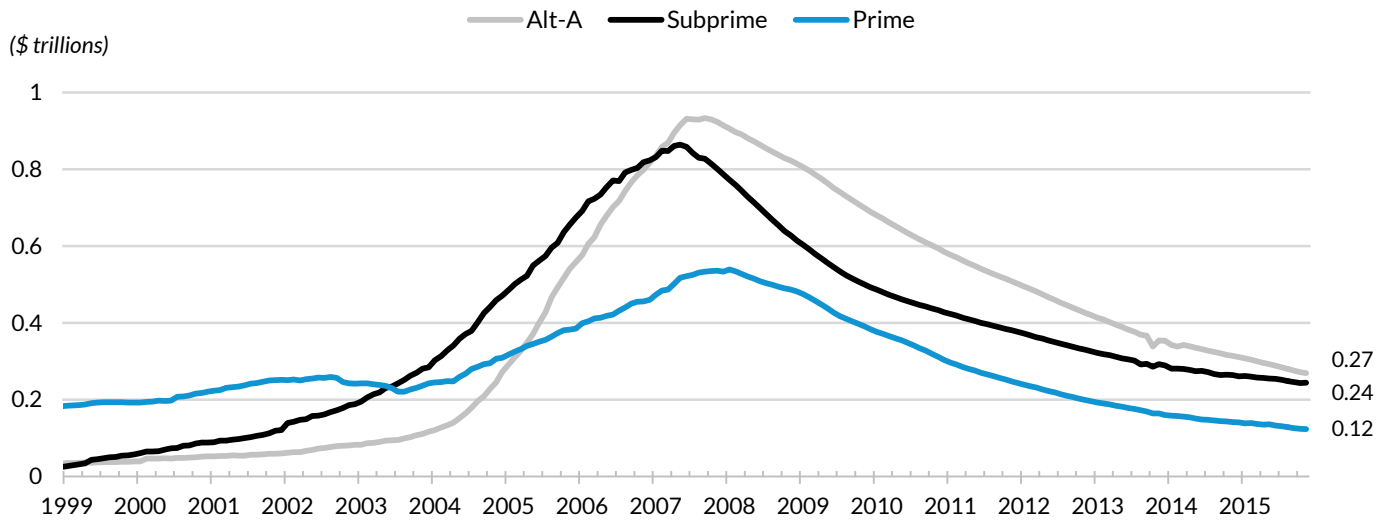
Note: Unsecuritized first liens includes loans held by commercial banks, GSEs, savings institutions, and credit unions.

OVERVIEW

MARKET SIZE OVERVIEW

As of November 2015, debt in the private-label securitization market totaled \$637 billion and was split among prime (19.4 percent), Alt-A (42.3 percent), and subprime (38.3 percent) loans. In December 2015, outstanding securities in the agency market totaled \$5.81 trillion and were 45.2 percent Fannie Mae, 27.6 percent Freddie Mac, and 27.2 percent Ginnie Mae.

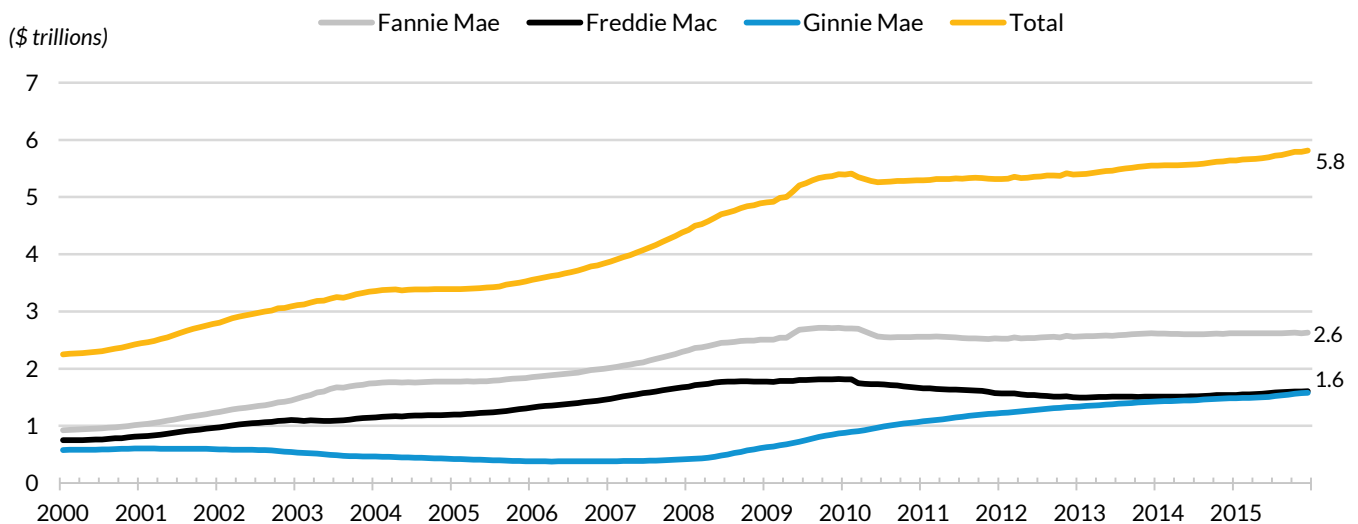
Private-Label Securities by Product Type



Sources: CoreLogic and Urban Institute.

November 2015

Agency Mortgage-Backed Securities



Sources: eMBS and Urban Institute.

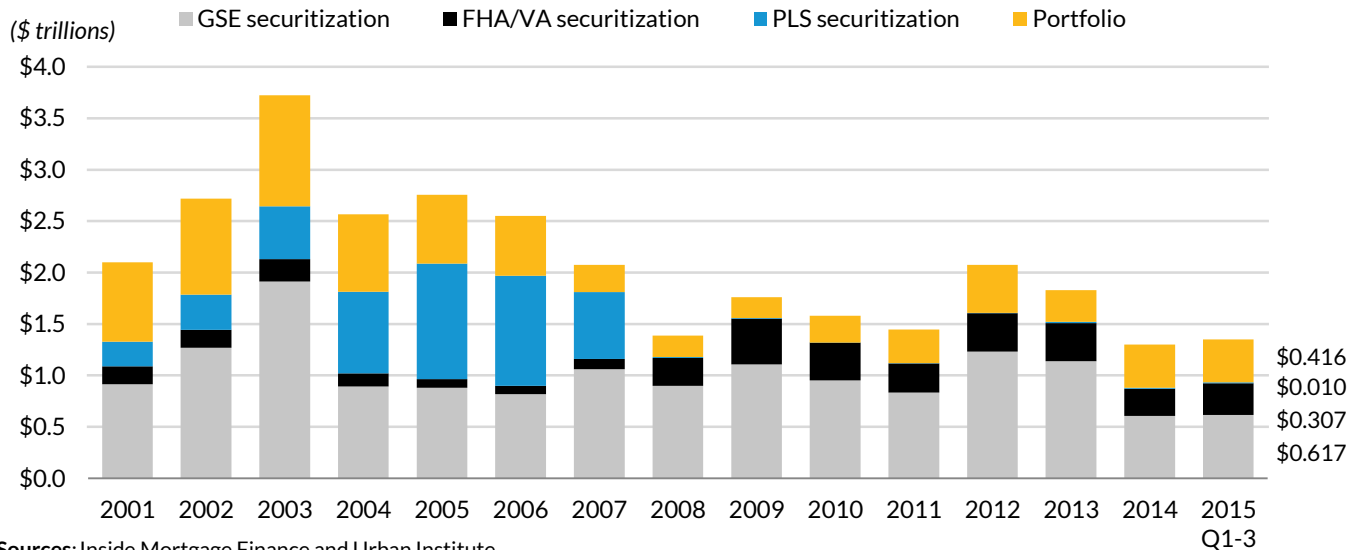
December 2015

OVERVIEW

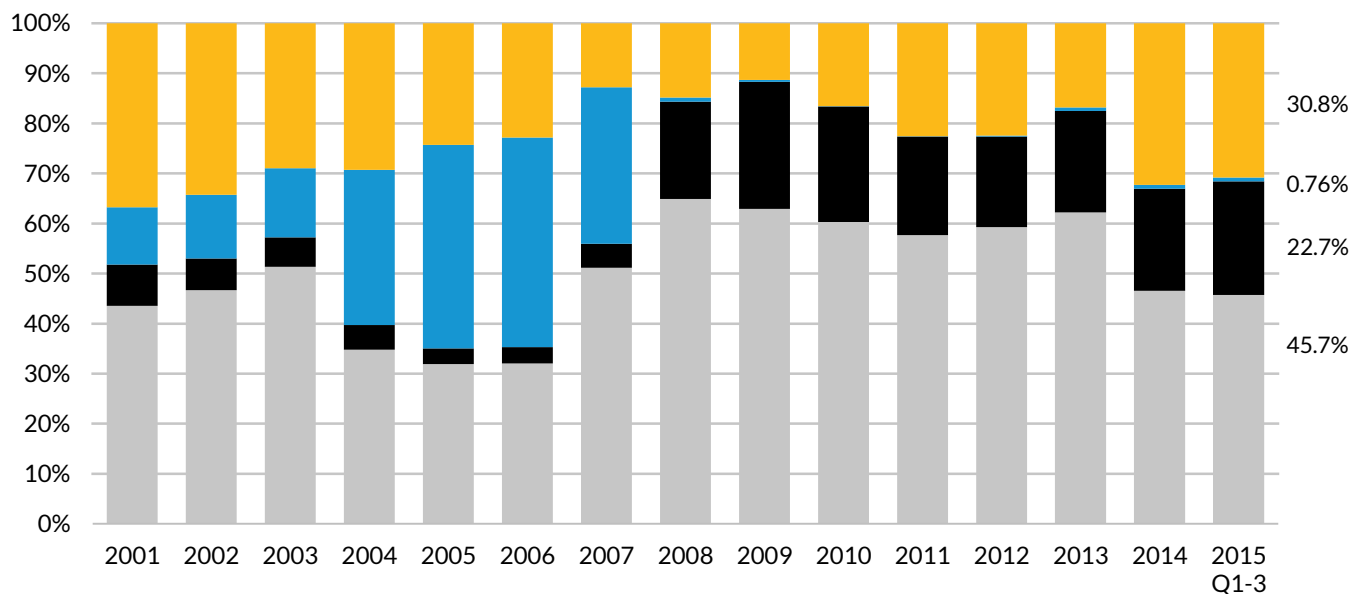
ORIGINATION VOLUME AND COMPOSITION

First Lien Origination Volume

First lien originations in first three quarters of 2015 totaled approximately \$1,350 billion. The share of portfolio originations was 31 percent, while the GSE share dropped to 46 percent from 47 last year, reflecting a small loss of market share to FHA due to the FHA premium cut. FHA/VA and private label originations account for 23 percent and 0.8 percent, respectively.



(Share, percent)

