HOUSING FINANCE POLICY CENTER

HOUSING FINANCE AT A GLANCE

A MONTHLY CHARTBOOK

April 2016

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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

GAO Recommends Better Oversight of Nonbank Servicers

Last month, the U.S. Governmental Accountability Office (GAO) published a detailed report outlining the potential benefits, risks and challenges posed by nonbank servicers. The report noted the critical role of nonbanks in servicing delinquent mortgages more efficiently than banks but also highlighted increased risk posed by the recent growth of nonbank industry to consumers and other stakeholders, notably Fannie Mae, Freddie Mac and Ginnie Mae. In particular, the GAO expressed concern about liquidity challenges faced by nonbanks due to their higher funding costs, lack of consumer deposits and limited access to capital markets in general. The inherently high volatility of mortgage servicing rights and heavy balance sheet exposure of nonbanks to MSRs increases funding difficulties even further. The report recommended that Congress should grant FHFA the statutory authority to oversee nonbank servicers to get a better window into these risks.

We had previously outlined these risks in an issue brief published in February, concluding that current capital and liquidity requirements for nonbank don't offer enough loss protection given the risks involved. Our recommendation was that Fannie Mae, Freddie Mac and Ginnie Mae should revise these financial requirements to better reflect the risks and challenges posed by nonbank servicers so that consumers, taxpayers and investors are adequately protected.

While we support GAO's recommendation of giving FHFA the statutory authority to oversee nonbank servicers, political gridlock renders such an outcome highly unlikely to nearly impossible in the foreseeable future. And in our view it would not be prudent to hold up nonbank safety and soundness while we await Congressional action. Fannie Mae, Freddie Mac and Ginnie Mae are not bound by statutory limitations and, as business counterparties of nonbank servicers, they are in a much better position to respond to the risks outlined in the GAO report.

FHFA Announces Principal Reduction Modification and Enhanced NPL Sales Guidelines

The FHFA recently announced its long-awaited final decision on principal reduction and confirmed that Fannie Mae and Freddie Mac will offer a very targeted program: the FHFA estimates that 33,000 delinquent borrowers would potentially be eligible. Analysis put out by the Housing Finance Policy Center estimates the eligible universe of borrowers to be no greater than 43,300. The actual number will likely be lower depending on the take up rate.

The FHFA also announced enhancements to the NPL Sales program. The most noteworthy is a requirement prohibiting servicers from "walking away" and abandoning vacant properties. Instead servicers must now either complete the foreclosure, or sell or donate the lien to a non-profit. The HFPC had proposed this measure in January as a way to reduce the likelihood of further blight in already distressed neighborhoods. Transferring lien ownership also prevents the cost burdens (crime, blight etc.) of vacant homes from falling on local municipalities. Consistent with the principal reduction announcement, servicers of NPLs will be required to evaluate borrowers with LTVs above 115 percent for principal reductions.

INSIDE THIS ISSUE

- FHA accounted for a larger share of first lien originations in 2015 due to the premium cut (page 8)
- Non-agency share of residential MBS issuance stood at 1.9 percent for Q1 2016, down from 4.5 percent in 2015 and 4.2 percent in 2014 (page 10)
- HAMP active permanent mods declined for the first time In Q4 2015 (page 26)
- Agency gross issuance totaled $275 billion in Q1 2016, slightly down YOY (page 30)
- For borrowers with fico 760 or higher, new PMI rates imply lower monthly payments compared to FHA (page 33)

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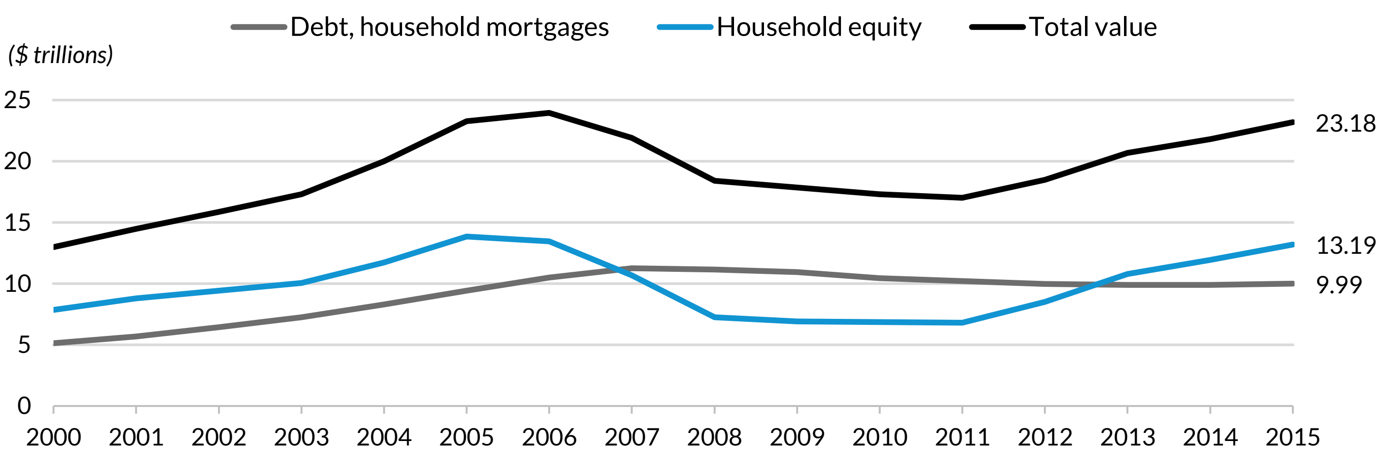
MARKET SIZE OVERVIEW

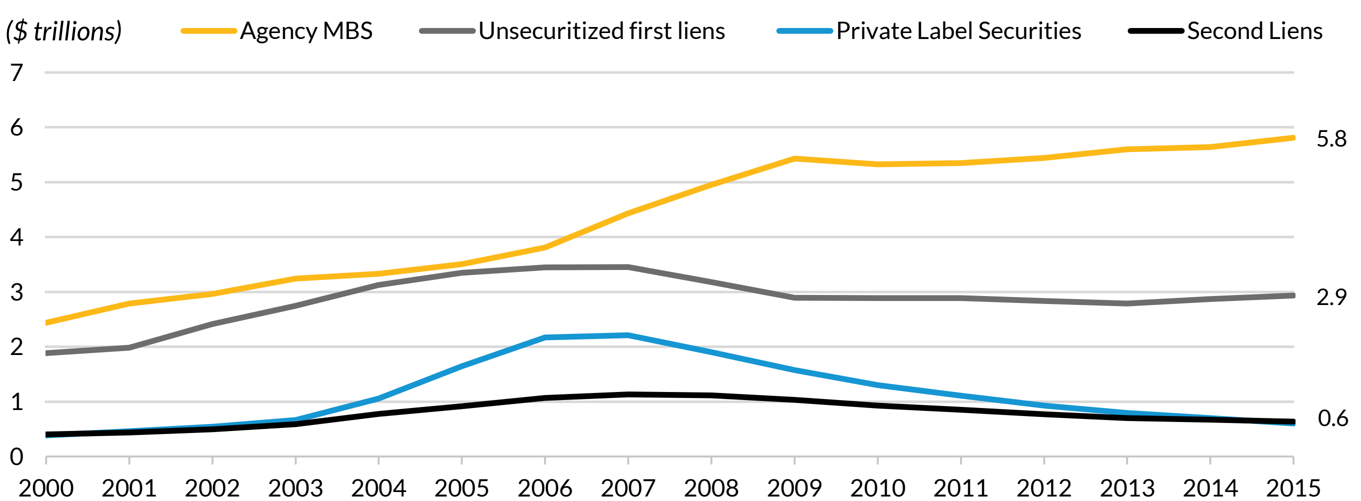
The Federal Reserve's Flow of Funds report has consistently indicated an increasing total value of the housing market driven by growing household equity in each quarter of the past 2 years, and the trend continued according to the latest data, covering Q4 2015. Total debt and mortgages increased slightly to $9.99 trillion, while household equity increased to $13.19 trillion, bringing the total value of the housing market to $23.18 trillion. Agency MBS make up 58.2 percent of the total mortgage market, private-label securities make up 6.1 percent, and unsecuritized first liens at the GSEs, commercial banks, savings institutions, and credit unions make up 29.4 percent. Second liens comprise the remaining 6.4 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



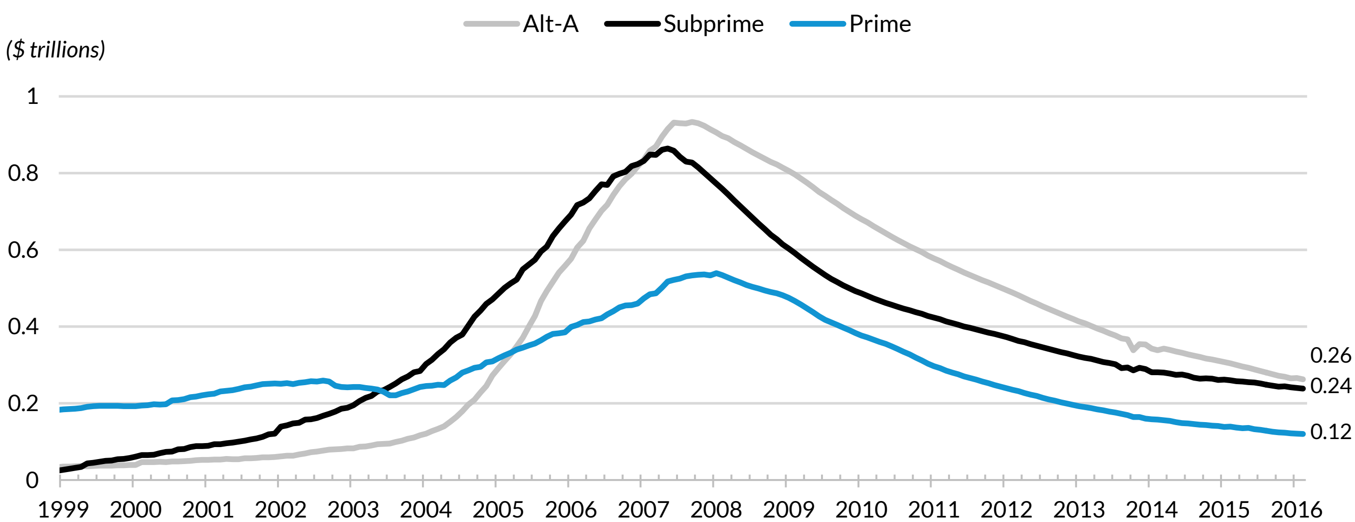
Sources: Federal Reserve Flow of Funds, Inside Mortgage Finance, Fannie Mae, Freddie Mac, eMBS and Urban Institute.
Note: Unsecuritized first liens includes loans held by commercial banks, GSEs, savings institutions, and credit unions.

OVERVIEW

MARKET SIZE OVERVIEW

As of February 2016, debt in the private-label securitization market totaled $620 billion and was split among prime (19.3 percent), Alt-A (42.3 percent), and subprime (38.4 percent) loans. In March 2016, outstanding securities in the agency market totaled $5.86 trillion and were 45 percent Fannie Mae, 27.6 percent Freddie Mac, and 27.4 percent Ginnie Mae.

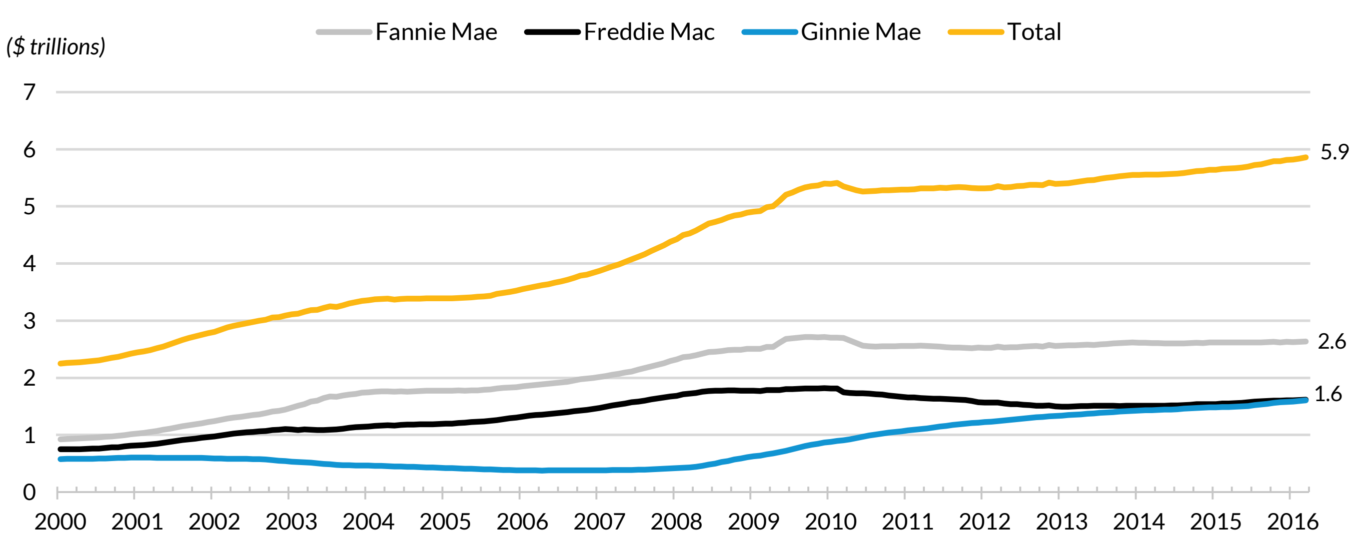
Private-Label Securities by Product Type



Sources: CoreLogic and Urban Institute.

