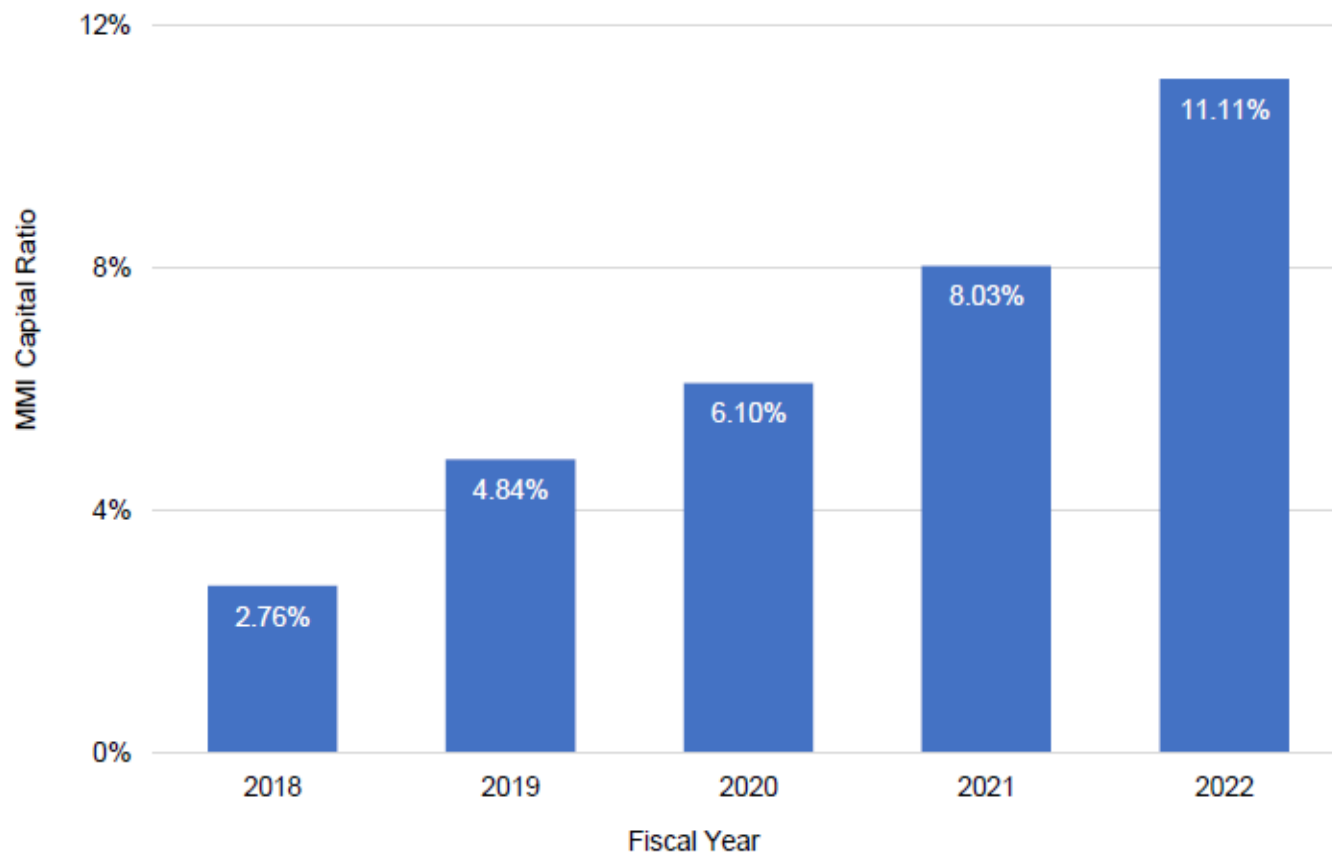


# **Review of the 2022 FHA Annual Report on the Mutual Mortgage Insurance Fund**

November 2022

# MMIF Capital Ratio

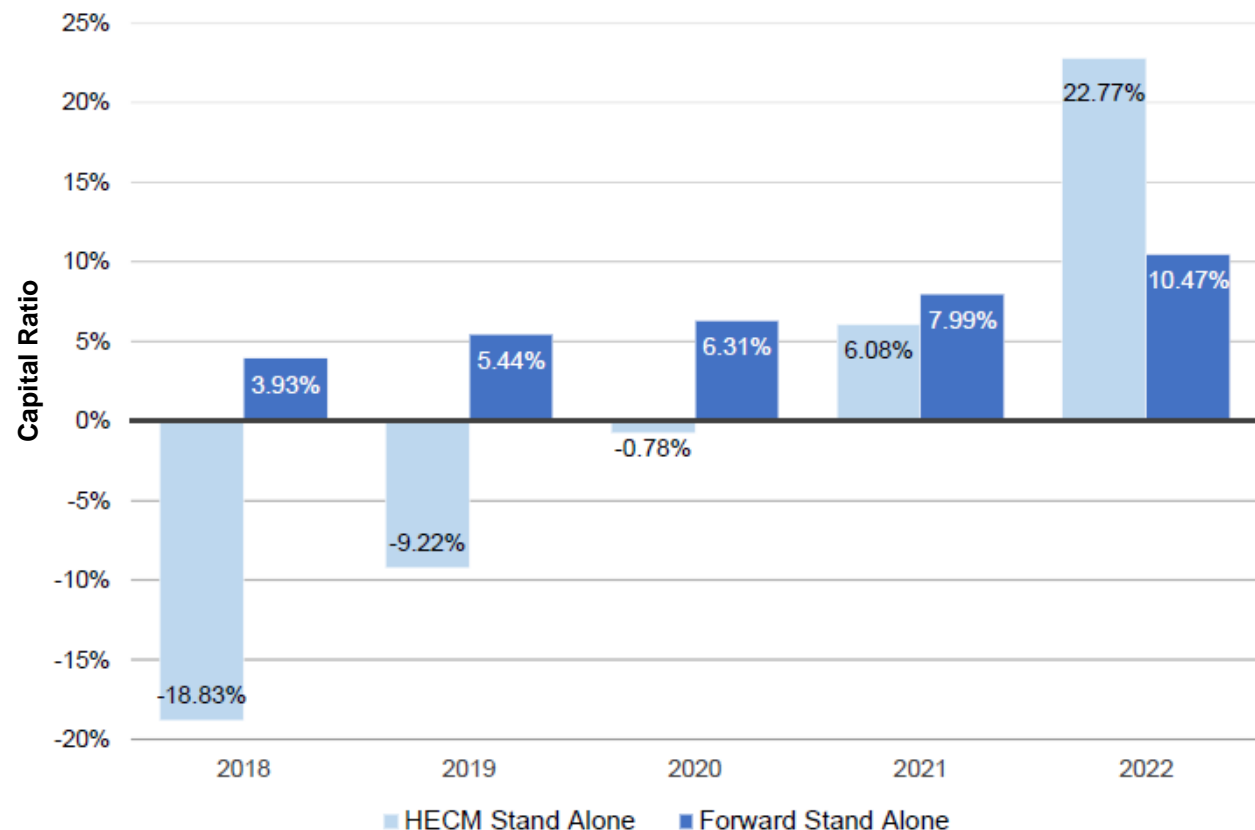


MMI Balance and Capital Ratio Estimates (\$ millions)

Description	FY 2020	FY 2021	FY 2022
Total Capital Resources	\$70,652	\$83,604	\$98,441
Cash Flow NPV	\$8,298	\$16,871	\$43,260
<b>MMI Fund Capital</b>	<b>\$78,950</b>	<b>\$100,475</b>	<b>\$141,701</b>
Insurance-In-Force	\$1,294,731	\$1,251,270	\$1,275,212
Total Capital Resources	5.46%	6.68%	7.72%
Cash Flow NPV	0.64%	1.35%	3.39%
<b>MMI Fund Capital Ratio</b>	<b>6.10%</b>	<b>8.03%</b>	<b>11.11%</b>

Note: MMI Fund Capital is the way the report refers to economic net worth.