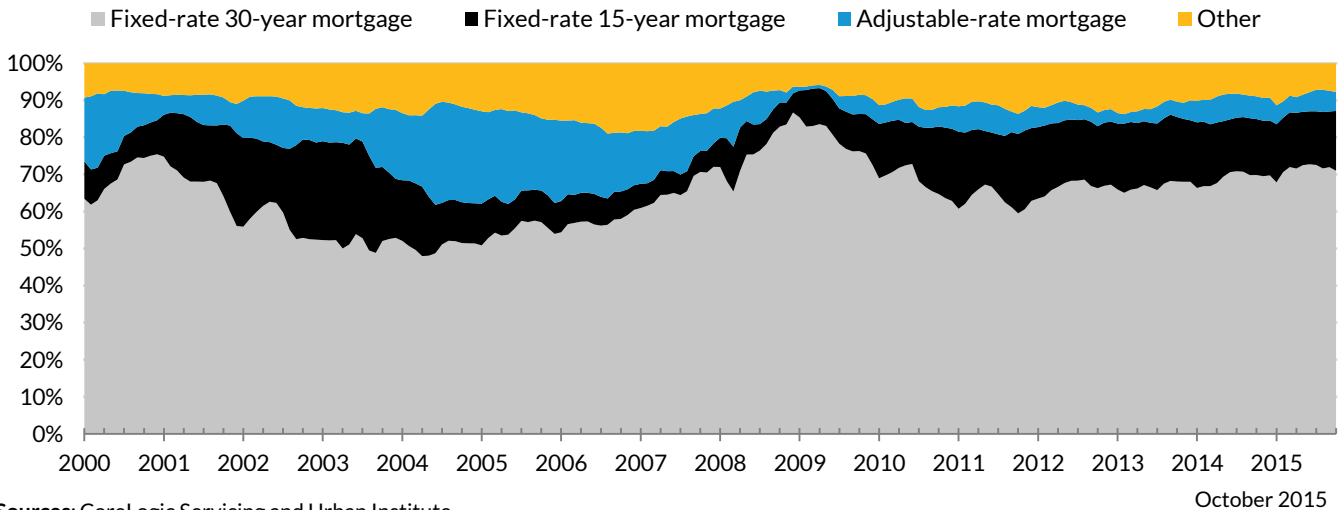


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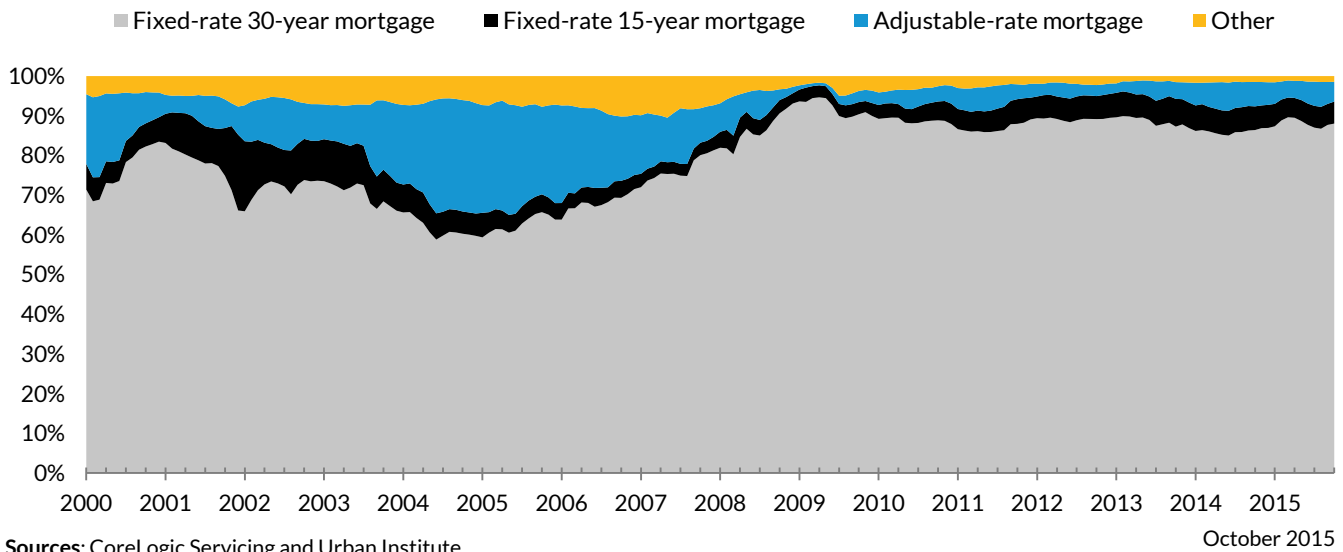
MORTGAGE ORIGINATION PRODUCT TYPE

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 a high of 7.2 percent in May 2014. Since then, they began to edge down, accounting for 5.1 percent of total originations in October 2015. 15-year fixed-rate mortgages (FRMs), predominantly a refinance product, comprise 16.1 percent of new originations. If we exclude refinances (bottom chart), the share of 30-year FRMs in October 2015 stood at 88.0 percent. 15-year FRMs and ARMs stood at 5.5 percent and 5.0 percent, respectively.

All Originations



Purchase Loans Only

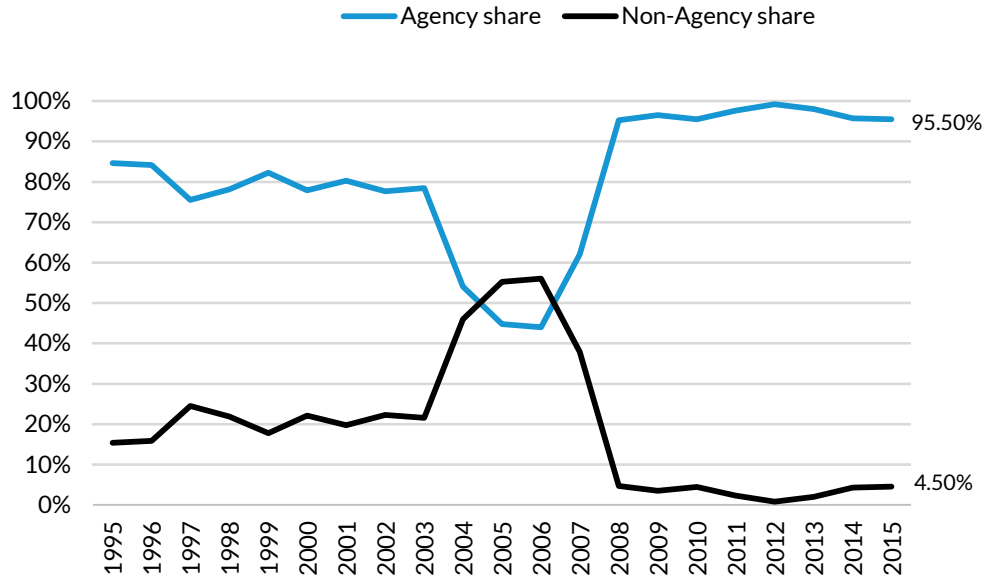


OVERVIEW

SECURITIZATION VOLUME AND COMPOSITION

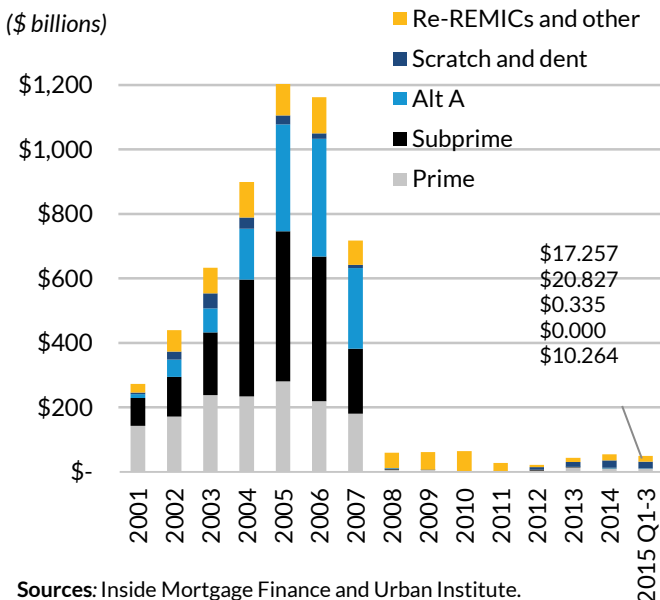
Agency/Non-Agency Share of Residential MBS Issuance

The non-agency share of mortgage securitizations was 4.5% in 2015, compared to 4.3% in 2014 and 2.0% in 2013. The volume of prime securitizations for the first three quarters of 2015 totaled \$10.3 billion or \$13.7 billion annualized, exceeding last year's \$9.6 billion. However, this is tiny compared to pre-crises levels. To put in the perspective, in 2001, prime origination totaled \$142 billion.



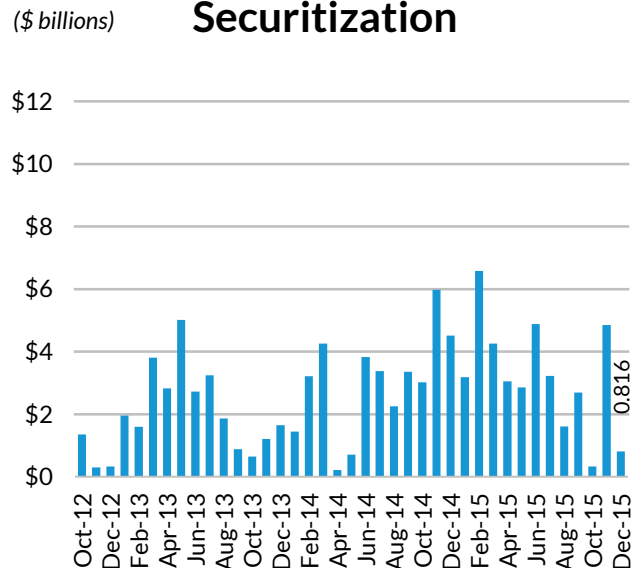
Sources: Inside Mortgage Finance and Urban Institute.

Non-Agency MBS Issuance



Sources: Inside Mortgage Finance and Urban Institute.

Monthly Non-Agency Securitization



Sources: Inside Mortgage Finance and Urban Institute.

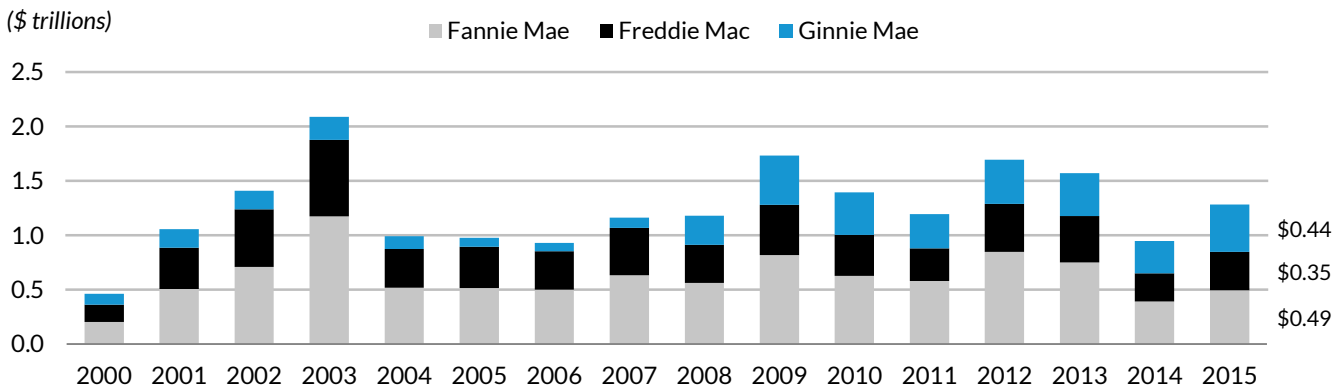
Note: Monthly figures equal total non-agency MBS issuance minus Re-REMIC issuance.

OVERVIEW

AGENCY ACTIVITY: VOLUMES AND PURCHASE/ REFI COMPOSITION

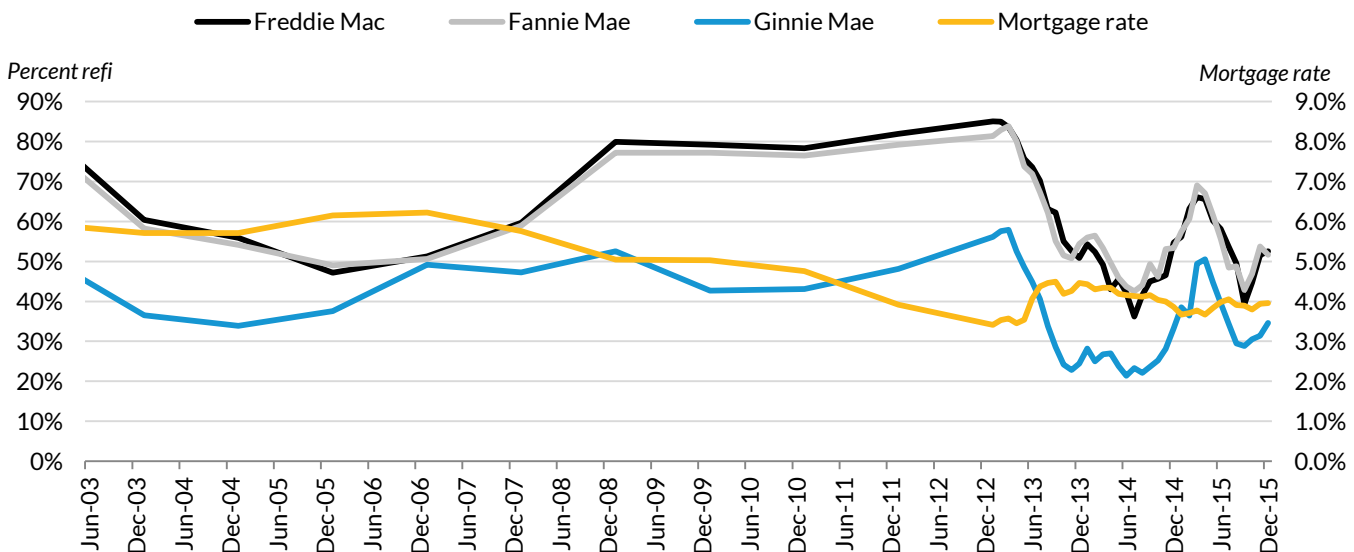
Agency issuance totaled \$1,282 billion in 2015, up from \$947 billion a year ago. In December 2015, refinances remained high at 53 and 52 percent of Freddie Mac's and Fannie Mae's business, respectively, reflecting recent small declines in mortgage rates. The GNMA response to interest rate changes in 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 2015. The Ginnie Mae refinance volume stood at 35 percent in December 2015, down since April, but still high relative to the past two years.

Agency Gross Issuance



Sources: eMBS and Urban Institute.

Percent Refi at Issuance



Sources: eMBS and Urban Institute.

Note: Based on at-issuance balance.

STATE OF THE MARKET

MORTGAGE ORIGINATION PROJECTIONS

For 2016, both the GSEs and MBA have predicted a decrease in mortgage originations, primarily due to higher projected interest rates. This decrease is most significant for Fannie Mae, which predicts a decline of \$277 billion. This trend is mirrored by Freddie Mac and MBA, which predict declines of \$170 and \$146 billion, respectively. Similarly, all three institutions report moderate declines in the proportion of refinancing activity from approximately 45 to 33 percent. The GSEs and MBA also expect a higher number of housing starts and home sales.