February 2016

Agency Mortgage-Backed Securities



March 2016

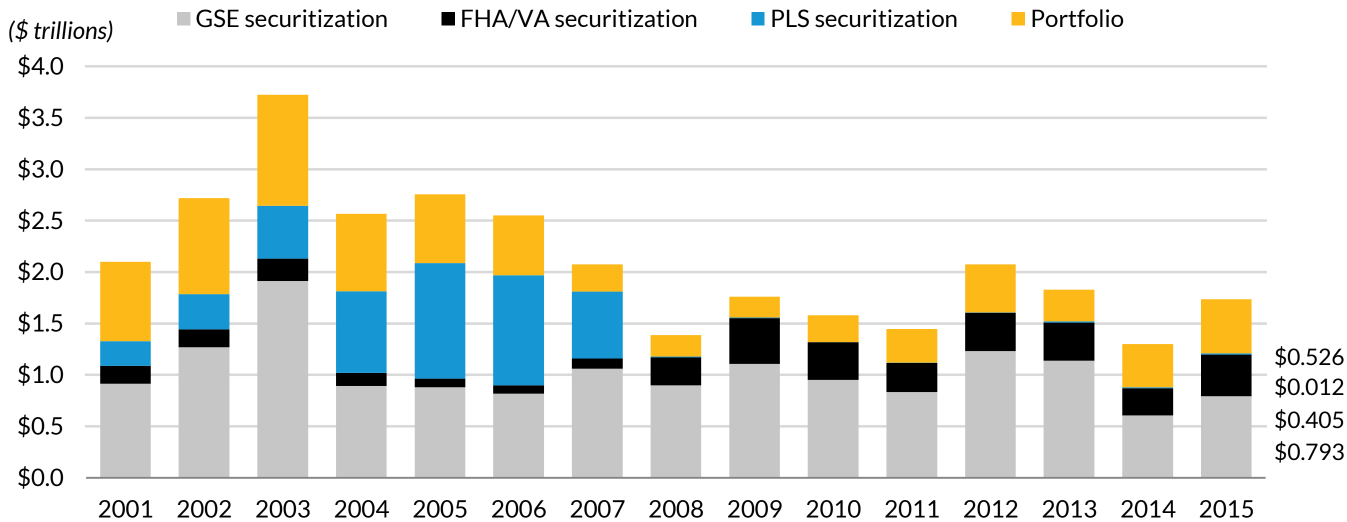
Sources: eMBS and Urban Institute.

OVERVIEW

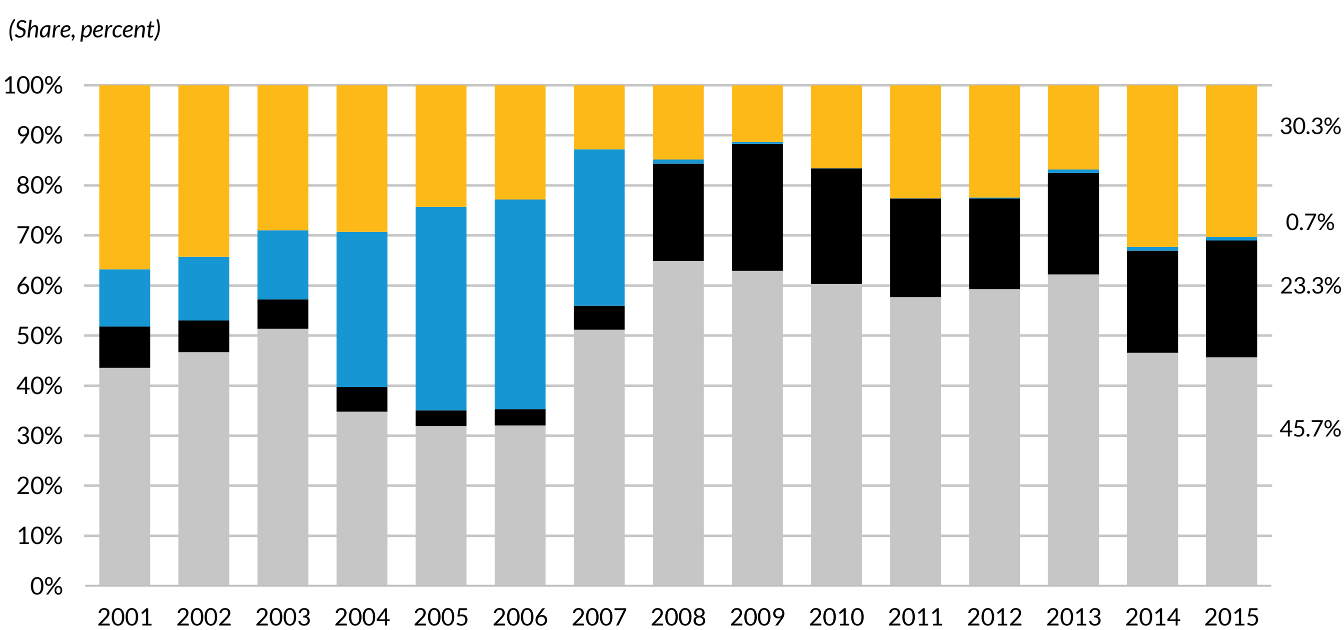
ORIGINATION VOLUME AND COMPOSITION

First Lien Origination Volume

First lien originations in 2015 totaled approximately $1,735 billion. The share of portfolio originations was 30 percent, while the GSE share dropped to 46 percent from 47 in 2014, reflecting a small loss of market share to FHA due to the FHA premium cut. FHA/VA originations account for another 23 percent, and the private label originations account for 0.7 percent.



Sources: Inside Mortgage Finance and Urban Institute.



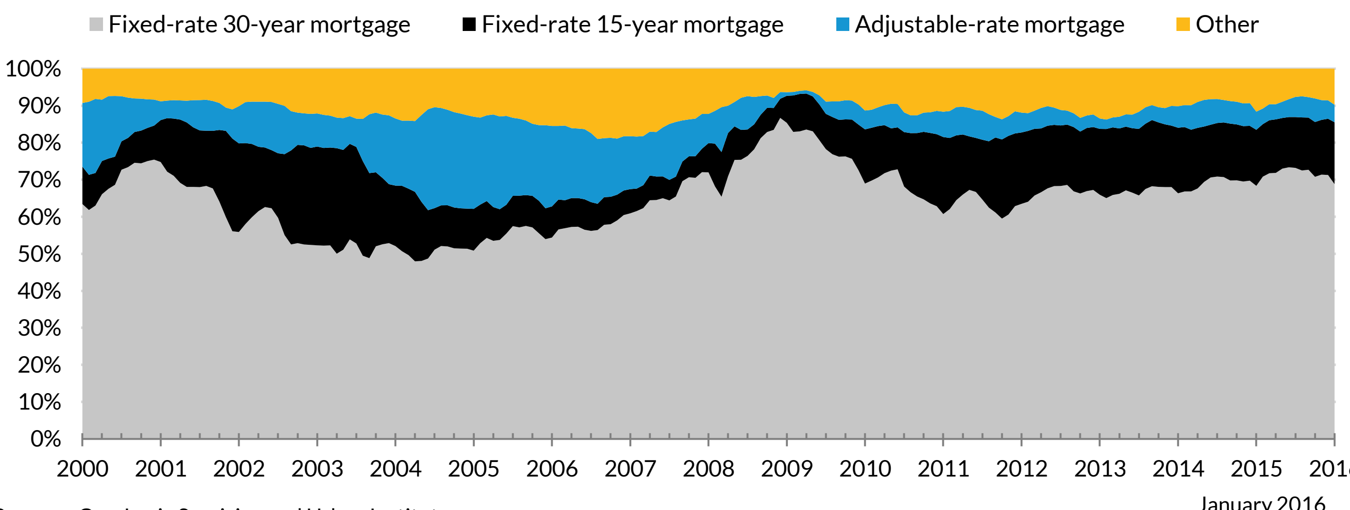
Sources: Inside Mortgage Finance and Urban Institute.

OVERVIEW

MORTGAGE ORIGINATION PRODUCT TYPE

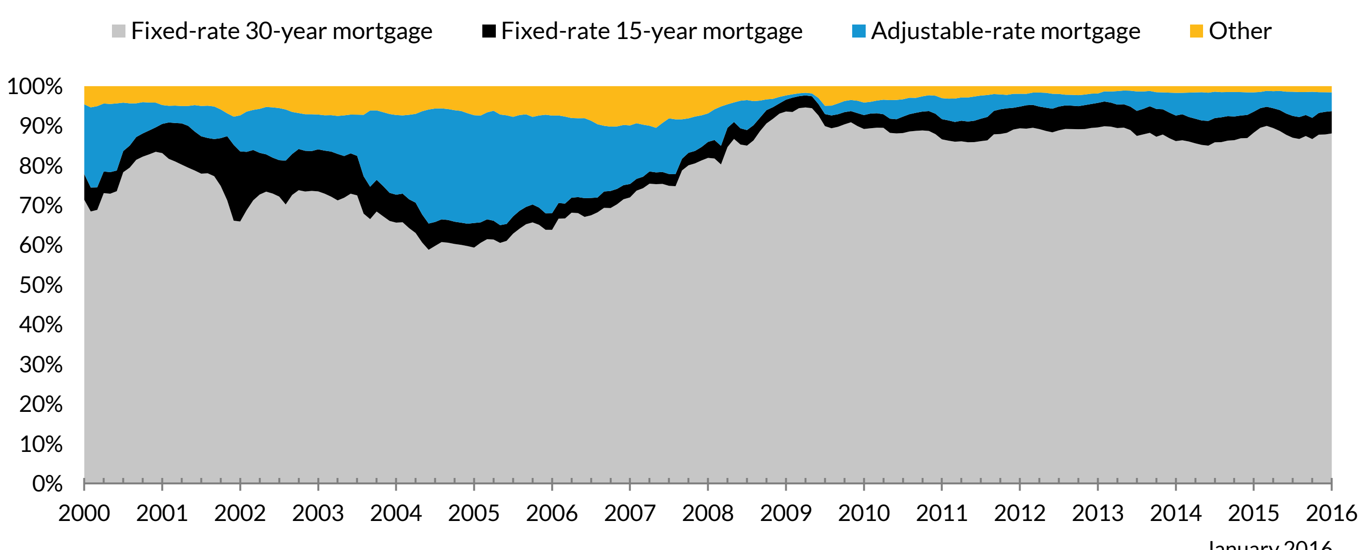
Adjustable-rate mortgages (ARMs) accounted for as much as 27 percent of all new originations during the peak of the recent housing bubble in 2004 (top chart). They fell to a historic low of 1 percent in 2009, and then slowly grew to a high of 7.2 percent in May 2014. Since then they began to decline again to 4.7 percent of total originations in January 2016. 15-year fixed-rate mortgages (FRMs), predominantly a refinance product, comprise 16.7 percent of new originations. If we exclude refinances (bottom chart), the share of 30-year FRMs in January 2016 stood at 88.1 percent, 15-year FRMs at 5.6 percent, and ARMs at 4.7 percent.

All Originations



Sources: CoreLogic Servicing and Urban Institute.

Purchase Loans Only

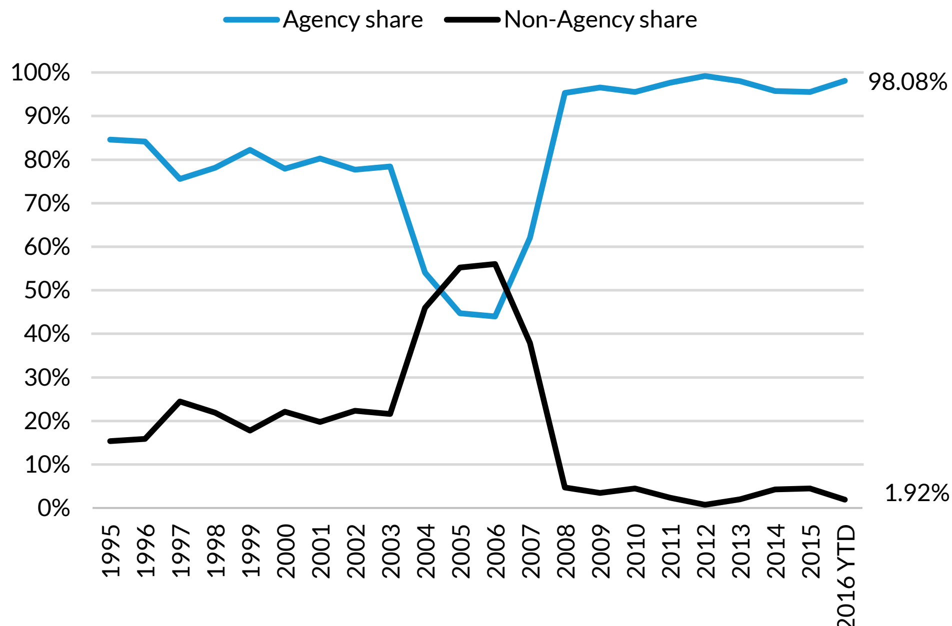


Sources: CoreLogic Servicing and Urban Institute.

SECURITIZATION VOLUME AND COMPOSITION

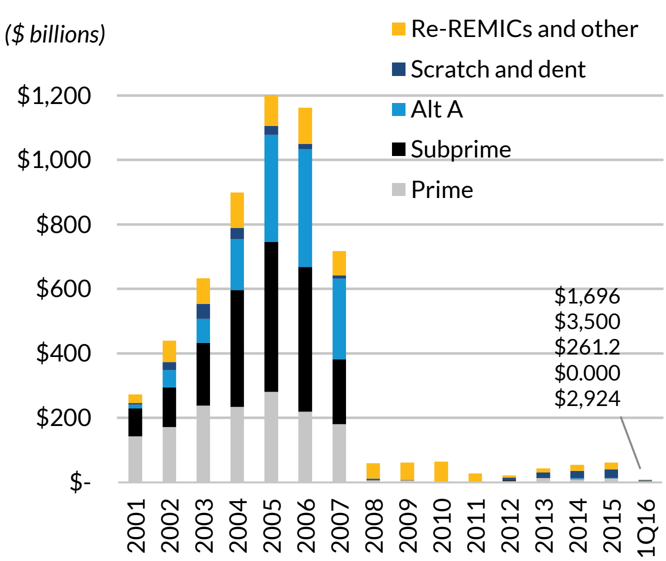
Agency/Non-Agency Share of Residential MBS Issuance

The non-agency share of mortgage securitizations in the first quarter of 2016 is 1.92%, compared to 4.5% in 2015 and 4.3% in 2014. The volume of prime securitizations in the first quarter of 2016 totaled $2.92 billion, representing a decline of $1.68 billion compared to the first quarter of 2015. However, both are tiny compared to pre-crises levels. To put this in perspective, in 2001, prime origination totaled $142 billion.



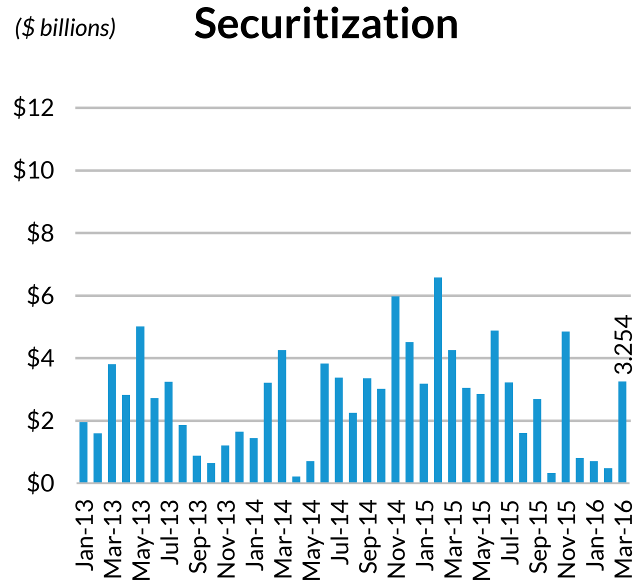
Sources: Inside Mortgage Finance and Urban Institute.

