



## **Gordon: FHA is examining mortgage loan assumption rules, hoping for a new partial claim option**

Gordon also gave updates on policies for small balance mortgages during MBA Annual 2023

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The Federal Housing Administration (FHA) is working to offer a new partial claim option before the end of 2023, according to the federal housing commissioner at the U.S. Department of Housing and Urban Development (HUD), Julia Gordon. The commissioner also discussed the rise in mortgage loan assumptions.

On May 31, the FHA submitted for public comment a proposal to create the Payment Supplement Partial Claim, which has the support of trade groups, servicers and industry experts.

The new option allows servicers to use the FHA partial claim to bring borrowers' home loans current and temporarily reduce their monthly payments for three to five years.

Gordon said she believes the COVID-19 loss mitigation efforts were "successful," but many tools are not as effective in today's rate environment.

"We're hoping to have a final policy [for the payment supplement partial claim] out before the end of the year, although I will say keep your fingers crossed that we don't face any lapse in appropriations that would shut down the government."

Gordon spoke during the Mortgage Bankers Association (MBA) Annual Conference held Oct. 14-17 in Philadelphia.

### **Mortgage assumptions**

In an interview with Laura Escobar, president of Lennar Mortgage and 2024 MBA chair-elect, Gordon said that the FHA is "thinking a lot" about how to encourage and incentivize lending for less expensive homes, which would be properties under \$50,000.

"We've had a request to Congress to provide us with funding to help provide cash incentives to help overcome the structural disincentives to do those smaller balance mortgages," Gordon said.

Regarding mortgage assumptions, Gordon said that the FHA wants people fairly paid for their work but doesn't want consumers to pay something disproportionate.

Assumptions allow qualified buyers with a government loan to purchase a home by assuming responsibility for the sellers' mortgage terms, including the current balance and interest rate. Servicers can only charge up to \$900 to close an assumption. But, per the MBA, it takes on average about \$2,500 to close a government loan.

Gordon said that the FHA is looking at mortgage assumptions rules, but it's not sure how much impact rule tweaks would have on the market. Home prices have risen "so much, so quickly" that borrowers sometimes have to bring a lot of cash to the table, Gordon said.

On mortgage insurance premiums, which had a cut earlier this year, Gordon said the change "might feel small, but in the government world, it was a really big change."

The FHA cut the annual premium to 55 basis points from 85 bps. In doing so, the White House claims the average FHA borrower and homebuyer will save \$800 in 2023 alone.

"I don't think that we will be able to make another change on that until we kind of see how we're doing, what the effect is on our capital reserves, and how we're projecting revenues in the future."