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
2016 Q1	300	320	293	43	48	40
2016 Q2	377	460	360	30	35	31
2016 Q3	372	420	355	28	30	27
2016 Q4	347	380	312	30	28	29
2017 Q1	288	380	280	35	27	32
2017Q2	377	400	361	26	25	24
2017Q3	378	350	354	26	23	22
2017 Q4	354	330	315	28	22	25
FY 2013	1866	1925	1845	60	59	60
FY 2014	1301	1350	1261	40	42	40
FY 2015	1673	1750	1466	46	48	44
FY 2016	1396	1580	1320	32	35	31
FY 2017	1397	1460	1309	28	24	25

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 2016, their respective projections are 4.1%, 4.4%, and 4.5%. For 2017, their respective projections are 4.2%, 5.1%, and 5.2%.

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 2013	925	920	930	5519	5520	5505	5073	432
FY 2014	1003	1000	1001	5377	5380	5360	4920	440
FY 2015	1105	1130	1103	5698	5770	5785	5278	507
FY 2016	1232	1310	1235	5909	5920	6137	5544	593
FY 2017	1355	1510	1359	6157	6160	6451	5786	665

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

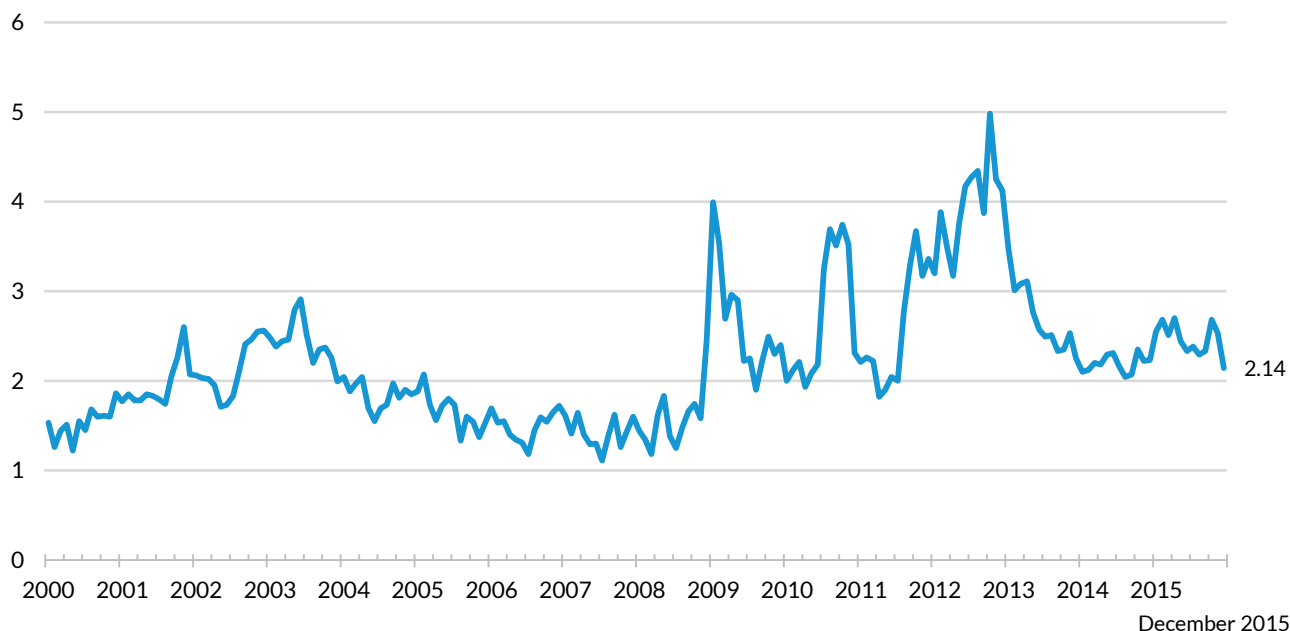
ORIGINATOR PROFITABILITY

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 is 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 was in the narrow range of 2.04 to 2.70 since 2014, and stood at 2.14 in December 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.

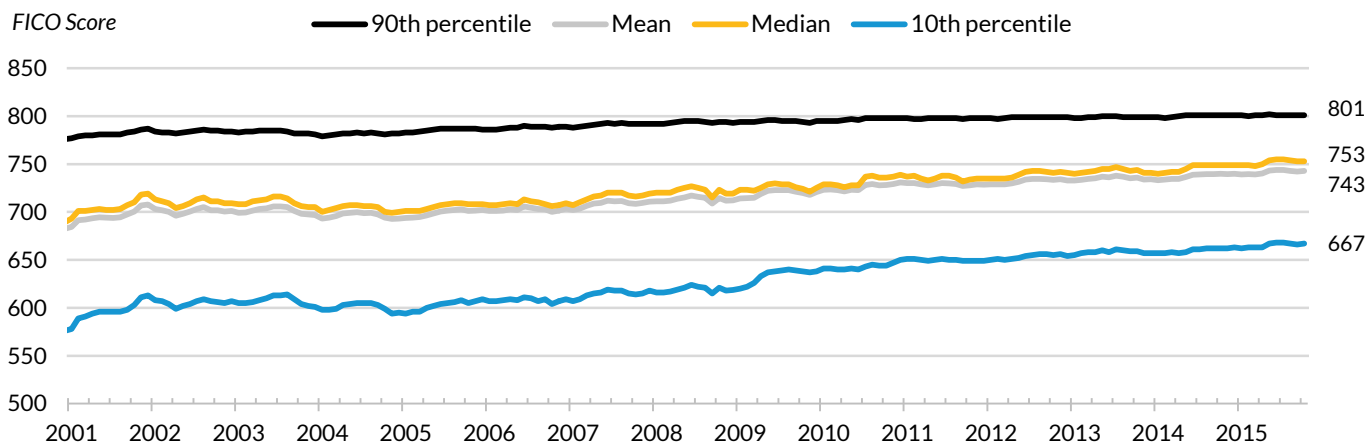
Note: OPUC stands for "originator profits and unmeasured costs" as discussed in [Fuster et al. \(2013\)](#). The OPUC series is a monthly (4-week moving) average.

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 approximately 42 and 45 points over the last decade. The 10th percentile of FICO scores, which represents the lower bound of creditworthiness necessary to qualify for a mortgage, stood at 667 as of October 2015. Prior to the housing crisis, this threshold held steady in the low 600s. LTV levels at origination remain relatively high at an average of 85, which reflects the large number of FHA purchase originations.

Borrower FICO Score at Origination

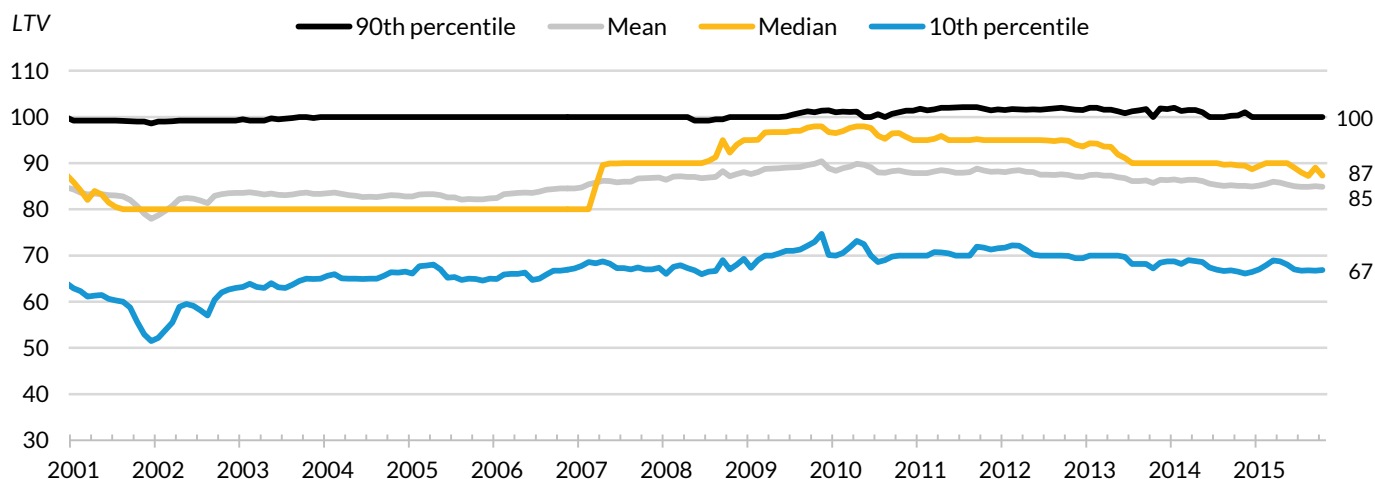


Sources: CoreLogic Servicing and Urban Institute.

October 2015

Note: Purchase-only loans.

Combined LTV at Origination



Sources: CoreLogic Servicing and Urban Institute.

October 2015

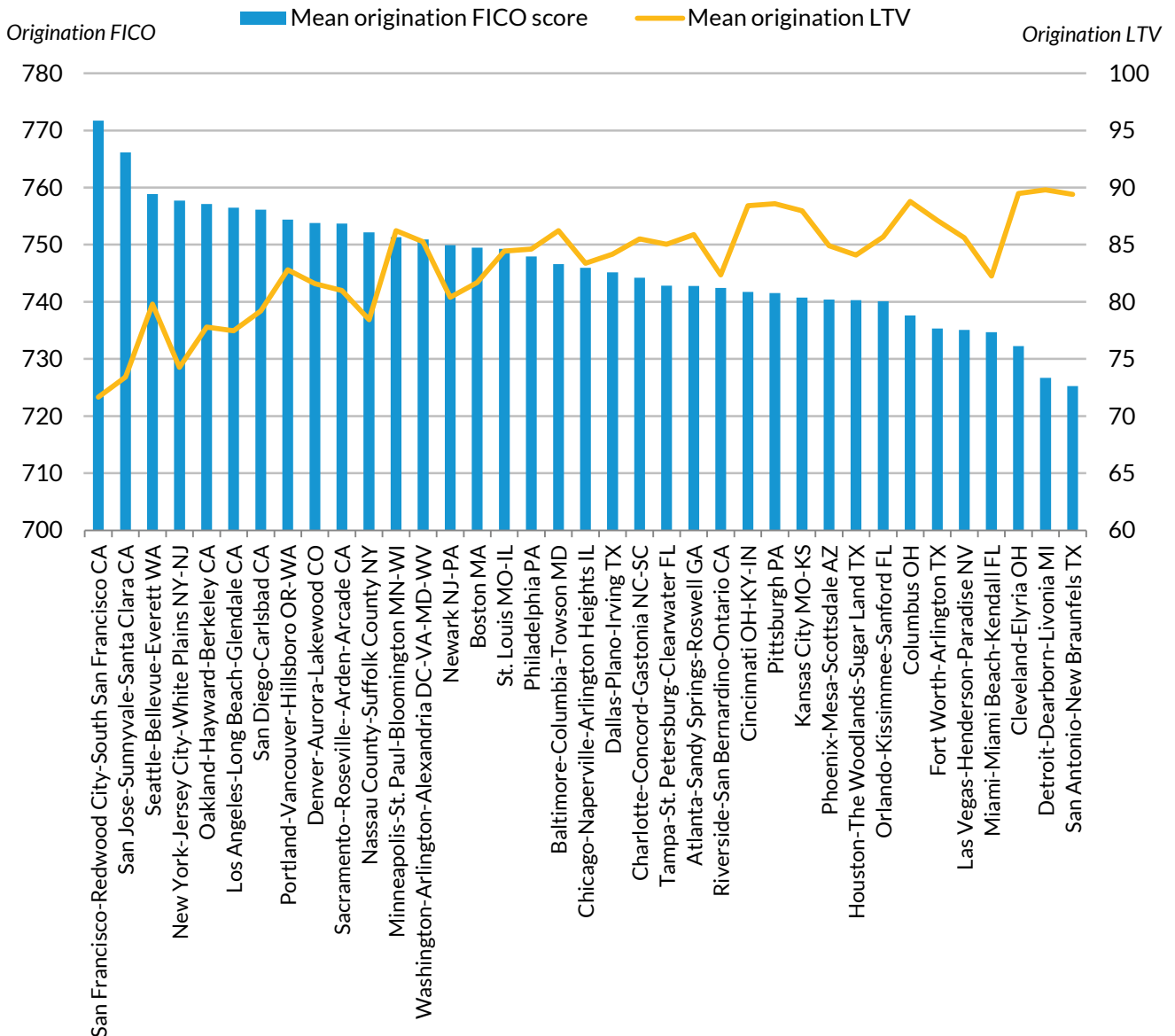
Note: Purchase-only loans.

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 772, while in San Antonio-New Braunfels, TX it is 725. 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 October 2015 and Urban Institute.

Note: Purchase-only loans.

