DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of Housing

FHA – Mutual Mortgage Insurance Fund

SUMMARY OF RESOURCES

(Dollars in Thousands)

	Enacted/ Requested	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Net Outlays
2023 Appropriation	150,000	19,873	-	169,873	158,875	147,504
2024 Annualized CR	150,000	11,585	-	161,585	159,000	152,000
2025 President's Budget	155,000	4,000	-	159,000	159,000	156,000
Change from 2024	5,000	(7,585)	-	(2,585)	-	4,000

a/ 2023 Carryover includes $19.2 million in carryover and $632 thousand in recaptures.
b/ 2024 Carryover includes $10.9 million in carryover and $650 thousand in anticipated recaptures.
c/ 2025 Carryover includes $2.6 million in carryover and $1.4 million in anticipated recaptures.

PROGRAM PURPOSE

Under the Federal Housing Administration (FHA) Single Family Housing programs, the Mutual Mortgage Insurance (MMI) Fund has insured approximately 54 million home mortgages since 1934. It provides mortgage insurance on single family mortgage loans made by FHA-approved lenders throughout the United States and its territories. FHA Single Family Housing programs provide mortgage insurance for the purchase and refinance of homes with one to four units. The MMI Fund strives to meet the needs of many first-time, low- to moderate-income homebuyers and households of color who, without FHA insurance, may find mortgage credit to be unaffordable or simply unavailable. FHA also remains active and viable in all markets during times of economic disruption, playing an important countercyclical role until private capital returns to its normal levels. During times of credit contraction, FHA plays an integral role in expanding equitable access to financing for traditionally marginalized borrowers. Through the MMI Fund, the Department offers several types of single family forward (traditional) mortgage insurance products and Home Equity Conversion Mortgages (HECMs) for seniors.

BUDGET OVERVIEW

The 2025 President's Budget requests $155 million for program costs in MMI, which is $5 million more than the 2024 Annualized CR level. The Budget also includes $400 billion in loan guarantee commitment authority and $1 million in direct loan authority, both of which are equal to the 2024 Annualized CR level.

This program aligns with HUD 2022-2026 Strategic Objective 3A: *Advance Sustainable Homeownership*.

JUSTIFICATION

The 2025 President's Budget requests $155 million for the FHA MMI Program Account. This amount will provide funding for contracts necessary for the administration of FHA programs operating under the MMI and the General Insurance and Special Risk Insurance (GI/SRI) Fund. For budgetary purposes, the programs of the MMI Fund are broken into two risk categories: forward mortgages and reverse mortgages (HECMs):

- Forward programs provide mortgage insurance for the purchase and refinance of homes with 1 to 4 units. Loan products under this category include forward mortgages on single family homes, condominiums, homes purchased on Indian and Hawaiian lands, and rehabilitation loans. Maximum mortgage amounts insured by FHA (i.e., loan limits) are calculated annually by HUD and are generally set at 115 percent of the median house price in each county, subject to a "low-cost" floor and "high-cost" ceiling. There are also special exception loan limits for certain areas to account for higher construction costs.
- The HECM program provides senior homeowners aged 62 and older access to FHA-insured reverse mortgages, which enable them to access the equity in their homes to support their financial and housing needs as they age. The program fills a unique role in the national mortgage market. HECM loans provide various distribution options for seniors, including monthly payments, draws from a line of credit, a combination of these options, or a one-time draw at closing. Unlike a forward mortgage, the HECM borrower does not make payments on the loan, and the loan does not become due and payable until the last remaining borrower no longer occupies the property or until the homeowner fails to comply with other requirements of the loan, such as payment of property taxes and insurance.

Administrative Contracts

The $155 million request for 2025 will provide contract funding necessary for the administration of FHA programs operating under the MMI and GI/SRI funds. This request will fund activities including, but not limited to, insurance endorsement of single family mortgages; construction inspections on multifamily projects; the required annual FHA independent actuarial review in support of the financial audit; management and oversight of asset disposition; risk analysis; accounting support services; and assistance with claims and premium refund processing. The services identified in the 2025 Budget also support construction inspections on multifamily projects; post-closing portfolio management; loan underwriting support services; construction inspections; document scanning and imaging; loan servicing and accounting; financial advisor services; and the FHA Call Center.

Total Administrative Contracts Execution by Fiscal Year Dollars in Thousands		
Fiscal Year	Total Resources*	Direct Obligations
2020	179,393	129,013
2021	173,693	151,044
2022	170,237	150,081
2023	169,873	158,875
2024 (Projected)	*161,585*	*159,000*
2025 (Projected)	*159,000*	*159,000*

*Note that total resources includes the annual appropriation plus carryover.

