



September 12, 2022

The Honorable Brian Deese
National Economic Council
1600 Pennsylvania Avenue NW
Washington, D.C. 20500

Dear Director Deese:

On behalf of the undersigned organizations, we write to encourage the National Economic Council to support the reduction of the annual mortgage insurance premium (MIP) for borrowers with Federal Housing Administration (FHA) insured loans. Together, our organizations serve families across the United States seeking the dream of homeownership through the construction, sale and financing of all types of single-family housing. Our members and organizations deliver on the FHA's mission to expand homeownership and create opportunities for low to-moderate-income (LMI) and first-time homebuyers. To that end, we urge the Biden Administration to take action to aid these buyers by supporting an actuarially prudent reduction of the FHA's annual MIP.

Sharply higher mortgage rates and rising home prices mean the time to act is now. Home prices have continued to show strong year-over-year increases, with the existing home sales price reaching \$410,600, up 11% from one year ago¹. New home prices have also reached record levels in 2022, climbing to \$439,400². Since the beginning of this year, mortgage rates have climbed sharply – this week's rate for a 30-year fixed rate mortgage is 5.89%³, 267 basis points higher than in January. The combination of higher prices and rates has put severe stress on prospective LMI and first-time homebuyers. According to the MBA's Purchase Application Payments Index, the national median mortgage payment was \$1,844 in July, up by more than \$460 in just the first seven months of this year.

We recognize that any reduction of the MIP must be evaluated against the actuarial condition of the FHA's Mutual Mortgage Insurance Fund (MMIF). Today, the MMIF capital reserve ratio stands at more than 8%, four times the statutory minimum reserve ratio. Just as important, FHA loan performance has recovered from COVID-related forbearance – FHA's serious delinquency rate in the second quarter of 2022 at 4.64 has returned to pre-pandemic lows and stands at the lowest level since the first quarter of 2020⁴.

Against the backdrop of robust FHA capital reserves and rapidly deteriorating affordability, it is critical for the Administration to ensure low to moderate- income and first-time homebuyers are not left behind. Lowering the MIP – with a focus on FHA's recurring "annual" premium -- increases homebuyers' purchasing power by reducing monthly payments and directly putting money into their pockets every month, giving them the opportunity to become homeowners and build generational wealth. As economic conditions continue to worsen, reducing the MIP also allows borrowers the flexibility to spend on necessary items like food, gas, education, and other monthly bills.

¹ [National Association of REALTORS® Housing Affordability Index](#)

² [U.S. Census Bureau and Department of Housing and Urban Development Monthly New Residential Sales](#)

³ [Freddie Mac Primary Mortgage Market Survey®](#)

⁴ [MBA National Delinquency Survey](#)

The Department of Housing and Urban Development (HUD) was created with the goal of providing access to housing and homeownership and we commend the Biden Administration for putting an emphasis on housing issues. To remain competitive in the current market, we also recommend the FHA update their origination and servicing processes to make buyers presenting these offers more competitive. We also look forward to continuing the conversation as the FHA looks to update its policies around the Title 1, 203(k), and condominium loan programs, but we strongly encourage the Administration to immediately lower the MIP so low to moderate-income and first-time homebuyers can participate in the American dream of homeownership.

Sincerely,

The National Association of REALTORS®
Mortgage Bankers Association
National Association of Home Builders of the United States
Manufactured Housing Institute