

HUD No. 23-041
HUD Public Affairs
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FOR RELEASE
Wednesday
February 22, 2023

BIDEN-HARRIS ADMINISTRATION TO SAVE FHA HOMEBUYERS AVERAGE \$800 ANNUALLY ON MORTGAGE PAYMENTS THROUGH PREMIUM REDUCTION

30 basis point reduction in FHA annual mortgage insurance premium supports Biden-Harris Administration goals to make homeownership more affordable and accessible for working families.

WASHINGTON - Today, the Department of Housing and Urban Development (HUD), through the Federal Housing Administration (FHA), announced a [30 basis point reduction](#) to the annual mortgage insurance premiums (annual MIP) charged to homebuyers who obtain an FHA-insured mortgage. Vice President Kamala Harris and Secretary Marcia L. Fudge made [this announcement](#) in Bowie, MD. The premium will be reduced from 0.85 percent to 0.55 percent for most homebuyers seeking an FHA-insured mortgage, which could mean an estimated savings of \$678 million for American families in aggregate by the end of 2023 alone. The reduction will benefit an estimated 850,000 borrowers over the coming year, saving these families an average of \$800 annually.

“For this country to truly succeed, all Americans must have access to opportunity. That means expanding access to wealth-building and home ownership,” **said HUD Secretary Marcia L. Fudge**. “Today, we are building on the steps we’ve taken to make homeownership more affordable, and HUD is acting to ensure people feel comfortable purchasing a home as they build toward their future. As we reduce housing costs for people with FHA mortgages, we continue our work to address longstanding disparities in homeownership.”

This action supports the Biden-Harris Administration’s goals of making homeownership more accessible and affordable for the nation’s working families, particularly households of color for whom FHA-insured mortgages have been a cornerstone for access to homeownership. This action will [help address historic disparities](#) in homeownership, where homebuyers of color have been underrepresented.

HUD and the Biden-Harris Administration have taken a range of steps to make homeownership a reality for more Americans. The Department changed FHA’s underwriting policies to allow lenders to use positive rental history in evaluating applicants’ creditworthiness for an FHA-insured mortgage – making it easier for first-time homebuyers to qualify. In addition, HUD expanded the tools for access to housing counseling so consumers can more easily find and seek assistance from more than 1,500 HUD-approved housing counseling agencies and the 4,000 HUD-certified

housing counselors. HUD changed the way in which student loan debt is evaluated in FHA mortgage underwriting, enabling more borrowers making payments on student loans to qualify for an FHA-insured mortgage. Last year, the [Property Appraisal and Valuation Equity Task Force \(PAVE\)](#) announced more than 20 concrete agency actions to root out racial and ethnic bias in home valuations, including strengthening guardrails against unlawful discrimination in all stages of residential valuation, empowering consumers to take action, and building a well-trained, accessible, and diverse appraiser workforce. Find additional actions that HUD has taken [here](#).

“At a time when budgets are tight and homeownership is out of reach for too many, FHA’s premium reduction will allow more households to access the stability and wealth creation of homeownership, particularly the first-time homebuyers and families of color who rely heavily on affordable FHA-insured mortgages,” **said Assistant Secretary for Housing and Federal Housing Commissioner Julia Gordon**. “For many families, the savings will make the difference in their ability to purchase the home of their choice.”

Annual MIP Reduction Details

The [30 basis point annual MIP reduction](#) will apply to almost all Single Family Title II forward mortgages insured by FHA. Further, the reduction applies to all eligible property types, including single family homes, condominiums, and manufactured homes, all eligible loan-to-value ratios, and all eligible base loan amounts.

The average FHA borrower purchasing a one-unit single family home with a \$265,000 mortgage will save approximately \$800 this year as a result of FHA’s premium reduction. For the same borrower with a mortgage of \$467,700 – the national median home price as of December 2022 – FHA’s annual MIP reduction will save them more than \$1,400 in the first year of their mortgage. In addition to providing overall savings to borrowers, a lower annual MIP can also help more people qualify for a mortgage.

The annual mortgage insurance premium reductions are noted in the table below and are effective for mortgages endorsed for insurance by FHA on or after March 20, 2023.

Annual Mortgage Insurance Premium (MIP)

Applies to all Mortgages except:

- Streamline Refinance and Simple Refinance Mortgages used to refinance a previous FHA endorsed Mortgage on or before May 31, 2009

Hawaiian Home Lands (Section 247) do not require Annual MIP

Mortgage Term of More Than 15 Years				
Base Loan Amount	LTV	New MIP (bps)	Previous MIP (bps)	Duration
Less than or equal to \$726,200	≤ 90.00%	50	80	11 years
	> 90.00% but ≤	50	80	Mortgage term
	> 95.00%	55	85	Mortgage term
Greater than \$726,200	≤ 90.00%	70	100	11 years
	> 90.00% but ≤	70	100	Mortgage term
	> 95.00%	75	105	Mortgage term
Mortgage Term of Less than or Equal to 15 Years				
Base Loan Amount	LTV	New MIP (bps)	Previous MIP (bps)	Duration
Less than or equal to \$726,200	≤ 90.00%	15	45	11 years
	> 90.00%	40	70	Mortgage term
Greater than \$726,200	≤ 78.00%	15	45	11 years
	> 78.00% but ≤	40	70	11 years
	> 90.00%	65	95	Mortgage term

About FHA's Annual MIP

FHA's annual MIP is calculated as a percentage of the outstanding loan balance. For example, an outstanding loan balance of \$200,000 with a 50 basis point (0.5%) annual MIP, would yield an annual MIP amount of \$1,000.

Lenders typically assess the annual MIP via 12 equal payments included in a borrower's monthly mortgage payment. FHA mortgage insurance facilitates broader availability of mortgage financing for low-and moderate-income households by reimbursing lenders for losses when a loan defaults. The mortgage insurance premium revenues received by FHA offset mortgage insurance claims it pays to lenders, enabling the program to operate without government subsidy.

The MIP constitutes a portion of the costs considered in calculating a borrower's debt-to-income ratio, which is a factor used in qualifying households for mortgage credit.

To find a housing counselor [Search the Map](#) or [Search by Zipcode](#), or call HUD's interactive voice system at: (800) 569-4287. [Consumers can also contact a HUD Approved National Housing Counseling Intermediary or State Housing Finance Agency.](#)

See the 'Reduction of Federal Housing Administration (FHA) Annual Mortgage Insurance Premium (MIP) Rates' mortgagee letter [here](#).

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