Non-Agency MBS Issuance



Sources: Inside Mortgage Finance and Urban Institute.

Monthly Non-Agency Securitization



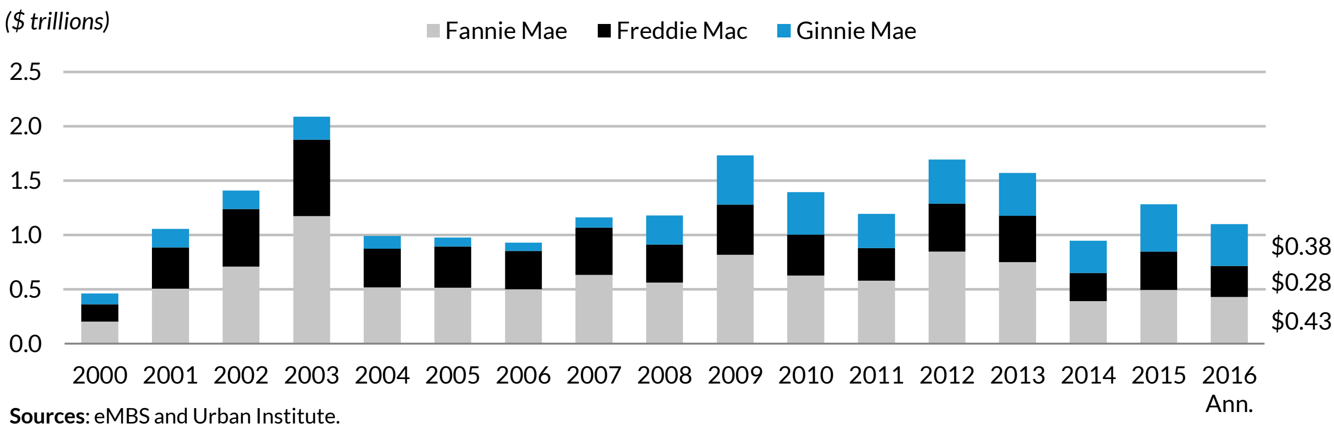
Sources: Inside Mortgage Finance and Urban Institute.
Note: Monthly figures equal total non-agency MBS issuance minus Re-REMIC issuance.

OVERVIEW

AGENCY ACTIVITY: VOLUMES AND PURCHASE/ REFI COMPOSITION

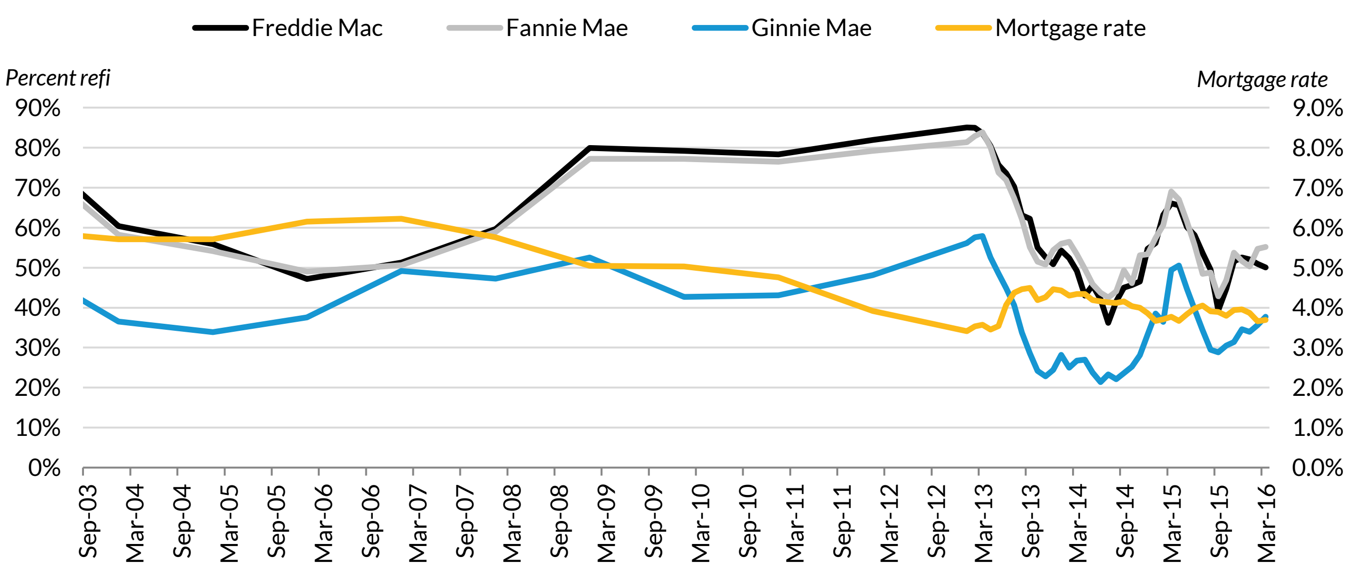
Agency issuance totaled $274.7 billion in first quarter of 2016, slightly down from $277.9 billion for the same month a year ago. In March 2016, refinances remained high at 50 and 55 percent of the Freddie Mac's and Fannie Mae's business, respectively, reflecting recent small declines in mortgage rates. The GNMA response to interest rate changes since 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 38 percent in February 2016, down since April 2015 but still high relative to the past two years.

Agency Gross Issuance



Sources: eMBS and Urban Institute.
Note: Annualized figure based on data from March 2016.

Percent Refi at Issuance



Sources: eMBS and Urban Institute.
Note: Based on at-issuance balance.

STATE OF THE MARKET

MORTGAGE ORIGINATION PROJECTIONS

Estimates for origination volume in 2016 have remained fairly stable for both the GSEs and MBA. Fannie Mae, Freddie Mac, and MBA anticipate a total of $1,555, $1,580, and $1,558 billion in originations, respectively. Similarly, their estimates of refinance share remained constant. Fannie, Freddie and MBA all forecast housing starts and new home sales to be substantially higher in 2016 than 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
2016 Q1	331	320	350	51	48	47
2016 Q2	444	460	480	40	44	43
2016 Q3	413	420	400	34	37	28
2016 Q4	367	380	328	35	33	32
2017 Q1	304	380	295	40	27	34
2017Q2	391	400	380	29	25	26
2017Q3	388	350	390	27	23	24
2017 Q4	350	330	318	29	22	26
FY 2013	1866	1925	1845	60	59	60
FY 2014	1301	1350	1261	40	39	40
FY 2015	1711	1750	1630	47	48	46
FY 2016	1555	1580	1558	40	40	38
FY 2017	1434	1460	1383	31	24	27

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 4.0%, respectively. For 2016, Fannie Mae, Freddie Mac, and MBA project rates of 3.7%, 4.1%, and 4.0%, respectively. For 2017, their respective projections are 3.8%, 4.8%, and 4.6%.

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	5520	5520	5505	5073	432
FY 2014	1003	1000	1001	5380	5380	5360	4920	440
FY 2015	1112	1110	1107	5710	5710	5739	5237	502
FY 2016	1230	1310	1228	5920	5920	6077	5497	580
FY 2017	1355	1510	1359	6160	6160	6434	5765	669

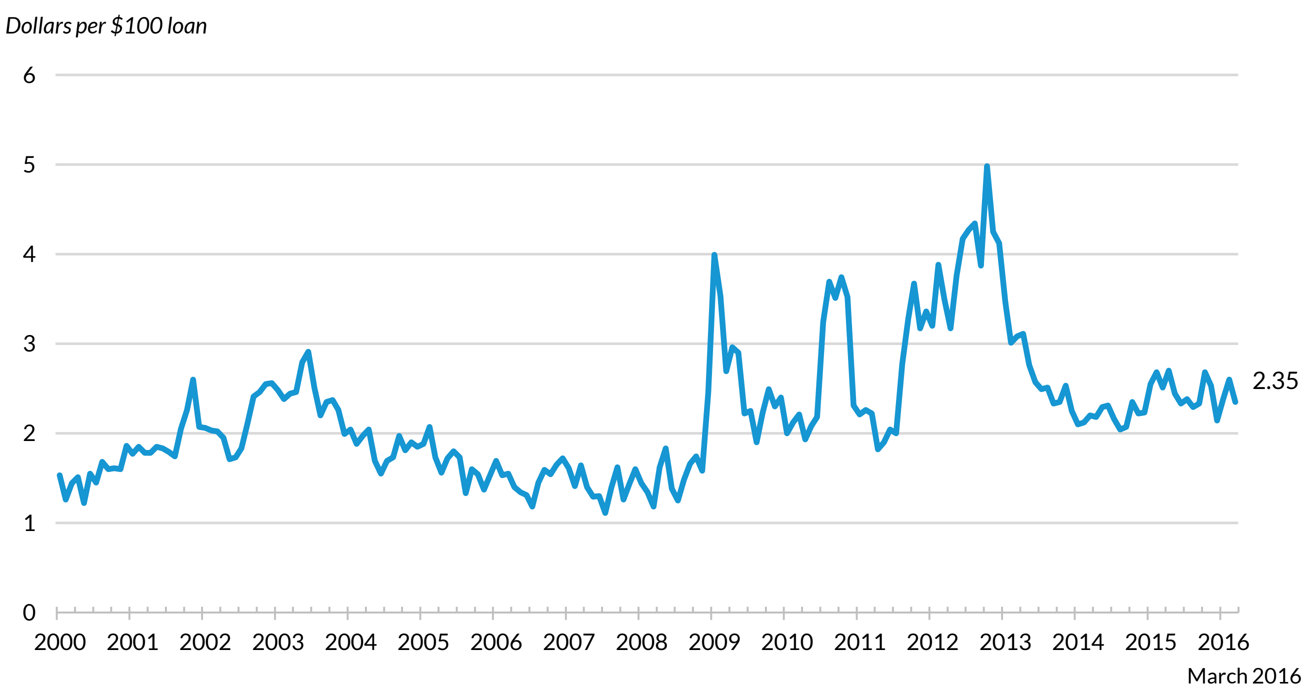
Sources: Mortgage Bankers Association, Fannie Mae, Freddie Mac and Urban Institute.
Note: Shaded boxes indicate forecasted figures. All figures are estimates for total single-family market; column labels indicate source of estimate.

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 2.35 in March 2016.

Originator Profitability and Unmeasured Costs

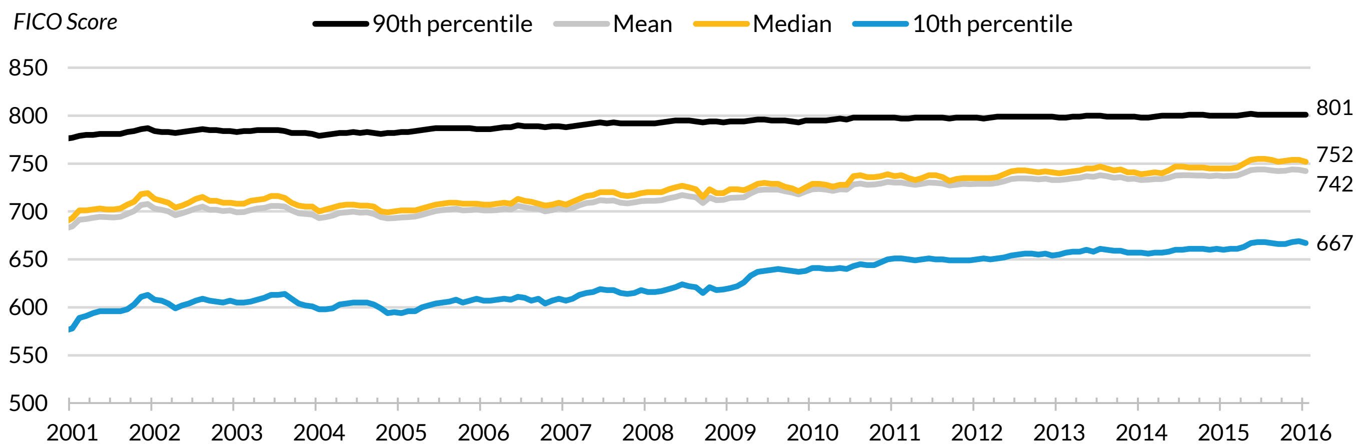


Sources: Federal Reserve Bank of New York, updated monthly and available at this link: http://www.ny.frb.org/research/epr/2013/1113fust.html and Urban Institute.
Note: OPUC stands for "originator profits and unmeasured costs" as discussed in Fuster et al. (2013). The OPUC series is a monthly (4-week moving) average.

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 41 and 45 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 667 as of January 2016. 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.

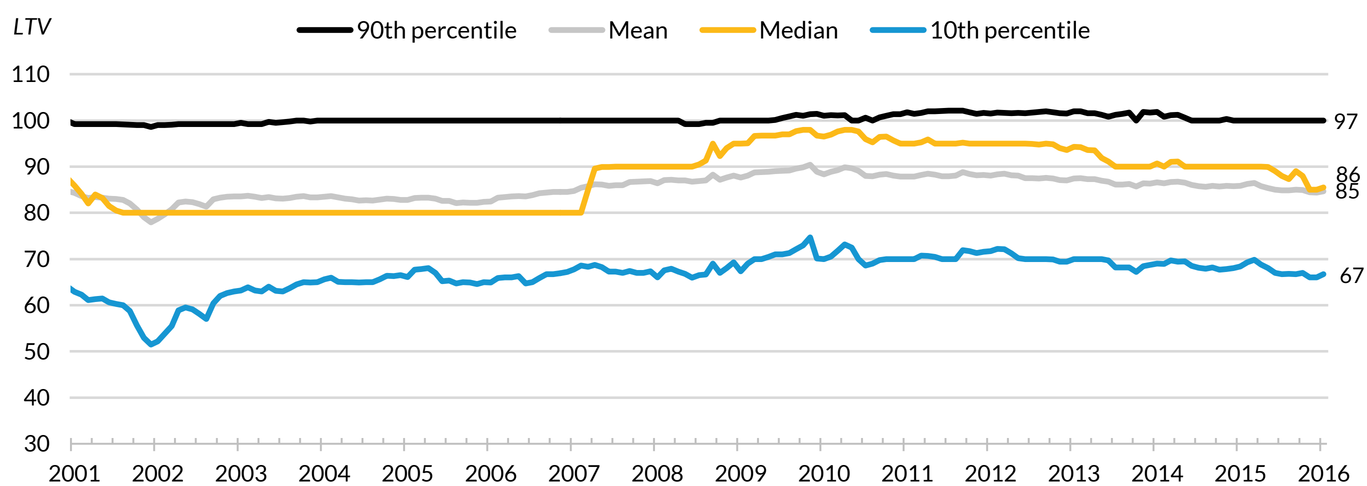
Borrower FICO Score at Origination



January 2016

Sources: CoreLogic Servicing and Urban Institute.
Note: Purchase-only loans.

