



FEDERAL RESERVE BANK *of* NEW YORK

## Long-term outcomes of first-time FHA borrowers

Workshop on the Appropriate Government Role in U.S. Mortgage Markets  
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These views are my own and do not necessarily represent the views of the Federal Reserve Bank of New York or the Federal Reserve System.

Former FHA Commissioner David Stevens (2009) described the FHA's mission as follows.

“As a mission-driven organization, FHA's goal is to provide sustainable homeownership options for qualified borrowers.”

<http://nationalmortgageprofessional.com/news15159/fha-commissioner-david-stevens-addresses-mortgage-industry-policy-concerns>

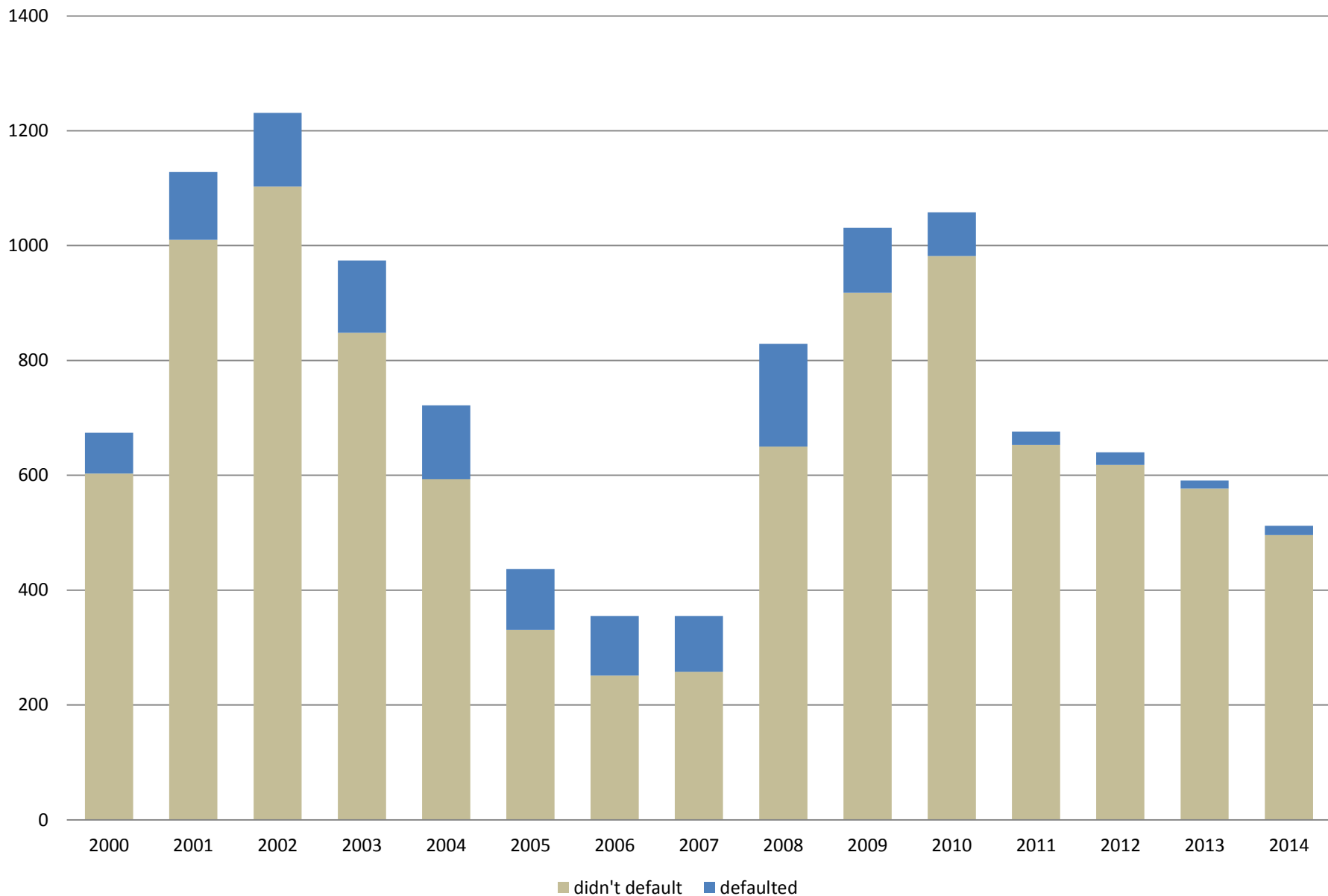
# Measuring Sustainability

- We look at the first time FHA borrowers who originated between 2000-2014 and see the outcomes by 2016
  - Default on the mortgage
  - Continue with the original FHA mortgage
  - Pay off the original FHA mortgage/refinances
    - Remain a homeowner
      - FHA mortgage on the new home
      - Non-FHA mortgage on the new home
    - Renter
  - If moved, zipcode income mobility

