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Testimony of
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Hearing before the U.S. House of Representatives
Committee on Financial Services
Subcommittee on Housing and Insurance
on
"Mortgage Insurance: Comparing Private Sector and Government-Subsidized Approaches"
Wednesday, March 13, 2013

Chairman Neugebauer, Ranking Member Capuano, and Members of the Subcommittee, thank you for the opportunity to testify on the role of the Federal Housing Administration.

In my testimony, I will address the three issues outlined in your letter. They are:

- Mechanics of the mortgage insurance business and FHA
- Discussion of whether FHA's policies and practices thwart efforts by the private sector to revive and strengthen the free enterprise system
- Legislative and regulatory suggestions to enhance FHA, protect taxpayers and facilitate the return of private capital

I believe that a strong and viable private mortgage insurance (MI) industry is an integral part of the mortgage market. However, I also believe that the MIs' current problems have little do with the Federal Housing Administration.

Before addressing the specific issues listed above, I would like to discuss, what I believe, is a more pressing problem for the mortgage market and the broader economy: the over-all weakness of the purchase mortgage market. This problem affects policy considerations for FHA, the MIs and the Government Sponsored Enterprises (GSEs). Just last Friday, in a speech to the Mortgage Bankers Association of America, Federal Reserve Board Governor Elizabeth Duke highlighted the severity of this problem, noting that "purchase mortgage originations hit their lowest level since the early 1990s".

Younger, lower income and minority homebuyers are being particularly hard-hit by these troubling purchase numbers. According to Governor Duke, "from late 2009 to 2011, the fraction of individuals under 40 years of age getting a mortgage for the first time was half of what it was in the early 2000s". She added that since 2007, there has been "a fall of about 90% (in purchase originations) for borrowers with credit scores between 620 and 680". The Federal Reserve's Bulletin: Mortgage Market in 2011, which analyzed Home Mortgage Disclosure Act (HMDA) data, also indicates that lower income and minority homebuyers saw the steepest declines in homeownership activity. Link:
http://www.federalreserve.gov/pubs/bulletin/2012/articles/HMDA/default.htm

At the same time, "all cash" sales approached 30% of all purchase transactions in 2012 according to the National Association of Realtors. DataQuick, a mortgage and real estate information firm, found that 32% of all purchase transactions in California were "all cash" in 2012. *In other words, the private sector has returned to the housing market, just not to the mortgage market.*

The disappointing purchase activity (which is also seen in FHA and GSE purchase volumes) and the explosive growth in "all cash" sales raise serious concerns about the mortgage market. Unless policymakers address these concerns, I am worried that we may well be moving backwards towards a housing market where homeownership is limited to those who are wealthy (or have wealthy parents) and a dwindling few whose credit is stellar enough to qualify for a mortgage. At the same time, there will be an increasing number of renters who, while creditworthy, lack the resources to purchase a home. I believe that we must first solve this challenge before worrying about carving up a depressed purchase mortgage market.

The main points of my testimony are:

1. **The fundamental problem with the current mortgage market is not that FHA is doing too many purchase loans but that combined (FHA, the GSEs and the private mortgage insurers) are not backing enough purchase mortgage originations.**

Despite the fact that the government is reportedly 90% of the mortgage market, FHA and Government Sponsored Enterprise (GSE) purchase activity is running well behind historical levels. FHA's FY 2012 purchase volume was 13 percent below FHA purchase activity in FY 2000 when FHA's share was in line with historical norms. FHA purchase activity has fallen steadily since FY 2010 and its FY 2012 volume was 34 percent below FY 2010 levels.

Fannie Mae and Freddie Mac's purchase activity is even more disappointing. The GSEs together have barely backed more purchase loans than FHA since 2009 and that only occurred because of recent FHA's declines as part of its effort to assist the recovery of the private mortgage insurers. They historically acquired multiples of FHA's purchase activity. It is estimated that the GSEs' combined purchase volume is roughly 50% of pre-bubble levels.