# MMIF Components – Forward and HECM



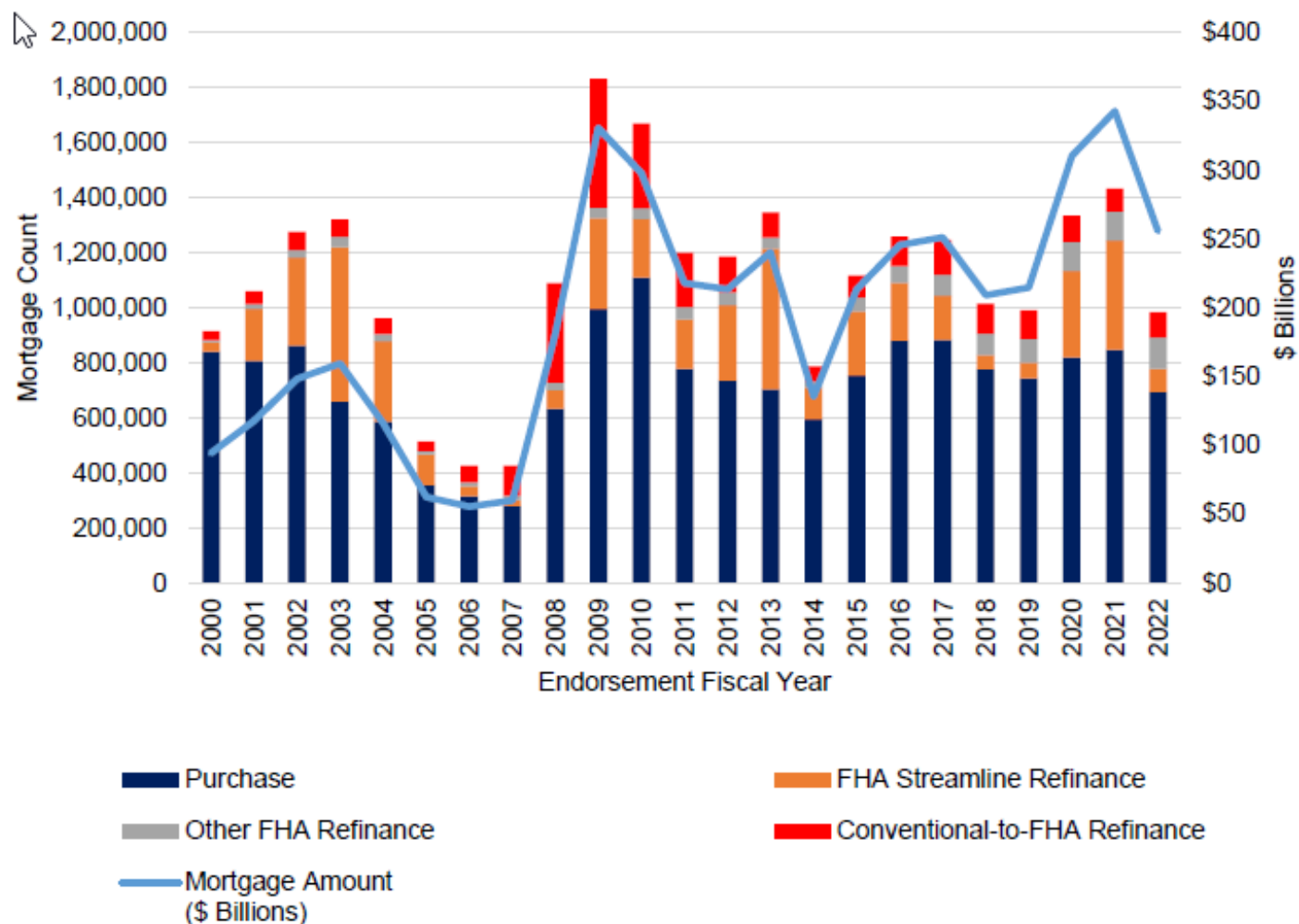
	COMBINED FUND			FORWARD			HECM		
	Value	IIF	Ratio	Value	IIF	Ratio	Value	IIF	Ratio
2014	4.8	1,138	0.42	9.5	1,075	0.88	-6.4	63	-10.13
2015	23.8	1,133	2.10	21.3	1,065	2.00	0.8	68	1.17
2016	27.6	1,170	2.35	34.2	1,100	3.11	-8.3	70	-11.81
2017	26.7	1,227	2.18	38.4	1,154	3.33	-13.4	73	-18.3
2018	34.9	1,265	2.76	46.8	1,192	3.93	-13.6	72	-18.83
2019	62.4	1,288	4.84	66.6	1,224	5.44	-5.9	64	-9.22
2020	79.0	1,295	6.10	77.8	1,232	6.31	-0.5	63	-0.78
2021	100.5	1,251	8.03	94.9	1,189	7.99	3.8	63	6.08
2022	141.7	1,275	11.11	126.6	1,209	10.47	15.1	66	22.77

Value and Insurance-In-Force in \$ billions

Ratio in percent

Value is equivalent to MMI Capital (or, economic net worth)