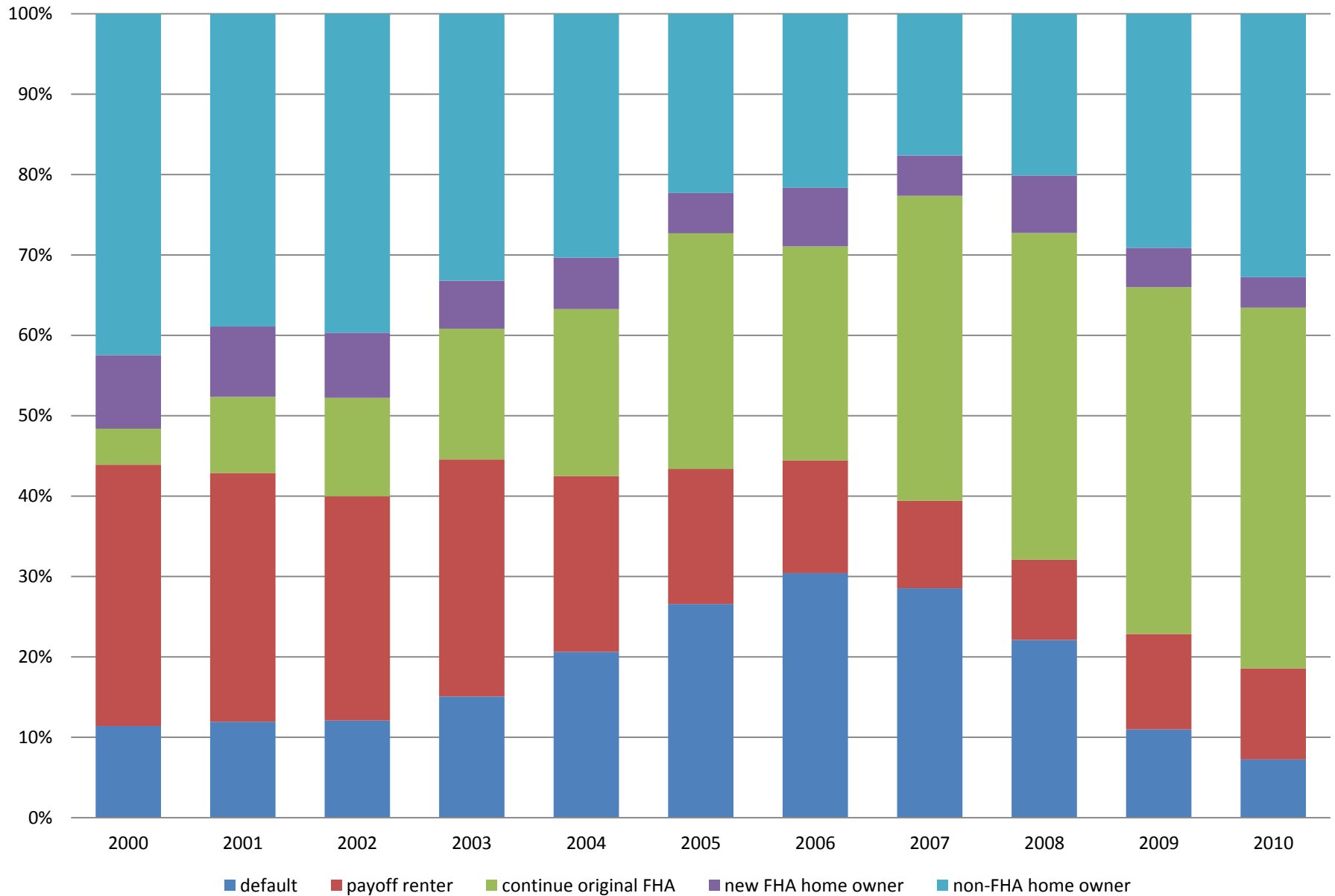
# Data: New York Fed Consumer Credit Panel

- A representative quarterly panel of individuals with detailed loan information: origination, balance, payment status for mortgages, credit cards, auto loans and student loans, 1999-2017
- Derived from Equifax credit reports
- Information on zipcode, county, state, etc.

# FHA originations and default outcome by 2016 (thousands of borrower)



## Outcome by first FHA loan vintage as of 2016



# Upward income mobility into a higher income zipcode, 2000-2010 vintages as of 2016 (among those who changed zipcodes)

	Default	Pay off renter	New FHA home owner	Non-FHA home owner
Upward mobility	55.6%	57.9%	60.9%	63.4%