STATE OF THE MARKET

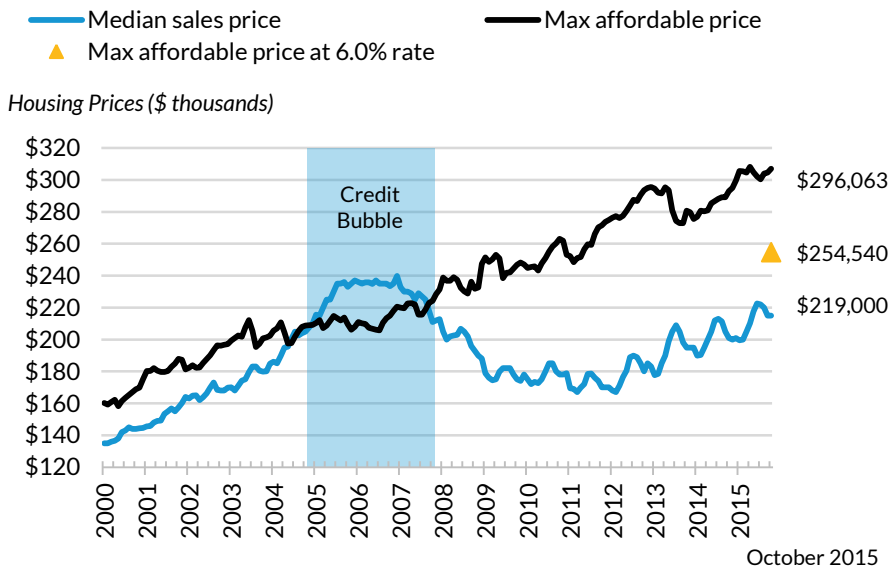
HOUSING AFFORDABILITY

National Housing Affordability Over Time

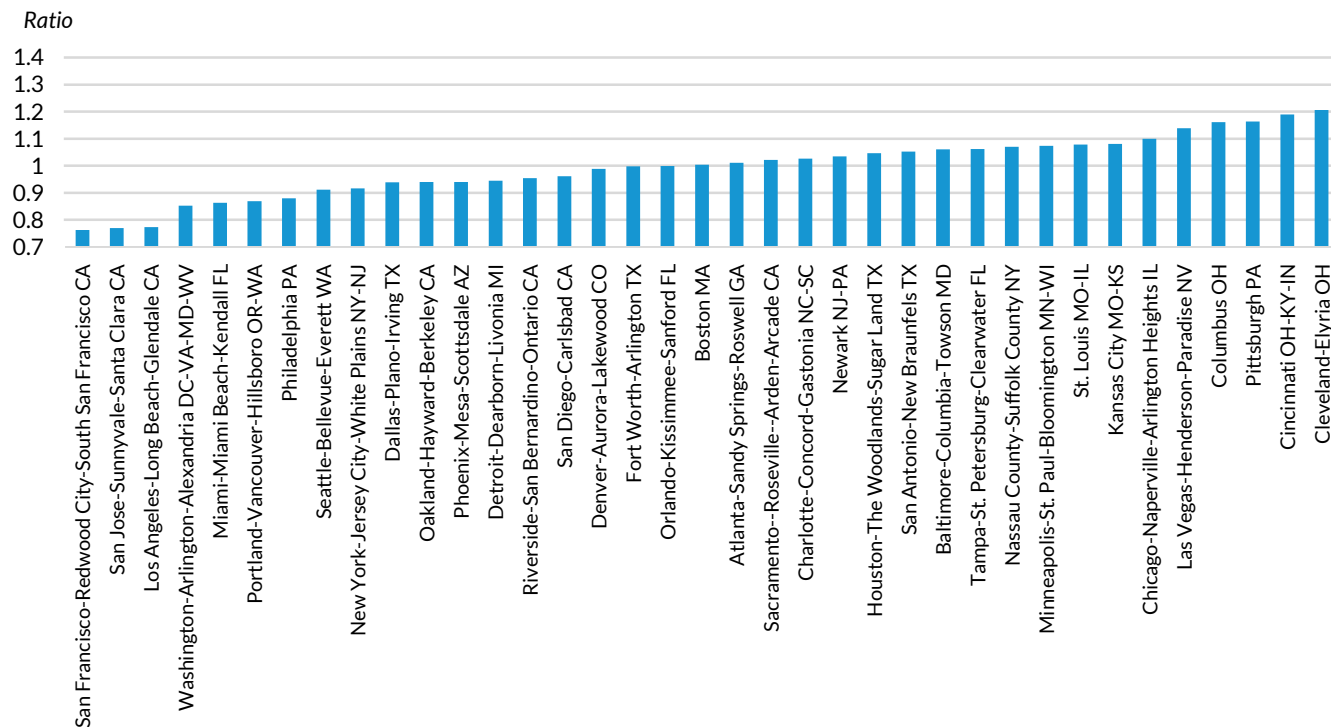
Home prices are still very affordable by historical standards, despite increases over the last three years. Even if interest rates rose to 6 percent, affordability would still be comparable to the long term historical average. The bottom chart shows that some areas are much more affordable than others.

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

Note: The maximum affordable price is the house price that a family can afford putting 20 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.



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 October 2015 than in 2000-03.

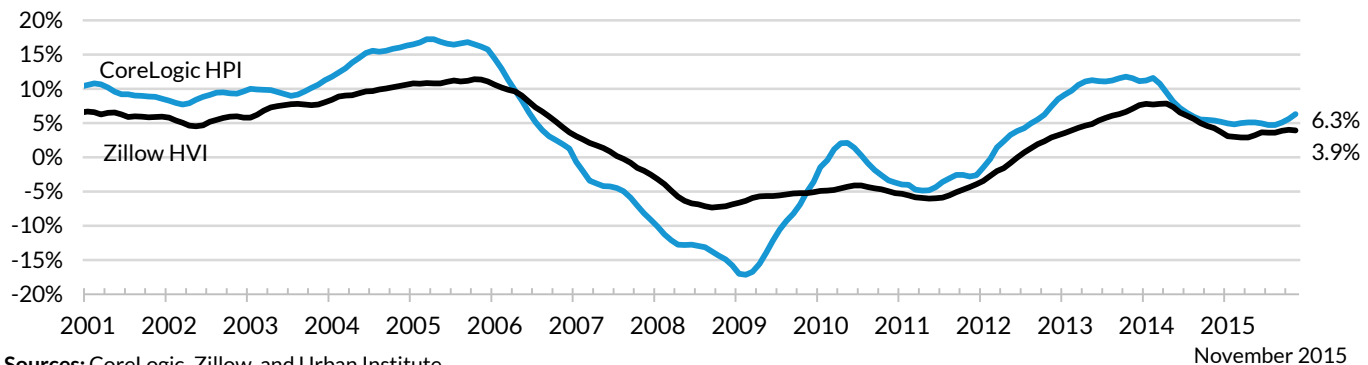
STATE OF THE MARKET

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.

November 2015

Changes in CoreLogic HPI for Top MSAs

Despite rising 36 percent from the trough, national house prices must still grow 8 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 33 and 36 percent, respectively, to return to peak levels.

MSA	HPI changes (%)			% Rise needed to achieve peak
	2000 to peak	Peak to trough	Trough to current	
United States	98.5	-32.0	36.3	7.9
New York-Jersey City-White Plains NY-NJ	113.8	-19.8	21.9	2.3
Los Angeles-Long Beach-Glendale CA	180.7	-38.8	53.4	6.4
Chicago-Naperville-Arlington Heights IL	64.8	-36.1	24.6	25.7
Atlanta-Sandy Springs-Roswell GA	40.7	-33.1	46.6	2.0
Washington-Arlington-Alexandria DC-VA-MD-WV	159.0	-33.1	31.2	13.8
Houston-The Woodlands-Sugar Land TX	44.8	-12.6	38.5	-17.4
Phoenix-Mesa-Scottsdale AZ	126.4	-52.5	58.5	33.0
Riverside-San Bernardino-Ontario CA	194.3	-53.2	57.0	36.0
Dallas-Plano-Irving TX	38.4	-13.4	38.3	-16.5
Minneapolis-St. Paul-Bloomington MN-WI	73.7	-30.3	29.9	10.4
Seattle-Bellevue-Everett WA	93.7	-31.4	48.9	-2.1
Denver-Aurora-Lakewood CO	36.5	-14.2	50.2	-22.4
Baltimore-Columbia-Towson MD	128.6	-25.7	7.8	24.9
San Diego-Carlsbad CA	148.1	-37.9	45.1	11.0
Anaheim-Santa Ana-Irvine CA	161.8	-36.7	44.4	9.5

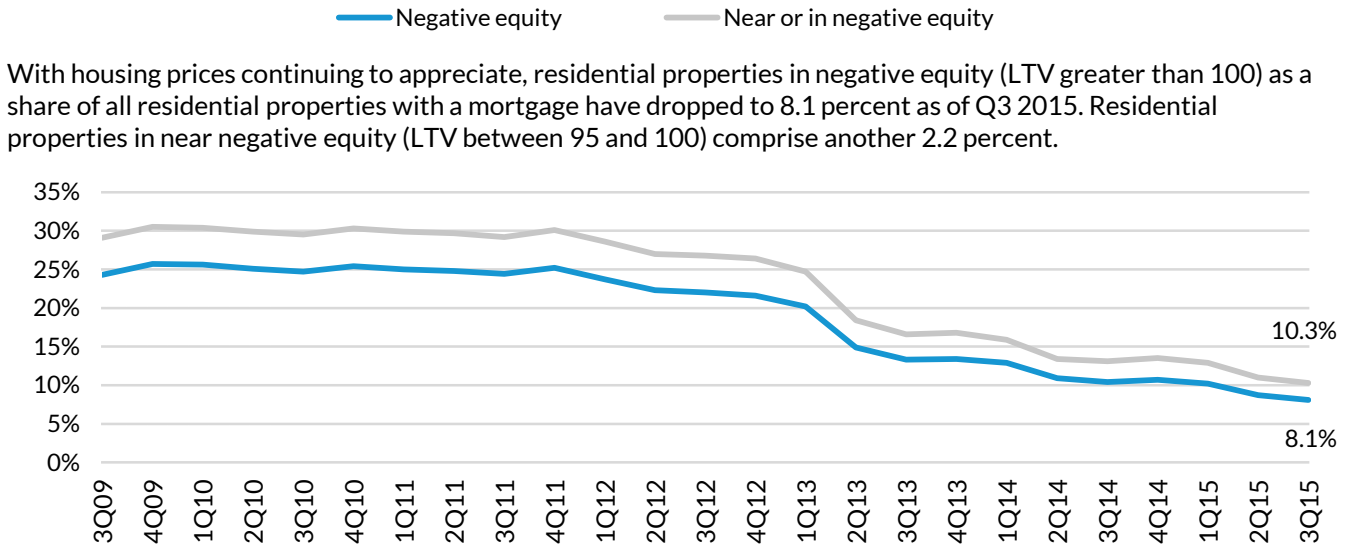
Sources: CoreLogic HPIs as of November 2015 and Urban Institute.

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

STATE OF THE MARKET

NEGATIVE EQUITY & SERIOUS DELINQUENCY

Negative Equity Share

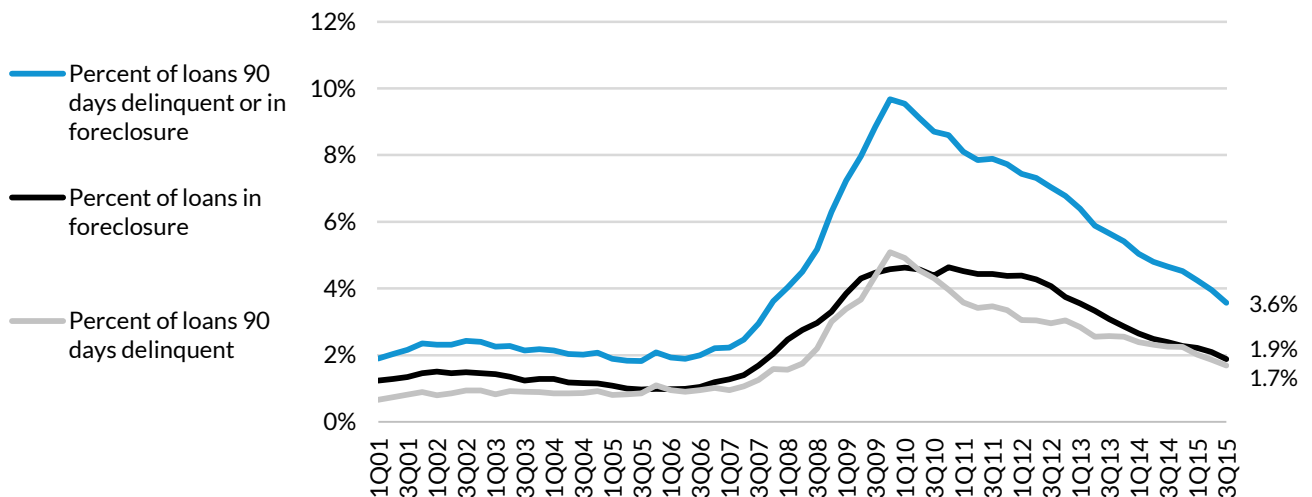


Sources: CoreLogic and Urban Institute.

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 3.6 % in the third quarter of 2015, down from 4.7% for the same quarter a year earlier.