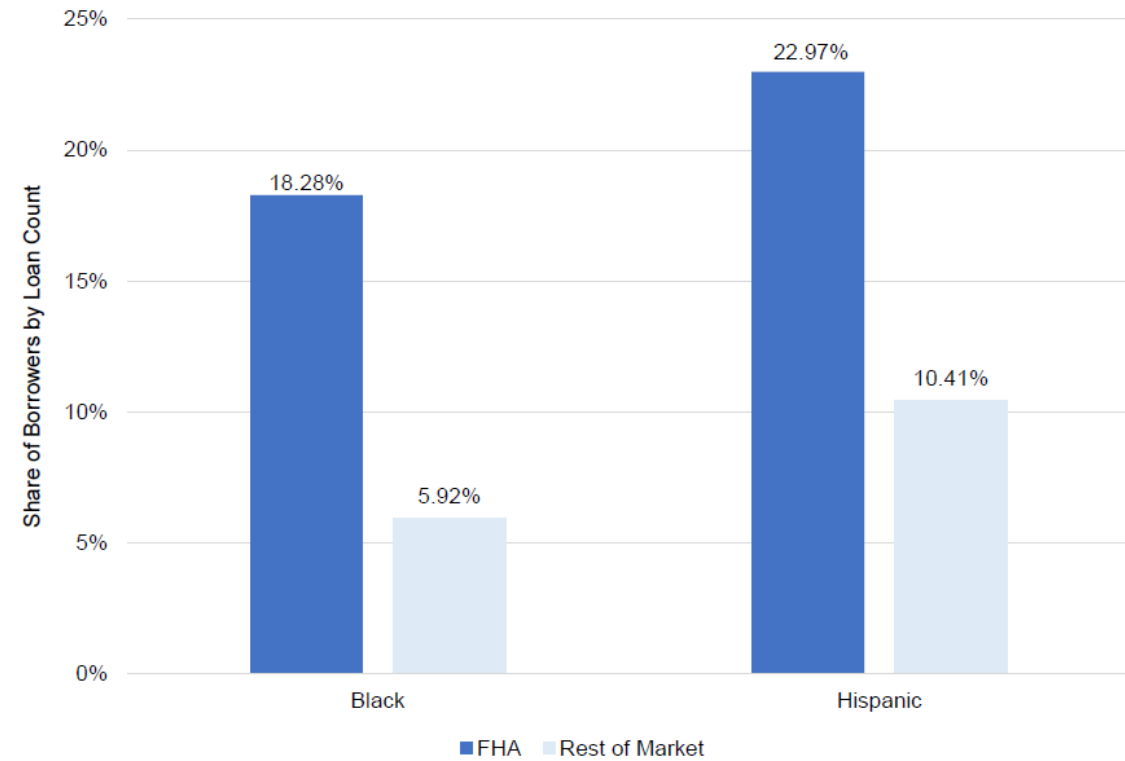
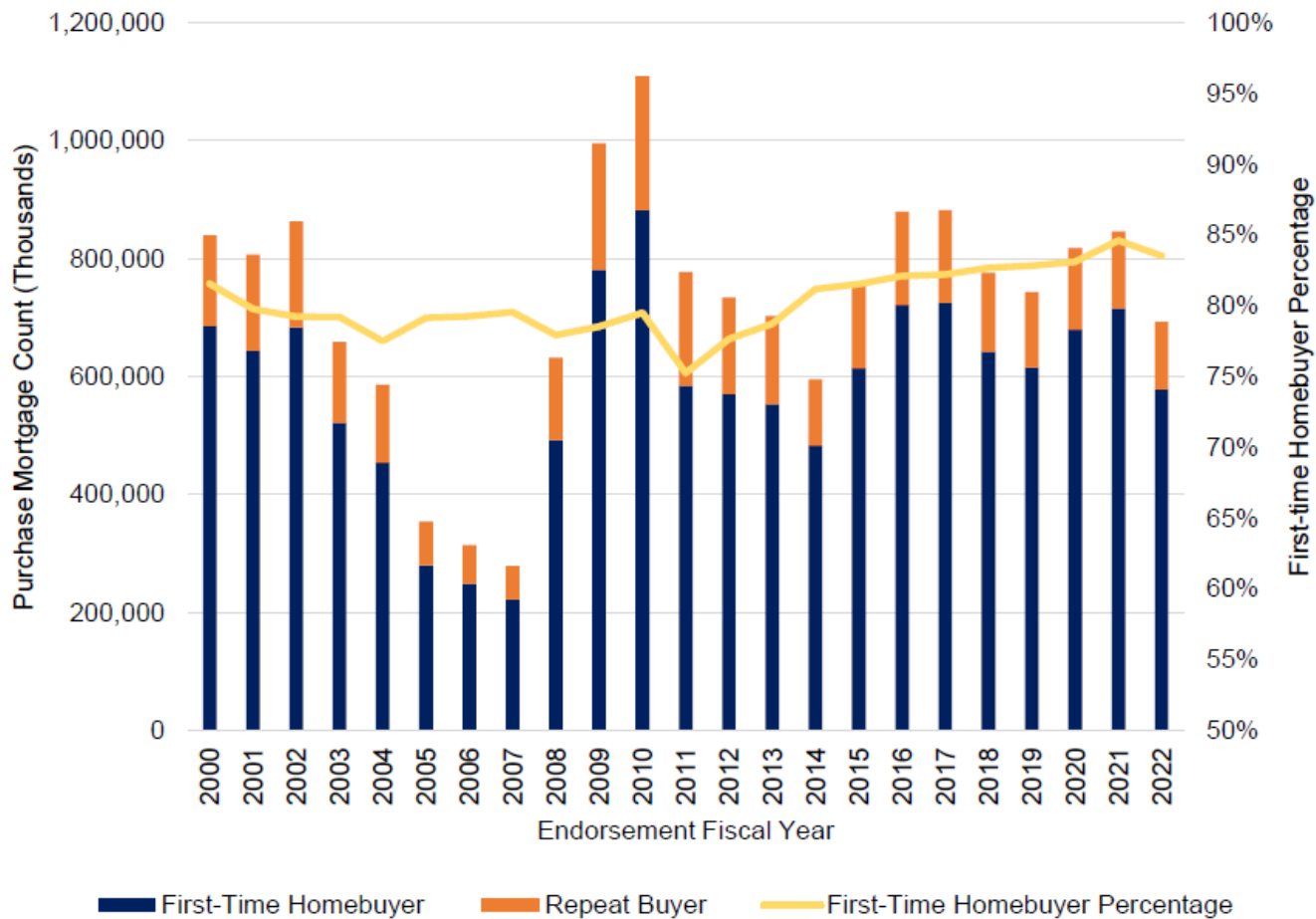
# FHA Forward Endorsement Count Fell from 1.43 Million Loans in FY21 to 0.98 Million in FY22—70% Were Purchase Loans



	Forward Endorsements (count, millions)
2016	1.258
2017	1.246
2018	1.015
2019	0.990
2020	1.333
2021	1.433
2022	0.982

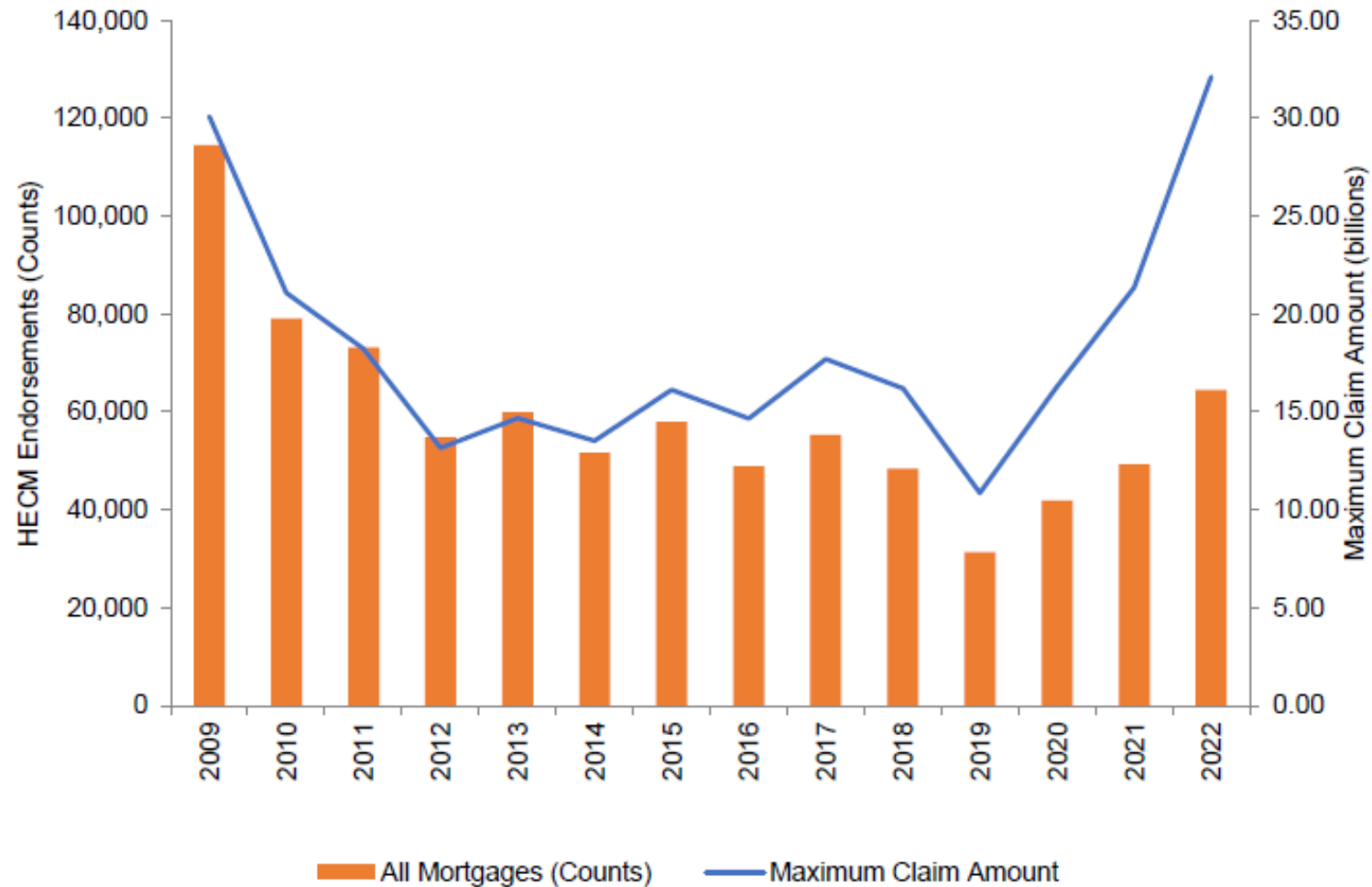
Despite endorsement volume decreasing from \$343 Billion in FY21 to \$256 Billion in FY22, we estimate the FHA market share increased from 7.9 percent to 9.3 percent. \*\*