Home Mortgage Disclosure Act (HMDA) data corroborates this problem for the broader mortgage market. U.S. total purchase transactions have declined almost 50 percent from 4.79 million loans in 2000 to 2.42 million loans in 2011 (latest year available) and based on Governor Duke's speech, there is little optimism for improvement in 2012.

2. **FHA's performance has improved significantly since the housing crisis.**

The Committee was rightly concerned about the FY 2012 Actuarial Review's headline number of negative $13.5 billion for the forward mortgage program. However, a closer look at the independent actuary's analysis confirms that FHA's problems are concentrated in older books (FY 2005 – FY 2008), which are 13% of FHA's portfolio. Recent books (FY 2010 – FY 2012), which are 58% of FHA's portfolio, are projected to perform better than any three-year period of FHA underwritten loans in more than 30 years. Despite the $28 billion of negative adjustments in the audit, the projected cumulative claim rate of the FY 2010 – 2012 books actually improved in the FY 2012 audit to a combined cumulative claim rate of 6.3% (1 in 16 loans). Each of the FY 2011 – FY 2019 books are projected to have cumulative claim rates below 5.7%. No earlier books in over 30 years have projected claim rates below 5.7%.

Also encouraging is the fact that there has been improvement in the economic factors on which the actuarial review was based and they should have a positive impact on future projections. In particular, home price estimates have improved significantly since the FY 2012 Actuarial Review was completed.

The Actuarial Review was based on an estimate of a less than 1% increase in home prices in 2012. This estimate has turned out to be very conservative. S&P/Case-Shiller Home Price Indices released on February 26th stated: "The national composite posted an increase of 7.3% for 2012." Core Logic's Home Price Index also found that home prices increased 9.7% in January 2013 on a year-over-year basis.

3. **FHA mortgage and borrower income data show that FHA remains focused on its mission of primarily serving lower income homebuyers.**

For all the attention given FHA's maximum mortgage amounts, the data shows that FHA activity is concentrated in lower priced homes. FHA's median loan amount for purchase transactions was $147,000 in 2011 according to the Federal Reserve Bulletin mentioned earlier. Seventy-one percent of FHA loans insured in 2012 were below $200,000, which is also below the FHA base limit of $200,160 that was in effect prior to the enactment of the Economic Stimulus Act (ESA) of 2008.

At least 80% of FHA loans insured in 2012 had mortgage amounts *below* the maximum mortgage amount that was in effect prior to ESA. (The FHA maximum mortgage limit in high cost areas was up to $362,790.)

FHA's median borrower income was $56,000 in 2011 according to the Federal Reserve's HMDA analysis. FHA's median income was closer to the U.S. median household income in 2011 than it was in 1971. In 2011, FHA's median income was 12% higher than the U.S. median household income ($50,050). In 1971, FHA's median income was 22% higher than the national median income according to a Government Accountability Office (GAO) report published in 1994. Link: http://www.gao.gov/assets/80/78805.pdf

4. **FHA has taken reasonable steps to facilitate an increase of private mortgage insurance activity.**

As the above data shows, FHA's current higher mortgage limits are a very small part of its business or the MIs' problem. In addition, since FHA has raised mortgage insurance premiums five times in recent years (with a sixth increase is coming in April 2013), any pricing disparities have already been addressed.

The private mortgage insurers recognize FHA's efforts to assist them. Here is what one MI executive said in a public filing last year.

> "the FHA's current premium pricing, when compared to our current credit-tiered premium pricing (and considering the effects of GSE pricing changes), may allow us to be more competitive with the FHA than in the recent past for loans with high FICO credit scores."

This statement was made prior to the announcement of the FHA premium increase that takes effect next month.

There are others factors affecting MI business over which FHA has no control. Foremost among those are the pricing policies of the Federal Housing Finance Agency (FHFA), Fannie Mae and Freddie Mac. In particular, Fannie Mae and Freddie Mac's charging of loan level pricing adjustments (LLPAs) on loans with credit scores below 700 has severely curtailed MI purchase activity. To address this problem, the MIs must demonstrate to the GSEs that these fees are no longer necessary on loans backed by the private mortgage insurers. The net effect of LLPAs is the double charging of fees to homebuyers (MI premium and LLPAs).

