DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of Housing

FHA – Mutual Mortgage Insurance Fund

SUMMARY OF RESOURCES

(Dollars in Thousands)

	Enacted/ Requested	Carryover	Adjustments	Total Resources	Obligations	Net Outlays
2024 Appropriation	150,000	15,773	-	165,773	157,135	149,124
2025 Appropriation	150,000	10,000	-	160,000	158,000	155,000
2026 President's Budget	160,000	3,000	-	163,000	160,000	158,000
Change from 2025	10,000	(7,000)	-	3,000	2,000	3,000

a/ 2024 Carryover includes $11 million in carryover and $4.8 million in recaptures.
b/ 2025 Carryover includes $9 million in carryover and $1 million in anticipated recaptures.
c/ 2026 Carryover includes $2 million in carryover and $1 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 62 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, refinance, and rehabilitation of homes with 1 to 4 units. The MMI Fund aims to support access to homeownership for individuals and families who may face challenges obtaining affordable mortgage credit, including many first-time home buyers, lower-income households, and historically underserved communities. 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. 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 2026 President's Budget requests $160 million for FHA administrative contract expenses, which is $10 million more than the 2025 Enacted level. The 2026 Budget also includes $400 billion in loan guarantee commitment authority and $1 million in direct loan authority, both of which are equal to the 2025 Enacted level.

JUSTIFICATION

The 2026 President's Budget requests $160 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) Funds. For budgetary purposes, the programs of the MMI Fund are broken into the two following risk categories:

- Forward mortgage programs provide mortgage insurance for the purchase, refinance, and rehabilitation 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 enables them to access the equity in their homes to support their financial and/or 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 passes away, sells the home, conveys title of the property, or fails to comply with other requirements of the loan, such as payment of property taxes and insurance.

Administrative Contracts

The $160 million requested for 2026 will provide contract and service funding necessary for the administration of FHA programs operating under the MMI and GI/SRI funds. This Budget will fund activities including, but not limited to, insurance endorsement of single-family mortgages, the single-family case management system for REO properties, Secretary-held mortgage servicing, HECM loan servicing tools, construction inspections on multifamily projects, independent financial review services on health care facilities, the required annual FHA independent actuarial review, the FHA Resource Center, management and oversight of asset disposition, risk analysis, accounting and audit support services, and assistance with claims and premium refund processing.

Total Administrative Contracts Execution by Fiscal Year Dollars in Thousands		
Fiscal Year	Total Resources*	Direct Obligations
2021	173,693	151,044
2022	170,237	150,081
2023	169,873	158,875
2024	165,773	157,135
2025 (Projected)	160,000	158,000
2026 (Projected)	163,000	160,000

*Total Resources include the annual appropriation plus carryover.

Funding for administrative contracts has remained constant at $150 million since 2022. At the same time, contract expenses have increased with inflation and growth in the FHA-held portfolio of HECMs and partial claim notes. Between 2014 and 2024, program account expenditures for management of Secretary-held HECMS and Partial Claims have increased by $46 million, growing from $3.6 million to $49 million, a 1,272 percent increase. Specifically, FHA's assigned HECM portfolio has increased more than ten-fold since 2013, from 18,000 to over 190,000 loans. The cost of managing the assigned HECM portfolio has grown even faster, from $1.8 million in 2014 to $36.5 million in 2024. Largely as a result of these factors, total available funding decreased from $174 million in 2021 to a projected $160 million in 2025. The Budget request for $10 million above the 2025 level is necessary for FHA to maintain current service levels through 2026.

The President's Budget eliminates the contingent appropriation from the account language.

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

The 2026 President's Budget requests $400 billion in loan guarantee commitment limitation, which is to remain available until September 30, 2027. This limitation includes sufficient authority for insurance of all single family forward mortgages and HECMs. Total loan volume projected for all MMI programs for 2026 is $315.1 billion. Of that total, $300 billion is estimated for standard forward mortgages and $15.1 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

In 2026, the entire MMI portfolio is projected to generate $8.2 billion in negative subsidy receipts. These receipts are transferred to the MMI Capital Reserve account, where they are available to cover future unexpected losses.

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.

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.

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 training, 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, guidebooks, forms, mortgagee letters, newsletters, data reports, as well as to learn about events and training opportunities.

Operational Improvements and Efficiencies

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.

