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
2022 Appropriation	150,000	20,237	-	170,237	150,081	136,499
2023 Appropriation	150,000	21,241	-	171,241	168,326	116,000
2024 President's Budget	165,000	4,915	-	169,915	168,000	148,000
Change from 2023	15,000	(16,326)	-	(1,326)	(326)	32,000

a/ 2022 Carryover includes $20.2 million in carryover and $28 thousand in recaptures.
b/ 2023 Carryover includes $19.2 million in carryover and $2 million in anticipated recaptures.
c/ 2024 Carryover includes $2.9 million in estimated carryover and $2 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 53.7 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 and minority homebuyers 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 2024 President's Budget requests $165 million for program costs in MMI, which is $15 million more than the 2023 enacted level. It includes $150 million for administrative contract expenses and $15 million for a Small Balance Mortgage demonstration. 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 2023 enacted level.

The Small Balance Mortgage Demonstration is a new initiative for 2024 which seeks to increase access to small-balance mortgages.

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

JUSTIFICATION

The 2024 President's Budget requests $165 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, as well as the Small Balance Mortgage demonstration. It 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 counseling tools; the required annual FHA independent actuarial review; the FHA Resource Center; management and oversight of asset disposition; risk analysis, accounting and audit support; and assistance with claims, partial claims, and premium refund processing.

The services identified in the 2024 Budget also support Multifamily Housing's core program functions, including, but not limited to: 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 Clearinghouse Call-in Center.

Together these activities and services support underserved communities and promote homeownership as demonstrated in the discussion below.

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 one to four 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 one-time draws 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.

In addition, the Small Balance Mortgage demonstration will aim to increase access to mortgages for lower-priced homes, for which affordably priced mortgages are currently scarce. Despite the fact that lower-priced homes constitute a disproportionate share of the housing stock in some areas of the country, many prospective homebuyers experience difficulty in securing traditional mortgage financing to purchase them. HUD research has found that limited profitability appears to be a primary driver of low origination volume of small mortgage loans to owner-occupant purchasers of lower-priced homes, and that increasing the number of these loans submitted for FHA insurance endorsement may require either a reduction in origination and servicing costs or the provision of additional lender or loan originator compensation sufficient to make small mortgage loans profitable at levels acceptable to lenders. The demonstration may include mortgagee incentives designed to lower the structural barriers that prevent access to these smaller balance mortgages.

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

The 2024 President's Budget requests $400 billion in loan guarantee commitment limitation, which is to remain available until September 30, 2025. This limitation includes sufficient authority for insurance of all single-family forward mortgages and HECMs. Total loan volume projected for all MMI programs for 2024 is $232.7 billion. Of that total, $206.4 billion is estimated for standard forward mortgages and $26.3 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. To make homeownership more affordable for underserved borrowers, including first-time, low- to moderate-income and minority homebuyers, the FHA is reducing the annual mortgage insurance premiums new borrowers will pay by about one-third. This action, effective in 2023, will save the average FHA borrower approximately $800 in the first year of their mortgage loan and provide continued savings for the duration of the loan.

Negative Subsidy Receipts

The $232.7 billion in loan volume projected for the entire MMI portfolio in 2024 is expected to generate $3.5 billion in negative subsidy receipts, which are transferred to the MMI Capital Reserve account, where they are available to cover any unexpected cost increases for the MMI portfolio.

Commitment Authority - Up to $1 million for Direct Loans

The loan authority requested would provide short-term purchase money mortgages for non-profit and governmental agencies. It would enable these entities to make HUD-acquired single-family properties available for resale to purchasers with household incomes at or below 115 percent of an area's median income. While this program has been infrequently used in recent years, it remains a valuable tool for HUD's support of affordable homeownership opportunities in distressed communities while responsibly managing its REO inventory of properties.

Administrative Contracts- $150 million

The $150 million request for 2024 will provide funding for contracts necessary to 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.

Total Execution by Fiscal Year - Administrative Contracts

	Total Execution
FY 2019	111,103,141
FY 2020	124,504,329
FY 2021	149,995,710
FY 2022	149,779,975
FY 2023 (Projected)	169,241,460

FHA continues to increase its execution rates and has significantly reduced the amount of carryover each year. FHA anticipates that the carryover funding into 2024 will be less than $3 million based on the increased administrative expenses to manage the portfolio.

Information Technology (IT)

Within the Information Technology Fund, the Budget requests $3.3 million to support the FHA Modernization system.