In addition, if FHFA continues to increase guaranty fees as part of its effort to "contract" the role of the GSEs, this policy will have a direct impact on the MI purchase activity since MI loans are primarily purchased by the GSEs.

In the current environment, FHA cannot be expected to keep raising its own fees (beyond what is necessary to maintain actuarial soundness of the Fund) in light of the alarming problem in the purchase mortgage market articulated by Governor Duke. FHA must balance its efforts to assist the private MIs while addressing the current market reality that not enough purchase mortgages of any kind are being made.

5. **Mortgage lenders have significant risk in the FHA program.**

Mortgage lenders have taken the unprecedented step of adding their own underwriting restrictions (called credit overlays) on top of FHA lending requirements to protect their firms from liability.

This point can be boiled down to the following question:

> *Why would FHA lenders add credit overlays (additional underwriting criteria) on top of FHA's requirements when the loan is 100% insured by the government?*

Much like doctors practice defensive medicine (i.e. requiring more tests to avoid lawsuits), mortgage lenders have adopted defensive lending (i.e. raising eligibility requirements on new originations to protect their companies from risk).

In her testimony before this Committee last month, FHA Commissioner Carol Galante acknowledged the impact of this problem on FHA's ability to serve many lower income families.

With this information as a backdrop, I will now address your three specific questions.

I. Mechanics of the Mortgage Insurance Business and FHA

As a former FHA official, I will address this issue from FHA's perspective. In this regard, it is first important to remember that FHA is an insurance program and like any successful insurance program, it needs to spread its risk. Just like an auto insurer could not be limited to drivers under the age of 25, FHA cannot be targeted only to higher risk borrowers.

FHA has an even more daunting task than your typical insurer. Its mission is two-fold:

- To serve borrowers not adequately served by the private sector
- To operate at no expense to the American taxpayer

If those goals were not enough, FHA is asked to accomplish them without encroaching on the private sector.

FHA loans have a Government guarantee

The principal difference between FHA and private mortgage insurance industry, of course, is that FHA loans have the backing of the full faith and credit of United States government. This difference has existed since the modern day private mortgage insurance industry reemerged in the 1950's.

To achieve the delicate balance between FHA's mission and fiscal responsibility and minimize overlap with the private insurers, there are three long-standing features of the FHA program.

FHA's premium structure reduces overlap with the private mortgage insurers

Instead of using risk-based pricing that is an integral part of private insurance and would make FHA insurance more competitive for borrowers with better credit characteristics, FHA has always charged all borrowers the same premium regardless of credit characteristics. Charging the same premium to all borrowers produces a type of cross-subsidization in which lower risk loans help to offset the losses associated with loans having higher risk characteristics.

More important for the deliberations of the Committee, a uniform premium structure also discourages borrowers with lower risk factors from using the program. Many have encouraged FHA to implement risk-based pricing. However, risk-based pricing would increase FHA's competitiveness on higher quality loans thereby exacerbating the concerns of the Committee about FHA's role.

At the same time, however, if these loans with higher credit characteristics were completely removed from the program, FHA would either have to charge even higher premiums to the families that need FHA financing the most to offset the lost revenue or require taxpayer assistance. Neither is an acceptable alternative.

FHA uses reasonable mortgage limits to target activity

The Economic Stimulus Act (ESA) of 2008 temporarily increased FHA's base limit to $271,050 and the maximum mortgage limits in high cost areas up to $729,750 to ensure liquidity in the mortgage market. Despite the increase in eligible mortgage limits, FHA data shows that the higher mortgage limits are used very infrequently. In 2012, at least 80% of FHA loans were made below the limits that were in place prior to the enactment of ESA in 2008. (The base limit was $200,160 and the high cost area limit could go up to $362,790.)

Here are some other statistics that demonstrate the minimal impact of the higher loan amounts.