# FHA Continues to be a Major Source of Funding for First-Time Homebuyers and Remains an Important Option for Many Minority Homebuyers

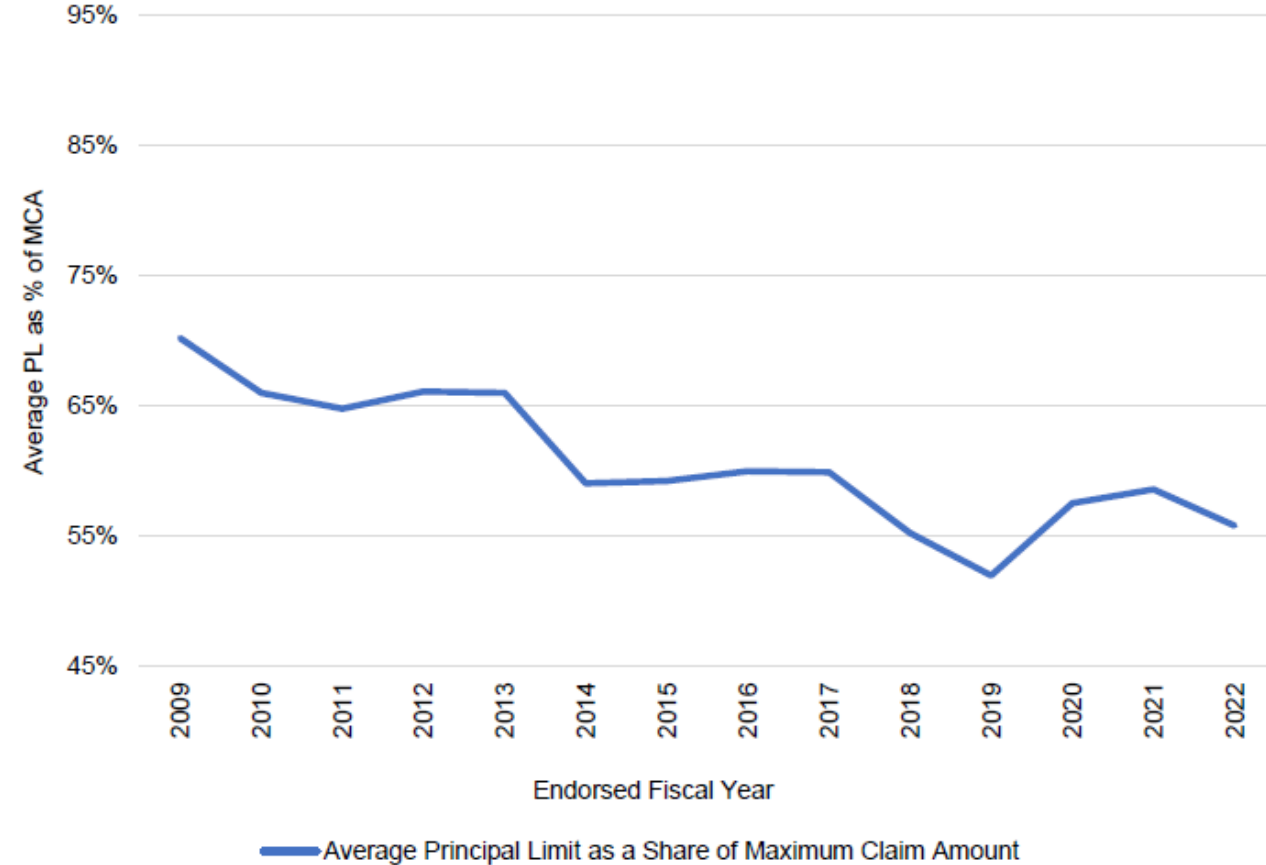
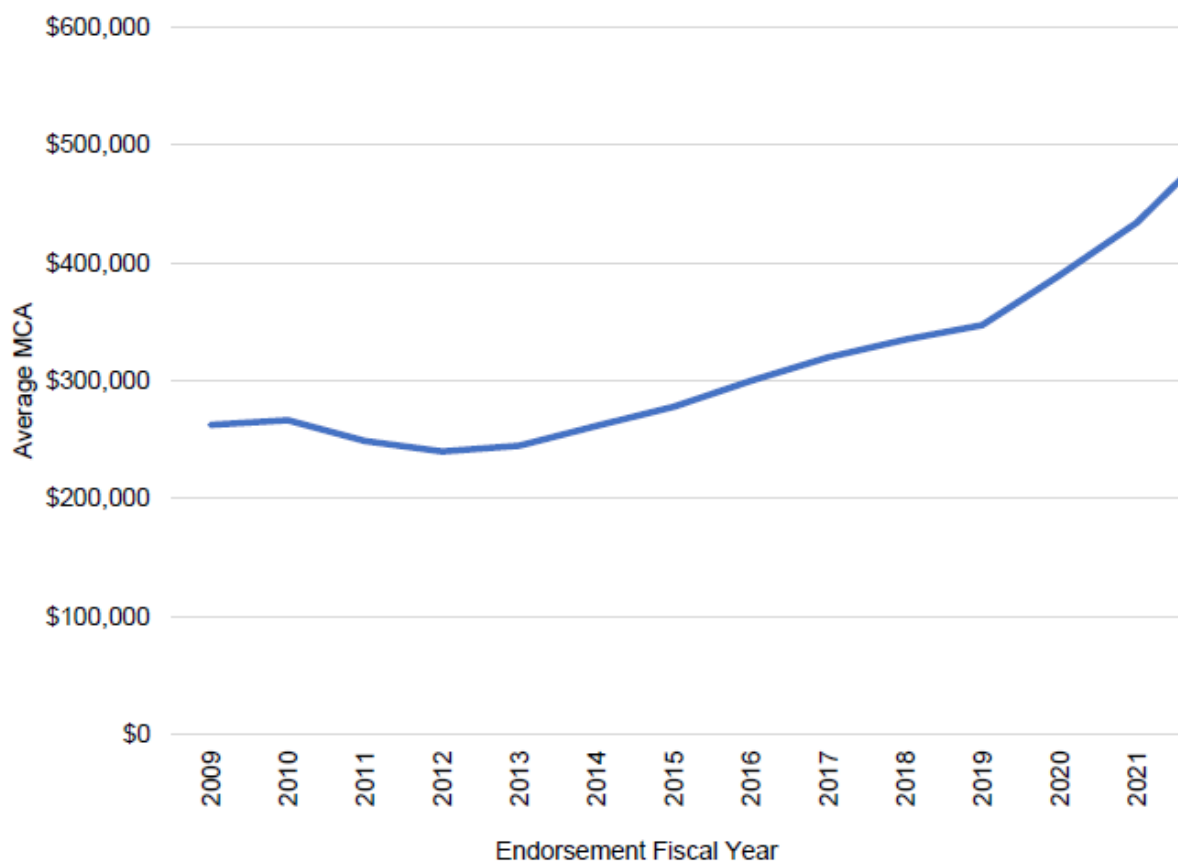