SUMMARY OF RESOURCES BY PROGRAM

(Dollars in Thousands)

Budget Activity	2024 Budget Authority	2023 Carryover Into 2024	2024 Total Resources	2024 Obligations	2025 Appropriation	2024 Carryover Into 2025	2025 Total Resources	2026 President's Budget
Administrative Contract Expenses	150,000	15,773	165,773	157,135	150,000	10,000	160,000	160,000
Total	**150,000**	**15,773**	**165,773**	**157,135**	**150,000**	**10,000**	**160,000**	**160,000**

APPROPRIATIONS LANGUAGE

The 2026 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, 2027: Provided, That during fiscal year 2026, 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, $160,000,000, to remain available until September 30, 2027: 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 2026 the Secretary may insure and enter into new commitments to insure mortgages under section 255 of the National Housing Act.

Note.—This account is operating under the Full-Year Continuing Appropriations and Extensions Act, 2025 (Division A of Public Law 119–4).

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	Adjustments	Total Resources	Obligations	Net Outlays
2024 Appropriation	-	1,574	-	1,574	-	-
2025 Appropriation	-	1,574	-	1,574	-	-
2026 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.

BUDGET OVERVIEW

The 2026 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 2025 Enacted level. The Budget estimates $441 million in offsetting negative credit subsidy receipts in 2026 from GI/SRI loan guarantees. At the requested level, GI/SRI is projected to issue $17 billion in loan insurance commitments in 2026, including:

- $517 million in loan guarantees for 49 new Federal Financing Bank (FFB) Risk Sharing loans;
- $12 billion in loan guarantees to support 550 apartment housing projects;
- $5 billion in loan guarantees for 303 healthcare facilities, including residential care facilities (skilled nursing homes, assisted living facilities, and board & care homes) and hospitals; and
- $26 million for 1,030 Title I manufactured housing and property improvement loans.

JUSTIFICATION

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; 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 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 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 1.4 million multifamily units. The healthcare portfolio includes 3,689 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 78 hospitals within 24 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. 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

<u>Federal Financing Bank (FFB) Risk Share</u>

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.

<u>Section 221(d)(4) Mortgage Insurance for Rental Housing</u>

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.

<u>Sections 223(f) and 223(a)(7) Mortgage Insurance for Refinancing or Purchase of Existing Multifamily Rental Housing</u>

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.

<u>Section 241(a) Mortgage Insurance for Supplemental Loans for Multifamily Housing Projects</u>

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.

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.

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

2026 GI/SRI Programs (Dollars in Millions) [c]	Commitment Volume (projected)	Credit Subsidy Rate	Offsetting Receipts (projected) [a]
Direct Loans Levels			
FFB Risk Sharing	$517	-11.23%	$27
Guaranteed Loan Levels			
Apartments New Construction / Substantial Rehab (221d4)	$4,163	-1.95%	$78
Tax Credit Projects (includes Healthcare Tax)	$3,589	-2.04%	$64
Apartment Refinances (223a7 & 223f)	$4,069	-2.47%	$95
Housing Finance Agency Risk Sharing (542c)	$15	-0.90%	$0
GSE risk-share	$0	-1.30%	$0
Other Rental	$87	-6.91%	$6
***Subtotal - Multifamily Programs* [b]**	***$11,923***	***-2.19%***	***$242***
New Construction and 241(a)/Residential Care Facilities (232_nc), 241(d)	$14	-3.70%	$1
Refinances (a7 and 223(f))/Residential Care Facility Refinances (232_refi)	$4,490	-3.42%	$147
Hospitals (242, 241, 223f, 223a7)	$365	-5.27%	$24
***Subtotal - Healthcare Programs* [b]**	***$4,869***	***-3.56%***	***$172***
Title 1 - Property Improvement	$18	-2.46%	$0
Title 1 - Manufactured Housing	$8	-6.87%	$1
Total - Guaranteed Loan Levels [b]	***$16,817***	***-2.59%***	***$414***
Total - GI/SRI Fund [b]	**$17,334**	**-2.85%**	**$441**

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	2024 Budget Authority	2023 Carryover Into 2024	2024 Total Resources	2024 Obligations	2025 Appropriation	2024 Carryover Into 2025	2025 Total Resources	2026 President's Budget
Positive Subsidy Appropriation	-	1,574	1,574	-	-	1,574	1,574	-
Total	**-**	**1,574**	**1,574**	**-**	**-**	**1,574**	**1,574**	**-**

APPROPRIATIONS LANGUAGE

The 2026 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, 2027: Provided, That during fiscal year 2026, 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.—This account is operating under the Full-Year Continuing Appropriations and Extensions Act, 2025 (Division A of Public Law 119–4).