- 1.6% of FHA 2012 originations are above $500,000 (Link: https://entp.hud.gov/sfnw/public/
    - Over 50% are in California.
  - 3.5% of FHA 2012 originations are above $400,000
  - 9% of FHA 2012 originations are above $300,000
- The vast majority of FHA originations are below $200,000
  - 71% of FHA 2012 originations were below $200,000
- FHA insured more loans under $50,000 in 2012 than it insured over $500,000.
- FHA insured twice as many loans under $100,000 in 2012 than it insured over $300,000.

FHA's median loan amount for purchase loans was $147,000 in 2011 according to the Federal Reserve Bulletin.

To provide some historical context about FHA mortgage limits, they were four times the median sales price at FHA's inception in 1934. While no one would expect FHA's limits to remain that high today, it is noteworthy that FHA mortgage limits were 150% of the median sale price for existing homes well into the 1970's. Accordingly, the base loan limit in effect today ($271,050) is comparable to the mortgage limit in the 1970's.

<u>Why are having some higher balance loans important to the financial soundness of the program?</u>

Higher balance loans perform better than smaller loans.

- FHA loans over $400,000 have a 33% lower early default and claim rate than loans under $200,000 (Neighborhood Watch data).
  - Loans over $500,000 perform even better.
- FHA actuarial reviews confirm these findings.

  - Every recent FHA audit has included a statement similar to this one from the FY 2011 audit:

    "FHA experience indicates that more expensive houses tend to perform better compared with smaller houses in the same geographical area, all else being equal. Larger loans incur claims at a lower rate and in those cases where a claim occurs loss severity tends to be lower."

The data shows that having some larger balance loans benefits the Fund and reduces risk for the taxpayer. The data also shows FHA made a very small percentage of high balance loans. I believe FHA's uniform premium structure discourages borrowers purchasing more expensive homes from using the FHA program.

FHA provides 100% insurance coverage

Some are recommending that FHA reduce its insurance coverage to promote "skin in the game". This issue has been raised many times in the past. In fact, the Government Accountability Office

(GAO) prepared a 1997 report entitled "Potential Effects of Reducing FHA's Insurance Coverage for Home Mortgages". Link: http://www.gao.gov/archive/1997/rc97093.pdf

The GAO Report concludes:

> **"If FHA's insurance is reduced and lenders become responsible for the risk associated with the uninsured portion of loans, lenders will likely make fewer and more costly FHA loans."**

As I noted earlier, lenders are already adding "overlays" (additional underwriting requirements) on top of FHA requirements. Lenders would only add more overlays if the insurance coverage is reduced making it even more difficult for many creditworthy families to qualify for a mortgage.

The VA program has also been mentioned as a possible model since it has reduced coverage (generally around 25%) and lower delinquency rates. However, the lower delinquency rates likely have more to do with the better borrower characteristics than the reduced coverage.

- VA loans have much higher credit scores.
  - In 2004 – 2007, VA had median credit scores of about 680 when FHA's were around 630-640.
    - As both FHA's and VA's credit scores have improved in recent years, the difference has declined.
      - In FY 2011 and FY 2012, the VA's median score was 719 and FHA's was close to 700.
- Veterans have much higher incomes than FHA borrowers.
  - In 2011, according to 2011 HMDA data, veteran income is more than 25% higher than the income of FHA borrowers.
- Veteran borrowers, because of their military backgrounds, have always been seen as more experienced in handling their financial obligations than FHA borrowers.

With the purchase mortgage market already depressed, changing FHA's insurance coverage would exacerbate the program.

Mortgage lenders have significant risk in the FHA program

There are three key reasons why lenders added credit overlays (additional underwriting requirements on top of FHA rules) in the FHA program. They are:

- Enforcement risk
  - FHA, the HUD Inspector General (I.G.) and the Department of Justice (DOJ) have increased scrutiny of FHA lenders. When FHA terminated one of its largest lenders in August 2009, that action reverberated throughout the industry.
  - Public display of early default and claim rates in Neighborhood Watch deters bad behavior.
    - In addition to potential FHA suspension for high early default rates, business partners (warehouse banks and purchasers of servicing) make business decisions based on this performance data.