Sources: Mortgage Bankers Association and Urban Institute.

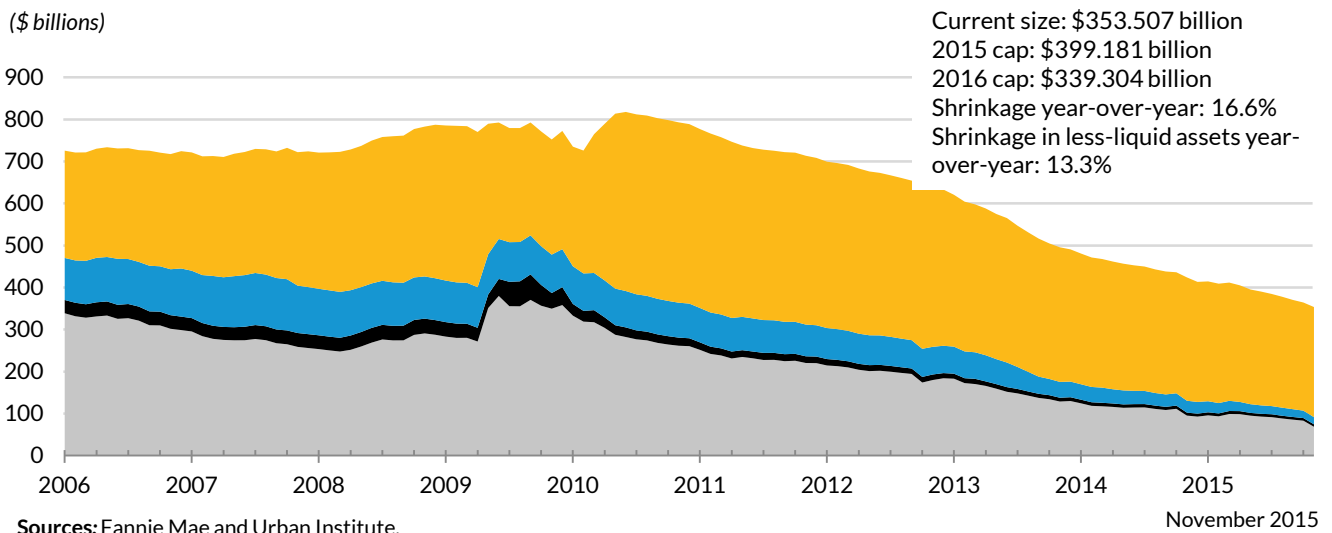
GSES UNDER CONSERVATORSHIP

GSE PORTFOLIO WIND-DOWN

In November of 2015, the Fannie portfolio totaled \$353.507 billion, while the Freddie portfolio totaled \$344.973 billion. Both GSEs are well below the 2015 portfolio cap of \$399.181 billion and just above the 2016 cap of \$339.304 billion. Both GSEs continue to reduce their portfolio size; relative to November 2014, Fannie contracted by 16.6 percent, and Freddie Mac by 14.2 percent. They are shrinking their less liquid assets (mortgage loans and non-agency MBS) at a similar pace—or even more rapidly—than they are shrinking their entire portfolios.

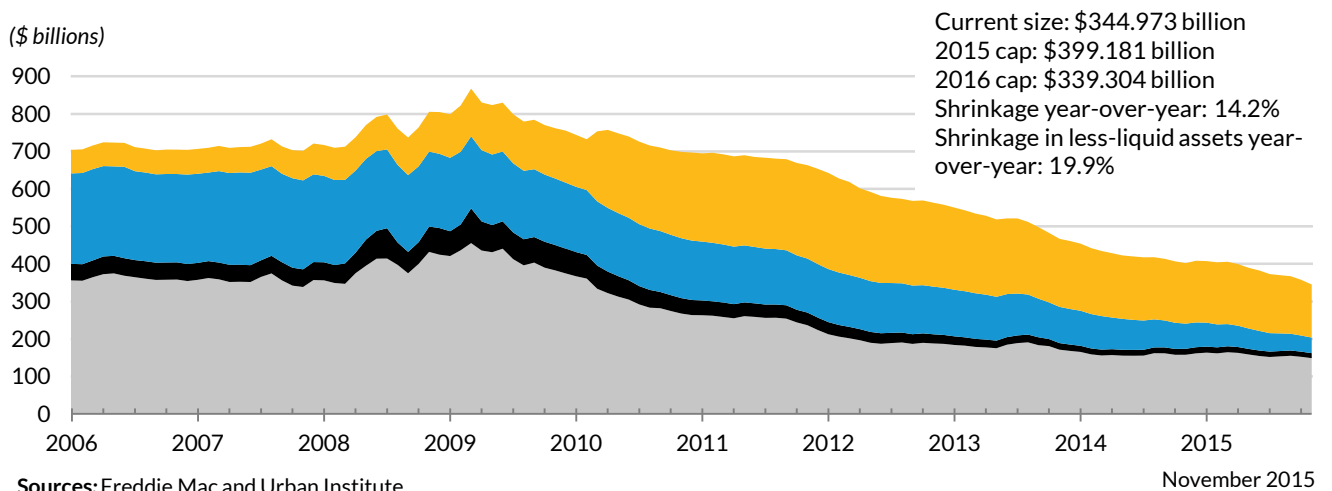
Fannie Mae Mortgage-Related Investment Portfolio Composition

■ 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

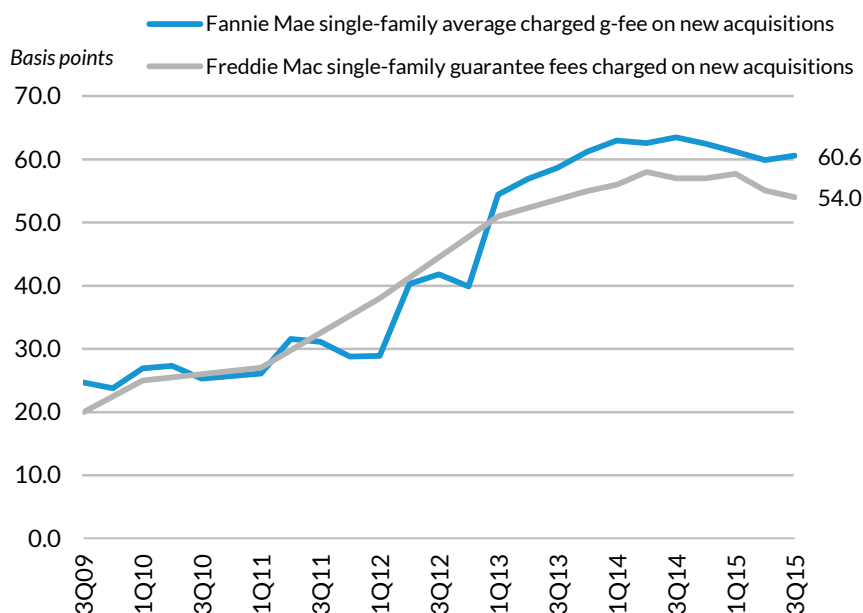


GSES UNDER CONSERVATORSHIP

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 rose slightly to 60.6 bps in Q3 2015, up from 59.9 bps in the previous quarter. During the same time period, Freddie's fee fell to 54.0 bps from 55.1 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 Mac 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 and Freddie have participated in back-end credit risk transfer deals with capital market participants since 2013. In addition to the CAS and STACR transactions detailed here, the GSEs are laying off back-end credit risk on re-insurers, and have done some front end risk sharing arrangements with originators. In 2015, the FHFA scorecard called for Fannie Mae and Freddie Mac to lay off at least \$150 billion and \$120 billion, respectively, in at least two types of transactions. Both GSEs have more than met their goals, with Fannie laying off \$187 billion and Freddie laying off \$210 billion. The 2016 scorecard expressed the goal as 90 percent of newly acquired loans in categories targeted for transfer.

Fannie Mae – Connecticut Avenue Securities (CAS)

<i>Date</i>	<i>Transaction</i>	<i>Reference Pool Size (\$ millions)</i>
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
October 2015	CAS 2015 – C04	\$43,598.60
Fannie Mae Total Reference Collateral		\$484,714.70
Percent of Fannie Mae's Total Book of Business		17.34%

Freddie Mac – Structured Agency Credit Risk (STACR)

<i>Date</i>	<i>Transaction</i>	<i>Reference Pool Size (\$ millions)</i>
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	\$19,376.90
November 2015	STACR Series 2015 – DNA3	\$34,706.30
December 2015	STACR Series 2015 – HQA2	\$17,100.0
January 2016	STACR Series 2015 – DNA1	\$35,700.0
Freddie Mac Total Reference Collateral		\$450,253.3
Percent of Freddie Mac's Total Book of Business		26.49%

Sources: Fannie Mae, Freddie Mac and Urban Institute.

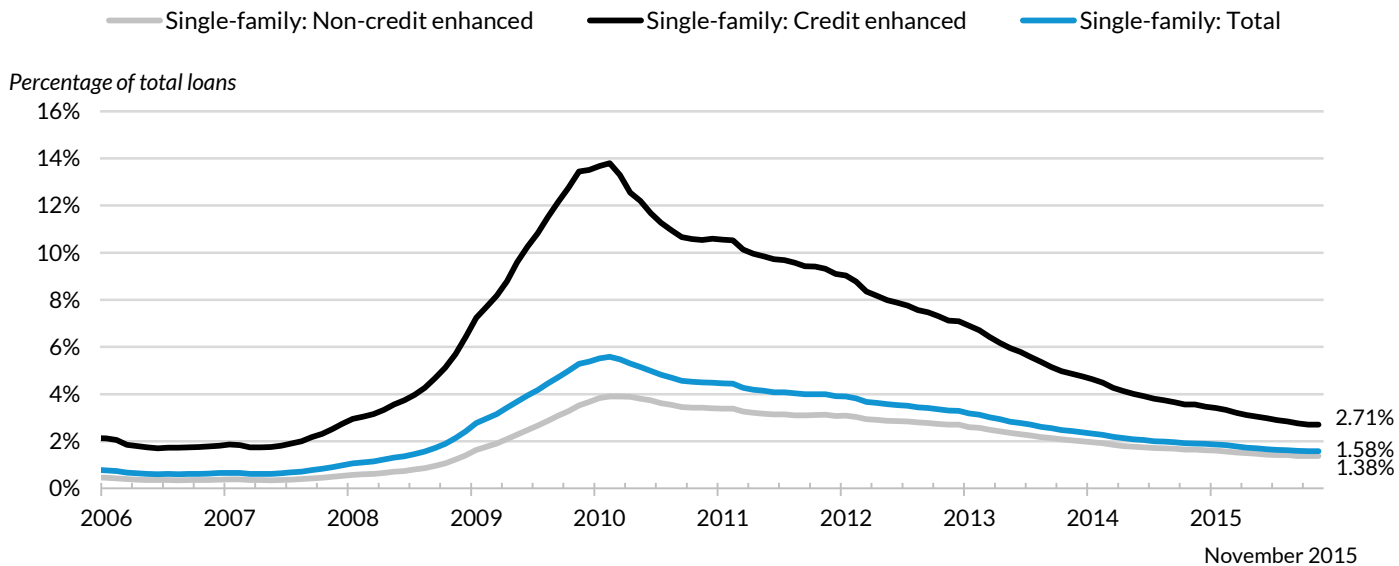
Note: Classes A-H, M-1H, M-2H, and B-H are reference tranches only. These classes are not issued or sold. The risk is retained by Fannie Mae and Freddie Mac. "CE" = credit enhancement.

GSES UNDER CONSERVATORSHIP

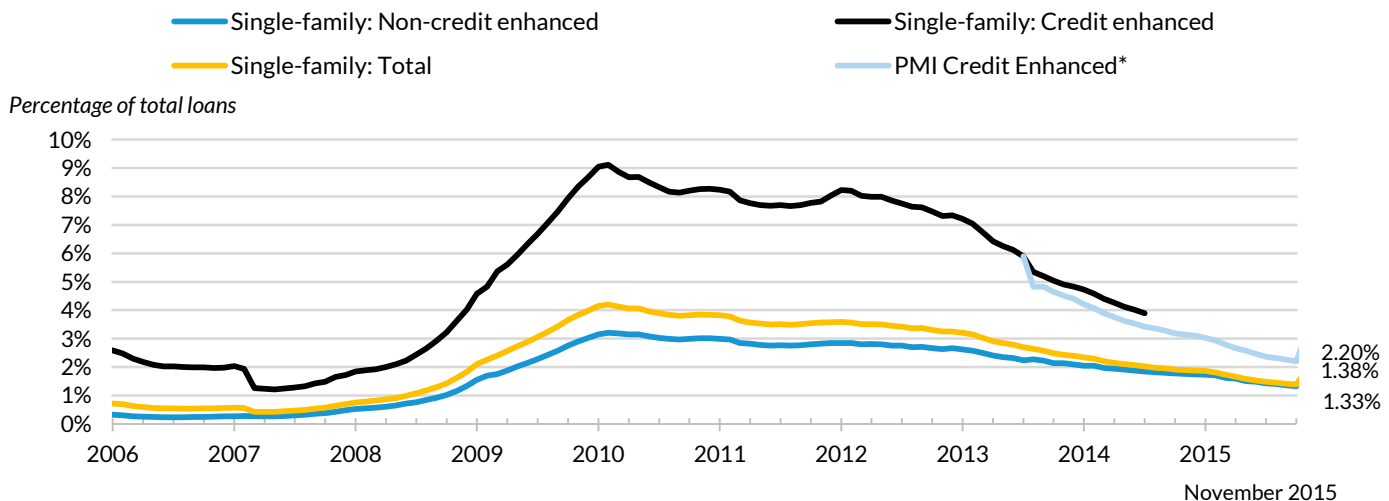
SERIOUS DELINQUENCY RATES

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 November 2015, 1.58 percent of the Fannie portfolio and 1.38 percent of the Freddie portfolio were seriously delinquent, down from 1.91 percent for Fannie and 1.91 percent for Freddie in November 2014.

