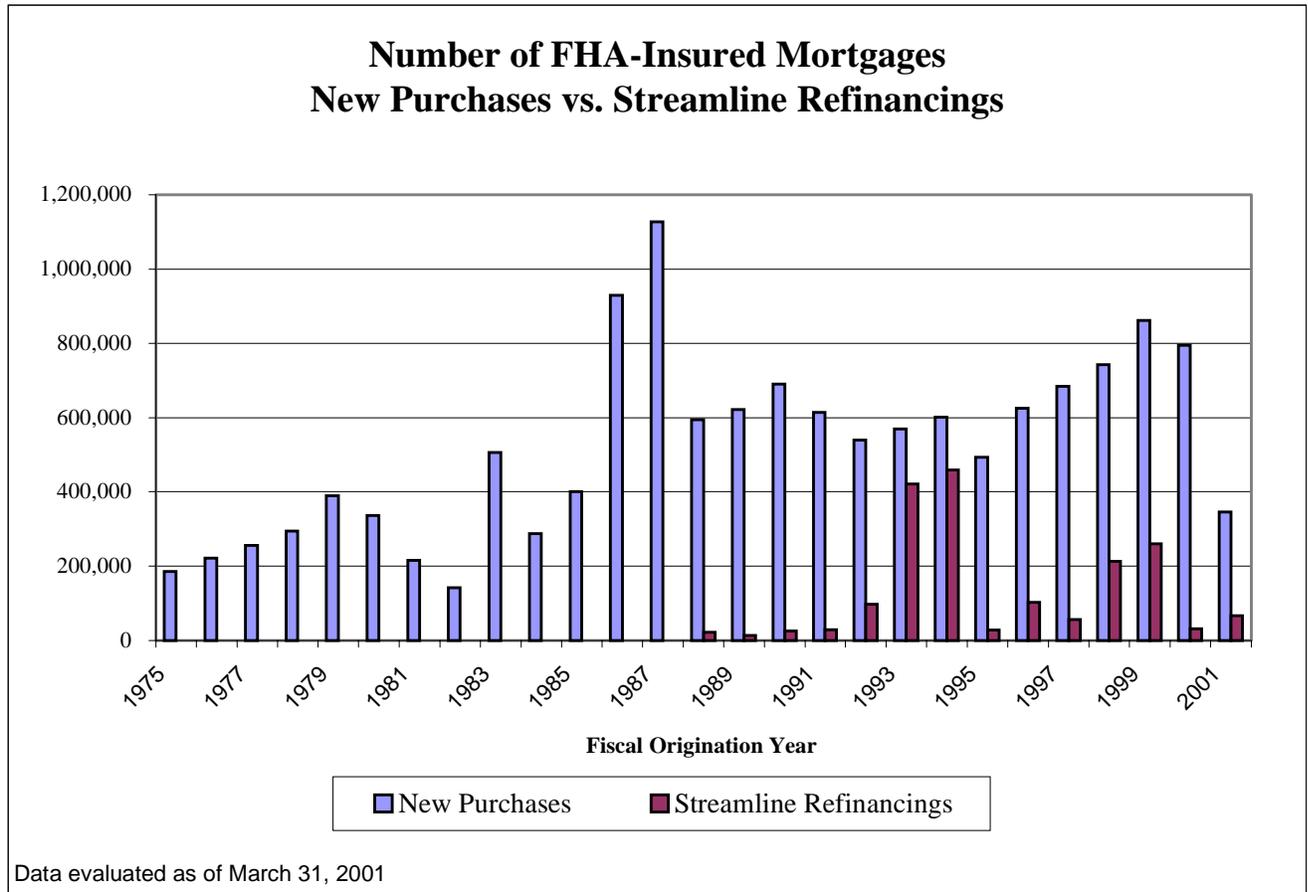


III. Characteristics of FY 2001 Book of Business

Volume of Mortgage Originations

Graph 1 shows the annual number of loan purchase originations and the annual number of Streamline refinancings (SRs) from FY 1975 to FY 2001.

Graph 1



- Note: (1) FY 2001 represents counts as of March 31, 2001, i.e., six months.
 (2) New Purchases: 30-year fixed rate, 15-year fixed rate, and adjustable rate mortgages.
 (3) Streamline Refinancings: Streamline refinanced 30-year rate, 15-year rate and adjustable rate mortgages.