Combined LTV at Origination



Sources: CoreLogic Servicing and Urban Institute.
Note: Purchase-only loans.

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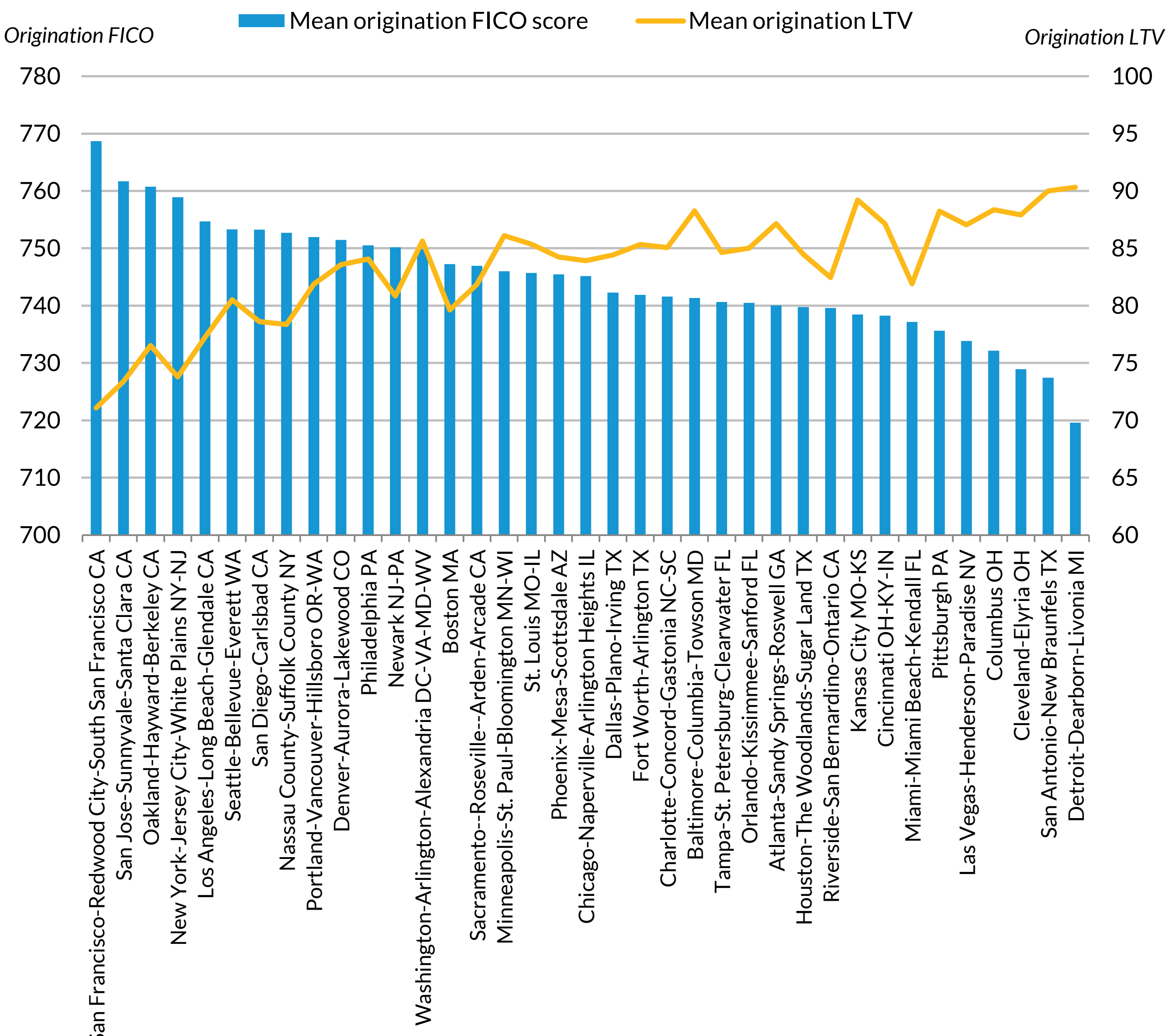
STATE OF THE MARKET

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 769, while in Detroit-Dearborn-Livonia, MI it is 720. 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



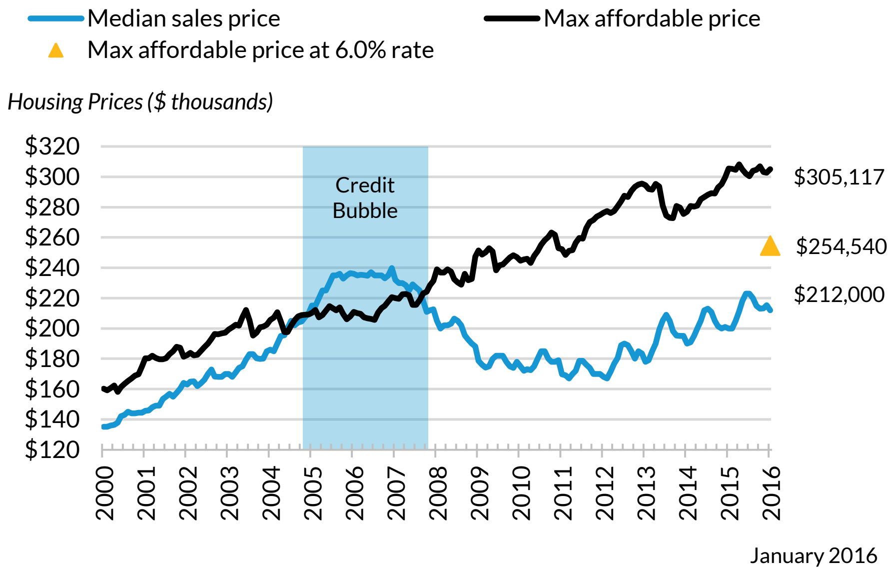
Sources: CoreLogic Servicing as of January 2016 and Urban Institute.
Note: Purchase-only loans.

HOUSING AFFORDABILITY

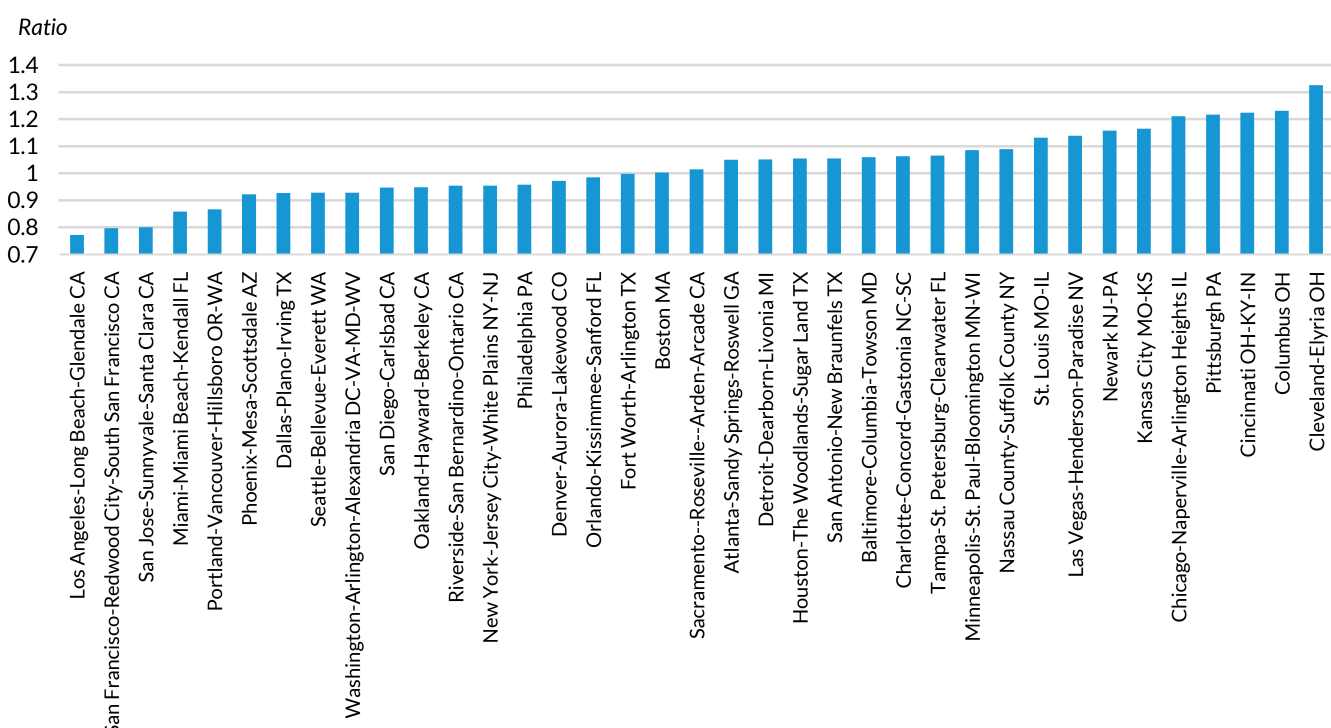
National Housing Affordability Over Time

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 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



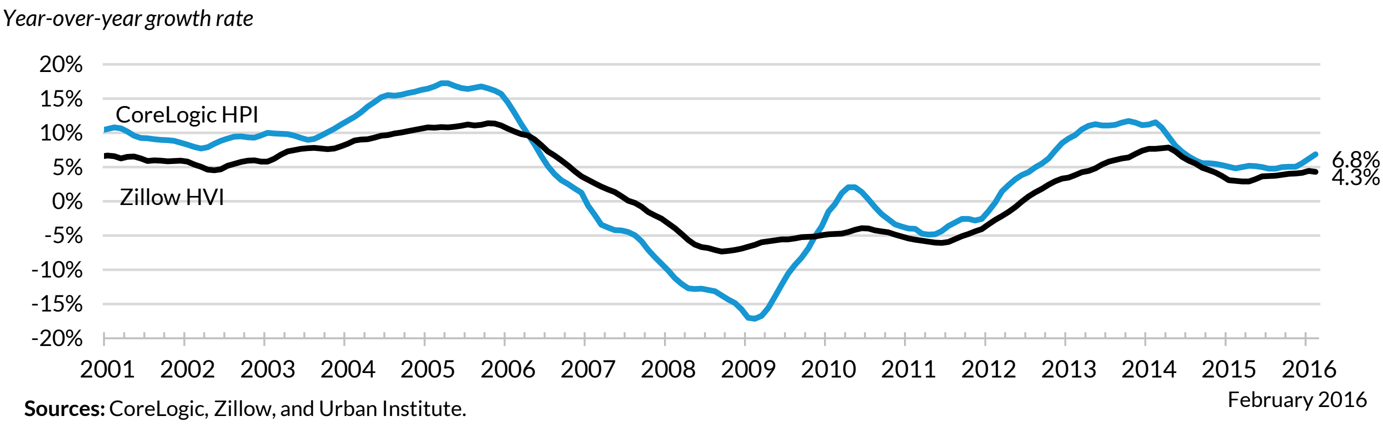
Sources: CoreLogic, US Census, Freddie Mac and Urban Institute calculations based on NAR methodology.
Note: Index is calculated relative to home prices in 2000-03. A ratio above 1 indicates higher affordability in January 2016 than in 2000-03.

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.



Sources: CoreLogic, Zillow, and Urban Institute.

Changes in CoreLogic HPI for Top MSAs

Despite rising 37 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 31 and 34 percent to return to peak levels, respectively.

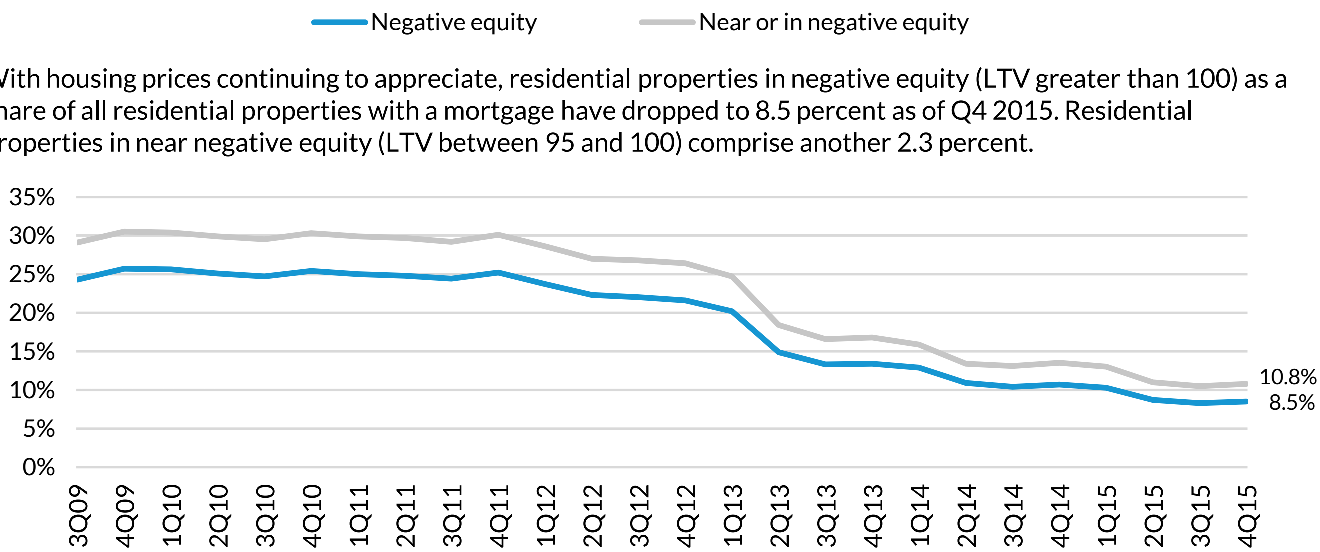
MSA	HPI changes (%)			% Rise needed to achieve peak
	2000 to peak	Peak to trough	Trough to current	
United States	98.4	-32.0	37.4	7.0
New York-Jersey City-White Plains NY-NJ	113.6	-19.8	24.4	0.2
Los Angeles-Long Beach-Glendale CA	180.7	-38.7	56.8	4.1
Chicago-Naperville-Arlington Heights IL	64.7	-36.2	22.5	27.9
Atlanta-Sandy Springs-Roswell GA	40.6	-33.0	45.6	2.6
Washington-Arlington-Alexandria DC-VA-MD-WV	158.8	-33.0	29.0	15.8
Houston-The Woodlands-Sugar Land TX	44.7	-12.8	40.4	-18.3
Phoenix-Mesa-Scottsdale AZ	126.6	-52.5	60.6	31.1
Riverside-San Bernardino-Ontario CA	194.3	-53.1	59.3	33.9
Dallas-Plano-Irving TX	38.2	-13.3	41.1	-18.2
Minneapolis-St. Paul-Bloomington MN-WI	73.6	-30.2	29.0	11.0
Seattle-Bellevue-Everett WA	93.7	-31.3	53.3	-5.0
Denver-Aurora-Lakewood CO	36.6	-14.3	54.6	-24.5
Baltimore-Columbia-Towson MD	128.5	-25.7	6.9	26.0
San Diego-Carlsbad CA	148.0	-37.9	47.7	9.0
Anaheim-Santa Ana-Irvine CA	162.1	-36.8	48.3	6.7

Sources: CoreLogic HPIs as of February 2016 and Urban Institute.
Note: This table includes the largest 15 Metropolitan areas by mortgage count.