Serious Delinquency Rates–Fannie Mae



Serious Delinquency Rates–Freddie Mac

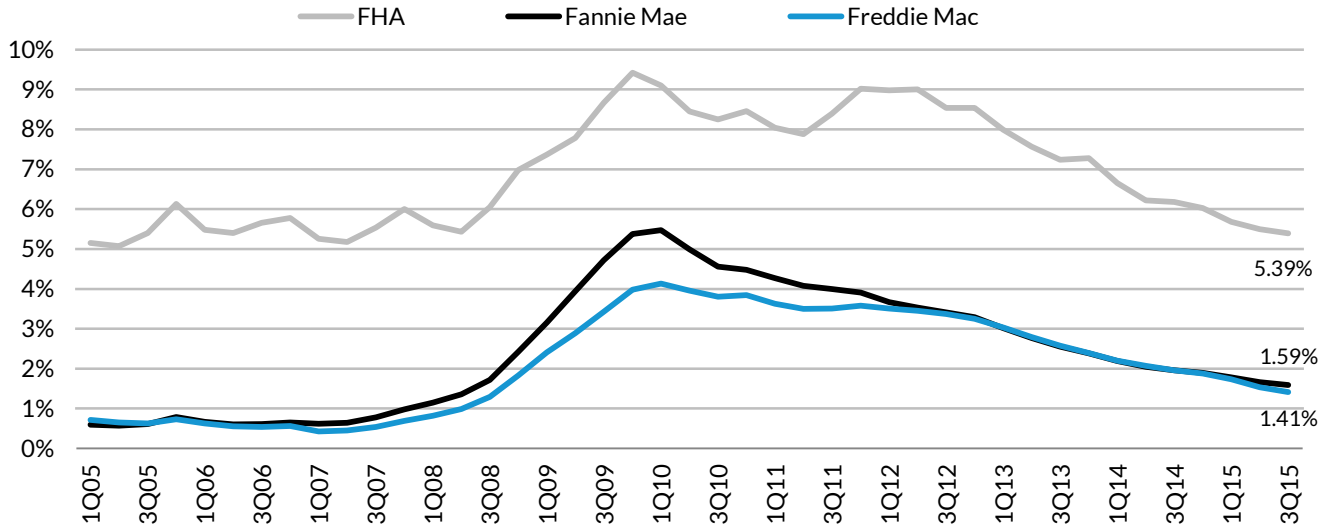


GSES UNDER CONSERVATORSHIP

SERIOUS DELINQUENCY RATES

Serious delinquencies for FHA and GSE single-family loans continue to decline. GSE delinquencies remain at higher levels than in 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.

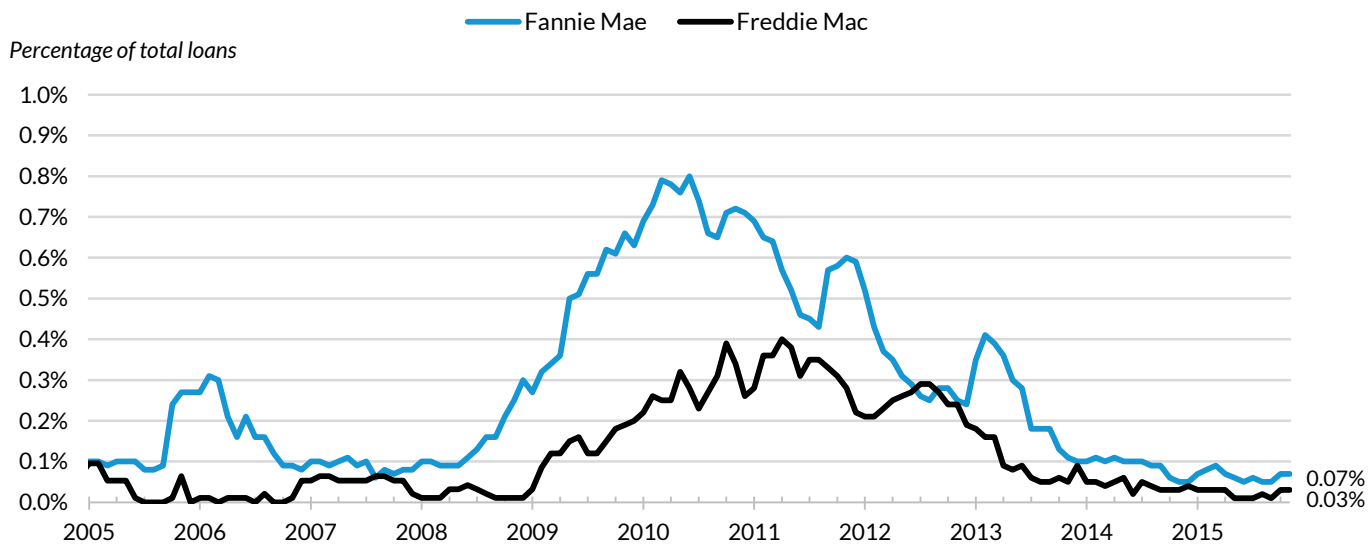
Serious Delinquency Rates–Single-Family Loans



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.

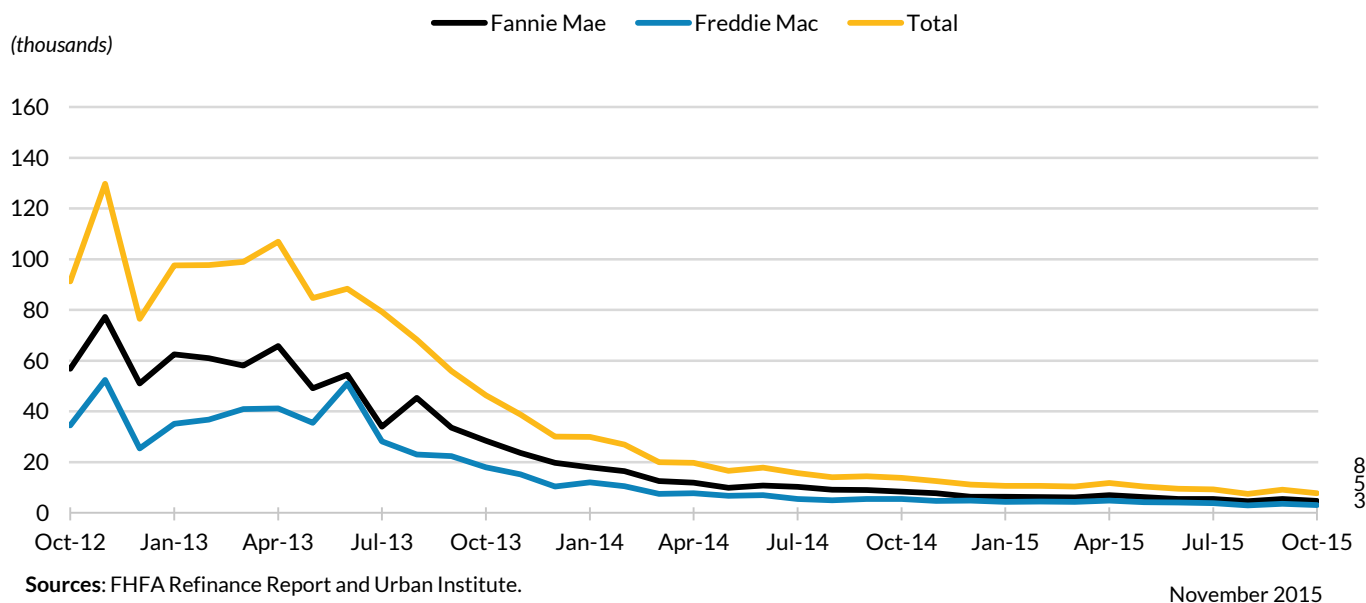
November 2015

GSES UNDER CONSERVATORSHIP

REFINANCE ACTIVITY

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 3.4 million, accounting for 15 percent of all GSE refinances during this period.

Total HARP Refinance Volume



HARP Refinances

	October 2015	Year-to-date 2015	Inception to date	2014	2013	2012
Total refinances	145,022	1,801,658	22,210,696	1,536,788	4,081,911	4,750,530
Total HARP refinances	7,755	96,788	3,367,226	212,488	892,914	1,074,769
Share 80–105 LTV	75.3%	76.3%	70.1%	72.5%	56.4%	56.4%
Share 105–125 LTV	16.3%	15.6%	17.2%	17.2%	22.4%	22.4%
Share >125 LTV	8.5%	8.1%	12.7%	10.3%	21.2%	21%
All other streamlined refinances	15,276	190,888	3,712,123	268,026	735,210	729,235

Sources: FHFA Refinance Report and Urban Institute.

GSE LOANS: POTENTIAL REFINANCES

To qualify for HARP, a loan must be originated before the June 2009 cutoff date, have a marked-to-market loan-to-value (MTM LTV) ratio above 80, have no more than one delinquent payment in the past year, and have no delinquent payments in the past six months. There are currently 425,229 eligible loans, but 48 percent are out-of-the-money because the closing cost would exceed the long-term savings. This leaves 221,364 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 5,552,413 loans in this category, 4,448,265 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	27,105,558
Loans that do not meet pay history requirement	1,300,941
Loans that meet pay history requirement:	25,804,617
Pre-June 2009 origination	5,977,642
Post-June 2009 origination	19,826,975

Loans Meeting HARP Pay History Requirements

Pre-June 2009

LTV category	In-the-money	Out-of-the-money	Total
≤80	4,448,265	1,104,149	5,552,413
>80	221,364	203,865	425,229
Total	4,669,629	1,308,013	5,977,642

Post-June 2009

LTV category	In-the-money	Out-of-the-money	Total
≤80	3,137,018	14,022,806	17,159,825
>80	590,121	2,077,030	2,667,150
Total	3,727,139	16,099,836	19,826,975

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

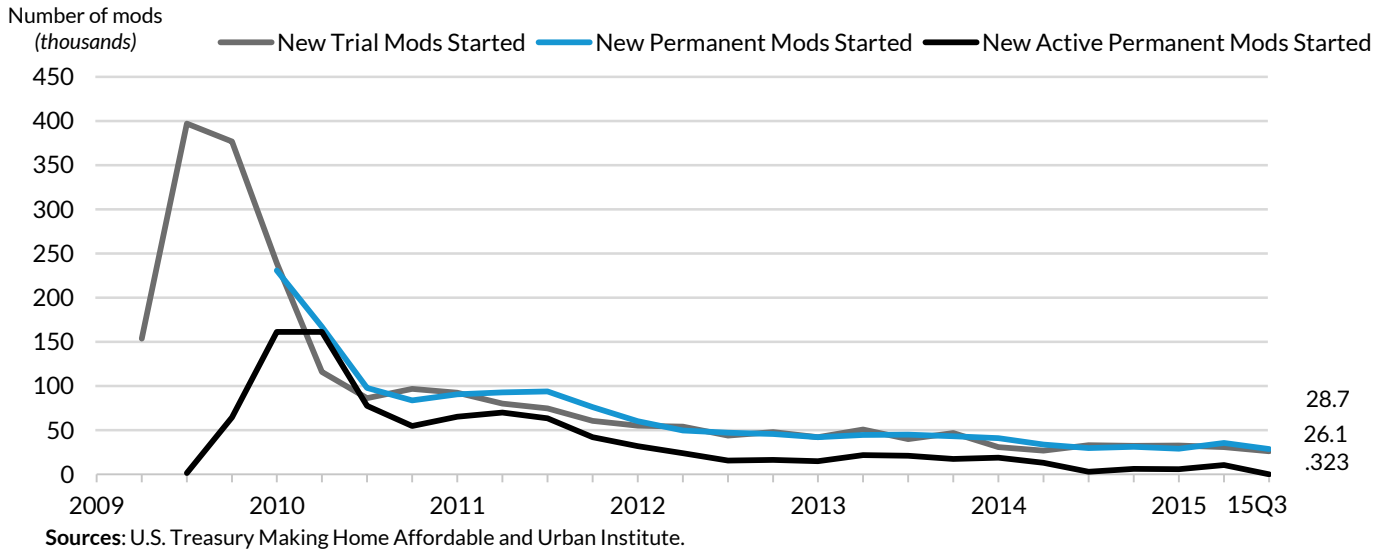
Note: Figures are scaled up from source data to account for data coverage of the GSE active loan market (based on MBS data from eMBS). Shaded box indicates HARP-eligible loans that are in-the-money.