Table 1 shows the proportion of the different divisions that have historically made up FHA's book of business. The 30-year, fixed rate mortgages have historically accounted for the bulk of FHA's business and still constitute over 80%.

Actuarial Review of MMI Fund as of FY 2001

Table 1

FHA-Insured Originations by Loan Type (Percent of FHA Mortgages by Dollar Volume)						
Fiscal Origination Year	Purchases, Mortgages and Other Refinancings			Streamline Refinancings		
	30-Year Fixed Rate	15-Year Fixed Rate	Adjustable Rate	30-Year Streamline	15-Year Streamline	Adjustable Streamline
1975	99.5%	0.5%	0.0%	0.0%	0.0%	0.0%
1976	99.6%	0.4%	0.0%	0.0%	0.0%	0.0%
1977	99.7%	0.3%	0.0%	0.0%	0.0%	0.0%
1978	99.8%	0.2%	0.0%	0.0%	0.0%	0.0%
1979	99.9%	0.1%	0.0%	0.0%	0.0%	0.0%
1980	99.8%	0.2%	0.0%	0.0%	0.0%	0.0%
1981	99.7%	0.3%	0.0%	0.0%	0.0%	0.0%
1982	99.4%	0.6%	0.0%	0.0%	0.0%	0.0%
1983	93.1%	6.9%	0.0%	0.0%	0.0%	0.0%
1984	93.5%	6.5%	0.0%	0.0%	0.0%	0.0%
1985	91.1%	8.8%	0.1%	0.0%	0.0%	0.0%
1986	89.7%	9.6%	0.7%	0.0%	0.0%	0.0%
1987	90.7%	7.9%	1.4%	0.0%	0.0%	0.0%
1988	87.5%	4.6%	4.4%	3.0%	0.4%	0.0%
1989	93.1%	3.5%	1.3%	1.9%	0.2%	0.0%
1990	92.3%	3.5%	0.7%	3.2%	0.3%	0.0%
1991	87.8%	4.0%	3.7%	3.8%	0.7%	0.0%
1992	67.9%	3.2%	13.6%	11.2%	2.8%	1.3%
1993	45.3%	2.4%	9.8%	30.4%	10.1%	2.0%
1994	41.3%	2.1%	13.4%	29.5%	11.3%	2.5%
1995	68.0%	1.8%	24.7%	3.1%	1.6%	0.7%
1996	62.7%	1.5%	21.6%	9.5%	2.9%	1.8%
1997	60.5%	1.4%	30.5%	4.1%	1.3%	2.2%
1998	66.1%	1.2%	10.4%	17.9%	2.3%	2.0%
1999	72.2%	1.2%	3.4%	19.4%	2.9%	0.9%
2000	86.2%	0.9%	9.1%	2.7%	0.5%	0.6%
2001	81.7%	0.9%	1.3%	15.2%	0.5%	0.4%

Note: Data evaluated as of March 31, 2001

Actuarial Review of MMI Fund as of FY 2001

Loan-to-Value Distributions

The ratio of amount of loan to value of property is a strong indicator of risk of claims. All else being equal, a higher Loan-to-Value ratio (LTV) results in a higher probability of negative equity. Table 2A and 2B shows the distribution of LTV category for all loan types combined and 30 year fixed rates loans, respectively. Table 3 shows the distribution of LTV category by loan type.