FHA Modernization (Single Family Housing) - $3.3 million

HUD is carrying out a multi-year investment called FHA Catalyst that began in 2019 to modernize FHA's infrastructure and bring FHA in line with current industry practices. Loan components are already in production, providing lenders with streamlined electronic processes for the submission of FHA case binders, claims, and data on defaulted mortgages. Through this investment, FHA will continue to strengthen internal controls and mitigate outstanding IT audit findings through technological integrations with other Federal systems. The Office of Housing will further develop its underwriting and valuation analytics tools to improve the process for evaluating loan level data. It will also add functionality to its IT systems to enable more flexible and effective loss mitigation policies and lender oversight.

For additional information regarding HUD's Information Technology investments, please see the Information Technology Fund justification.

SUMMARY OF RESOURCES BY PROGRAM

(Dollars in Thousands)

Budget Activity	2022 Budget Authority	2021 Carryover Into 2022	2022 Total Resources	2022 Obligations	2023 Appropriation	2022 Carryover Into 2023	2023 Total Resources	2024 President's Budget
Administrative Contract Expenses	150,000	20,237	170,237	150,081	150,000	21,241	171,241	150,000
Small Balance Mortgage Demonstration	-	-	-	-	-	-	-	15,000
Total	**150,000**	**20,237**	**170,237**	**150,081**	**150,000**	**21,241**	**171,241**	**165,000**

a/ 2022 Carryover includes $20.2 million in carryover and $28 thousand in recaptures.
b/ 2023 Carryover includes $19.2 million in carryover and $2 million in anticipated recaptures.

LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS

General Provisions

The 2024 President's Budget re-proposes the following general provision that was enacted in the 2023 appropriations bill.

Eminent Domain Restrictions: Prohibits HUD from guaranteeing mortgages or mortgage-backed securities that refinance or otherwise replace mortgages that have been subject to eminent domain. (Sec. 217)

Legislative Proposals

The 2024 Budget supports the following legislative proposals and will seek changes through the authorization process.

- PACE priming of FHA-insured Loans: This proposal would require PACE providers to obtain HUD consent before adding PACE loans to properties with outstanding FHA-insured mortgages.
- HECM Loan Limits: This proposal would establish HECM regional loan limits aligned to the limits currently in place for the single-family Forward program.
- Lender Incentive Payments: This proposal would authorize FHA to make payments directly to lenders to incentivize such activities, subject to appropriations.
- Partial Claim Cap Increase: Under current law, FHA partial claims may not exceed 30 percent of the unpaid principal balance (UPB) of the mortgage. HUD proposes increasing the maximum partial claim amount to 40 percent of UPB for borrowers who previously received a COVID-19 partial claim.
- Remove HECM Loan Cap: This proposal would eliminate the statutory cap on the number of HECM loans that can be insured by FHA, which is routinely waived in the Budget and Appropriations Acts.
- Housing Counseling for HECM Refinances: This proposal would extend the housing counseling requirement to include borrowers who apply for refinances of HECMs obtained within the last five years.
- HECM Non-Borrowing Spouses: This proposal would clarify that automatic foreclosure protections apply only to non-borrowing spouses identified at HECM origination, consistent with current policy, while also establishing flexibility to extend further protections at the Secretary's discretion.
- FHA Lender Suspension Authority: This proposal would expand FHA's options for penalizing FHA-approved lenders for violations of program requirements without permanently forcing them out of the single-family mortgage insurance program.
- FHA Civil Money Penalties: This proposal would strengthen FHA's enforcement authority by eliminating the annual cap on civil money penalties while retaining the per-violation maximum.
- Removal of Obsolete Language: This proposal would strike obsolete language related to the use of a 2001 study to set HECM premiums, which has no practical implications for the program.
- Improvements to Partial Claim Execution: This proposal would provide HUD with more flexibility in structuring partial claim notes, such as tying them to the first lien and directing lenders to conduct servicing. This flexibility would reduce FHA administrative costs and possibly increase recoveries.
- Claim adjustments for errors in property disposition: This proposal would allow downward claim adjustments to FHA claim payments in case a servicer inadvertently sells a foreclosed property below the FHA-approved floor.
- HECM Foreclosure Notifications: This proposal would clarify that foreclosure notices can be provided to heirs of a deceased HECM borrower or other persons designated by the borrower in the HECM loan documents to mitigate the risk of unnecessary foreclosure delays and associated costs to FHA.
- Standardize Language in Section 203: This proposal would amend the FHA 203(k) program statute with consistent terms and definitions to ensure their standardization.

APPROPRIATIONS LANGUAGE

The 2024 President's Budget includes proposed changes in the appropriations language listed below. New language is italicized, and language proposed for deletion is bracketed.

