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We also examined differences in loss severities between loans with seller-funded assistance and unassisted loans. Although our analysis was tentative because many claims had not yet completed the property disposition process, it suggested that the ultimate losses from loans with seller-funded assistance were greater than other loans. We could determine the net profit or loss for only 184 loans from the national sample and for only 205 loans from the MSA sample. We used a regression to predict the loss rate, or the dollar amount of loss (or profit, in a few cases), divided by the original mortgage balances.<sup>43</sup> The loss rate for loans with seller-funded assistance was about 5 percentage points higher in both samples. The differences were not statistically significant in the national sample but were in the MSA sample. Our analysis of loss severities indicated no significant differences in loss rates between unassisted loans and loans with nonseller-funded assistance in the national sample. In the MSA sample, loans with nonseller-funded assistance did have statistically significantly higher loss rates.

The weaker performance of loans with seller-funded down payment assistance may be explained, in part, by the higher sales prices of homes when buyers receive such assistance, resulting in higher effective LTV ratios. Prior GAO analysis has found that, controlling for other factors, high LTV ratios lead to increased claims.<sup>44</sup> Our analysis of AVM data in the national sample of loans endorsed in 2000, 2001, and 2002 indicated that the sales prices of homes with seller-funded down payment assistance were 3 percent higher than the sales prices of comparable homes without it, leading to higher effective LTV ratios for these loans. GAO analysis suggests that this 3 percent difference in sales price translates into a 16 percent increase in claims. Claim rates for loans with seller-funded assistance in the 2000–2002 national sample were about 19 percent to 39 percent higher than claim rates for loans with other forms of assistance—a

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<sup>43</sup>The other explanatory variables were the LTV ratio at the time the loan was originated, the interest rate on the mortgage at the time the loan was originated, the original mortgage balance, the borrower's credit score, and the estimated appreciation in house prices since the time the loan was originated, along with indicators for a gift from a seller-funded nonprofit or a gift from another source.

<sup>44</sup>GAO-01-460.