Table 2A

Distribution of Originations by LTV Category <i>All Loan Types Combined</i> (Percent of Mortgages by Loan Count)									
Fiscal Origination Year	0-75%	75-80%	80-90%	90-95%	95-97%	97-98%	98-100%	100-105%	>105%
1975	3.0%	2.4%	15.0%	25.2%	26.9%	6.5%	16.7%	4.0%	0.3%
1976	2.2%	1.8%	10.2%	22.5%	27.3%	8.6%	21.2%	5.9%	0.3%
1977	2.7%	1.8%	9.8%	23.9%	26.1%	9.1%	20.0%	6.3%	0.3%
1978	2.9%	1.8%	9.8%	22.3%	25.0%	11.8%	20.7%	5.4%	0.4%
1979	4.4%	2.9%	14.3%	29.3%	21.3%	10.4%	14.6%	2.5%	0.3%
1980	7.6%	4.6%	21.5%	26.7%	18.1%	8.4%	11.1%	1.6%	0.4%
1981	8.4%	5.5%	29.9%	19.8%	17.9%	7.3%	9.2%	1.3%	0.5%
1982	14.0%	7.7%	28.6%	23.6%	17.1%	3.1%	4.6%	0.8%	0.5%
1983	15.3%	7.8%	27.2%	23.6%	17.0%	3.8%	4.6%	0.5%	0.3%
1984	11.2%	6.3%	25.6%	25.7%	21.3%	3.3%	6.0%	0.3%	0.2%
1985	9.4%	4.9%	25.2%	19.7%	19.9%	8.4%	8.2%	1.8%	2.5%
1986	11.6%	6.6%	27.6%	24.0%	20.8%	3.1%	3.7%	1.4%	1.2%
1987	11.6%	6.2%	26.5%	25.2%	22.2%	2.7%	4.2%	0.8%	0.6%
1988	6.1%	3.0%	16.3%	24.6%	27.8%	8.1%	11.9%	1.8%	0.5%
1989	5.2%	2.8%	14.8%	23.6%	26.5%	10.7%	14.0%	2.0%	0.4%
1990	4.8%	2.6%	12.7%	16.9%	20.0%	17.6%	21.3%	3.5%	0.6%
1991	4.3%	2.2%	13.3%	19.7%	23.0%	19.6%	15.3%	2.2%	0.4%
1992	2.5%	1.2%	7.3%	11.9%	45.2%	12.6%	15.7%	2.3%	1.3%
1993	1.2%	0.8%	3.6%	5.9%	22.9%	24.4%	35.5%	4.3%	1.4%
1994	1.0%	0.6%	2.9%	4.7%	19.5%	28.2%	36.8%	4.9%	1.4%
1995	0.9%	0.6%	3.5%	6.0%	27.8%	42.0%	16.4%	1.9%	0.9%
1996	0.7%	0.5%	3.1%	5.5%	26.0%	39.9%	19.5%	3.1%	1.7%
1997	0.9%	0.7%	3.7%	6.1%	27.0%	41.6%	15.5%	2.7%	1.8%
1998	0.8%	0.6%	3.1%	5.3%	23.7%	35.9%	22.7%	5.4%	2.6%
1999	0.8%	0.6%	3.0%	4.5%	22.6%	41.4%	18.3%	5.7%	3.2%
2000	0.9%	0.8%	3.8%	5.3%	31.3%	49.1%	5.1%	1.7%	1.9%
2001	1.0%	0.8%	3.8%	5.2%	31.0%	41.1%	9.3%	5.0%	2.7%