MUTUAL MORTGAGE INSURANCE PROGRAM ACCOUNT

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, [2024] *2025*: Provided, That during fiscal year [2023] *2024*, 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, [$150,000,000]*$165,000,000*, to remain available until September 30, [2024: Provided further, That to the extent guaranteed loan commitments exceed $200,000,000,000 on or before April 1, 2023, an additional $1,400 for administrative contract expenses shall be available for each $1,000,000 in additional guaranteed loan commitments (including a pro rata amount for any amount below $1,000,000), but in no case shall funds made available by this proviso exceed $30,000,000] *2025: Provided further, That of the amount in the previous proviso, up to $15,000,000, to remain available until September 30, 2026, shall support a demonstration program to increase access to small balance mortgages, as defined by the Secretary, which may include the cost of: (1) guaranteed loans, including the cost of modifying such loans, as defined in section 502 of the Congressional Budget Act of 1974; and (2) technical assistance, mortgagee incentives, and other demonstration activities:* 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 [2023] *2024* the Secretary may insure and enter into new commitments to insure mortgages under section 255 of the National Housing Act [only to the extent that the net credit subsidy cost for such insurance does not exceed zero]. *(Department of Housing and Urban Development Appropriations Act, 2023.)*

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
2022 Appropriation	-	1,574	-	1,574	-	-
2023 Appropriation	-	1,574	-	1,574	-	-
2024 President's Budget	-	1,574	-	1,574	-	-
Change from 2023	-	-	-	-	-	-

PROGRAM PURPOSE

The Federal Housing Administration's (FHA) General Insurance and Special Risk Insurance (GI/SRI) Fund programs are a critical component 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:

- Continue to 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 maintenance 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 2024 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 2023 enacted level. The Budget estimates $434 million in offsetting negative credit subsidy receipts in 2024 from GI/SRI loan guarantees. At the requested level, GI/SRI is projected to issue over $21 billion in loan insurance commitments in 2024, including:

- $575 million in loan guarantees for 39 new Federal Financing Bank (FFB) Risk Sharing loans;
- $16.8 billion in loan guarantees to support 820 apartment housing projects;

- $4.1 billion in loan guarantees for 260 healthcare facilities, including residential care facilities (skilled nursing homes, assisted living facilities, and board & care homes) and hospitals; and
- $20 million for 850 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 2024 Budget supports mortgage insurance programs that are essential in 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 new rental housing in a variety of markets, innovative energy technology renovations, nursing homes serving aging senior citizens, and critical access hospitals. In addition to providing better 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, stabilizing housing markets, and benefiting low- and moderate-income residents. Similarly, FHA-insured financing of healthcare facilities reduces costs for operators and contributes to lower healthcare costs for taxpayers and 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 that is used 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, including partial payment of claims based on the policy approved in 2010, are undertaken before a default and full claim on the loan occurs. 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.

Healthcare facilities are major economic engines and community anchors that are pivotal for economic growth and quality of life within communities nationwide. The healthcare portfolio as of February 2023 included 3,525 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 61 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.

FHA's effectiveness is demonstrated by the tangible results of its programs. Quality housing and healthcare facilities are made possible and more affordable throughout the country due to the FHA mortgage guarantee. For example, the GI/SRI currently insures over 1.3 million multifamily units.

Multifamily Risk Categories

Federal Financing Bank (FFB) Risk Share: The FFB Risk Share Initiative was 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 use of Ginnie Mae securitization is allowed for the Section 542(c) programs. This initiative ended in 2018. 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, HUD has resumed the initiative, with a continued focus on enacting legislation to provide a permanent source of lower-cost capital through Ginnie Mae securitization. This second phase of the FFB initiative has started with the first loans issued in 2022 and is currently scheduled to sunset in 2024. In the interim, HUD is pursuing legislation and working to transition 542(c) participants from FFB financing to Ginnie Mae securitization.

Section 221(d)(4) Mortgage Insurance for Rental Housing: The Section 221(d)(4) program is FHA's largest for new construction/substantial rehabilitation of multifamily housing. The program insures loans for up to 85-90 percent of the project replacement cost (as limited by debt service coverage and per-unit cost requirements). The program 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 one of two 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 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. See next paragraph for the second category.