Funding for administrative contracts has remained constant over the last few years despite cost increases due to emerging program needs and inflation. Housing has also improved execution rates and expects carryover of only $3 million into 2025. With this substantial reduction in carryover, total available funding will decrease from $169.9 million in 2023 to a projected $159 million in 2025. The request for $5 million above the 2024 level is necessary for FHA to maintain current service levels through 2025 given the reduction in expected carryover.

Commitment Authority - Up to $400 billion for New Loan Guarantees

The 2025 President's Budget requests $400 billion in loan guarantee commitment limitation, which is to remain available until September 30, 2026. This limitation includes sufficient authority for insurance of all single family forward mortgages and HECMs. Total loan volume projected for all MMI programs for 2025 is $237.9 billion. Of that total, $220 billion is estimated for standard forward mortgages and $17.9 billion is for HECM. The size and two-year availability for this commitment authority reduces the likelihood of program disruption should there be a continuing resolution or greater-than-expected demand for loan guarantees.

Negative Subsidy Receipts

The $237.9 billion in loan volume projected for the entire MMI portfolio in 2025 is expected to generate $4.9 billion in negative subsidy receipts. These receipts are transferred to the MMI Capital Reserve account, where they are available to cover future unexpected losses which exceed modeled loss estimates for loan cohorts in the MMI Fund portfolio.

Direct Loan Commitment Authority

Funding level at $1 million in loan commitment authority will provide short-term purchase money mortgages for non-profits and governmental agencies. This will enable these entities to purchase HUD-owned single family properties to subsequently make those properties available for resale to purchasers with household incomes at or below 115 percent of an area's median income in support of their affordable housing programs. While this program has been infrequently used in recent years, it remains a valuable tool for HUD to support affordable homeownership opportunities in distressed communities while responsibly managing its Real Estate Owned inventory of properties.

Equity

The activities and services funded through the MMI Fund support underserved communities, promote homeownership, and make housing more affordable for underserved borrowers, including first-time, low- to moderate-income and minority homebuyers and homeowners.

In 2023, FHA implemented a 30 basis-point reduction in the annual mortgage insurance premium (MIP). FHA's MIP reduction has helped borrowers gain access to homeownership at a time of significant affordability challenges, saving the average borrower about $800 in the first year with continued savings for the duration of the loan.

Performance Indicators and Other Evidence

Stakeholders have access to the HUD website for approved public program information and financial reports. The FHA Annual Management Report and MMI Actuarial Report are published online. The Annual Management Report contains the FHA standalone financial statements, which can be used by stakeholders to review program outcomes and other achievements.

The performance indicators from the HUD 2024 Annual Performance Report include:

- Percentage of new FHA-insured purchase mortgages approved for first-time home buyers.
- Re-Default Rate after loss mitigation actions.

For additional performance indicators please refer to the HUD 2024 Annual Performance Report.

In addition, a third-party contractor conducts loan reviews. HUD approved lenders are required to obtain third-party quality control reviews on a sampling of loans and for all early claims within four years of final endorsement.

Stakeholders

HUD-FHA collaborates with stakeholders to ensure that financing is available for low- and moderate-income families to purchase and rehabilitate homes. FHA program participants or stakeholders are borrowers, lenders, servicers, appraisers, consultants, nonprofits, State and local government, and investors. FHA Single Family Housing engages with its stakeholders in person and virtually, by participating in community events, stakeholder trainings, and Lender Roundtables nationwide. These events provide robust information on FHA programs, policies, and processes. Stakeholders have access to the HUD-FHA Single Family website to communicate and search policies, regulations, guidebook, forms, mortgagee letters, newsletters, data reports, as well as to learn about events and training opportunities.

Operational Improvements

FHA has been monitoring and examining contracts for economies of scale and will continue to look for cost savings in the MMI account through service consolidation and efficiency where feasible. For example, in collaboration with OCIO, FHA has engaged in IT modernization efforts by assessing its existing IT infrastructure, developing a modernization roadmap, and creating processes for prioritized IT development and cost savings.