Note: Data evaluated as of March 31, 2001

Actuarial Review of MMI Fund as of FY 2001

Table 2B

Distribution of Originations by LTV Category 30-Year Fixed Rate Mortgages Only (Percent of Mortgages by Loan Count)									
Fiscal Origination Year	0- 75%	75- 80%	80- 90%	90- 95%	95- 97%	97- 98%	98- 100%	100- 105%	>105%
1975	3.0%	2.4%	15.0%	25.2%	26.9%	6.5%	16.7%	4.0%	0.3%
1976	2.2%	1.7%	10.2%	22.5%	27.3%	8.7%	21.2%	5.9%	0.3%
1977	2.7%	1.8%	9.8%	23.9%	26.1%	9.1%	20.0%	6.3%	0.3%
1978	2.9%	1.8%	9.8%	22.3%	25.0%	11.8%	20.7%	5.4%	0.4%
1979	4.3%	2.9%	14.3%	29.3%	21.3%	10.4%	14.6%	2.5%	0.3%
1980	7.5%	4.6%	21.6%	26.7%	18.1%	8.4%	11.1%	1.6%	0.4%
1981	8.4%	5.5%	29.9%	19.9%	17.9%	7.3%	9.3%	1.3%	0.5%
1982	13.8%	7.7%	28.7%	23.6%	17.1%	3.1%	4.6%	0.8%	0.5%
1983	13.7%	7.6%	27.5%	24.2%	17.5%	3.9%	4.7%	0.5%	0.3%
1984	9.7%	6.1%	25.6%	26.5%	21.9%	3.4%	6.2%	0.3%	0.2%
1985	7.9%	4.6%	25.2%	20.2%	20.7%	8.8%	8.6%	1.7%	2.3%
1986	9.6%	6.2%	27.7%	25.1%	22.0%	3.3%	3.8%	1.3%	1.0%
1987	9.8%	5.9%	26.4%	26.2%	23.3%	2.8%	4.3%	0.7%	0.5%
1988	5.4%	2.9%	16.0%	24.9%	28.3%	8.2%	12.0%	1.9%	0.4%
1989	4.4%	2.6%	14.5%	24.0%	27.0%	10.9%	14.2%	2.0%	0.3%
1990	3.8%	2.4%	12.2%	17.1%	20.5%	18.2%	21.8%	3.5%	0.5%
1991	3.4%	1.9%	12.6%	19.9%	23.5%	20.4%	15.9%	2.1%	0.3%
1992	2.0%	1.1%	7.1%	12.6%	49.8%	13.7%	11.5%	1.3%	0.9%
1993	0.8%	0.6%	3.8%	7.6%	33.6%	34.6%	16.2%	1.6%	1.2%
1994	0.8%	0.5%	3.4%	6.1%	27.8%	41.7%	16.8%	1.7%	1.2%
1995	0.9%	0.6%	3.5%	5.7%	26.9%	42.8%	17.0%	1.8%	0.8%
1996	0.7%	0.6%	3.3%	5.6%	27.6%	44.3%	14.7%	2.0%	1.1%
1997	0.9%	0.8%	3.9%	5.9%	26.5%	44.0%	14.5%	2.2%	1.2%
1998	0.8%	0.7%	3.7%	6.1%	28.3%	44.0%	12.6%	2.3%	1.6%
1999	0.7%	0.7%	3.5%	5.1%	27.7%	51.3%	7.4%	2.0%	1.7%
2000	0.9%	0.8%	3.9%	5.2%	32.1%	50.8%	4.2%	1.1%	1.0%
2001	1.0%	0.9%	4.3%	5.5%	35.6%	46.7%	3.5%	1.2%	1.2%

Note: Data evaluated as of March 31, 2001

Actuarial Review of MMI Fund as of FY 2001

Table 3

Distribution of LTV Category by Loan Type (Percent of Mortgages by Loan Count)						
LTV Category	30-Year Fixed Rate	15-Year Fixed Rate	Adjustable Rate	30-Year Streamline	15-Year Streamline	Adjustable Streamline
0-75%	4.2%	22.4%	0.6%	1.6%	4.0%	0.9%
75-80%	2.6%	7.1%	0.5%	0.7%	1.5%	0.6%
80-90%	14.1%	22.3%	5.4%	2.3%	4.0%	2.0%
90-95%	18.4%	12.2%	13.7%	2.8%	4.5%	2.3%
95-97%	31.4%	12.8%	49.3%	6.9%	10.4%	6.2%
97-98%	18.0%	5.8%	23.8%	8.5%	12.0%	8.7%
98-99%	5.9%	5.5%	3.2%	9.9%	11.4%	11.7%
99-100%	3.0%	4.4%	1.6%	53.8%	40.8%	49.5%
100-105%	1.4%	3.3%	1.0%	8.2%	6.7%	8.8%
>105%	0.9%	4.3%	0.9%	5.3%	4.6%	9.2%

Note: This distribution is based on all fiscal origination years combined as of March 31, 2001.

