



## DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-6522-N-02]

### Changes in Mortgage Insurance Premiums Applicable to FHA Multifamily Insurance Programs

**AGENCY:** Office of the Assistant Secretary for Housing—Federal Housing Commissioner, HUD.

**ACTION:** Notice.

**SUMMARY:** This notice makes minor revisions to and finalizes HUD’s prior notice published on June 26, 2025, entitled “Proposed Changes in Mortgage Insurance Premiums Applicable to FHA Multifamily Insurance Programs” (FR-6522-N-01). That notice proposed revisions to HUD’s 2016 notice that reduced mortgage insurance premiums (MIPs) for qualifying loans under three newly established MIP rate categories: Green and Energy Efficient Housing, Affordable Housing, and Broadly Affordable Housing. On January 20, 2025, President Trump signed a presidential memorandum, “Delivering Emergency Price Relief for American Families and Defeating the Cost-of-Living Crisis,” which directed agencies to deliver price relief to the American people, as well as an Executive Order on Unleashing American Energy. To meet these goals, this notice reduces MIPs to 0.25% for all FHA Multifamily Insurance Programs. This notice further eliminates the MIP categories established in 2016, which are misaligned with the presidential memoranda and have become economically obsolete.

**DATES:** *Applicability Date:* The revised MIP will be effective for any FHA multifamily mortgage insurance applications submitted or amended on or after October 1, 2025, so long as the loan has not been initially endorsed.

**FOR FURTHER INFORMATION CONTACT:** Margaret Lawrence, Deputy Director, Office of Multifamily Production, Department of Housing and Urban Development, 451 7<sup>th</sup> Street S.W., Washington DC, 20410; telephone: 202-402-2921 (this is not a toll-free number). HUD

welcomes and is prepared to receive calls from individuals who are deaf or hard of hearing, as well as individuals with speech or communication disabilities. To learn more about how to make an accessible telephone call, please visit:

<https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs>.

## **SUPPLEMENTARY INFORMATION:**

### **I. Background**

Section 203(c)(1) of the National Housing Act (the Act) authorizes the Secretary to set the premium charge for insurance of mortgages under the various programs in title II of the Act. The range within which the Secretary may set such charges must be between one-fourth of one percent per annum and one percent per annum of the amount of the principal obligation of the mortgage outstanding at any time. (see 12 U.S.C. 1709(c)(1)). HUD's Multifamily Housing Mortgage Insurance regulation at 24 CFR 207.254 provides that HUD must publish a notice of future premium changes in the *Federal Register* and provide a 30-day public comment period for the purpose of accepting comments on whether the proposed changes are appropriate.

#### *Overall MIP Rates*

On January 20, 2025, President Trump signed a presidential memorandum titled, "Delivering Emergency Price Relief for American Families and Defeating the Cost-Of-Living Crisis." This presidential memorandum orders the heads of all executive departments and agencies to deliver emergency price relief to the American people, including by pursuing appropriate actions to lower the cost of housing and expand housing supply.

#### *MIP Rate Categories*

On January 28, 2016, HUD published a notice in the *Federal Register* announcing proposed MIP changes for certain FHA Multifamily Housing Insurance programs to promote Green and Energy Efficient Housing (81 FR 4926). On March 31, 2016, HUD published a final notice in the *Federal Register* reducing MIPs for FHA qualifying Multifamily Housing Insurance programs (81 FR 18473) and created a new Green/Energy Efficient Housing category.

The 2016 notice also created two additional MIP rate categories of *Affordable Housing* and *Broadly Affordable Housing*, each with reduced MIP rates. However, the MIP rates for market rate housing were explicitly left unchanged in the 2016 notice. On January 20, 2025, President Trump signed a presidential memorandum titled, “Delivering Emergency Price Relief for American Families and Defeating the Cost-Of-Living Crisis”, which orders broad cost relief for housing. On January 20, 2025, President Trump also signed Executive Order 14154 titled “Unleashing American Energy,” which shifts agency priorities away from policies that promote green and energy efficient goals.

On June 26, 2025, HUD published a notice (90 FR 27330) that proposed to reduce MIPs to 0.25% for all FHA Multifamily Insurance Programs and eliminate the MIP categories established in 2016, which are misaligned with the presidential memoranda and Executive Order 14154 and have become economically obsolete.

## **II. Public Comments**

The public comment period on the June 26, 2025 notice closed on July 28, 2025 and HUD received 14 public comments by the close of the comment period. Comments were submitted by members of the real estate industry, including mortgage lenders, home builders, and others, private citizens, and other interested parties. All public comments can be found on [www.regulations.gov](http://www.regulations.gov) under the docket number FR-6522-N-02. The following presents the key issues raised by commenters and HUD's response to these issues.

### *Requested Revisions for Clarity*

A few comments proposed changes to the notice that HUD has adopted. Commenters stated that the reference to “w/o LIHTC” in the summary table of new MIP rates is unnecessary and should be deleted for greater clarity. One commenter also stated that additional clarification regarding the ongoing nature of the green requirements was necessary and that HUD should explicitly clarify that green regulatory riders are eliminated.