**HECM Endorsements Increased by 31% from FY21 to 64,437 in FY22**

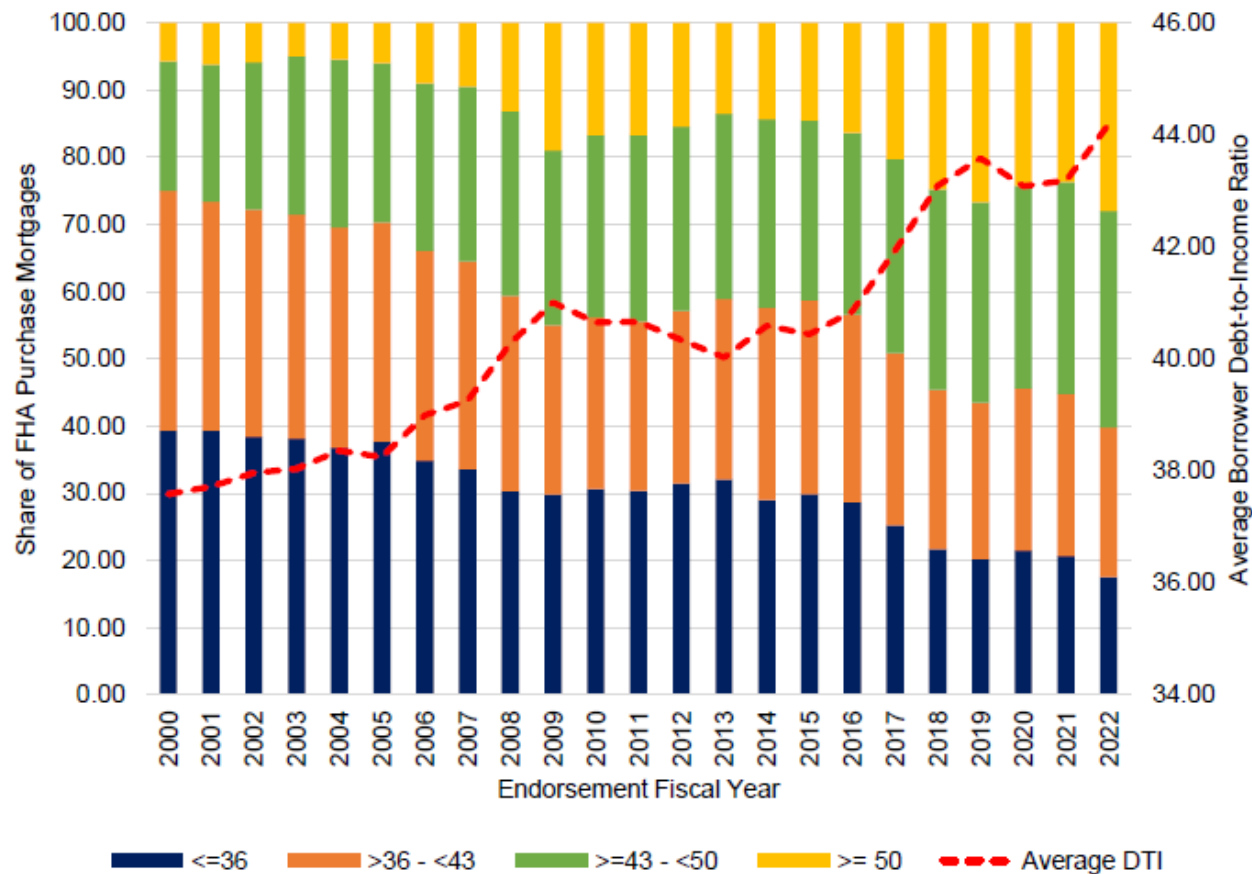
**The FY22 Maximum Claim Amount of \$32.1 Billion is a Record High for the Program**



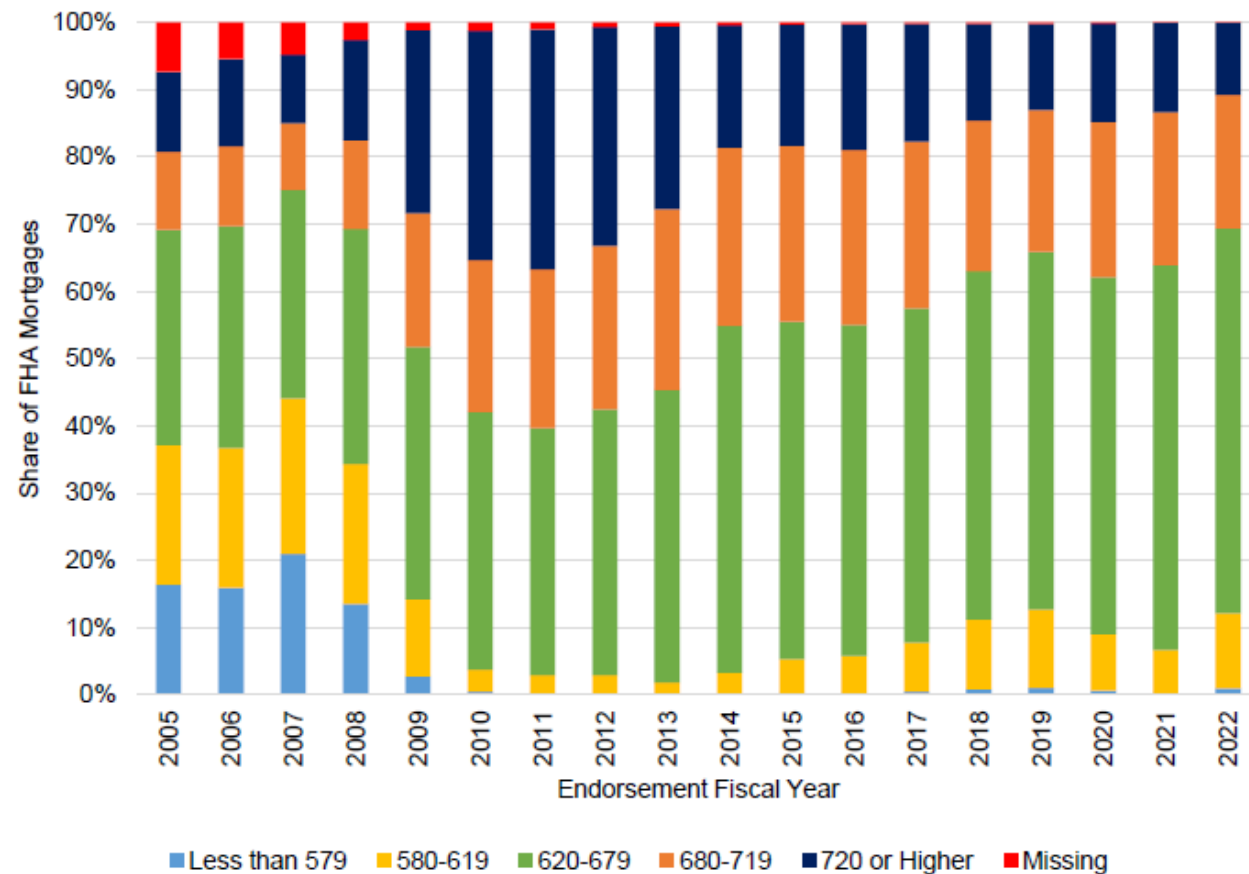
# HECM MCAs are on the Rise and Average Principal Limits Fell for the First Time in Three Years