SUMMARY OF RESOURCES BY PROGRAM

(Dollars in Thousands)

Budget Activity	2023 Budget Authority	2022 Carryover Into 2023	2023 Total Resources	2023 Obligations	2024 Annualized CR	2023 Carryover Into 2024	2024 Total Resources	2025 President's Budget
Administrative Contract Expenses	150,000	19,873	169,873	158,875	150,000	11,585	161,585	155,000
Small Balance Mortgage Demonstration Program	-	-	-	-	-	-	-	-
Total	**150,000**	**19,873**	**169,873**	**158,875**	**150,000**	**11,585**	**161,585**	**155,000**

LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS

Legislative Proposals

The 2025 Budget supports the following legislative proposals and will seek changes through the authorization process:

- Prohibition on Insuring Mortgages Subject to Eminent Domain: This proposal would codify a long-standing GP that prohibits HUD from guaranteeing mortgages or mortgage-backed securities that refinance or otherwise replace mortgages that have been subject to eminent domain.
- FHA Appraiser Roster Expansion: Currently, FHA does not allow State-licensed appraisers to conduct appraisals for FHA single family loans (they must be State-certified). Certified and licensed appraisers have different training and experience requirements and are qualified to appraise different types of housing. This proposal would open up the FHA program to State-licensed appraisers, which would align with current policy for other

Federal single family loan programs (VA and USDA) and the GSEs. There is no evidence that expanding FHA appraiser eligibility to State-licensed appraisers would degrade appraisal quality. This proposal, which would be modeled after the bipartisan, House-passed Homebuyer Assistance Act of 2021, may also help alleviate reported FHA appraiser shortages in certain locations (e.g. rural areas).

- HECM – Facilitating Housing Counseling for Refinancing Transactions: Under current law, prospective borrowers must receive HUD-approved housing counseling to qualify for a HECM, except a borrower can waive this requirement for a refinance if less than five years has passed since the closing date of their current HECM. This proposal would remove the ability of the borrower to waive the counseling requirement for refinances of HECMs obtained within the last five years, which provides HUD the ability to require the borrower obtain counseling to ensure borrowers understand the financial transaction they are entering into by refinancing their HECM.
- HECM – Remove Cap on number of loans: This provision would permanently remove the limitation placed on the number of HECMs that can be insured by the FHA.
- HECM – Update to the Actuarial Analysis Used to Set Mortgage Insurance Premiums for Refinances: Current statute includes a requirement for HUD to conduct an actuarial analysis to determine the adequacy of its HECM insurance premiums with respect to lower upfront premiums for refinances and a single national loan limit, and the combined effects of those two policies. Since HUD satisfied this statutory mandate in 2003, this legacy language is unnecessary and should be removed. This proposal also makes a conforming change to HUD's authority to collect a lower upfront mortgage insurance premium for a refinanced HECM.
- Single Family Non-Judicial Foreclosure Act: The current statute mandates notice of foreclosure by mail to all mortgagors of record and makes no specific provisions for alternative requirements if a mortgagor is deceased. The requested change would modify the existing notice requirements by adding alternative options when all HECM mortgagors are deceased.
- HECM Non-Borrowing Spouses: Current law is ambiguous on the limits of foreclosure protections (i.e., loan deferrals) for non-borrowing spouses, which has led to questions regarding their availability for non-borrowing spouses NOT identified at origination (e.g., HECM borrower remarries). This proposal would clarify that automatic protections apply only to non-borrowing spouses identified at origination, consistent with current policy, while also establishing flexibility to extend further protections at the Secretary's discretion.
- HECM regional loan limits: Currently, Home Equity Conversion Mortgages (HECMs) are subject to a single national loan limit regardless of property location. This proposal would allow, but not require, HUD to establish regional loan limits aligned to the limits currently in place for the single family Forward program.
- Establishing the Definition of "Appraised Value" and other changes under Sec. 203: This proposal would: (1) clarify Secretarial authority to set rules for appraisals to support program policies and codify the existing option to use 110 percent of after-rehab value to determine 203(k) loan amounts; and (2) replace the term "structure" with "residence" for consistency throughout Section 203. This proposal would also add the ability to finance the repair or construction of additional or accessory dwelling units that are detached from the existing residence in addition to the currently permitted attached units.
- Commissioner's Adjusted Fair Market Value: This proposal would allow downward adjustments to FHA claim payments in the unlikely event that a servicer inadvertently sells a foreclosed property below the FHA-approved floor.