Section 232/223(f) Refinancing and Purchase of Existing Residential Care Facilities: The Section 232/223(f) refinancing program is the second category of budget risk. This 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

2024 GI/SRI Programs (Dollars in Millions)	**Commitment Volume (projected)**	**Credit Subsidy Rate**	**Offsetting Receipts (projected)** [a]
Direct Loans Levels	-	-	-
FFB Risk Sharing	575	-7.83%	49
Guaranteed Loan Levels	-	-	-
Apartments New Construction / Substantial Rehab (221d4)	3,122	-1.18%	36
Tax Credit Projects (includes Healthcare Tax Credit Projects)	4,377	-1.77%	81
Apartment Refinances (223a7 & 223f)	8,887	-1.77%	168
Housing Finance Agency Risk Sharing (542c)	99	-1.14%	1
GSE risk-share	-	-0.77%	-
Other Rental	290	-2.99%	8
Subtotal - Multifamily Programs [b]	*16,776*	*-1.68%*	*295*
New Construction and 241(a)/Residential Care Facilities (232_nc), 241(d)	129	-4.99%	7
Refinances (a7 and 223(f))/Residential Care Facility Refinances (232_refi), Operation Loss	3,013	-1.12%	40
Hospitals (242)	960	-5.22%	43
Subtotal - Healthcare Programs [b]	*4,101*	*-2.20%*	*89*
Title 1 - Property Improvement	16	-2.51%	0
Title 1 - Manufactured Housing	4	-5.68%	0
Total - Guaranteed Loan Levels [b]	*20,896*	*-1.78%*	385
Total - GI/SRI Fund [b]	***$21,471***	***-1.94%***	**$434**

a/ Receipts are recognized as the underlying loans are disbursed.
b/ The subsidy rate is a weighted average.

SUMMARY OF RESOURCES BY PROGRAM

(Dollars in Thousands)

Budget Activity	2022 Budget Authority	2021 Carryover Into 2022	2022 Total Resources	2022 Obligations	2023 Appropriation	2022 Carryover Into 2023	2023 Total Resources	2024 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 2024 Budget supports the following new legislative proposals and will seek changes through the authorization process:

- <u>Re-baseline Basic Statutory Mortgage Limits for Multifamily Housing Programs</u>: The Basic Statutory Mortgage Limits for Multifamily Housing are a constraining factor in the underwriting of certain multifamily mortgage loans. As designed, those constraints were intended to ensure FHA activity remained centered around its mission of providing safe, decent, and affordable housing. However, with nearly two decades elapsed since the last update, the statutory limits now pose challenges to FHA meeting its mission in many areas. Even with adjustments to reflect inflation and higher-cost areas, the limits effectively preclude FHA as a viable financing tool in the most expensive housing markets, especially along the West Coast and in New England. To ensure FHA remains accessible across a variety of markets, this proposal would update the per-unit dollar amounts specified in statute and provide for an alternate inflation index that better reflects the costs of residential construction. This change is consistent with HUD's mission.
- <u>Authorize Ginnie Mae Securitization of HFA-Risk Sharing Loans</u>: 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.

The 2024 Budget supports the following continuing legislative proposals:

- <u>Section 232 Loans – Civil Money Penalties</u>: 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 a legislative gap in the 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.
- <u>Modernize Title I Programs:</u>
    1. *Revise the Title I property improvement loan limits, allow HUD to index the limits administratively, and permit borrowers to use Title I for the construction of new residential structures*. The recasting of property improvement loan limits and the ability to index the limits will allow FHA to remain a viable funding source for low- and moderate-income borrowers seeking to make home improvements, including adding Accessory Dwelling Units and increasing the energy efficiency of aging housing stock.
    2. *Re-baseline the statutory Manufactured Housing loan limits, and allow HUD to index the limits administratively using a data source "as determined by the Secretary."* Although HUD is currently authorized to adjust the statutory loan limits (and has issued a proposed rule exercising this authority), HUD is limited to using Census Bureau data. Increasing the baseline loan limits to a level commensurate with the current prices of single and multi-unit manufactured homes, and giving HUD flexibility to adjust them using alternate inflation indexes, will ensure the loan limits are calibrated to factors more appropriate and specific to this housing market and will allow FHA to remain a

viable funding source for low-and moderate-income borrowers seeking to purchase or refinance manufactured homes.

3. *Increase the term to maturity of all Title I loans to standard terms.* Providing a more uniform term to maturity of all Title I loans will make the loans more affordable for borrowers and more attractive for lenders to originate by reducing complexity and limitations on the program.
4. *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.

General Provisions

The 2024 President's Budget re-proposes the following general provision that was enacted in the 2023 appropriations bill:

<u>Prohibition on Insuring Mortgages Subject to Eminent Domain</u>: 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. 217)

APPROPRIATIONS LANGUAGE

The 2024 President's Budget includes proposed changes in the appropriations language listed below. New language is italicized, and language proposed for deletion is bracketed.

GENERAL AND SPECIAL RISK PROGRAM ACCOUNT

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, [2024] *2025*: Provided, That during fiscal year [2023] *2024*, 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. *(Department of Housing and Urban Development Appropriations Act, 2023.)*