# Based on DTIs and Credit Scores, Risks Increased Slightly in the Forward Book in FY 2022 \*\*



The average DTI ratio increased slightly from 43.18% in FY 2021 to 44.19% in FY 2022



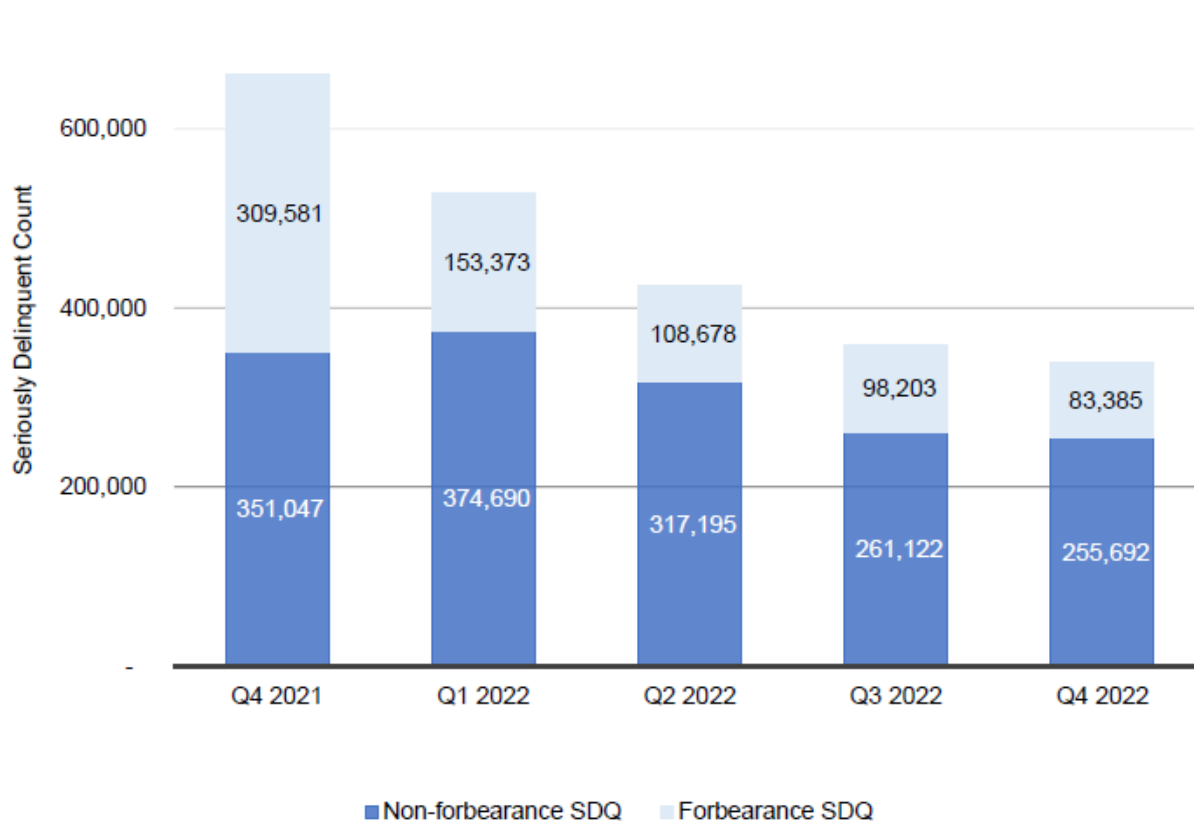
The average credit score was 672 in both FY 2020 and FY 2021. It decreased to 664 in FY 2022.

Exhibits III-9 and III-8

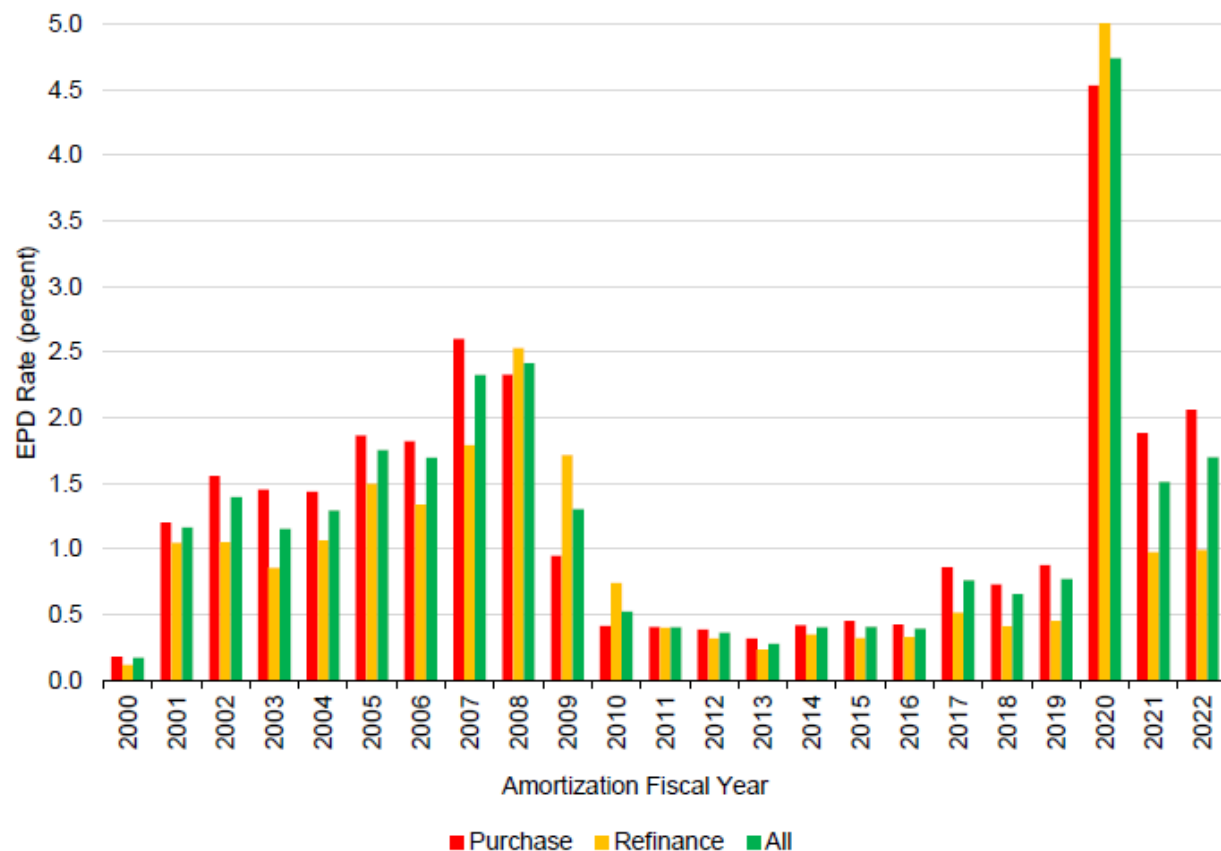
\*\* A third risk factor, percent of endorsed loans with downpayment assistance, has remained steady over the last four years, although it increased slightly to 40.13% in FY2022. See Exhibit III-10.