*HUD Response:* HUD agrees with these comments and has removed the reference to “w/o LIHTC” in this final notice. HUD also agrees with commenter’s suggestion to explicitly clarify that green regulatory riders are eliminated and does so now.

*Requested Revisions to Further Reduce or Eliminate MIP rates*

Some commenters requested elimination or the further reduction of MIP rates. One commenter suggested that HUD remove all MIP rates. Another commenter stated that the MIPs should be dropped for all FHA mortgages. Additionally, some commenters stated that MIP rates should be retroactively reduced.

*HUD Response:* HUD is currently unable to remove MIP rates given that there are minimum rates required by statute. This notice does reduce rates to their statutory minimum for all FHA Multifamily Insurance Programs. Revising MIP rates for other programs is outside of the scope of this current notice. HUD declines to retroactively reduce the MIP rate on initially endorsed loan closings because this would have an unfavorable impact on HUD’s insurance program. HUD relies on the agreed-to insurance premium rates at the initial loan closing to produce revenue to offset insurance claims, ultimately protecting taxpayer dollars.

*Opposition to the Proposed Revisions*

Some commenters opposed the changes within the notice. One commenter stated that retrofitting buildings for energy efficiency is a smart and strategic investment for its many benefits, including cost savings and increased property values. Another commenter stated that the benefits of green building outweigh the costs of compliance and certification, which are typically less than 1% of total construction costs. Another commenter stated that the Green and Energy Efficient Housing MIP rate helps reduce home ownership costs through lower energy bills while also supporting HUD’s fiduciary responsibility to protect against mortgage loan default.

*HUD Response:* HUD notes that the commenters make reasonable arguments in favor of energy efficient designs for new construction and existing building component retrofits.

However, HUD believes that the green building MIP rates that were introduced in 2016 are no longer necessary because of owner-driven cost-benefit analysis in investment decisions and the successful maturation of the energy-efficient building market. While the initial implementation of the 2016 Green MIP rate served as a government-supported catalyst, designed to stimulate the adoption of energy-efficient technologies and practices within the multifamily housing sector, the market today is substantially different than it was nearly a decade ago. Then energy-efficient components were often accompanied by a significant cost premium, and developer awareness of their long-term operational benefits was less pronounced. In that context, a financial incentive in the form of a reduced MIP rate was a prudent policy tool to overcome initial market barriers and demonstrate the viability of sustainable construction and retrofitting.

In today's market, investment in energy efficient building design should be an owner's discretionary, cost-benefit decision. Property owners and investors are best positioned to conduct a thorough cost-benefit analysis tailored to the specific financial and operational realities of their assets. Today, sophisticated energy modeling tools and a competitive market of service companies empower owners to make informed, data-driven decisions. Mandating or preferentially incentivizing these choices through a federal mortgage loan insurance program distorts decision making. In some cases, it may inadvertently encourage building components or design choices that may be suboptimal for a specific property's market or building lifecycle.

HUD's position is that the MIP incentive has achieved its purpose and is no longer necessary after nearly a decade of market maturity. Continuing the MIP incentive program maintains unnecessary complexity in the MIP rate structure. As articulated in the rationale for this change, simplifying the FHA's multifamily insurance offerings and establishing a lower, uniform MIP rate for all borrowers serves the broader and more pressing policy goal of increasing the overall supply of rental housing.

*General Support for the Proposed Revisions*

Lastly, HUD received several comments supporting the proposed changes. HUD appreciates the commenters' feedback and support for this proposal.

### **III. This Notice**

#### *Overall MIP Rates*

In response to current market conditions, to lower the financing cost, and to expand the supply of rental housing, this notice reduces MIP rates to 0.25% for all multifamily housing programs. MIP rate changes will be applied to FHA multifamily mortgage insurance applications submitted or amended on or after the effective date of this notice, so long as the loan has not been initially endorsed.

These across-the-board MIP reductions are necessitated by a sharp rise in construction costs and mortgage interest rates since 2021. Market rate property MIPs were explicitly unchanged in 2016 and remain cost prohibitive. As explained in the June 26, 2025, notice proposing this revision, HUD data shows that from March 2024 to March 2025, only 4% of Section 221(d)(4) and 223(f) loan closings were for market rate properties without green or affordable incentive qualification, suggesting severe underutilization due to high cost. Through this notice, HUD expands the MIP cost-saving benefits to all property types, to immediately lower financing costs and stimulate rental housing development.

In conjunction with the proposed notice published on June 26, 2025, HUD completed an impact analysis to the FHA insurance fund, which showed acceptable results. HUD's robust risk-based underwriting process and very low loan insurance claim rates support this expansion of reduced MIP rates.

