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The Honorable Brian D. Montgomery
Assistant Secretary for Housing -- Federal Housing Commissioner
451 Seventh Street, SW, Room 9100
Washington, DC 20410

Dear Mr. Montgomery:

The Cranston-Gonzalez National Affordable Housing Act requires an annual independent actuarial analysis of the economic net worth and soundness of the Federal Housing Administration's Mutual Mortgage Insurance (MMI) Fund. We have completed the fiscal year 2008 Actuarial Review of the MMI Fund and summarize our findings below.

The primary purpose of our review is to estimate

- the economic value of the MMI Fund, defined as the sum of existing capital resources plus the net present value of the current books of business, and
- the current and projected capital ratio, defined as the economic value divided by the total insurance-in-force.

We estimate that the MMI Fund's economic value was \$12.908 billion at the end of fiscal year 2008 and the capital ratio was 3.00 percent. We project that at the end of fiscal year 2015 the Fund's economic value will be \$57.512 billion and the capital ratio will be 2.90 percent. We conclude that the capital ratio is and will remain above 2 percent in future years under our base-case scenario; and the capital ratio could drop below 2 percent in future years under more-pessimistic economic scenarios.

The financial estimates presented in this Review require projections of events more than 30 years into the future. These projections are dependent upon the validity and robustness of the underlying model and assumptions about future economic environment and loan characteristics. These assumptions include economic forecasts by Global Insight, Inc. and the assumptions concerning FHA's future endorsement portfolios. To the extent that the realized experience deviates from these or other assumptions, the actual results may differ, perhaps significantly, from our current projections.

The full actuarial report explains these projections and the reasons for the changes since last year's actuarial review.

Very truly yours,

Tyler Yang, Ph.D.
President
Integrated Financial Engineering, Inc.