NEGATIVE EQUITY & SERIOUS DELINQUENCY

Negative Equity Share

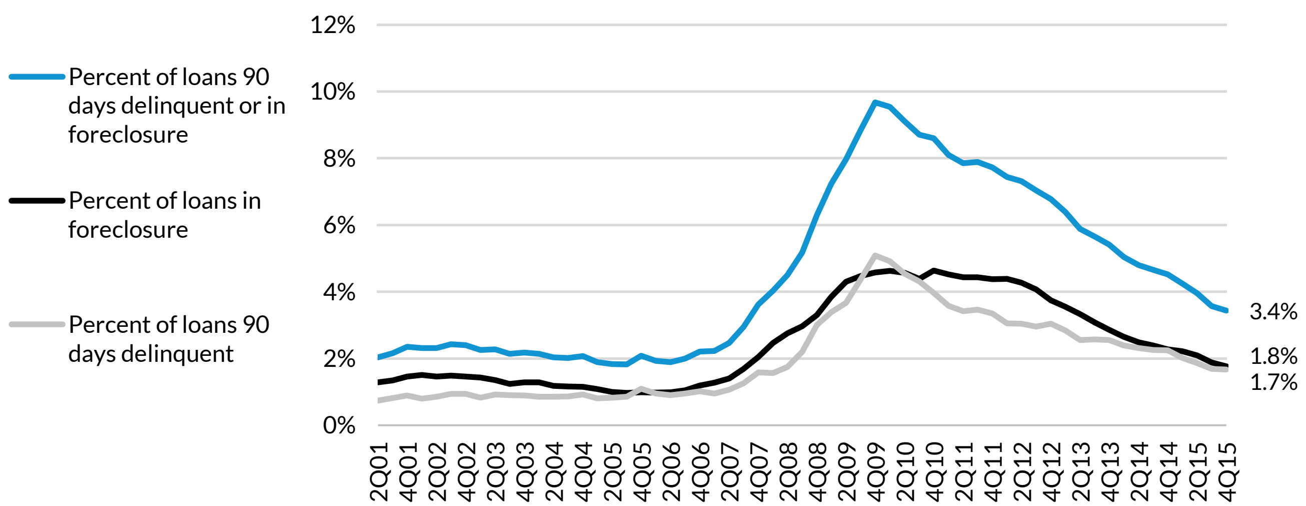
With housing prices continuing to appreciate, residential properties in negative equity (LTV greater than 100) as a share of all residential properties with a mortgage have dropped to 8.5 percent as of Q4 2015. Residential properties in near negative equity (LTV between 95 and 100) comprise another 2.3 percent.



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 3.4 % in Q4 2015, down from 4.5% for the same quarter a year earlier.

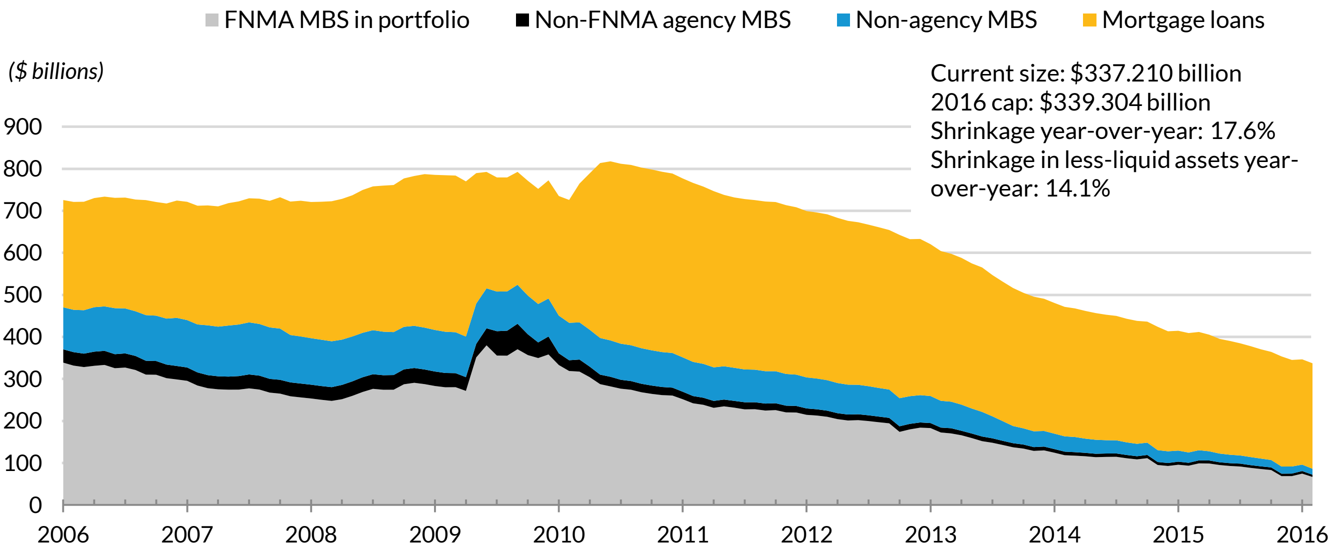


Sources: Mortgage Bankers Association and Urban Institute.

GSES UNDER CONSERVATORSHIP
GSE PORTFOLIO WIND-DOWN

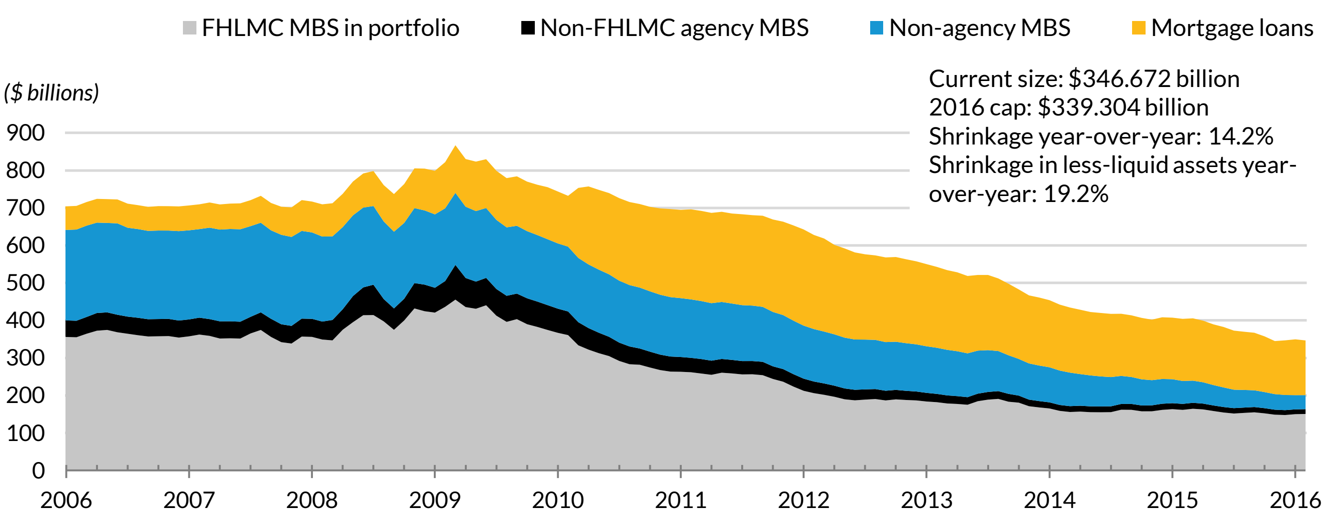
Both GSEs decreased their portfolio slightly since January. Fannie Mae has already reached the year-end 2016 portfolio goal. Relative to February 2015, Fannie contracted by 17.6 percent, and Freddie Mac by 14.2 percent. They are shrinking their less liquid assets (mortgage loans and non-agency MBS) at close to the same pace that they are shrinking their entire portfolios.

Fannie Mae Mortgage-Related Investment Portfolio Composition



Sources: Fannie Mae and Urban Institute.

Freddie Mac Mortgage-Related Investment Portfolio Composition

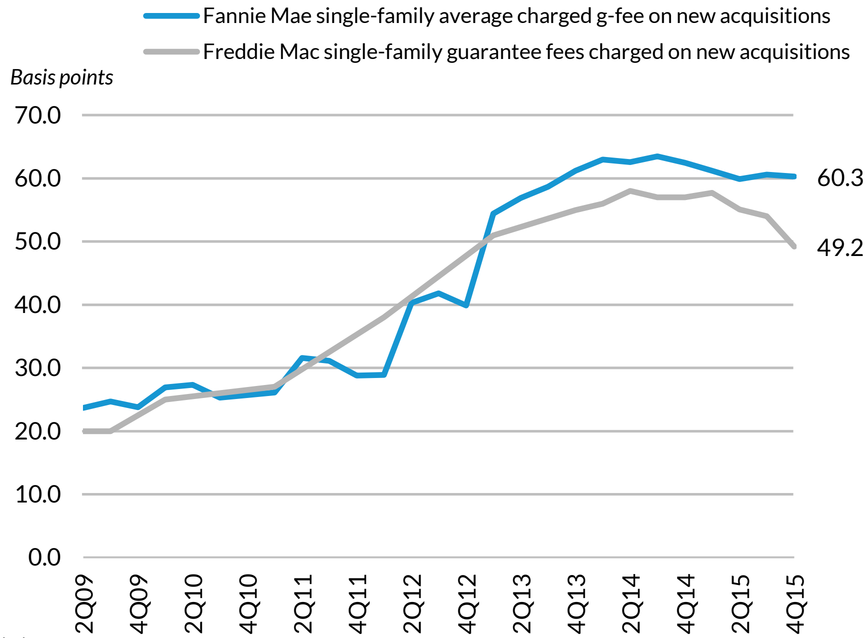


Sources: Freddie Mac and Urban Institute.

EFFECTIVE GUARANTEE FEES

Guarantee Fees Charged on New Acquisitions

Fannie's average charged g-fee on new single-family originations fell slightly to 60.3 bps in Q4 2015, down from 60.6 bps in the previous quarter. During the same time period, Freddie's fee fell to 49.2 bps from 54.0 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 have had a modest impact on GSE pricing.



Sources: Fannie Mae, Freddie Mae and Urban Institute.

Fannie Mae Upfront Loan-Level Price Adjustments (LLPAs)

	LTV							
Credit Score	≤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.

GSE RISK-SHARING TRANSACTIONS

Fannie and Freddie have participated in back-end credit risk transfer deals with capital market participants since 2013.In addition to CAS and STACR transactions detailed below, GSEs are laying off back-end credit risk on reinsurers, and have done some front-end risk sharing arrangements with originators. FHFA's 2016 scorecard requires the GSEs to lay off credit risk on 90 percent of newly acquired loans in categories targeted for transfer. Fannie Mae's CAS issuances to date cover 20.92% of its outstanding single family guarantees, while Freddie's STACR issuances cover 27.54% of its outstanding single family guarantees.

Fannie Mae – Connecticut Avenue Securities (CAS)

Date	*Transaction*	*Reference Pool Size ($ m)*	*Amount Issued ($m)*	*% of Reference Pool Covered*
October 2013	CAS 2013 – C01	$26,756	$675	2.5%
January 2014	CAS 2014 – C01	$29,309	$750	2.6%
May 2014	CAS 2014 – C02	$60,818	$1,600	2.6%
July 2014	CAS 2014 – C03	$78,234	$2,050	2.6%
November 2014	CAS 2014 – C04	$58,873	$1,449	2.5%
February 2015	CAS 2015 – C01	$50,192	$1,469	2.9%
May 2015	CAS 2015 – C02	$45,009	$1,449	3.2%
June 2015	CAS 2015 – C03	$48,326	$1,100	2.3%
October 2015	CAS 2015 – C04	$43,599	$1,446	3.3%
February 2016	CAS 2016 – C01	$28,882	$945	3.3%
March 2016	CAS 2016 – C02	$35,004	$1,032	2.9%
April 2016	CAS 2016-C03	$36,087	$1,166	3.2%
Fannie Mae Total Reference Collateral		**$584,688**	**$15,129**	**2.6%**
Percent of Fannie Mae's Total Book of Business		**20.92%**		

Freddie Mac – Structured Agency Credit Risk (STACR)