MODIFICATION ACTIVITY

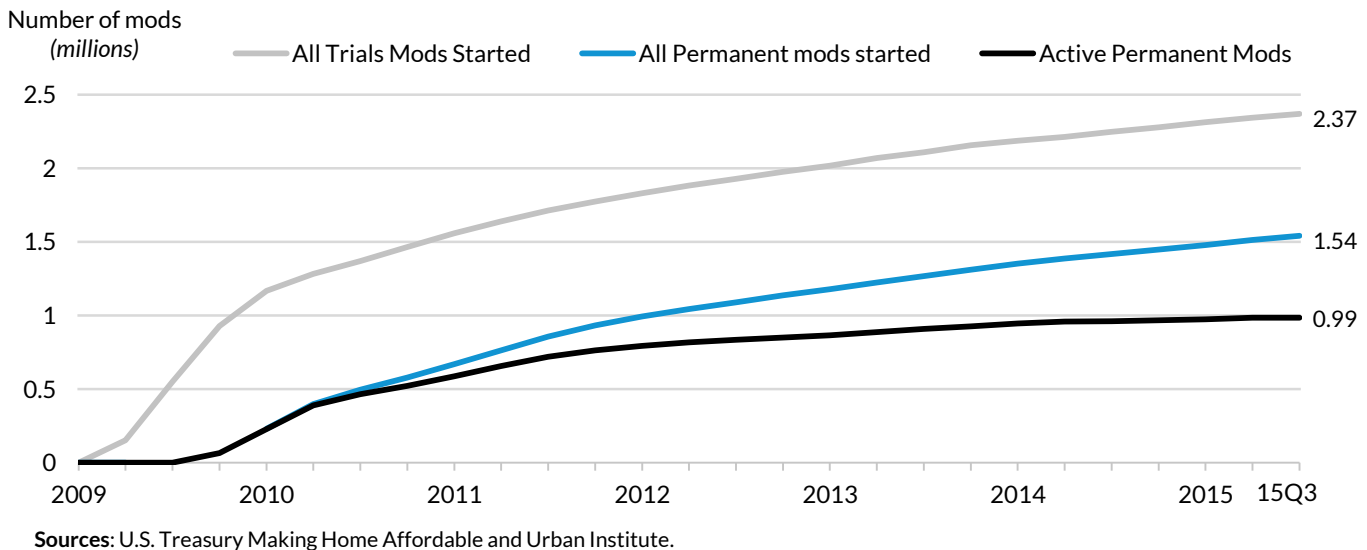
HAMP ACTIVITY

In the third quarter of 2015, both new HAMP trial mods and new permanent mods exhibited their lowest quarterly total ever at 26,107 and 28,748, respectively. Cumulative permanent HAMP mods started now total 1.54 million. New active permanent mods experienced even sharper decline to 323, down from 3,200 in Q3 2014. As a result, active permanent mods have remained constant at 0.99 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 8.1 percent in Q3 2015, after its sharp increase from 6.6 percent in Q4 2014 to 14.7 percent in Q1 2015. There are two reasons for this decline. First, a lower share (1.4 percent) of government loans are now getting principal reductions, down from 5.8 percent in the first quarter of 2015. Second, the share of portfolio loans receiving principal reductions has decreased significantly, from 50.3 percent in Q1 2015 to 29.2 percent in Q3 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
	14Q2	14Q3	14Q4	15Q1	15Q2	15Q3		
Capitalization	58.7	71	84	88.8	89.9	88.2	-1.9	24.3
Rate reduction	71.9	66.4	65	68.1	68.8	69.2	0.6	4.2
Rate freeze	7.2	7.6	8.4	7.5	7.6	10.3	35.6	35.9
Term extension	84.5	82.4	84.3	85.3	82.0	85.8	4.6	4.2
Principal reduction	5	6.9	6.6	14.7	10	8.1	-19	17.3
Principal deferral	11.5	16	10.5	9.9	9.8	10.4	6.8	-34.8
Not reported*	0.7	0.5	0.4	0.4	0.4	0.4	-1.7	-28.3

Sources: OCC Mortgage Metrics Report for the Third 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	98.6%	98.7%	76.8%	92.9%	96.1%	88.2%
Rate reduction	41.5%	14.7%	86.4%	73.1%	72.5%	69.2%
Rate freeze	19.9%	14.6%	3.4%	19.1%	9.3%	10.3%
Term extension	96.4%	97.1%	97.9%	42.3%	62.9%	85.8%
Principal reduction	0.1%	0.1%	1.4%	25.1%	29.2%	8.1%
Principal deferral	15.9%	12.6%	0.3%	26.3%	19.1%	10.4%
Not reported*	0.01%	0.03%	0.2%	1.2%	0.8%	0.4%

Sources: OCC Mortgage Metrics Report for the Third 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).

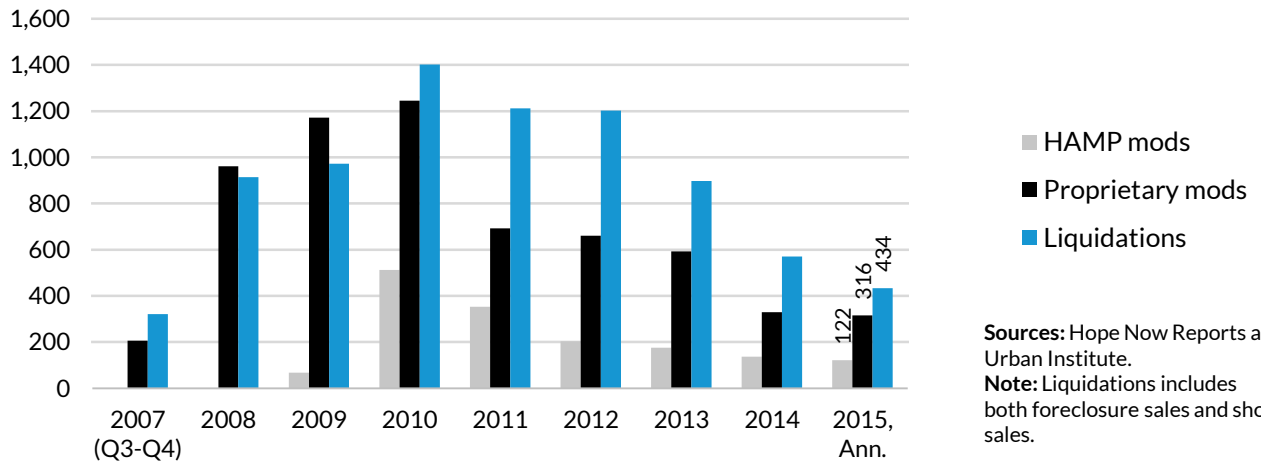
MODIFICATION ACTIVITY

MODIFICATIONS AND LIQUIDATIONS

Total modifications (HAMP and proprietary) are now roughly equal to total liquidations. Hope Now reports show 7,674,793 borrowers have received a modification since Q3 2007, compared with 7,854,739 liquidations in the same period. Modification activity slowed significantly in 2014 and remained level in 2015, averaging 35,753 monthly through October. Liquidations have continued to decline, averaging 36,129 per month over this period compared to 47,515 per month in 2014.

Loan Modifications and Liquidations

Number of loans (thousands)

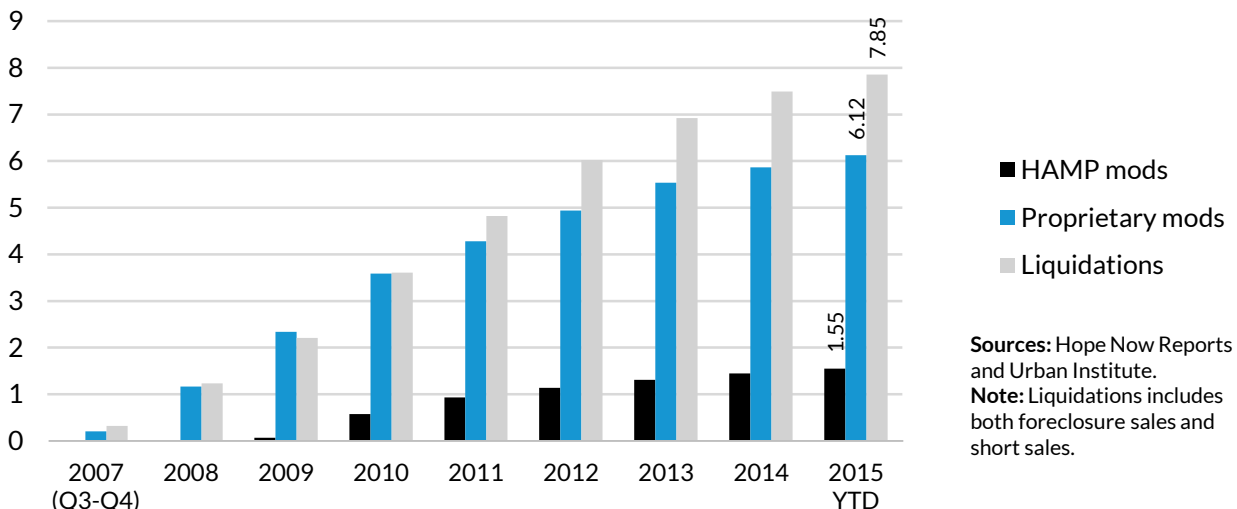


November 2015

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

Cumulative Modifications and Liquidations

Number of loans (millions)



November 2015

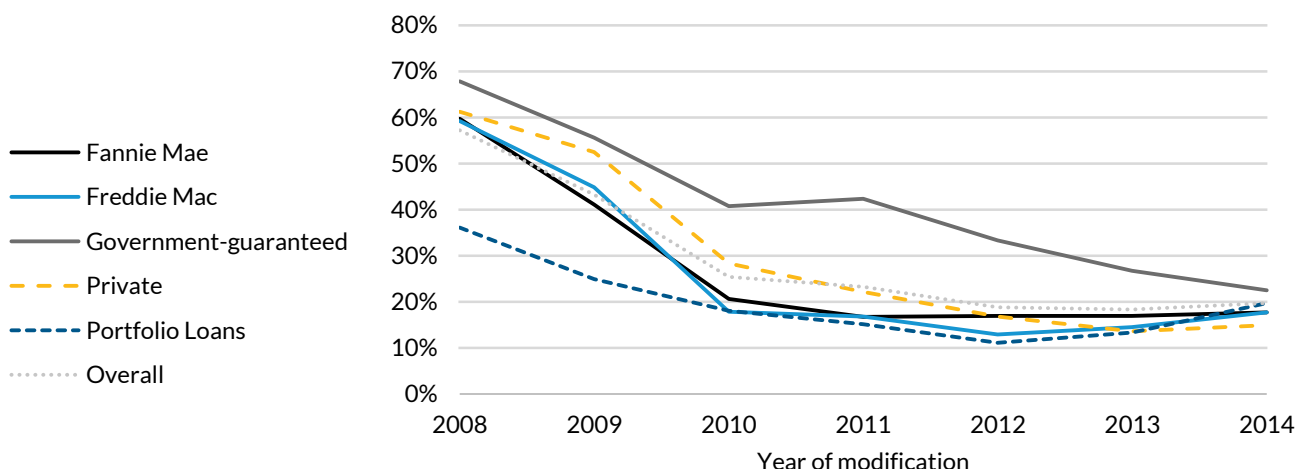
Sources: Hope Now Reports and Urban Institute.
Note: Liquidations includes both foreclosure sales and short sales.

MODIFICATION ACTIVITY

MODIFICATION REDEFAULT RATES BY BEARER OF THE RISK

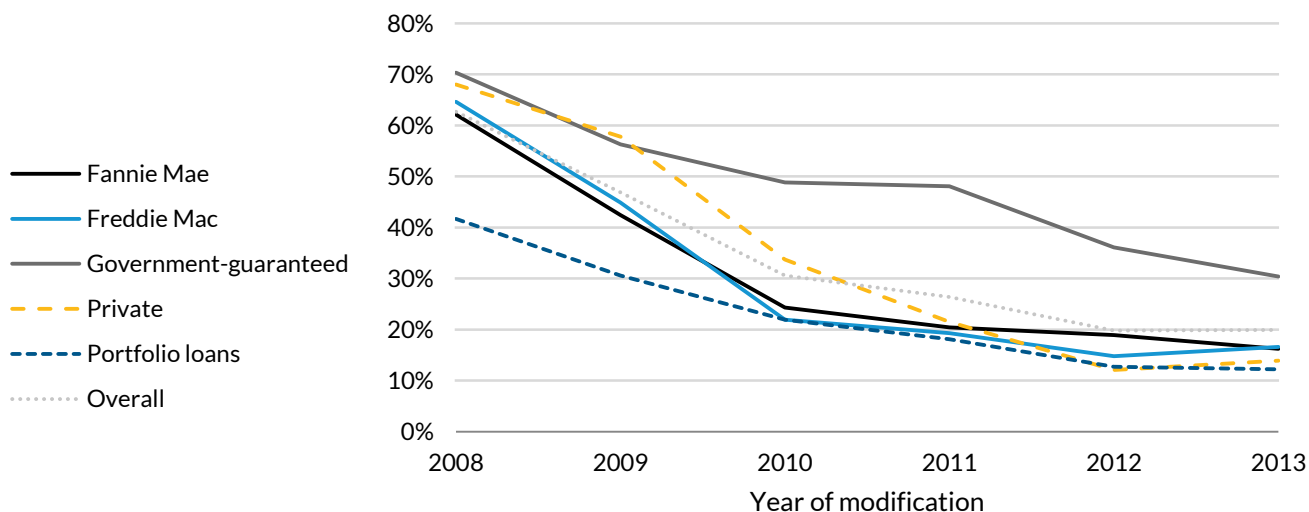
Redeault rates on modified loans have come down dramatically from 2008 to 2014. For the period as a whole, the steepest drops have been on private label modifications. More recently, there have been sharp declines in the redeault rates on government-guaranteed modifications, although this product type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

Redeault Rate 12 Months after Modification



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

Redeault Rate 24 Months after Modification



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

AGENCY ISSUANCE

AGENCY GROSS AND NET ISSUANCE

While refinancing activity fell off due to higher interest rates through the course of 2014, newly reduced rates and lowered FHA premiums have resulted in agency gross issuance of \$1,282 billion in 2015, a 35 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	\$845.74	\$436.29	\$1,282.03
%Change year-over-year	29.9%	47.3%	35.4%

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	\$75.0	\$94.5	\$169.5
%Change year-over-year	147.26%	57.98%	88.02%

Sources: eMBS and Urban Institute.