- Increased Flexibilities for Mortgagee Review Board (MRB) Actions Authorized Sanctions: The change is requested because the current statute provides that the MRB may suspend a lender for a minimum of six months, not to exceed 12 months, and permits a one-time six-month extension. For many lenders, a minimum six-month suspension will result in the cessation of operations. Removing the six-month minimum suspension would provide the MRB with more flexibility in their oversight and enforcement of FHA requirements on lenders. The proposal further expands FHA's enforcement authority by allowing the MRB to impose a total suspension longer than the current 18-month maximum if it is in the public interest.
- Increased Civil money penalties against mortgagees, lenders, and other participants in FHA program: The MRB's civil money penalty (CMP) statute provides the MRB with a maximum CMP for each violation, with an annual cap. Currently, the maximum civil money penalty per violation is $11,864 and the annual cap is $2,372,677, after cumulative annual inflation adjustments under the Government-wide Federal Civil Penalties Adjustment Act. The annual cap is an impediment to effective enforcement because it halts any further enforcements once the cap is reached. Eliminating the CMP annual cap will allow the MRB to assess more penalties on an annual basis, which is a critical oversight mechanism. This proposal would also update the per-violation maximum to $15,000 and allow HUD to establish higher amounts through notice.
- Prohibition on PACE priming of FHA-insured and other HUD loans: Current policy prohibits new FHA-insured loans on properties with outstanding first-lien Property Assessed Clean Energy (PACE) loans, but does not prevent first-lien PACE loans after a mortgage is insured by FHA. This proposal would address this gap by requiring PACE providers to obtain HUD consent before adding PACE loans to properties with outstanding FHA-insured mortgages.
- Changes to HUD's Partial Claim Statutory Authority: This proposal would permit greater HUD discretion in the use and servicing of partial claims to improve outcomes for borrowers and FHA, and would also increase the partial claim limit for borrowers who experienced a COVID-19 hardship from 30 to 40 percent of their unpaid principal balance.
- Authority to Pay Mortgagee Incentives: Currently, FHA does not have authority to directly compensate mortgagees. Therefore, FHA is not able to incentivize mortgagees to originate and submit for endorsement mortgages that meet specific goals. For example, FHA is not able to address mortgagee compensation concerns associated with the origination and servicing of small mortgage loans by paying incentives that may prompt more mortgagees to originate such loans. This proposal would permit FHA to make payments directly to mortgagees to incentivize specific desired activities.

General Provisions

The 2025 President's Budget re-proposes the following general provision:

Eminent Domain Restrictions: This provision prohibits HUD from guaranteeing mortgages or mortgage-backed securities that refinance or otherwise replace mortgages that have been subject to eminent domain. (Sec. 216)

APPROPRIATIONS LANGUAGE

The 2025 President's Budget includes the appropriations language listed below.

New commitments to guarantee single family loans insured under the Mutual Mortgage Insurance Fund shall not exceed $400,000,000,000, to remain available until September 30, 2026: Provided, That during fiscal year 2025, obligations to make direct loans to carry out the purposes of section 204(g) of the National Housing Act, as amended, shall not exceed $1,000,000: Provided further, That

the foregoing amount in the preceding proviso shall be for loans to nonprofit and governmental entities in connection with sales of single family real properties owned by the Secretary and formerly insured under the Mutual Mortgage Insurance Fund: Provided further, That for administrative contract expenses of the Federal Housing Administration, $155,000,000, to remain available until September 30, 2026: Provided further, That notwithstanding the limitation in the first sentence of section 255(g) of the National Housing Act (12 U.S.C. 1715z–20(g)), during fiscal year 2025 the Secretary may insure and enter into new commitments to insure mortgages under section 255 of the National Housing Act .

Note.--A full-year 2024 appropriation for this account was not enacted at the time the Budget was prepared; therefore, the Budget assumes this account is operating under the Continuing Appropriations Act, 2024 and Other Extensions Act (Division A of Public Law 118–15, as amended). The amounts included for 2024 reflect the annualized level provided by the continuing resolution.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of Housing

FHA – General and Special Risk Insurance Fund

SUMMARY OF RESOURCES

(Dollars in Thousands)

	Enacted/ Requested	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Net Outlays
2023 Appropriation	-	1,574	-	1,574	-	-
2024 Annualized CR	-	1,574	-	1,574	-	-
2025 President's Budget	-	1,574	-	1,574	-	-
Change from 2024	-	-	-	-	-	-

PROGRAM PURPOSE

The Federal Housing Administration's (FHA) General Insurance and Special Risk Insurance (GI/SRI) Fund programs are critical components of the Department's efforts to meet the Nation's need for decent, safe, and affordable housing. These programs provide the necessary liquidity so that communities can:

- Provide quality affordable housing and assisted living, nursing home, and hospital facilities;
- Improve access to quality healthcare, reduce the cost of that care, and support the needs of aging populations in communities nationwide;
- Strengthen local economies by playing a countercyclical role in the market;
- Improve the availability and quality of rental housing for low- and moderate-income families; and
- Enable private lenders to make loans for important projects in places of historic disinvestment or exclusion that might otherwise not be possible.

Credit programs under the FHA GI/SRI Fund include:

- Multifamily Rental Housing: loan guarantees for the construction, rehabilitation, preservation, and refinancing of multifamily rental housing;
- Healthcare Facilities: loan guarantees for the construction, rehabilitation, and refinancing of hospitals, nursing homes, and other healthcare facilities; and
- Single-family: loan guarantees for manufactured housing and property improvement loans under Title I of the National Housing Act.

