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FHA TO REDUCE ANNUAL INSURANCE PREMIUMS ON MOST MORTGAGES
Modest reduction expands credit access and reflects improved economic health of FHA

WASHINGTON – As the nation’s housing market continues to improve, U.S. Housing and Urban Development Secretary Julián Castro today announced the Federal Housing Administration (FHA) will reduce the annual premiums most borrowers will pay by a quarter of a percent. FHA’s new premium rates are projected to save new FHA-insured homeowners an average of \$500 this year.

FHA is reducing its annual mortgage insurance premium (MIP) by 25 basis points for most new mortgages with a closing/disbursement date on or after January 27, 2017. [For a full schedule of the new premium rates announced today, read FHA’s mortgagee letter.](#)

Today’s action reflects the fourth straight year of improved economic health of FHA’s Mutual Mortgage Insurance Fund (MMIF), which gained \$44 billion in value since 2012. Last year alone, an independent actuarial analysis found the MMI Fund’s capital ratio grew by \$3.8 billion and now stands at 2.32 percent of all insurance in force—the second consecutive year since 2008 that FHA’s reserve ratio exceeded the statutorily required two percent threshold.

Secretary Castro said FHA’s action reflects today’s risk environment and comes at the right time for consumers who are facing higher credit costs as mortgage interest rates are increasing.

“After four straight years of growth and with sufficient reserves on hand to meet future claims, it’s time for FHA to pass along some modest savings to working families,” said Secretary Castro. “This is a fiscally responsible measure to price our mortgage insurance in a way that protects our insurance fund while preserving the dream of homeownership for credit-qualified borrowers.”

Ed Golding, Principal Deputy Assistant Secretary for HUD's Office of Housing added, "We've carefully weighed the risks associated with lower premiums with our historic mission to provide safe and sustainable mortgage financing to responsible homebuyers. Homeownership is the way most middle class Americans build wealth and achieve financial security for themselves and their families. This conservative reduction in our premium rates is an appropriate measure to support them on their path to the American dream."

Since 2009, the Obama Administration took bold steps to reduce risks in the mortgage market and to protect consumers. In the wake of the nation's housing crisis, FHA increased its premium prices numerous times to help stabilize the health of its MMI Fund. Since 2010, FHA had raised annual premiums 150 percent which helped to restore capital reserves but significantly increased the cost of credit to qualified borrowers. Today's step restores the annual premium to close to its pre-housing-crisis level.

In addition, the Obama Administration took dramatic steps to safeguard consumers in the mortgage market to ensure responsible borrowers continued to have access to mortgage capital as many private lending sources tightened their lending standards. Today's reduction will significantly expand access to mortgage credit for these families and is expected to lower the cost of housing for the approximately 1 million households who are expected to purchase a home or refinance their mortgages using FHA-insured financing in the coming year.

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HUD's mission is to create strong, sustainable, inclusive communities and quality affordable homes for all. More information about HUD and its programs is available on the Internet at www.hud.gov and <http://espanol.hud.gov>.

You can also connect with HUD on [social media](#) and follow Secretary Castro on [Twitter](#) and [Facebook](#) or sign up for news alerts on [HUD's Email List](#).