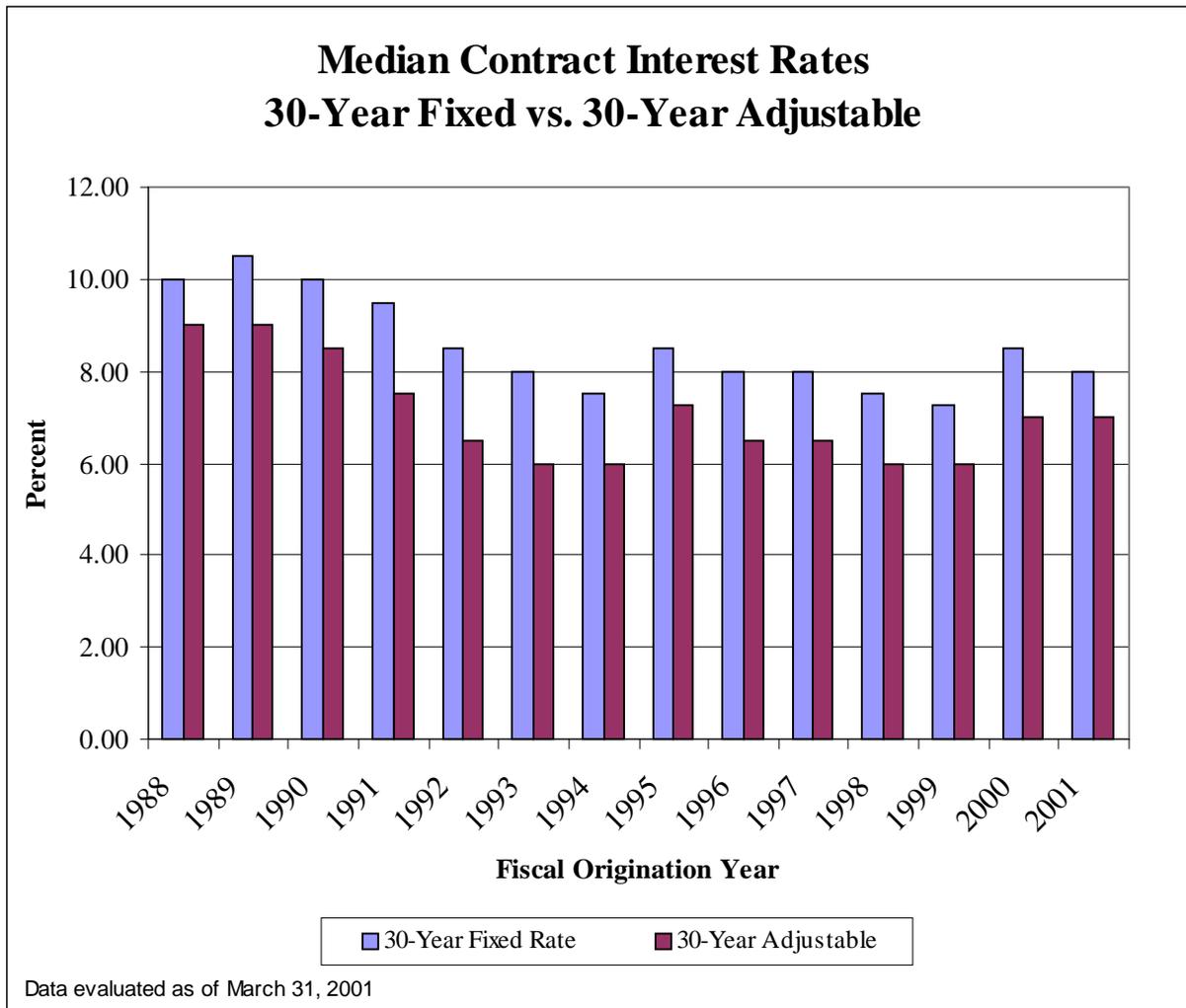
Initial Contract Interest Rate

Table 4 shows the median contract interest rate by loan type. The median contract interest rate on fixed rate, 30-year loans increased from 7.25 percent in 1999 to 8.50 percent in 2000, but has since decreased to 8.00 percent in 2001 (through March 31). Graph 2 provides a comparison between the median adjustable interest rates and the median fixed contract interest rates during the last 14 years.

Table 4

Median Contract Interest Rates by Loan Type (in percent)							
Fiscal Origination Year	30-Year Fixed Rate	30-Year Streamline	30-Year Adjustable	Adjustable Streamline	15-Year Fixed Rate	15-Year Streamline	1-Year T-Bill Rate
1988	10.00	11.00	9.00	8.00	10.00	11.00	7.33
1989	10.50	11.00	9.00	8.88	10.00	10.50	8.71
1990	10.00	10.50	8.50	9.00	9.50	10.00	8.01
1991	9.50	10.00	7.50	7.50	9.00	9.00	6.47
1992	8.50	9.00	6.50	6.50	8.50	8.00	4.22
1993	8.00	8.00	6.00	6.00	7.50	7.50	3.44
1994	7.50	7.50	6.00	6.00	7.00	7.50	4.54
1995	8.50	8.50	7.25	7.50	8.50	8.50	6.24
1996	8.00	8.00	6.50	6.75	7.50	7.50	5.50
1997	8.00	8.38	6.50	6.75	7.88	8.00	5.63
1998	7.50	7.50	6.00	6.50	7.00	7.00	5.33
1999	7.25	7.00	6.00	6.00	7.00	6.50	4.77
2000	8.50	8.50	7.00	6.25	8.00	8.00	6.04
2001	8.00	7.50	7.00	6.50	7.50	7.00	4.40

Graph 2



Note: The average relativity across 1988 through 2001 of the 30-year adjustable to the 30-year fixed rate is 0.8225.