BUDGET OVERVIEW

The 2025 President's Budget requests $35 billion in loan guarantee commitment authority and $1 million in direct loan authority for the FHA GI/SRI Fund, both of which are equal to the 2024 Annualized CR level. The Budget estimates $375 million in offsetting negative credit subsidy receipts in 2025 from GI/SRI loan guarantees. At the requested level, GI/SRI is projected to issue $18 billion in loan insurance commitments in 2025, including:

- $411 million in loan guarantees for 31 new Federal Financing Bank (FFB) Risk Sharing loans;
- $13 billion in loan guarantees to support 645 apartment housing projects;

- $5 billion in loan guarantees for 305 healthcare facilities, including residential care facilities (skilled nursing homes, assisted living facilities, and board & care homes) and hospitals; and
- $20 million for 700 Title I manufactured housing and property improvement loans.

This program aligns to HUD 2022-2026 Strategic Objective 2A: *Increase the Supply of Housing*.

JUSTIFICATION

The 2025 Budget supports mortgage insurance programs that are essential to achieving the Department's mission of creating strong, sustainable, inclusive communities and quality affordable homes for all.

Mortgage insurance facilitated by the GI/SRI Fund encourages private lenders to make loans for the following activities, among others: new rental housing in a variety of markets; renovations to increase energy efficiency and resilience; nursing homes serving aging senior citizens; and critical access hospitals. In addition to providing access to credit for new developments, GI/SRI supports refinance lending to preserve financially healthy housing and healthcare projects by helping them reduce the cost of current debt obligations. The major refinancing programs for housing and nursing home facilities offer long-term amortization periods and are a critical option for many conventionally financed projects facing large balloon payments. Insured refinancing through GI/SRI programs also enables properties to undertake needed renovation and rehabilitation for the health and safety of residents.

FHA mortgage insurance enhances a borrower's credit and provides lenders with better access to capital markets, most notably through Ginnie Mae securities. In exchange for adherence to underwriting and application requirements established by HUD and the payment of required insurance premiums, FHA-approved lenders can file claims with FHA to compensate them for losses arising from a borrower default. Mortgage insurance premiums and specific terms for claim payments vary by program. GI/SRI mortgage insurance programs work in part by helping private lenders access liquidity otherwise unavailable to borrowers developing or operating properties covered by these programs.

The credit enhancement provided by an FHA loan guarantee or insurance enables borrowers to obtain long-term, fully amortizing fixed-rate financing (up to 40 years in the case of new construction/substantial rehabilitation), which can result in substantial cost savings. Access to fixed-rate loans with long-term amortization, which typically are not available through conventional lending sources, mitigates interest rate risk for owners because they do not necessarily have to refinance to maintain affordability of their payments. The long-term amortization period and guarantee of payment in the event of claim stabilizes interest rates and can also allow monthly mortgage payments to be less than payments required under non-insured financing. These savings, in turn, can reduce the overall costs of developing and maintaining housing, which stabilizes housing markets, and assists low- and moderate-income residents in obtaining affordable housing. Similarly, FHA-insured financing of healthcare facilities reduces costs for operators and contributes to lower healthcare costs for consumers.

Multifamily and healthcare loans are large and complex. Prior to receiving a mortgage guarantee for any multifamily or healthcare loan, lenders and borrowers must complete a rigorous application process in which HUD staff review borrower creditworthiness, cash flow projections, property appraisals, architectural design, environmental impact, requested loan size, quality of the property management, and other information to determine if a loan is an acceptable credit risk to HUD. Large multifamily housing projects and all healthcare facility loans receive secondary review and approval by a national loan committee of senior HUD officials. Once insurance has been approved, progress on any new construction or renovation is closely monitored by HUD inspectors. HUD asset managers monitor project financial statements on an ongoing basis and periodic physical inspections are

conducted by HUD's Real Estate Assessment Center. Loss mitigation measures are undertaken before a loan is determined to have defaulted and any claim is submitted to HUD. When a borrower defaults and a claim is filed, HUD will take possession of the mortgage note or property and seek to recover losses.

With each mortgage it insures, FHA carefully weighs the benefits of renewed capital investment in the community against the financial risks to the Government. Cognizant of the risks associated with FHA's role in the housing market, the Department has launched several new initiatives aimed at appropriately managing the risk involved with Multifamily loans. Risk mitigation procedures for Multifamily Housing loan originations include a tiered loan approval structure requiring increasing levels of Loan Committee review based on program and dollar amount of the loan. In addition, HUD staff conduct a thorough underwriting review of each transaction and the Office of Risk Management conducts sampling of post-commitment reviews. Loan origination and default data and trends are monitored by HUD, and lenders are required to obtain third-party quality control reviews on a sampling of loans and for all early claims within four years of final endorsement.