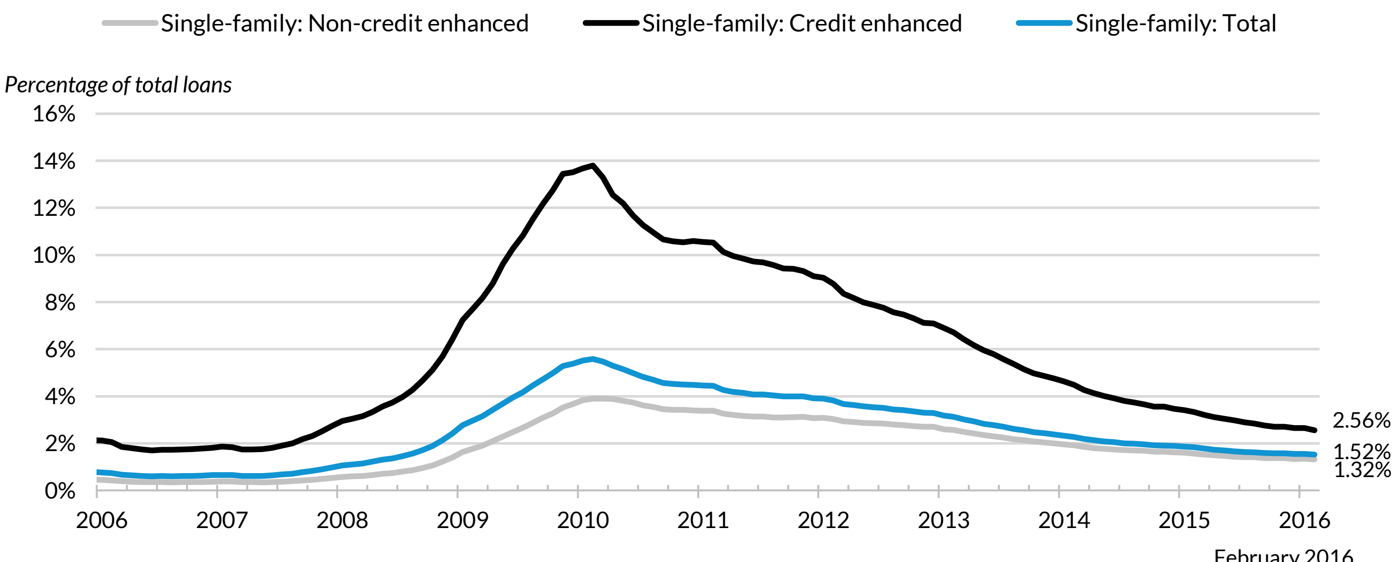
Date	*Transaction*	*Reference Pool Size ($ m)*	*Amount Issued ($m)*	*% of Reference Pool Covered*
July 2013	STACR Series 2013 – DN1	$22,584	$500	2.2%
November 2013	STACR Series 2013 – DN2	$35,327	$630	1.8%
February 2014	STACR Series 2014 – DN1	$32,077	$1,008	3.1%
April 2014	STACR Series 2014 – DN2	$28,147	$966	3.4%
August 2014	STACR Series 2014 – DN3	$19,746	$672	3.4%
August 2014	STACR Series 2014 – HQ1	$9,975	$460	4.6%
September 2014	STACR Series 2014 – HQ2	$33,434	$770	2.3%
October 2014	STACR Series 2014 – DN4	$15,741	$611	3.9%
October 2014	STACR Series 2014 – HQ3	$8,001	$429	5.4%
February 2015	STACR Series 2015 – DN1	$27,600	$880	3.2%
March 2015	STACR Series 2015 – HQ1	$16,552	$860	5.2%
April 2015	STACR Series 2015 – DNA1	$31,876	$1,010	3.2%
May 2015	STACR Series 2015 – HQ2	$30,325	$426	1.4%
June 2015	STACR Series 2015 – DNA2	$31,986	$950	3.0%
September 2015	STACR Series 2015 – HQA1	$19,377	$872	4.5%
November 2015	STACR Series 2015 – DNA3	$34,706	$1,070	3.1%
December 2015	STACR Series 2015 – HQA2	$17,100	$590	3.5%
January 2016	STACR Series 2015 – DNA1	$35,700	$996	2.8%
March 2016	STACR Series 2016-HQA1	$17,931	$475	2.6%
Freddie Mac Total Reference Collateral		**$468,184**	**$14,175**	**3.0%**
Percent of Freddie Mac's Total Book of Business		**27.54%**		

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

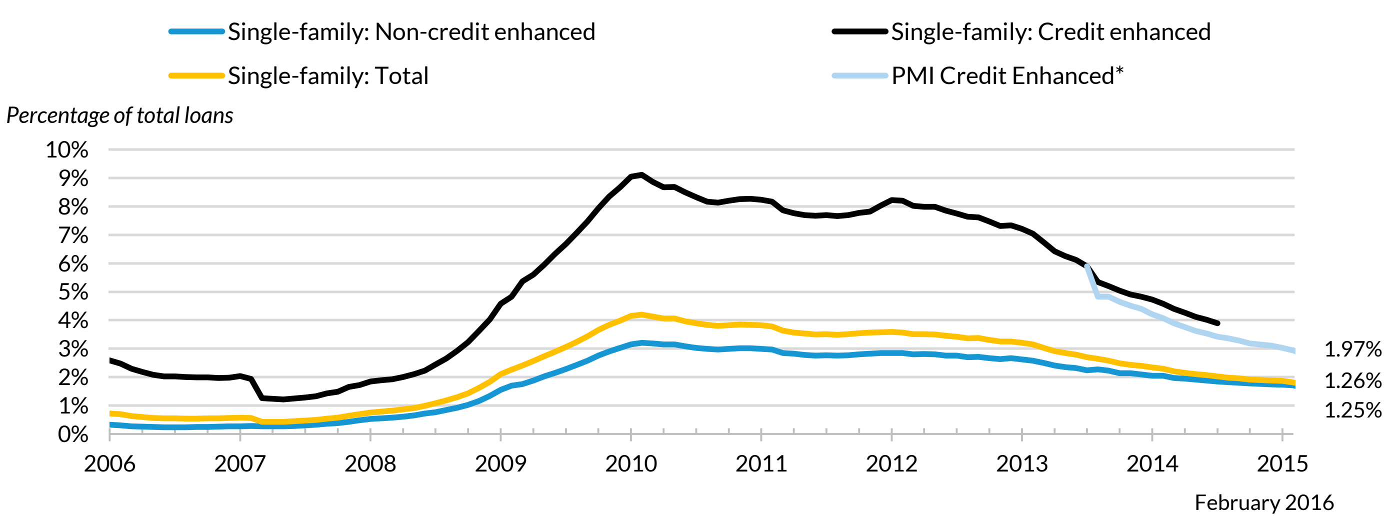
Serious delinquency rates of GSE loans continue to decline as the legacy portfolio is resolved and the pristine, post-2009 book of business exhibits very low default rates. As of February 2016, 1.52 percent of the Fannie portfolio and 1.26 percent of the Freddie portfolio were seriously delinquent, down from 1.83 percent for Fannie and 1.81 percent for Freddie in February 2015.

Serious Delinquency Rates–Fannie Mae



Sources: Fannie Mae and Urban Institute.

Serious Delinquency Rates–Freddie Mac

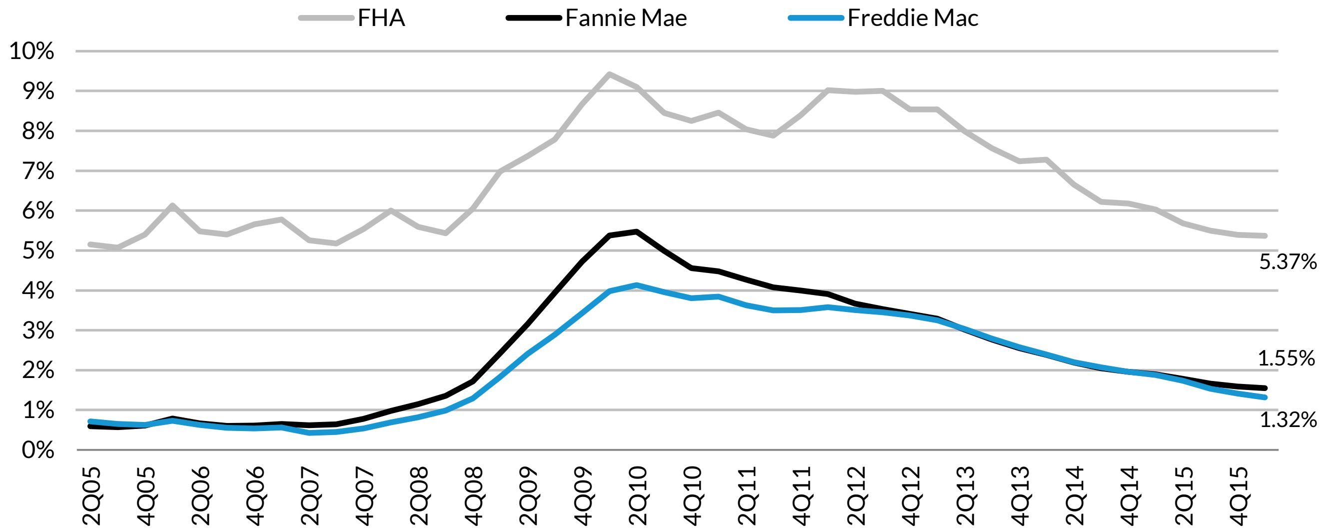


Sources: Freddie Mac and Urban Institute.
Note*: Following a change in Freddie reporting in September 2014, we switched from reporting credit enhanced delinquency rates to PMI credit enhanced delinquency rates.

GSES UNDER CONSERVATORSHIP
SERIOUS DELINQUENCY RATES

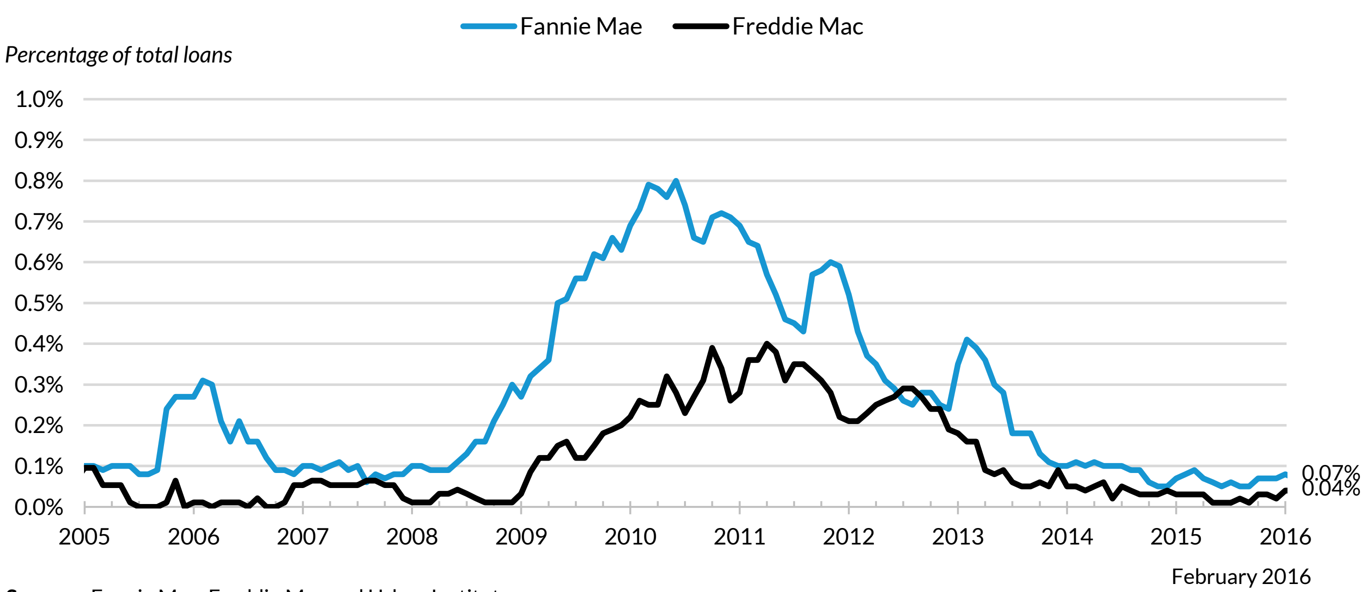
Serious delinquencies for FHA and GSE single-family loans continue to decline. GSE delinquencies remain higher relative to 2005-2007, while FHA delinquencies (which are much higher than their GSE counterparts) are now at levels similar to 2005-2007. GSE multifamily delinquencies have declined to pre-crisis 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

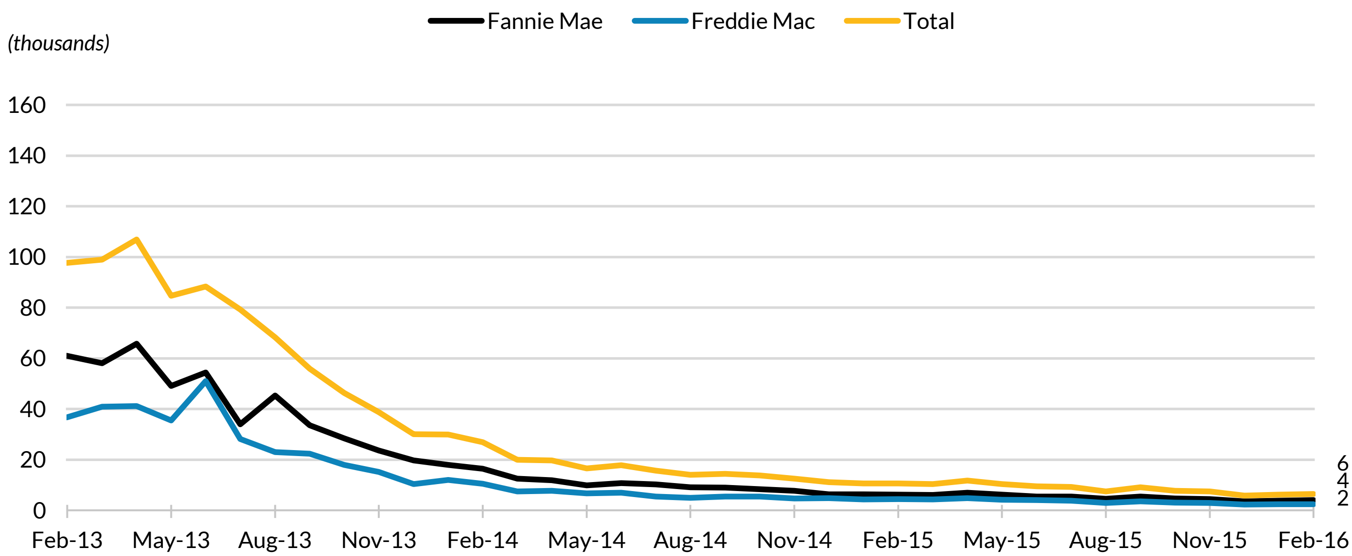


Sources: Fannie Mae, Freddie Mac and Urban Institute.
Note: Multifamily serious delinquency rate is the unpaid balance of loans 60 days or more past due, divided by the total unpaid balance.

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

Total HARP Refinance Volume



Sources: FHFA Refinance Report and Urban Institute.

HARP Refinances

	February 2016	Year-to-date 2016	Inception to date	2015	2014	2013
Total refinances	130,076	262,345	22,756,318	2,084,936	1,536,788	4,081,911
Total HARP refinances	6,424	12,663	3,393,217	110,109	212,488	892,914
Share 80–105 LTV	74.5%	76.5%	70.2%	76.5%	72.5%	56.4%
Share 105–125 LTV	17.0%	15.6%	17.2%	15.6%	17.2%	22.4%
Share >125 LTV	8.6%	7.9%	12.7%	8.0%	10.3%	21.2%
All other streamlined refinances	12,535	25,319	3,764,806	218,244	268,026	735,210

Sources: FHFA Refinance Report and Urban Institute.