# Recovery from the Pandemic—SDQ Rates and EPDs \*\*

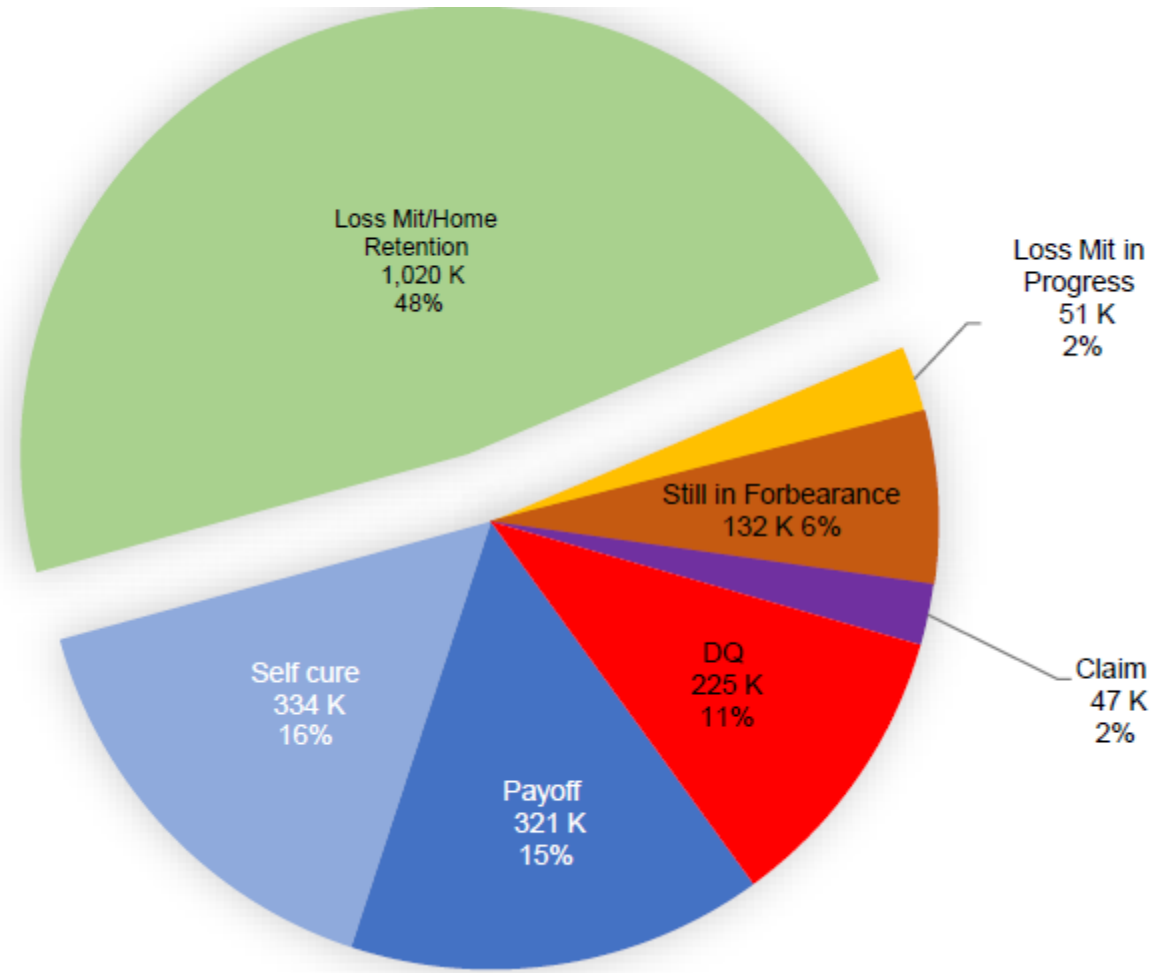


- The SDQ rate fell by almost one half from FY 2021 Q4 to FY 2022 Q4.
- The decrease of SDQ borrowers in forbearance fell by about 70 percent.