Multifamily housing and healthcare facilities are major economic engines and community anchors that are crucial for economic growth and quality of life. The GI/SRI Fund currently insures over 1.3 million multifamily units. The healthcare portfolio as of November 2023 included 3,520 insured residential care facilities (assisted living facilities, nursing homes, and board and care homes) in 49 States, as well as the District of Columbia and 58 hospitals within 27 States and territories, including Puerto Rico. Through proactive risk management, HUD has maintained extremely low claim rates of under two percent in both programs.

During periods of market contraction, FHA insurance provides a counter-cyclical source of capital for essential housing and health care development. The projected program volumes reflect the overall lower level of activity currently observed in a higher interest rate and cost environment. If other sources of capital are less available, activity in the GI/SRI Fund programs may increase beyond these projections, which makes the overall commitment authority request essential.

Multifamily Risk Categories

Federal Financing Bank (FFB) Risk Share: The FFB Risk Share Initiative was originally started in 2015 to increase access to and reduce the cost of funding for multifamily mortgage loans insured by FHA through its Section 542 Risk Sharing programs with Housing Finance Agencies (HFAs). This Initiative was an interagency partnership between HUD, Treasury's FFB, and HFAs that provided a Ginnie Mae-like financing mechanism for HFA risk-share partners until the Congress authorizes use of Ginnie Mae securitization for the Section 542(c) programs. While the original initiative was ended in 2018, HUD resumed the initiative in 2022 to address the critical need for affordable housing, and to ensure a stable source of capital in an environment of volatile tax-exempt bond pricing. The FFB initiative has been successful in supporting the development of new affordable housing supply in participating jurisdictions. To ensure greater predictability and achieve the same goals, HUD continues to pursue legislation that would enable Ginnie Mae to securitize these loans, after which HUD could transition 542(c) participants from FFB financing to Ginnie Mae securitization as the primary source of program liquidity. Currently, Ginnie Mae is prohibited from securitizing multifamily housing loans insured under section 542(c) of the Housing and Community Development Act of 1992 (12 U.S.C 1715z-22(c)).

Section 221(d)(4) Mortgage Insurance for Rental Housing: The Section 221(d)(4) program is FHA's largest program supporting new construction and substantial rehabilitation of multifamily housing. The program insures loans for up to 90 percent of the project replacement cost (as limited by debt service coverage and per-unit cost requirements). It covers long-term mortgages of up to 40 years and, like all FHA new construction loan programs, provides for both construction and permanent financing.

Sections 223(f) and 223(a)(7) Mortgage Insurance for Refinancing or Purchase of Existing Multifamily Rental Housing: Section 223(f) allows for long-term mortgages of up to 35 years for refinancing or purchase of existing multifamily rental housing. Refinances of current FHA-insured multifamily loans are also offered under Section 223(a)(7) but are grouped together with Section 223(f) for budgetary purposes.

Section 241(a) Mortgage Insurance for Supplemental Loans for Multifamily Housing Projects: Section 241(a) provides mortgage insurance for supplemental loans for multifamily housing projects already insured or held by HUD. This program is intended to keep projects competitive, extend their economic life, and finance the replacement of obsolete equipment. Section 241(a) mortgages finance repairs, additions, and other improvements. These loans take the second position to the primary mortgage. For budgetary purposes, these loans are included in the risk category of the primary loan they are supplementing.

Section 542(b) Risk Sharing with Qualified Participating Entities (QPEs): This is 1 of 2 multifamily programs under which FHA insures only a portion of the losses by sharing the risk with Fannie Mae, Freddie Mac, and other qualified Federal, State, and local public financial and housing institutions. If a loan insured under Section 542(b) defaults, the QPE will pay all costs associated with loan disposition and will seek reimbursement from HUD for 50 percent of the losses.

Section 542(c) Risk Sharing with Housing Finance Agencies (HFAs): Section 542(c) provides mortgage insurance of multifamily housing projects whose loans are underwritten, processed, serviced, and disposed of by State and local HFAs. FHA insurance enhances HFA bonds to investment grade and provides capital for affordable housing construction. HFAs may elect to share from 10 to 90 percent of the loss on a loan with HUD. Section 542(c) insured-projects often include low-income housing tax-credits, in which case they are reported under GI/SRI's risk category for Tax Credit Projects.