- Indemnification risk
    - Mortgage lenders are held accountable for making loans that do not meet FHA standards. When FHA determines that a loan was not originated properly, it can require the lender to absorb FHA's loss.
- Reputation or "headline" risk
    - In addition to any penalties imposed by HUD, the I.G. or the DOJ, the public announcement of sanctions can have a severe impact on a firm, particularly large financial institutions when articles appear on the front page of the major newspapers in America.
- Financial risk
    - The ultimate economic value of an FHA loan is in the monthly servicing fee (an annuity-like payment) on a performing loan. This is in contrast to subprime and Alt-A loans in which the revenue was in the origination of the loans. Accordingly, if an FHA loan doesn't perform, the lender loses significant revenue. This is particularly true in transactions in which large servicers buy originations from smaller originators by paying an upfront fee (approximately 2% of the loan) to the originator shortly after closing.

Mortgage lenders began imposing credit overlays in early 2008. See the attached chart documenting the shift in the distribution of FHA credit scores starting in early 2008. In 2007 4Q, 47% of FHA loans had credit scores below 620. That percentage dropped steadily in every quarter until it bottomed out below 5% where it remains today. On the other hand, the percentage of borrowers with credit scores above 680 has increased every quarter since 2007 4Q. The percentage of FHA loans with high credit scores exceeded 55% in 2009 3Q and is still there today.

This data and the imposition of lender credit overlays categorically refute the allegation that FHA has replaced subprime lending and that FHA lenders do not have significant liability in the program.

FHA is burdened with administrative requirements, inflexibility and uncertainty that discourage participation

Here is what GAO said in 2007 about processing FHA loans.

> "According to mortgage industry officials we interviewed, processing FHA- insured loans was more time consuming, labor intensive, and costly than processing conventional mortgages."

The GAO report also noted that FHA has limited flexibility in hiring and compensating staff or investing in technology:

> "Although FHA has taken actions to enhance key tools and resources, it operates in a highly competitive environment in which other market participants have greater flexibility to hire and compensate staff and invest in information technology, which enhances their ability to adapt to market changes."

FHA has also been saddled with other requirements that make it more complicated than conventional lending. For example, by law, FHA is required to have lenders provide homebuyers with a disclosure (Informed Consumer Choice) stating that loans with private mortgage insurance may be cheaper than FHA insurance. FHA transactions also have a tiered pricing restriction. Mortgage lenders cannot charge more than a two discount point differential on any FHA loan regardless of the cost of originating a particular loan.

Throw in uncertainty about the availability of FHA lending in times like sequestration or the expiration of Continuing Resolutions (e.g. March 27th) and there are plenty of reasons why mortgage lenders avoid FHA lending when they have a choice.

To sum up, FHA's "competitive advantage" (i.e. government backing) has existed since 1934. However, there are certainly other factors that discourage FHA lending particularly to borrowers with better credit characteristics.

II. Discussion of whether FHA's policies and practices thwart efforts by the private sector to revive and strengthen the free enterprise system

I do not believe that FHA's policies "thwart efforts by the private sector". However, there are factors affecting MI business over which FHA has no control.

In the aftermath of the housing crisis, concerns about FHA's advantages have centered on FHA's "pricing ". Of course, FHA has increased mortgage insurance premiums five times. FHA also assisted the MIs' competitiveness by primarily raising the annual premium (almost 1%), which effectively raises the interest rate on an FHA loan by that amount.

The concern about pricing should be directed at the policies of the Federal Housing Finance Agency, Fannie Mae and Freddie Mac. In particular, the charging of loan level pricing adjustments has severely curtailed MI purchase activity. The MIs must demonstrate to the GSEs that these fees are no longer necessary on loans backed by the private mortgage insurers.

In addition, while the MIs believe they pay all legitimate claims, mortgage lenders are upset by the significant increase in rescissions (i.e. claim denials). Rescissions increased from 5% -10% to over 20% in 2008 -2010. While many rescissions may have been justified, mortgage lenders believe some were not. Just like loan repurchases have damaged lender relationships with the GSEs, rescissions have soured the relationship with the private mortgage insurers.