Actuarial Review of MMI Fund as of FY 2001

Original Mortgage Amounts

Tables 5 and 6 shows the original mortgage amounts by loan type and by LTV category. Table 7 through 12 shows the distribution of the original mortgage amounts for each loan type across LTV category. LTV is divided into four categories: high, investor, low, and medium.¹

Table 5

Original Mortgage Amounts by Loan Type (in millions)						
Fiscal Origination Year	30-Year Fixed Rate	15-Year Fixed Rate	30-Year Adjustable	Adjustable Streamline	30-Year Streamline	15-Year Streamline
1988	32,737	1,372	1,856	0	76	4
1989	37,084	1,085	603	0	287	11
1990	43,696	1,305	374	1	889	53
1991	38,278	1,374	1,921	12	1,092	146
1992	29,430	1,042	7,216	599	3,998	786
1993	32,641	1,237	8,730	1,628	21,032	5,315
1994	33,028	1,101	13,367	2,042	20,102	5,014
1995	26,753	451	12,069	183	670	140
1996	36,850	587	15,470	1,150	4,956	701
1997	36,710	556	22,627	1,572	2,289	296
1998	56,002	717	10,314	2,022	15,590	847
1999	78,665	915	4,556	1,091	19,946	1,340
2000	72,790	525	9,378	511	1,694	107
2001	36,299	270	708	180	7,240	115
Total	590,963	12,536	109,190	10,991	99,863	14,874

Note: Data evaluated as of March 31, 2001

¹ LTV Low is defined by LTV values less than 83%. LTV Medium is defined by LTV values between 87% and 96%. LTV High is defined by LTV values greater than 96%. LTV Investor slightly overlaps LTV Medium as it is defined by more criteria than just the LTV value. It is defined by:

- (1) Living units that are greater than one;
- (2) Borrower type being either landlord, builder, operative builder, escrow commitment or corporation;
- (3) LTV values between 83% and 87%.

Actuarial Review of MMI Fund as of FY 2001

Table 6

Original Mortgage Amounts by LTV Category (in millions)				
All Loan Types Combined				
Fiscal Origination Year	Initial LTV Category			
	High	Medium	Investor	Low
1988	10,365	18,358	3,686	3,637
1989	13,584	18,616	3,493	3,378
1990	23,560	15,435	3,629	3,694
1991	20,471	15,775	3,436	3,142
1992	23,907	15,006	2,472	1,686
1993	54,182	12,164	2,749	1,488
1994	59,273	11,118	3,016	1,247
1995	29,482	7,976	2,237	570
1996	44,805	10,796	3,388	726
1997	46,583	12,341	4,112	1,013
1998	65,297	13,960	5,087	1,148
1999	88,490	10,488	6,068	1,466
2000	70,359	7,905	5,301	1,441
2001	37,145	3,943	2,922	803
Total	587,504	173,882	51,595	25,437

Note: Data evaluated as of March 31, 2001

Actuarial Review of MMI Fund as of FY 2001

Table 7

Distribution of Original Mortgage Amounts for 30-Year Fixed Rate Mortgages by LTV Category				
Fiscal Origination Year	LTV Category			
	High	Medium	Investor	Low
1995	73.87%	19.31%	5.29%	1.53%
1996	73.53%	19.40%	5.74%	1.33%
1997	72.38%	19.41%	6.39%	1.82%
1998	72.44%	19.77%	6.18%	1.61%
1999	80.78%	11.60%	6.13%	1.49%
2000	82.83%	9.15%	6.31%	1.70%
2001	81.78%	9.45%	6.78%	1.99%
All Year Average	76.80%	15.44%	6.12%	1.64%
2-Year Average	82.30%	9.30%	6.55%	1.85%
3-Year Average	81.79%	10.07%	6.41%	1.73%