GSES UNDER CONSERVATORSHIP

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, and have no more than one delinquent payment in the past year and none in the past six months. There are 397,194 eligible loans, but 41 percent are out-of-the-money because the closing cost would exceed the long-term savings, leaving 234,191 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 5,326,484 loans in this category, 4,481,290 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	27,095,100
Loans that do not meet pay history requirement	1,301,993
Loans that meet pay history requirement:	25,793,107
Pre-June 2009 origination	5,723,678
Post-June 2009 origination	20,069,429

Loans Meeting HARP Pay History Requirements

Pre-June 2009			
LTV category	*In-the-money*	*Out-of-the-money*	*Total*
≤80	4,481,290	845,195	5,326,484
>80	234,191	163,003	397,194
Total	4,715,480	1,008,198	5,723,678
Post-June 2009			
LTV category	*In-the-money*	*Out-of-the-money*	*Total*
≤80	4,745,476	12,563,314	17,308,791
>80	1,022,041	1,738,598	2,760,638
Total	5,767,517	14,301,912	20,069,429

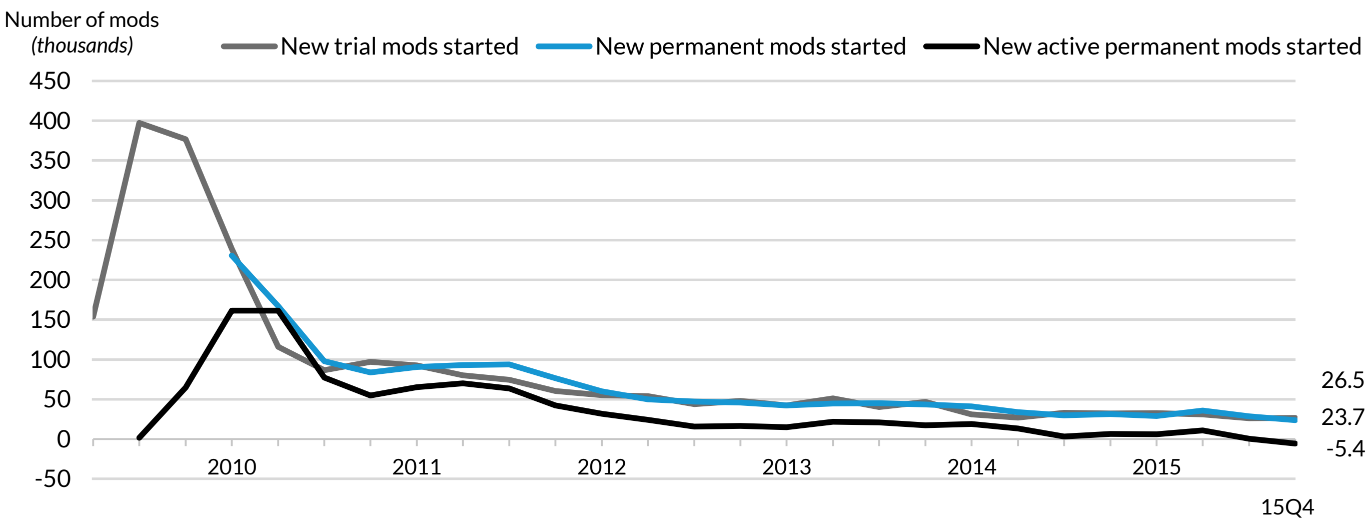
Sources: CoreLogic Prime Servicing as of February 2016 and Urban Institute.
Note: Figures are scaled up from source data to account for data coverage of the GSE active loan market (based on MBS data from eMBS). Shaded box indicates HARP-eligible loans that are in-the-money.

MODIFICATION ACTIVITY

HAMP ACTIVITY

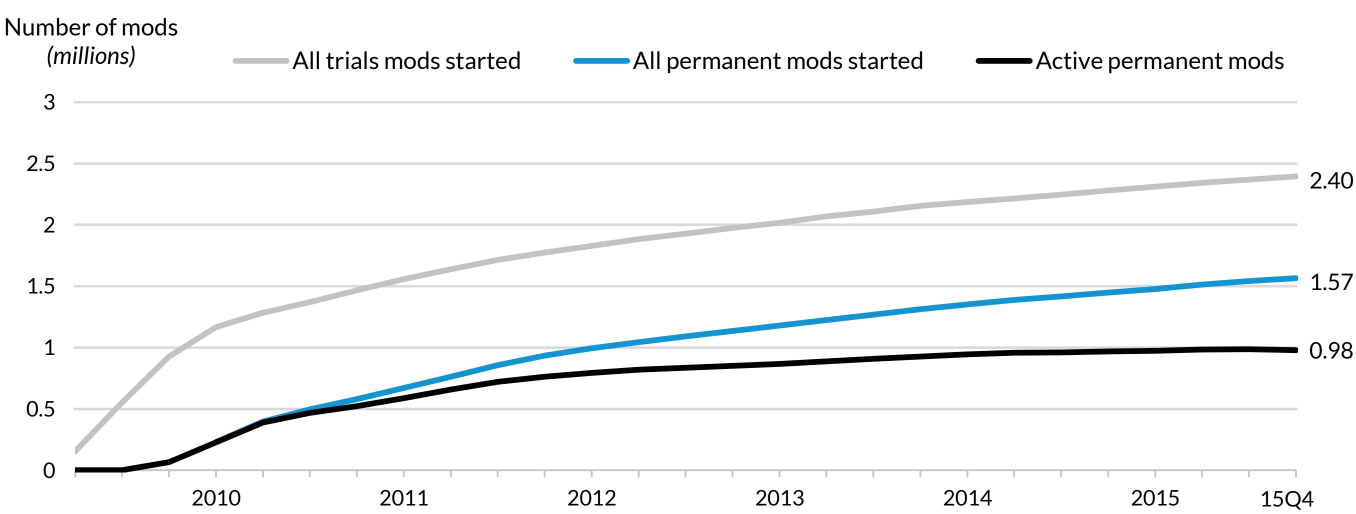
In the fourth quarter of 2015, new HAMP trial mods remained constant at 26,496 and new permanent mods fell to new low at 23,680. Cumulative permanent HAMP mods started now total 1.57 million. New active permanent mods experienced a decline for the first time: -5,408 in Q4 2015, compared to a net increase of 6,502 the same quarter a year ago. As a result, active permanent mods declined to 0.98 million.

New HAMP Modifications



Sources: U.S. Treasury Making Home Affordable and Urban Institute.

Cumulative HAMP Modifications



Sources: U.S. Treasury Making Home Affordable and Urban Institute.

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 have historically not allowed principal reductions; the FHFA announced in April that they would be permitted for loans that meet the required eligibility criteria.

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

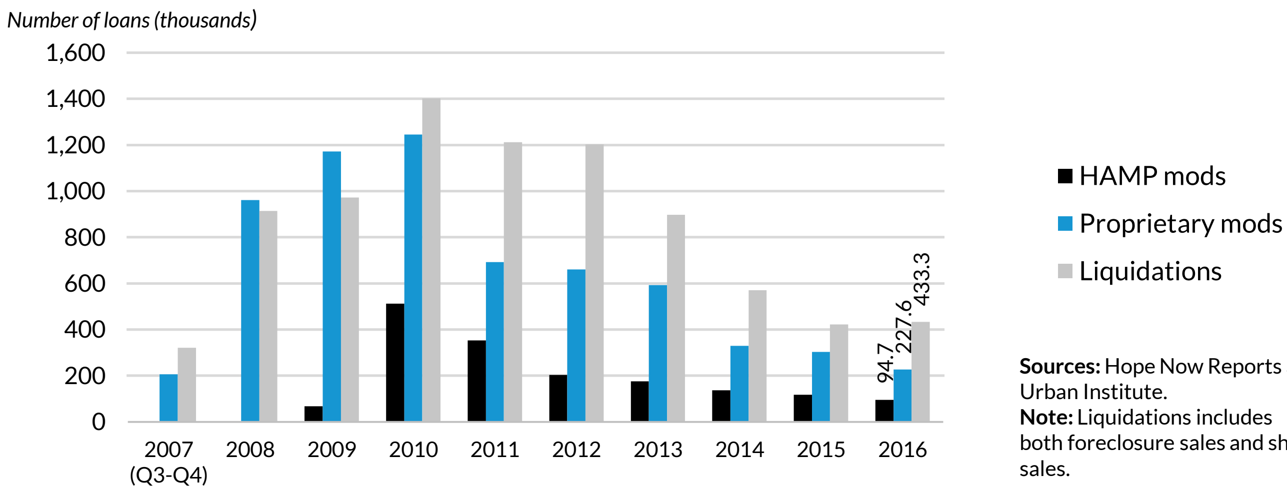
	Fannie Mae	Freddie Mac	Government-guaranteed	Private Investor	Portfolio	Overall
Capitalization	98.6%	98.7%	76.8%	92.9%	96.1%	88.2%
Rate reduction	41.5%	14.7%	86.4%	73.1%	72.5%	69.2%
Rate freeze	19.9%	14.6%	3.4%	19.1%	9.3%	10.3%
Term extension	96.4%	97.1%	97.9%	42.3%	62.9%	85.8%
Principal reduction	0.1%	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).

MODIFICATIONS AND LIQUIDATIONS

Total modifications (HAMP and proprietary) are now roughly equal to total liquidations. Hope Now reports show 7,784,155 borrowers have received a modification since Q3 2007, compared with 7,987,978 liquidations in the same period. Modification activity slowed significantly in 2014 and has continued to do so, averaging 26,852 in the first two months of 2016. Liquidations have also continued to decline, averaging 36,108 per month early 2016 compared to 39,829 per month in the same period a year ago.

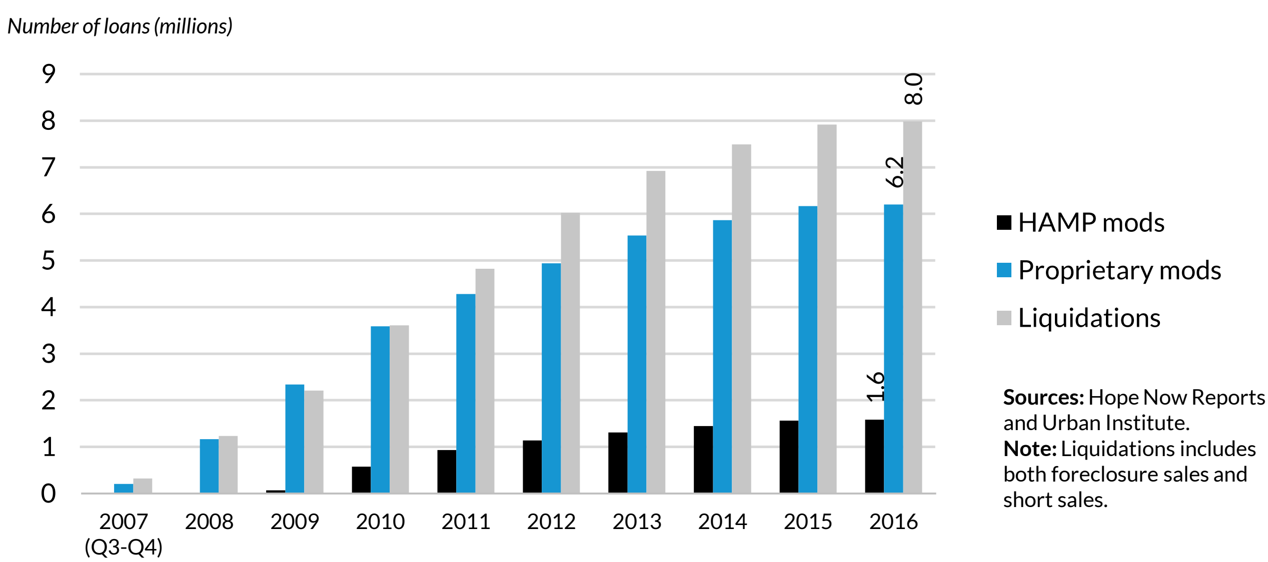
Loan Modifications and Liquidations



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

February 2016

Cumulative Modifications and Liquidations



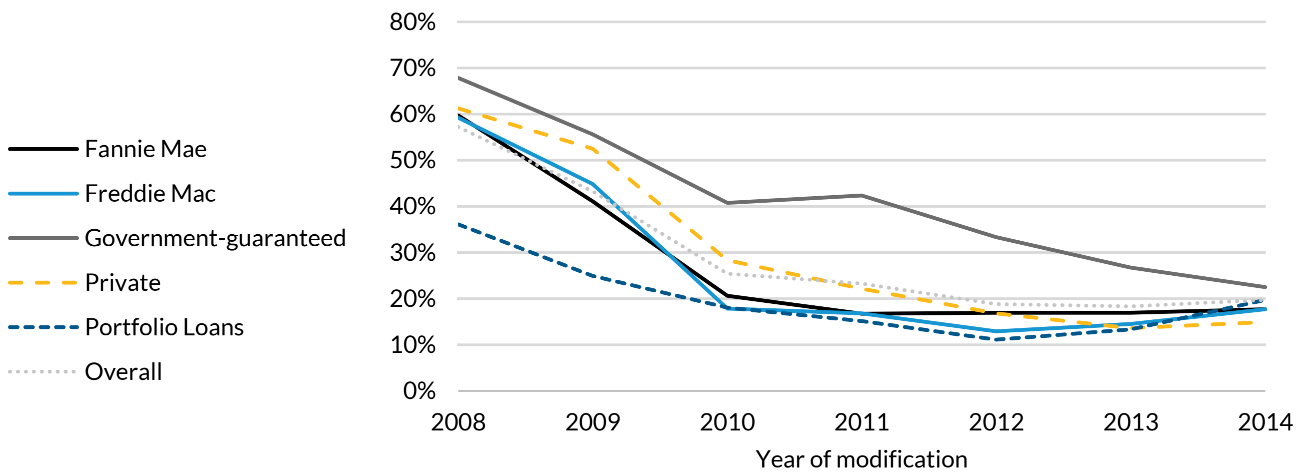
Sources: Hope Now Reports and Urban Institute.
Note: Liquidations includes both foreclosure sales and short sales.