Finally, the MIs made necessary business decisions in pulling back from the mortgage market, particularly in the hardest-hit areas. Once these markets stabilized with the help of FHA financing, the MIs gradually returned to the marketplace. However, the MIs should not expect their market share to return immediately to pre-bubble levels.

III. Legislative and Regulatory Suggestions

I submit the following recommendations for the Committee's consideration.

The cause of credit overlays must be addressed

The mortgage industry, rightly or wrongly, believes that the government is no longer taking the credit risk but instead, is transferring a portion of this risk to mortgage lenders through repurchases, indemnifications, lawsuits, settlements, etc. The reputation or "headline" risk associated with public disclosure of legal settlements only exacerbates the impact.

As I noted earlier, the mortgage industry has taken the unprecedented step of adding their own underwriting restrictions (called credit overlays) on top of government lending requirements to protect their firms from this liability. Much like doctors practice defensive medicine (i.e. requiring more tests to avoid lawsuits), mortgage lenders have adopted defensive lending (i.e. raising eligibility requirements on new originations to protect their companies from risk).

FHA leadership is acutely aware of this problem and has been trying to address the industry's concern about risk without undermining the safety and soundness of the program. FHA has made changes to the Neighborhood Watch program and is updating program handbooks to provide more transparent guidance in an effort to encourage lenders to reduce overlays in the FHA program. (It is recognized that FHFA has also taken steps to address this problem in GSE lending.)

Unfortunately, lender reluctance to follow FHA's underwriting criteria is more complicated than reaching an understanding between FHA officials and the industry. The Department of Justice and the HUD Inspector General have also been active participants in the enforcement of FHA rules. While the full weight of the law should be brought against lenders that knowingly commit fraud or abuse, there is growing concern in the industry that procedural errors in the processing of groups of cases can lead to settlements of hundreds of millions of dollars and even more importantly reputation risk through front page articles in the major newspapers of the country. The mortgage industry increasingly believes that the only way to protect their companies from this procedural liability in the current environment is to tighten up on new originations (hence overlays).

No one expects or wants the government to stop penalizing lenders that knowingly commit fraud or serious violations of program and underwriting requirements. These abusive lenders damage the marketplace in addition to inflicting financial cost to the program.

I offer the following ideas as part of the discussion on this critical subject. I would recommend that a special meeting be convened with the Executive Branch and the industry to address this issue.

One issue that could be considered is the type of errors that precipitate a False Claims Act violation. It would also be helpful if the government provided detailed explanations of specific violations that precipitated these penalties. The impression in the industry is that procedural mistakes (i.e. "process fouls" or "foot faults") are the cause of these penalties.

In addition, it would also be helpful if auditors would update lenders on the status of investigations to the extent practical. Obviously, in cases involving widespread fraud, such updates are inappropriate. However, I am aware of instances where lenders received subpoenas a year ago or longer and have not heard any word. In the interim, lenders have added overlays to protect their firms going forward.

Finally, it should be understood that the marketplace makes a judgment about the fairness of actions and penalties. If they believe the government actions are excessive, the industry would step-up overlays to protect their companies.

Expand Neighborhood Watch to include information on individual loan originators

The public display of early default and claim performance system in the Neighborhood Watch system has been an invaluable tool for self-policing in the industry. Business partners (warehouse banks and aggregators) have used this information to encourage FHA loan quality.

I believe expanding this tool to individual loan originators will have an even more profound impact on loan quality. If loan originators know that their company as well as others in the industry can see how well their originations perform, they will be much less willing to take improper actions.

When a lender terminates a loan originator for improper conduct, the loan officer can simply move to another lender. Their former employer would be unwilling to say anything because of legal concerns. However, if this originator's performance were visible to other lenders, I believe and many lenders have told me that it would have a dramatic impact on fraud and abuse.

Conclusion

The fundamental problem with the mortgage market today is not that FHA (or Fannie Mae and Freddie Mac) are making too many purchase loans, but that the total purchase mortgage market is not making enough loans.