Note: Data evaluated as of March 31, 2001

Table 8

Distribution of Original Mortgage Amounts for 15-Year Fixed Rate Mortgages by LTV Category				
Fiscal Origination Year	LTV Category			
	High	Medium	Investor	Low
1995	70.30%	12.49%	7.99%	9.22%
1996	73.76%	11.51%	7.79%	6.94%
1997	70.19%	11.86%	8.57%	9.37%
1998	74.26%	10.09%	8.11%	7.54%
1999	77.56%	7.42%	8.09%	6.94%
2000	70.31%	10.13%	8.96%	10.60%
2001	62.29%	11.89%	11.51%	14.31%
All Year Average	71.24%	10.77%	8.72%	9.27%
2-Year Average	66.30%	11.01%	10.24%	12.45%
3-Year Average	70.05%	9.81%	9.52%	10.61%

Note: Data evaluated as of March 31, 2001

Actuarial Review of MMI Fund as of FY 2001

Table 9

Distribution of Original Mortgage Amounts for Adjustable Rate Mortgages by LTV Category				
Fiscal Origination Year	LTV Category			
	High	Medium	Investor	Low
1995	70.21%	22.63%	6.25%	0.90%
1996	70.55%	22.18%	6.35%	0.92%
1997	69.73%	22.46%	6.65%	1.17%
1998	68.82%	23.22%	6.89%	1.07%
1999	79.84%	12.75%	6.21%	1.20%
2000	80.88%	12.00%	5.79%	1.34%
2001	75.57%	15.36%	7.10%	1.97%
All Year Average	73.66%	18.66%	6.46%	1.22%
2-Year Average	78.23%	13.68%	6.44%	1.65%
3-Year Average	78.76%	13.37%	6.36%	1.50%

Note: Data evaluated as of March 31, 2001

Table 10

Distribution of Original Mortgage Amounts for 30-Year Streamline Refinanced Mortgages by LTV Category				
Fiscal Origination Year	LTV Category			
	High	Medium	Investor	Low
1995	94.13%	2.35%	2.71%	0.81%
1996	93.72%	2.03%	3.73%	0.53%
1997	92.61%	1.75%	5.10%	0.54%
1998	92.75%	2.23%	4.79%	0.24%
1999	92.63%	2.99%	3.99%	0.39%
2000	91.67%	2.77%	5.10%	0.46%
2001	89.80%	4.86%	5.01%	0.32%
All Year Average	92.47%	2.71%	4.35%	0.47%
2-Year Average	90.73%	3.82%	5.06%	0.39%
3-Year Average	91.37%	3.54%	4.70%	0.39%

Note: Data evaluated as of March 31, 2001

Actuarial Review of MMI Fund as of FY 2001

Table 11

Distribution of Original Mortgage Amounts for 15-Year Streamline Refinanced Mortgages by LTV Category				
Fiscal Origination	LTV Category			
Year	High	Medium	Investor	Low
1995	90.90%	3.56%	3.12%	2.43%
1996	89.09%	4.18%	3.31%	3.41%
1997	87.62%	3.67%	4.25%	4.45%
1998	85.60%	5.28%	4.07%	5.05%
1999	81.79%	6.94%	4.14%	7.13%
2000	77.54%	6.45%	4.32%	11.69%
2001	77.88%	12.29%	7.30%	2.52%
All Year Average	84.35%	6.05%	4.36%	5.24%
2-Year Average	77.71%	9.37%	5.81%	7.11%
3-Year Average	79.07%	8.56%	5.25%	7.12%

Note: Data evaluated as of March 31, 2001

Table 12

Distribution of Original Mortgage Amounts for Adjustable Streamline Refinanced Mortgages by LTV Category				
Fiscal Origination	LTV Category			
Year	High	Medium	Investor	Low
1995	93.26%	1.61%	4.55%	0.58%
1996	95.22%	1.37%	3.19%	0.22%
1997	93.30%	1.11%	5.37%	0.23%
1998	94.77%	1.43%	3.70%	0.10%
1999	94.43%	2.24%	3.12%	0.22%
2000	92.99%	1.92%	4.73%	0.37%
2001	92.00%	4.11%	3.55%	0.35%
All Year Average	93.71%	1.97%	4.03%	0.30%
2-Year Average	92.49%	3.01%	4.14%	0.36%
3-Year Average	93.14%	2.75%	3.80%	0.31%

Note: Data evaluated as of March 31, 2001