#### *Summary Table of FHA Multifamily Mortgage Insurance Premiums By Section of National Housing Act*

<b>FHA Multifamily Mortgage Insurance Program</b>	<b>Prior Upfront Capitalized MIP * (basis points)</b>	<b>New Upfront Capitalized MIP * (basis points)</b>	<b>Prior Annual MIP (basis points)</b>	<b>New Annual MIP (basis points)</b>

<b>Section of National Housing Act</b>				
207 Multifamily New Constr/Sub Rehab	70	25	70	25
207 Manufactured Home Parks	70	25	70	25
221(d)(4) New Constr/Sub Rehab	65	25	65	25
220 Urban Renewal Housing	70	25	70	25
213 Cooperative	70	25	70	25
207/223(f) Refi or Purchase for Apts.	100	25	60	25
223(a)(7) Refi of Apts.	50	25	50	25
231 Elderly Housing	70	25	70	25
241(a) Supplemental Loans for Apts. coop	95	25	95	25
Section 542(b) Risk-Sharing **	25	25	25	25
Section 542(c) Risk-Sharing **	25	25	25	25
<b>BROADLY AFFORDABLE HOUSING</b> , All Sections of National Housing Act	25	Eliminated	25	Eliminated
<b>AFFORDABLE: INCLUSIONARY VOUCHERS</b> , All Sections of National Housing Act	35	Eliminated	35	Eliminated
<b>GREEN/ENERGY EFFICIENT HOUSING</b> , All Sections of National Housing Act	25	Eliminated	25	Eliminated

Table Footnotes:

\* Upfront premiums for multifamily refinancing programs are capitalized and based on the first year's annual MIP for the applicable rate category. Upfront premiums for multifamily new construction and substantial rehabilitation programs insuring advances are capitalized and based on the annual MIP for the applicable rate category for the entire construction period, rounded up to the nearest whole year.

\*\* All loans originated by Housing Finance Agencies under FHA's Section 542(c) Risk-Sharing program, and by Qualified Participating Entities including Fannie Mae and Freddie Mac under FHA's Section 542(b) Risk-Sharing program, will continue to have a 25 basis point MIP rate, multiplied by the percentage risk assumed by FHA as shown in table below:

Program	FHA percent of Risk Share	Upfront Capitalized MIP Basis Points (bps)	Annual MIP Basis Points (bps)
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542(b)	50 percent	12.5 (25 bps x 50 percent)	12.5 (25 bps x 50 percent)
542(c)	50 percent	12.5 (25 bps x 50 percent)	12.5 (25 bps x 50 percent)
	75 percent	18.75 (25 bps x 75 percent)	18.75 (25 bps x 75 percent)
	90 percent	22.5 (25 bps x 90 percent)	22.5 (25 bps x 90 percent)

### *MIP Rate Categories*

By this notice, HUD eliminates the *Green and Energy Efficient Housing*, *Affordable*, and *Broadly Affordable* MIP rate categories effective on the date of this notice. Under this notice, these MIP categories become economically obsolete because MIP rates are uniformly set at 0.25%.

HUD has reconsidered its 2016 position of specifying MIP rates across four categories and 11 loan programs, resulting in 35 individual MIP rates. HUD’s current position is that this approach is overly complicated and burdens decision making for borrowers and lenders. An across-the-board MIP rate significantly simplifies cost-benefit analysis considerations used by owners, developers, and lenders.

HUD is aware that differing MIP rates among multifamily programs may contribute to utilization imbalances and underserved rental housing segments. From March 2024 to March 2025, 96% of loan closings under Section 221(d)(4) and 223(f) utilized one of these reduced MIP incentive categories. Only 4% of loan closings were for market rate properties without green or affordable incentive qualification. HUD seeks to rebalance loan program utilization, currently skewed by the 2016 incentive categories, to benefit all rental housing segments.

Elimination of these three MIP categories also eliminates their respective specialized requirements as outlined in the 2016 notice. The overlay requirements pertaining to the 5% loan fee limitations for the *Green and Energy Efficient Housing* and *Broadly Affordable* categories are eliminated and standard HUD program handbook requirements apply to new loan fees, primarily the Multifamily Accelerated Processing Guide (“MAP Guide”, HUD Handbook 4430.G).

Additionally, for all loans closed under a *Green and Energy Efficient Housing* MIP rate, all green-related requirements, including evidence of the initial green building achievement, the annual reporting of energy performance, and executed regulatory rider pertaining to green requirements, are



fully eliminated and are no longer of force and effect. Overall, these requirements were burdensome and resulted in higher overall development costs, which is inconsistent with presidential memoranda and reduces new construction feasibility.

#### **IV. Environmental Review**

This notice involves the establishment of rate or cost determinations and related external administrative requirements that do not constitute a development decision affecting the physical condition of specific project areas or building sites. Accordingly, under 24 CFR 50.19(c)(6), this notice is categorically excluded from environmental review under the National Environmental Policy Act of 1969 (42 U.S.C. 4321).

**Frank Cassidy,**  
Principal Deputy Assistant Secretary for Housing

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