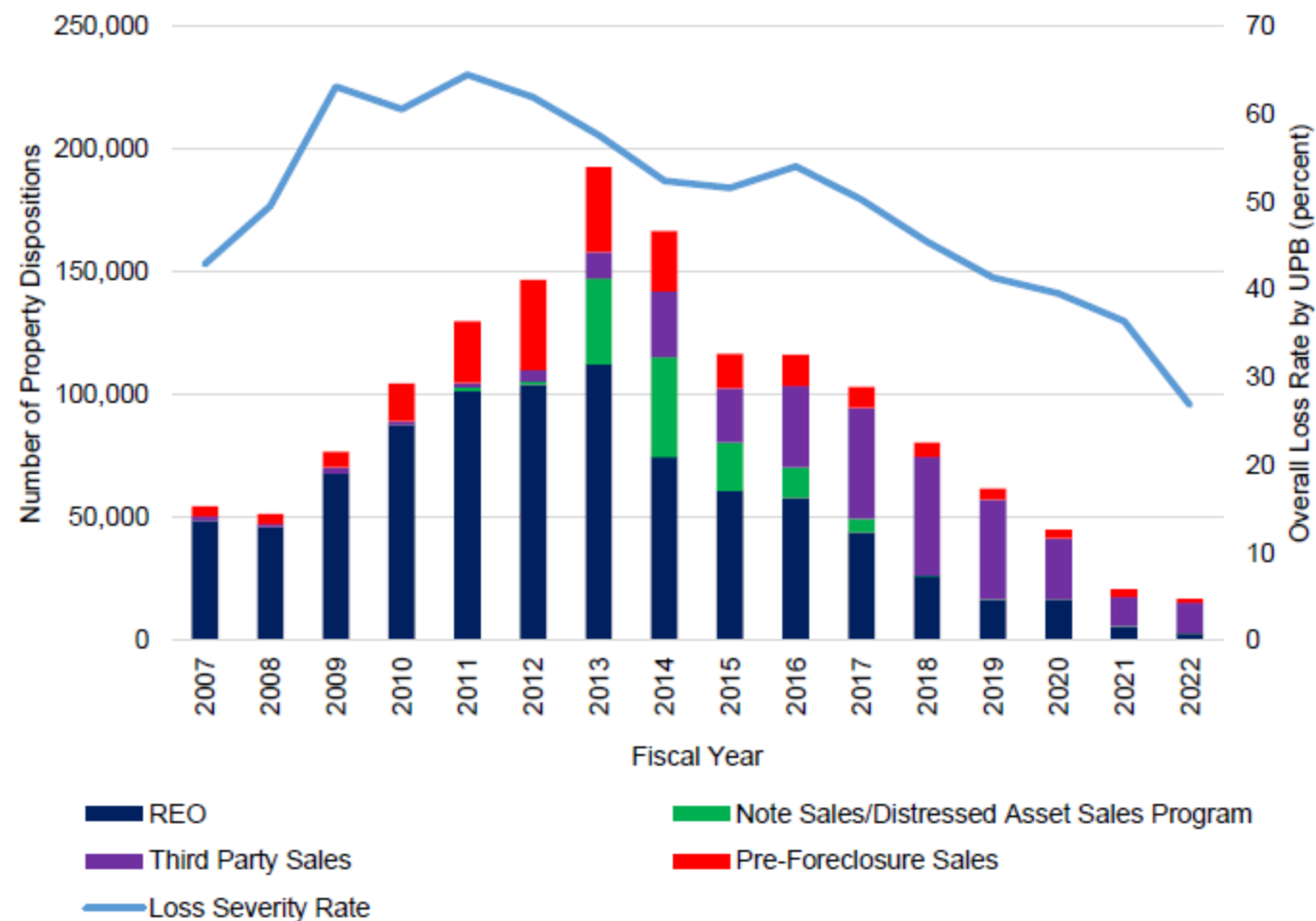


- The average EPD rate rose from 0.60% in April 2020 to 9.27% by the end of FY 2020 before moderating to 1.49% by the end of FY 2021.
- It was back up to 1.70% at the end of FY 2022—lower than the July 2020 peak but still elevated from pre-pandemic levels.

## Of the FHA Borrowers Who Were Delinquent During COVID, Over 1 Million Have Entered a Home Retention Loss Mitigation Plan and Another 655,000 Self Cured or Paid Off



# Loss and Claim Activity Continues to Improve



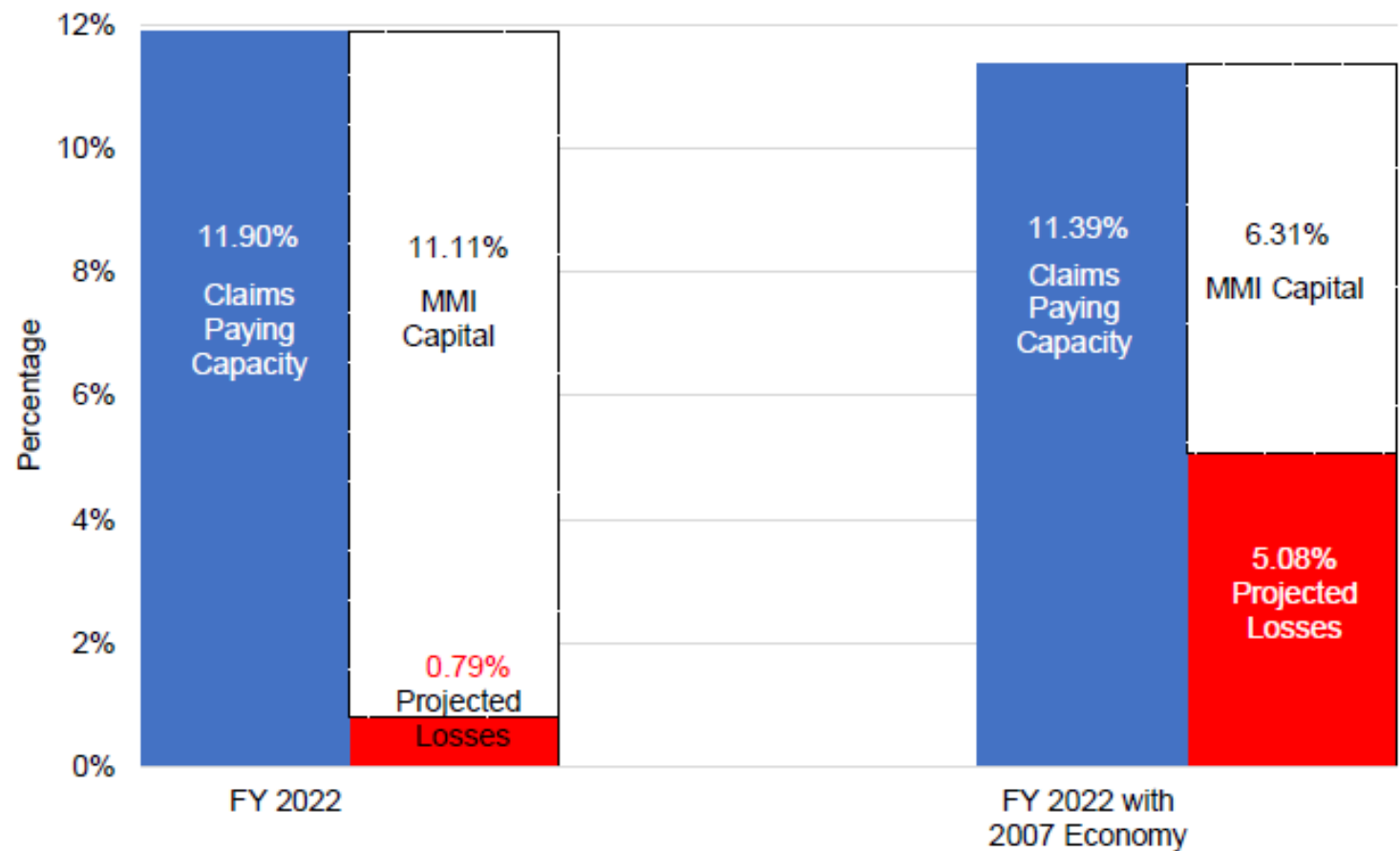
## Sensitivity Analysis of MMIF to Falling House Price Appreciation \*\*

Scenario	Forward	HECM	MMI	MMI
	Capital (\$ billion)	Capital (\$ billion)	Capital (\$ billion)	Capital Ratio
Baseline	\$126.6	\$15.1	\$141.7	11.11%
HPA -1%	(\$4.6)	(\$7.6)	(\$12.1)	-0.95%
HPA -2%	(\$8.8)	(\$15.6)	(\$24.4)	-1.91%

SOURCE: U.S. Department of HUD/FHA, October 2022.

- A 1% decrease in HPA projections would reduce the Capital Ratio by 0.95%
- A 2% increase in HPA would reduce the Capital Ratio by 1.91%
  - Note the effect on the HECM versus the forward portfolios – this despite HECMs comprising only five percent of the MMIF portfolio.

# Stress Test: Impact of Subjecting the FY 2022 Portfolio to the Same Macroeconomic Conditions Faced by the 2007 Portfolio



Based on this adverse scenario—the most severe of the 100 paths run by FHA—the resulting Capital Ratio would be diminished by 4.80%.

The resulting 6.31% Capital Ratio is more than three times the statutory 2% minimum.

Note: Claims Paying Capacity = (Total Capital Resources + NPV Projected Revenue)