February 2016

MODIFICATION REDEFAULT RATES BY BEARER OF THE RISK

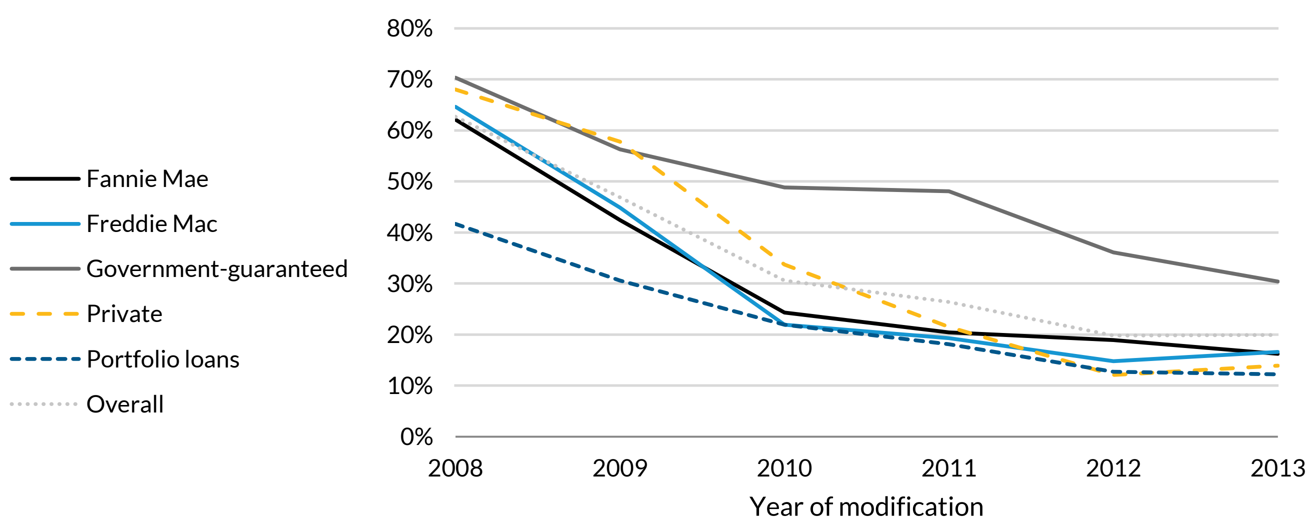
Redefault rates on modified loans came down dramatically from 2008 to 2014. For the period as a whole, the steepest drops have been on private label modifications. More recently, there have been sharp declines in the redefault rates on government-guaranteed modifications, although this product type still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

Redefault Rate 12 Months after Modification



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

Redefault 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

The agency gross issuance totaled $274.7 billion in the first quarter of 2016, a slight 1.2 percent decrease 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	$845.7	$436.3	$1,282.0
2016 YTD	$178.84	$95.86	$274.70
%Change year-over-year	-8.7%	16.7%	-1.2%
2016 Ann.	$715.36	$383.44	$1,098.80

Agency Net Issuance

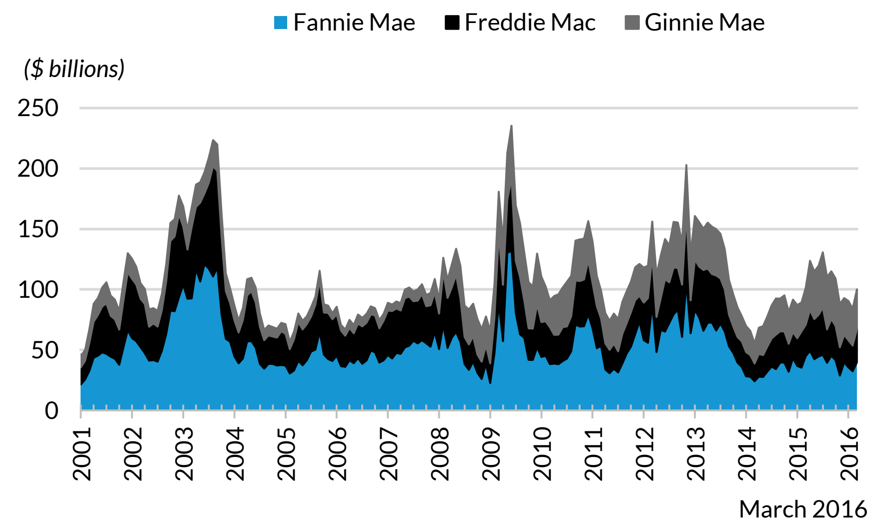
Issuance Year	GSEs	Ginnie Mae	Total
2000	$159.8	$29.3	$189.1
2001	$367.8	-$9.9	$357.9
2002	$357.6	-$51.2	$306.4
2003	$335.0	-$77.6	$257.4
2004	$83.3	-$40.1	$43.2
2005	$174.4	-$42.2	$132.1
2006	$313.6	$0.3	$313.8
2007	$514.7	$30.9	$545.5
2008	$314.3	$196.4	$510.7
2009	$249.5	$257.4	$506.8
2010	-$305.5	$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
2016 YTD	$22.3	$25.0	$47.3
%Change year-over-year	44.52%	356.38%	126.29%
2016 Ann.	$89.1	$100.0	$189.1

Sources: eMBS and Urban Institute.
Note: Dollar amounts are in billions. Annualized figure based on data from March 2016.

AGENCY GROSS ISSUANCE & FED PURCHASES

Monthly Gross Issuance

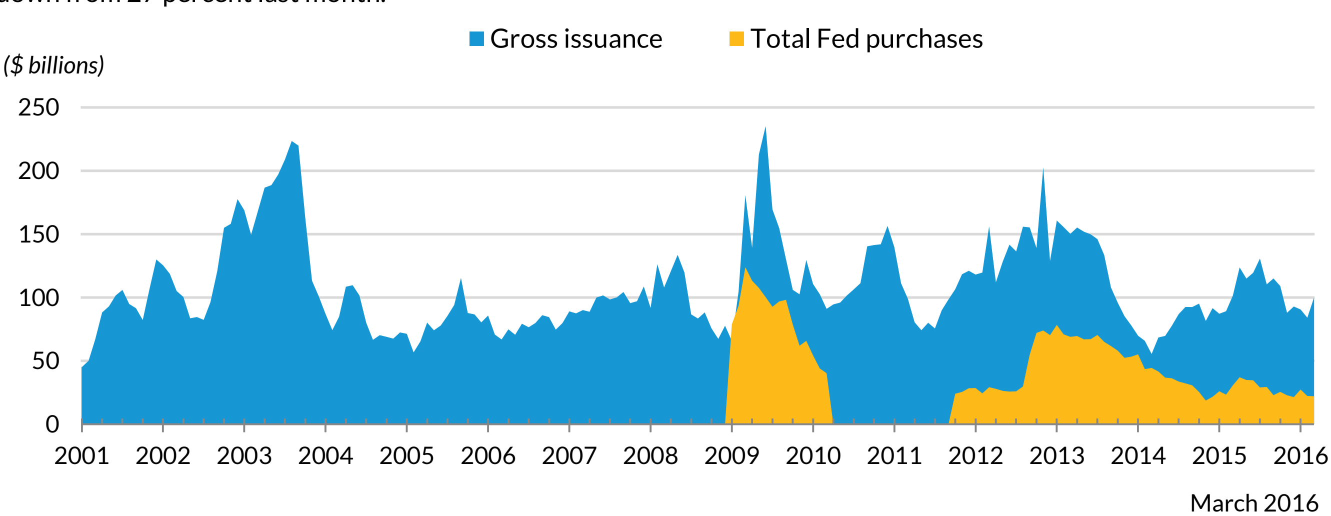
While government and GSE lending have dominated the mortgage market since the crisis, there has been a change in the mix. The Ginnie Mae share reached a peak of 28 percent of total agency issuance in 2010, declined to 25 percent in 2013, and has bounced back sharply since then. The Ginnie Mae issuance stood at 33 percent in March 2016, as the FHA refinance activity surged with the 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 March 2016, total Fed purchase stayed stable at $22 billion while gross issuance went up to $100 billion, yielding Fed absorption of gross issuance of 22 percent, down from 27 percent last month.

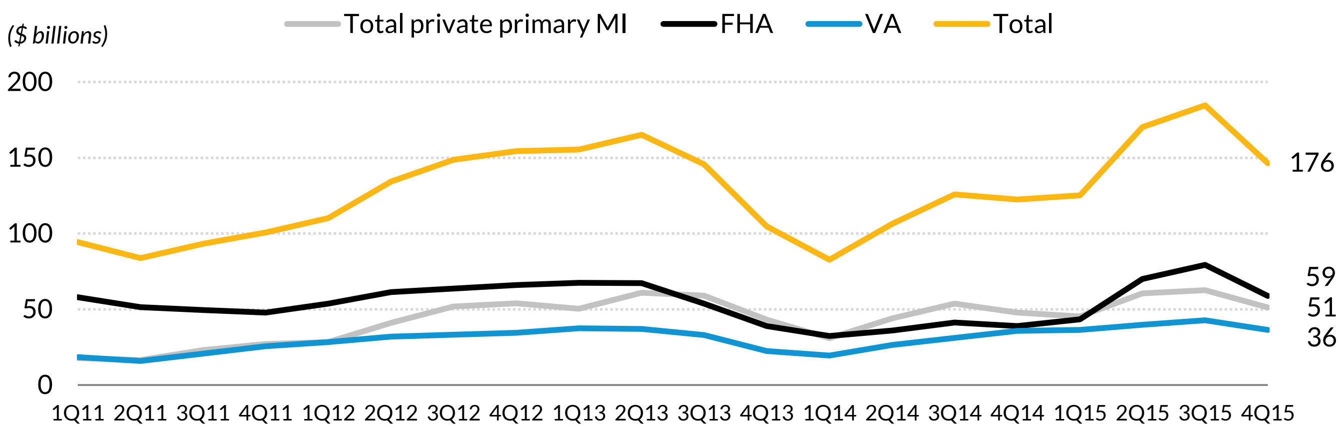


Sources: eMBS, Federal Reserve Bank of New York and Urban Institute.

MORTGAGE INSURANCE ACTIVITY

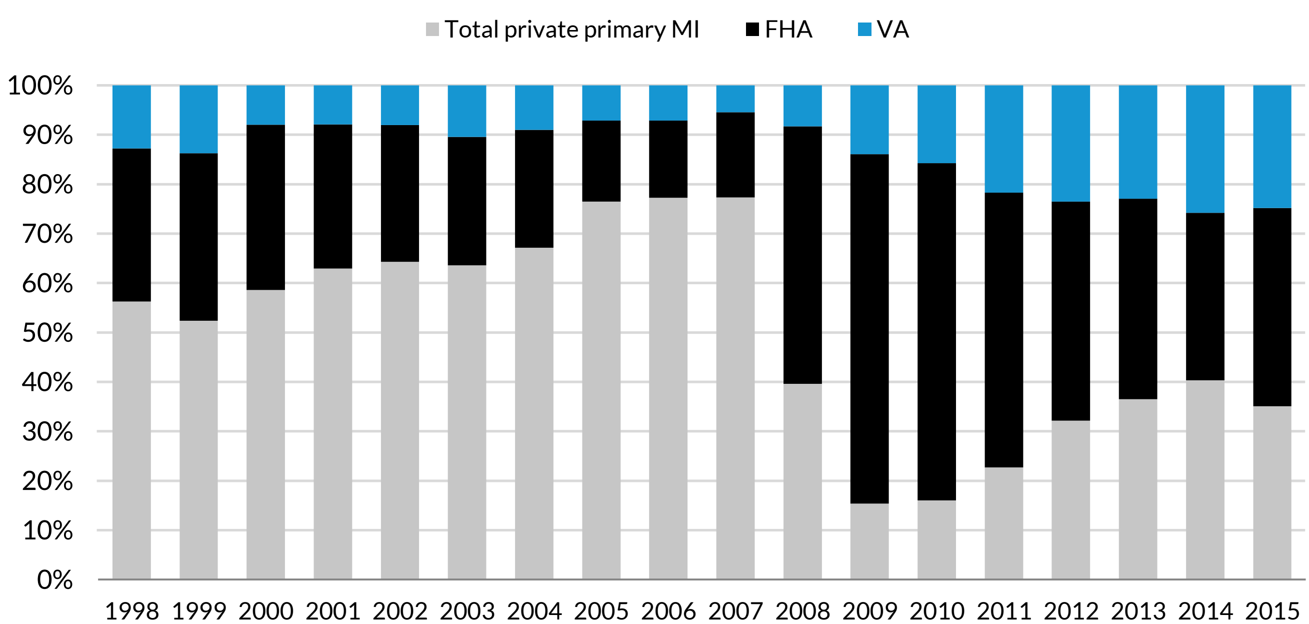
MI Activity

In 2015 Q4, mortgage insurance activity via the FHA, VA and private insurers declined sharply to $146.4 billion, down from last quarter's $184.7 billion but still up 20 percent year over year from the same quarter in 2014. In 2015, while all three MI channels experienced growth, FHA led the pack, bolstered by lower premiums. FHA's market share stands at 40 percent in 2015, compared to the private insurance market's 35 percent. VA lending achieved the agency's highest annual 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 January 2015, President Obama announced a 50 bps cut in the annual insurance premiums, making FHA mortgages more attractive than GSE mortgages for both low and high credit score borrowers. The April, 2016 reduction in PMI rates for borrowers with higher FICO scores has partially offset that. As shown in the bottom table, a borrower putting 3.5% down will now find FHA more economic for all borrowers except those with FICOs of 760 or above.

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*	3.50	2.75	2.25	1.50	1.50	1.00	0.75	0.75
PMI Annual MIP	2.25	2.05	1.90	1.40	1.15	0.95	0.75	0.55
Monthly Payment								
FHA	$1,273	$1,273	$1,273	$1,273	$1,273	$1,273	$1,273	$1,273
PMI	$1,688	$1,626	$1,582	$1,460	$1,410	$1,356	$1,309	$1,268
PMI Advantage	($415)	($353)	($309)	($187)	($137)	($83)	($36)	$5

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, while light blue indicates PMI is more favorable. The PMI monthly payment calculation does not include special programs like Fannie Mae's HomeReady and Freddie Mac's Home Possible (HP), both offer more favorable rates for low- to moderate-income borrowers.
LLPA= Loan Level Price Adjustment, described in detail on page 20.

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Ongoing support for HFPC is also provided by the Housing Finance Council, a group of firms and individuals supporting high-quality independent research that informs evidence-based policy development. Funds raised through the Council provide flexible resources, allowing HFPC to anticipate and respond to emerging policy issues with timely analysis. This funding supports HFPC's research, outreach and engagement, and general operating activities. Funders do not determine research findings or influence scholars' conclusions. Scholars are independent and empowered to share their evidence-based views and recommendations shaped by research. The Urban Institute does not take positions on issues.

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