The performance of FHA loans insured since the private mortgage market collapsed shows that FHA ha officials have acted responsibly in balancing FHA's dual mission of serving those not able to find financing from other sources and avoiding risk for the American taxpayer.

FHA has also taken the appropriate steps to facilitate the return of private capital. However, FHA is also rightly concerned about making additional changes in light of the weak purchase mortgage market.

The MIs benefited from FHA's efforts to provide liquidity to the mortgage market at the height of the crisis in 2008 and early 2009. By helping to stabilize home prices, FHA reduced the size of MI losses. However, as the FHA Actuarial Review shows, FHA did incur significant losses on these loans. Like any insurance company, FHA must be able to spread its risk within reasonable limitations to perform this role in the future without requiring taxpayer assistance.

There is still more work to be done to ensure that all creditworthy Americans are able to buy a home. Placing more restrictions on FHA at this time will only make it more difficult for many families to qualify for a mortgage. Equally important, they could increase financial risk for the FHA program and the American taxpayer.

Exhibit A-4: Borrower Credit Score Distribution on New Endorsements								
FHA Single-Family Mortgage Insurance								
Borrower Credit Score[a] Distribution on New Endorsements[b]								
By Fiscal Year (FY) and Quarter								
(Shares in each row add /0 100%)								
Fiscal		Credit Score Categories'						
Year	Quarter	720+	680+	620+	580+	500+	300+	N/A[c]
2007	Oct-Dec	11.2%	10.9%	31.7%	22.5%	17.8%	1.2%	4.7%
	Jan-Mar	10.3	10.2	31.1	23.0	19.4	1.4	4.6
	Apr-Jun	9.9	9.6	30.6	23.5	20.4	1.5	4.6
	Jul-Sep	9.9	9.3	30.9	23.6	20.8	1.5	3.9
2008	Oct-Dec	9.3	9.1	31.2	23.9	21.3	1.7	3.6
	Jan-Mar	9.9	9.9	31.8	23.2	20.4	1.7	3.1
	Apr-Jun	15.2	13.2	35.6	20.9	12.2	0.7	2.2
	Jul-Sep	19.2	16.1	37.5	19.0	6.7	0.2	1.4
2009	Oct-Dec	20.5	17.2	37.6	18.7	5.1	0.1	0.8
	Jan-Mar	24.4	19.0	37.0	15.5	3.4	0.0	0.7
	Apr-Jun	29.7	21.3	38.3	8.5	1.5	0.0	0.7
	Jul-Sep	33.4	22.1	37.9	4.9	1.0	0.0	0.7
2010	Oct-Dec	33.6	22.5	38.6	4.0	0.7	0.0	0.6
	Jan-Mar	34.0	22.8	38.5	3.5	0.5	0.0	0.6
	Apr-Jun	35.1	22.7	38.5	2.7	0.4	0.0	0.6
	Jul-Sep	34.9	22.7	38.5	3.0	0.4	0.0	0.6
2011	Oct-Dec	37.2	23.3	36.2	2.5	0.3	0.0	0.5
	Jan-Mar	37.9	24.2	35.1	2.2	0.2	0.0	0.4
	Apr-Jun	35.5	23.9	37.6	2.6	0.2	0.0	0.4
	Jul-Sep	33.1	23.8	39.2	3.3	0.2	0.0	0.3
2012	Oct-Dec	33.0	23.9	39.3	3.2	0.2	0.0	0.3

Below 620

Above 680

[a] Credit scores are co-branded between the three major credit repositories (Equifax, Experian, Transunion) and Fair-Isaac Corporation. Values can range from 300 to 850. They are grouped here according to the "decision" score used for loan underwriting. That score represents the weakest borrower on a loan application when there are multiple applicants. Streamline refinance loans do not require full underwriting, and therefore, they are not represented here.

[b] Excludes streamline refinance loans.

[c] Borrowers Without credit histories can be underwritten for FHA Insurance using alternative criteria.

Source: Data from FHA, Mortgage Bankers Association, and CoreLogic; January 2012.

There has been a dramatic shift in the distribution of FHA credit scores since 2007