Other Rental Programs: This risk category includes several relatively low-volume programs that have been grouped together for budgetary purposes, including Section 220 loans in urban areas, Section 231 loans for elderly housing, and Section 207 loans for mobile home park development. Section 220 is a new-construction program, distinct from 221(d)(4) in that it insures loans for multifamily housing projects in urban renewal areas, code enforcement areas, and other areas where local governments have undertaken designated revitalization activities. The program offers special underwriting allowances for greater mixed-use development. Section 231 is also a new construction/substantial rehabilitation program, but for projects specifically designed for senior citizens. For Section 231 projects with 90 percent or greater rental assistance, the maximum loan amount is 90 percent of the estimated replacement cost.

Tax Credit Projects: Projects assisted with Low-Income Housing Tax Credits (LIHTC) may be insured under several FHA multifamily programs but are grouped together in a single budget risk category. These loans have a lower risk of default than similar projects without tax credits and require borrowers to pay lower FHA mortgage insurance premiums.

Healthcare Risk Categories

Section 232 New Construction/Substantial Rehabilitation of Residential Care Facilities: Section 232 programs are split into two budget risk categories. The first category includes new-construction and substantial-renovation projects. The program enables access to capital that may not otherwise be available for many quality providers including those in underserved areas, thereby providing access to needed healthcare and residences for seniors. These loans are offered for terms of up to 40 years and provide both construction and permanent financing. This risk category also includes Section 241(a) supplemental loans made to projects with a primary FHA Section 232 mortgage.

Section 232/223(f) Refinancing and Purchase of Existing Residential Care Facilities: The Section 232/223(f) refinancing program enables existing facilities to take advantage of refinancing at low-interest rates with loan terms of up to 35 years. For a refinance, maximum mortgage amounts are up to 85 percent of the appraised value (90 percent if the borrower is a non-profit organization). For acquisitions, mortgages are insured up to 85 percent of the acquisition price plus transaction costs (90 percent of acquisition price if the borrower is a non-profit organization). Equity cash-out transactions are prohibited under this program. Section 223(a)(7) refinances of existing Section 232 loans are also reported under this risk category, as well as operating loss loans insured under Section 223(d).

Section 242 Hospitals: The Section 242 program provides mortgage insurance for loans made to acute care hospitals. An FHA guarantee allows hospitals to lock in low interest rates and reduce borrowing costs for major renovation, expansion, replacement, and refinancing projects that help improve healthcare access and quality. Loans are up to 25 years in length plus a construction period if applicable. The risk category also includes Section 241(a) supplemental loans, Section 223(a)(7) loans for refinancing current FHA-insured projects, and Section 223(e) loans for hospitals in older, economically declining urban areas.

Single-Family Risk Categories

Title 1 Property Improvement: The Title I Property Improvement program insures loans for repairs and other improvements to residential and non-residential structures, as well as new construction of non-residential buildings.

Title 1 Manufactured Housing: Under Title I, HUD provides mortgage insurance for loans used to finance manufactured homes, lots on which to set the homes, or the home and lot together.

GI/SRI RISK CATEGORIES AND ESTIMATED VOLUME

2025 GI/SRI Programs (Dollars in Millions) [c]	**Commitment Volume (projected)**	**Credit Subsidy Rate**	**Offsetting Receipts (projected)** [a]
Direct Loans Levels			
FFB Risk Sharing	$411	-7.39%	$29
Guaranteed Loan Levels			
Apartments New Construction / Substantial Rehab (221d4)	$3,228	-1.34%	$41
Tax Credit Projects (includes Healthcare Tax)	$3,323	-1.79%	$57
Apartment Refinances (223a7 & 223f)	$6,321	-1.80%	$113
Housing Finance Agency Risk Sharing (542c)	$7	-1.16%	$0
GSE risk-share	$0	-1.07%	$0
Other Rental	$116	-3.02%	$3
Subtotal - Multifamily Programs [b]	***$12,995***	***-1.69%***	***$215***
New Construction and 241(a)/Residential Care Facilities (232_nc), 241(d)	$14	-3.69%	$1
Refinances (a7 and 223(f))/Residential Care Facility Refinances (232_refi)	$4,335	-2.68%	$100
Hospitals (242, 241, 223f, 223a7)	$582	-5.36%	$29
Subtotal - Healthcare Programs [b]	***$4,930***	***-3.00%***	***$130***
Title 1 - Property Improvement	$12	-2.36%	$0
Title 1 - Manufactured Housing	$8	-6.70%	$1
Total - Guaranteed Loan Levels [b]	***$17,944***	***-2.05%***	**$346**
Total - GI/SRI Fund [b]	**$18,355**	**-2.17%**	**$375**

a/ Receipts are recognized as the underlying loans are disbursed.
b/ The subsidy rate is a weighted average.
c/ Amounts may not add up to Total due to rounding.