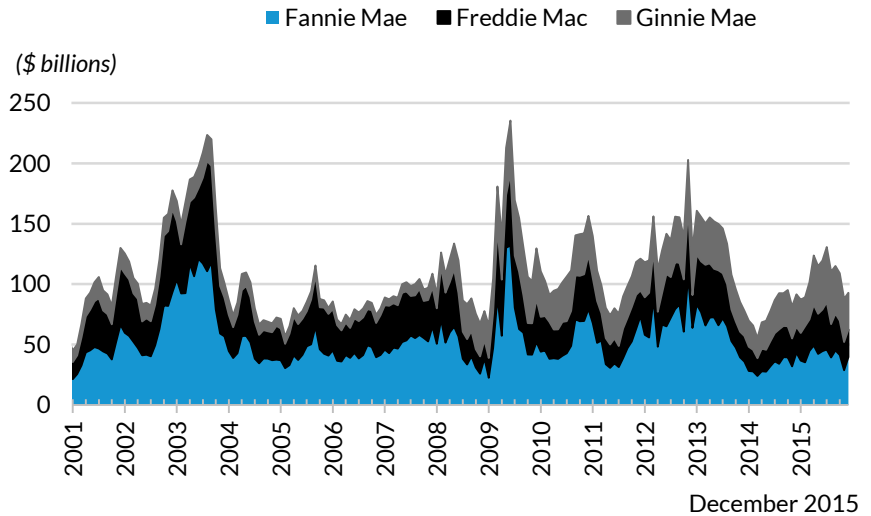
Note: Dollar amounts are in billions.

AGENCY ISSUANCE

AGENCY GROSS ISSUANCE & FED PURCHASES

Monthly Gross Issuance

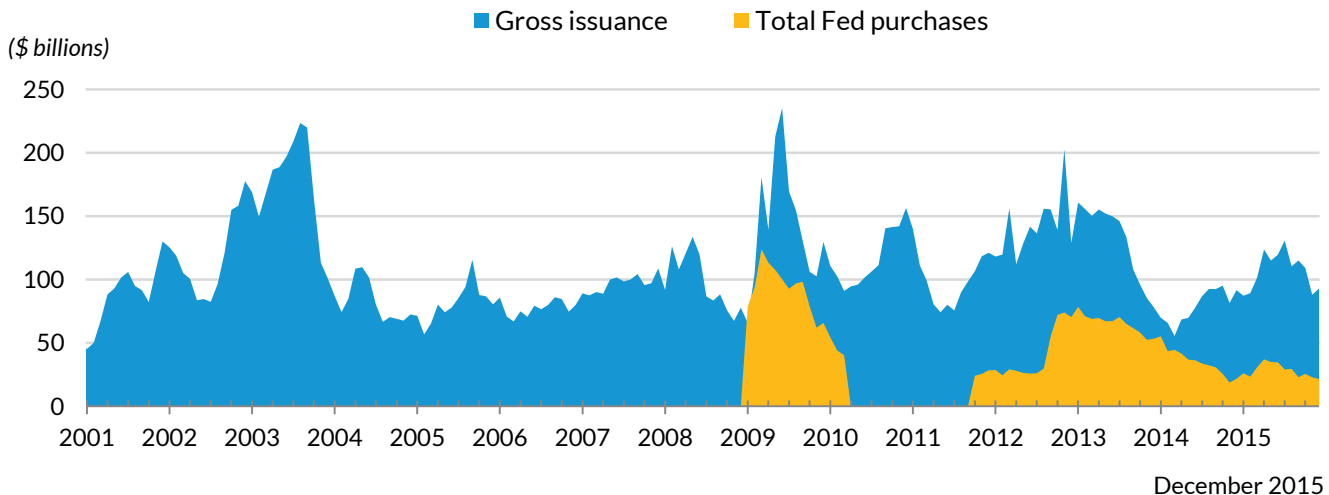
While government and GSE lending have dominated the mortgage market since the crisis, there has been a change in the mix. The Ginnie Mae share reached a peak of 28 percent of total agency issuance in 2010, declined to 25 percent in 2013, and has bounced back sharply since then. The Ginnie Mae issuance stood at 33 percent in December 2015, as the FHA refinance activity surged with the January 2015 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 December 2015, total Fed purchase dropped to \$21 billion, yielding Fed absorption of gross issuance of 23 percent, down from 26 percent last month.

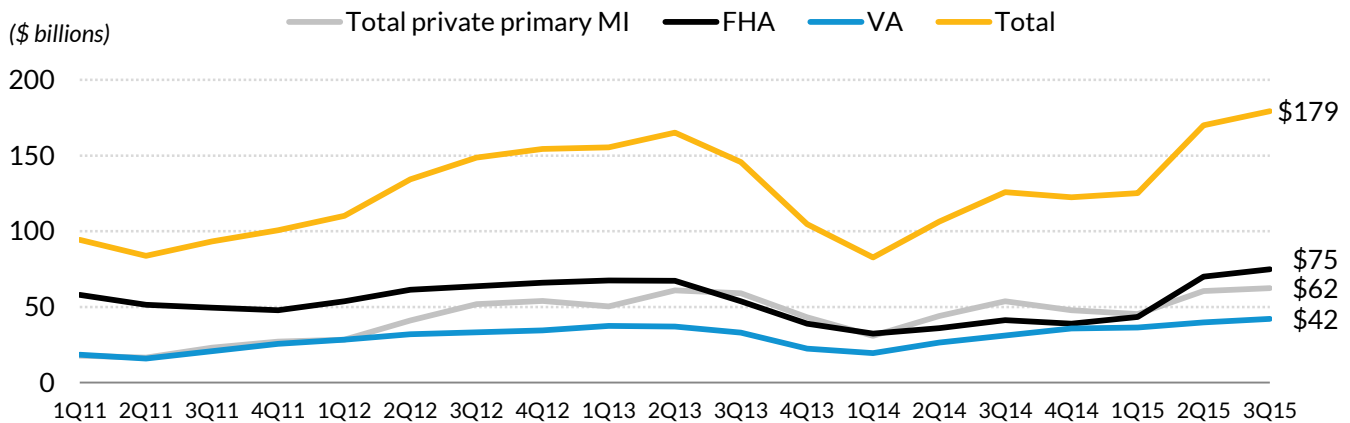


Sources: eMBS, Federal Reserve Bank of New York and Urban Institute.

AGENCY ISSUANCE MORTGAGE INSURANCE ACTIVITY

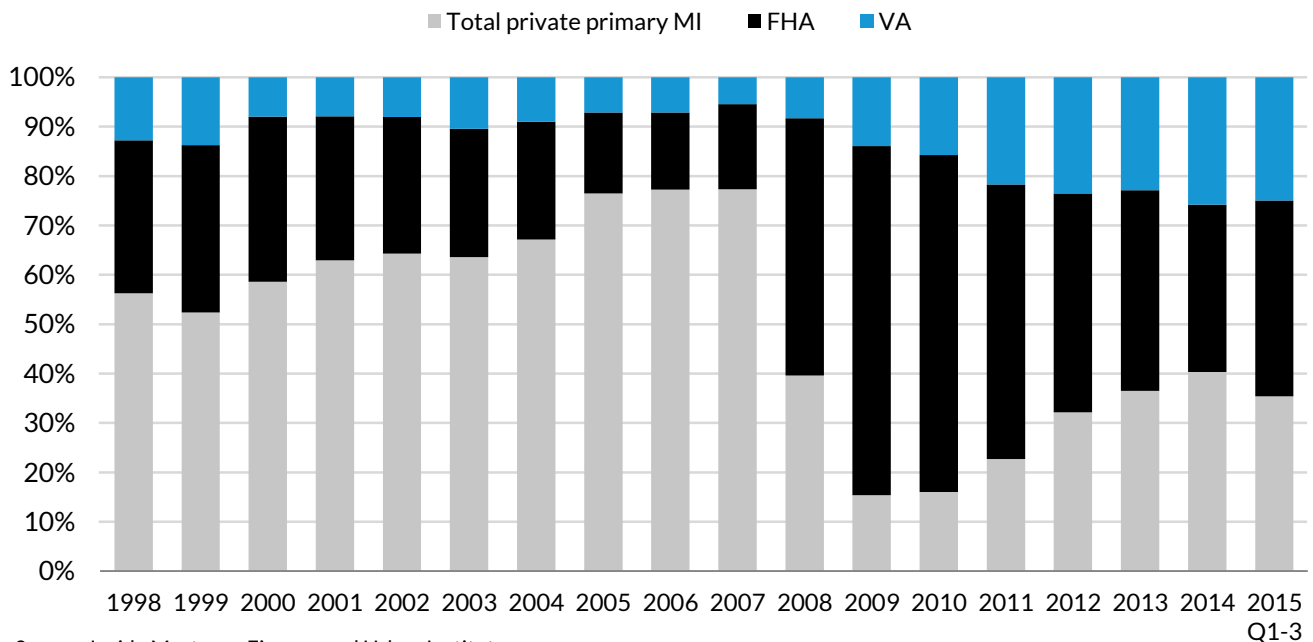
MI Activity

In 2015 Q3, mortgage insurance activity via the FHA, VA and private insurers continued to expand and now total \$179.4 billion. While all three MI channels experienced growth, FHA led the pack, bolstered by lower premiums. FHA's market share now stands at 40 percent year to date, compared to the private insurance market's 35 percent. 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 in January 2015, 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.

RELATED HFPC WORK

PUBLICATIONS AND EVENTS

Upcoming Events

January 21, 2015 Lunchtime Data Talk: Federal Reserve Surveys of the Economic Well-Being of US Households with Dave Buchholz, Federal Reserve Board; Jeff Larrimore, Federal Reserve Board; Jeff Thompson, Federal Reserve Board.

Please check our [events page](#) for more information.

Publications

[Detroit Housing Tracker: Q4 2015](#)

Author: Bing Bai, Laurie Goodman, Karan Kaul, Maia Woluchem, Alyssa Webb
Date: January 6, 2016

[Selling HUD's Nonperforming Loans: A Win-Win for Borrowers, Investors, and HUD](#)

Author: Laurie Goodman, Dan Magder
Date: January 6, 2016

[Delivering on the Promise of Risk Sharing](#)

Author: Laurie Goodman, Jim Parrott, Mark M. Zandi
Date: December 1, 2015

[We're not accurately assessing the Federal Housing Administration's solvency](#)

Author: Laurie Goodman
Date: November 30, 2015

[Americans' Debt Styles by Age and Over Time](#)

Author: Wei Li, Laurie Goodman
Date: November 13, 2015

[Declining Agency MBS Liquidity Is Not All about Financial Regulation](#)

Authors: Karan Kaul, Laurie Goodman
Date: November 2, 2015

[The Demographics of Demand](#)

Author: Laurie Goodman
Date: October 15, 2015

[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

Blog Posts

[New data show continued but uneven recovery in Detroit's housing market](#)

Author: Laurie Goodman, Bing Bai
Date: January 15, 2016

[Selling distressed loans to private investors helps borrowers and government](#)

Author: Laurie Goodman, Dan Magder
Date: January 6, 2016

[Making sure the FHFA's duty to serve regulations help underserved housing markets](#)

Author: Ellen Seidman, Barry Zigas
Date: December 31, 2015

[Why the housing market can't ignore US demographic changes](#)

Author: Sheryl Pardo
Date: December 22, 2015

[The link between land-use restriction and growing inequality](#)

Author: Leigh Franke
Date: November 23, 2015

[Six new insights about Americans' borrowing habits](#)

Author: Wei Li and Laurie Goodman
Date: November 16, 2015

[How FHA's new program could help keep rental housing affordable](#)


Author: Ellen Seidman
Date: October 22, 2015

[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



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