SUMMARY OF RESOURCES BY PROGRAM

(Dollars in Thousands)

Budget Activity	2023 Budget Authority	2022 Carryover Into 2023	2023 Total Resources	2023 Obligations	2024 Annualized CR	2023 Carryover Into 2024	2024 Total Resources	2025 President's Budget
Positive Subsidy Appropriation	-	1,574	1,574	-	-	1,574	1,574	-
Total	**-**	**1,574**	**1,574**	**-**	**-**	**1,574**	**1,574**	**-**

LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS

Legislative Proposals

The 2025 Budget supports the following legislative proposals and will seek changes through the authorization process:

- Prohibition on Insuring Mortgages Subject to Eminent Domain: This proposal would codify a long-standing GP that prohibits HUD from guaranteeing mortgages or mortgage-backed securities that refinance or otherwise replace mortgages that have been subject to eminent domain.

- Section 232 Loans – Civil Money Penalties: Clarify that, with respect to residential care facilities, the operators—not just the borrowers—are accountable for regulatory agreement violations and are subject to civil money penalties for such violations. This is needed to correct the legislative gap in Civil Money Penalties statute. This is an essential tool for addressing performance of operators of nursing homes and other care facilities, which is particularly important since skilled and compliant operator performance plays a pivotal role in the level of risk to the FHA.
- Re-Baseline Basic Statutory Mortgage Limits for Multifamily Housing Programs: The Basic Statutory Mortgage Limits for Multifamily Housing are a constraining factor in the underwriting of certain multifamily mortgage loans. A revised Baseline will use new studies of housing costs nationwide to effectively align the data between the Consumer Price Index for All Urban Consumers (CPI-U) price of inflation and actual housing price increases. The market supply for housing is limited. Updating the law will allow additional financing for housing construction. This is consistent with HUD's mission.
- Revise Title I Loan Limits: The FHA Title I Program has two components: the Property Improvement Loan Program and the Manufactured Home Loan Program. This proposal would first revise the property improvement loan limits and allow the ability to index the limits administratively. Secondly, it would increase the Manufactured Housing loan limits and allow the ability to index the limits administratively "as determined by the Secretary" to provide for flexibility to utilize the best index to respond to changes in the market by indexing loan amounts relative to home size and by utilizing expanded data sources for such analysis that reflects the current manufactured housing market pricing and trends. It would also revise leasehold requirements to allow more flexible terms as determined by the Secretary. Permitting leaseholds to be adjusted may increase the number of manufactured homes eligible for Title I financing or provide additional borrower protections. Finally, it would revise the permissible loan terms for Title I programs. Overall, these changes to the Title I program will allow FHA to remain a viable funding source for low- to moderate-income borrowers seeking to finance the purchase of a manufactured home or to make home improvements, including the addition of ADUs and improvements designed to increase the energy efficiency of aging housing stock.

General Provisions

The 2025 President's Budget re-proposes the following general provision:

- Eminent Domain Restrictions: This provision prohibits HUD from guaranteeing mortgages or mortgage-backed securities that refinance or otherwise replace mortgages that have been subject to eminent domain. (Sec. 216)
- Authorize Ginnie Mae Securitization of HFA-Risk Sharing Loans: This proposal will authorize Ginnie Mae to securitize FHA Section 542(c) HFA-Risk Sharing loans to address the critical need for affordable housing and to ensure a stable source of capital for the program. An inter-agency partnership between HUD, the Federal Financing Bank (FFB) of the U.S. Department of Treasury, and State housing finance agencies (HFAs) has established an interim Ginnie Mae-like funding mechanism, but a permanent solution is required. Ginnie Mae securitization will ensure a permanent source of lower-cost capital for HFAs to address the critical need for affordable housing. (Sec. 229)

APPROPRIATIONS LANGUAGE

The 2025 President's Budget includes the appropriations language listed below.

New commitments to guarantee loans insured under the General and Special Risk Insurance Funds, as authorized by sections 238 and 519 of the National Housing Act (12 U.S.C. 1715z–3 and 1735c), shall not exceed $35,000,000,000 in total loan principal, any part of which is to be guaranteed, to remain available until September 30, 2026: Provided, That during fiscal year 2025, gross obligations for the principal amount of direct loans, as authorized by sections 204(g), 207(l), 238, and 519(a) of the National Housing Act, shall not exceed $1,000,000, which shall be for loans to nonprofit and governmental entities in connection with the sale of single family real properties owned by the Secretary and formerly insured under such Act.

Note.--A full-year 2024 appropriation for this account was not enacted at the time the Budget was prepared; therefore, the Budget assumes this account is operating under the Continuing Appropriations Act, 2024 and Other Extensions Act (Division A of Public Law 118-15, as amended). The amounts included for 2024 reflect the annualized level provided by the continuing resolution.