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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-6551-N-01]

Future of the HECM and HMBS Programs and Opportunities for Innovation in Accessing Home Equity

AGENCY: Office of the Assistant Secretary for Housing—Federal Housing Commissioner and the Government National Mortgage Association, Department of Housing and Urban Development (HUD).

ACTION: Request for information.

SUMMARY: The Department of Housing and Urban Development (HUD), through the Federal Housing Administration (FHA) and the Government National Mortgage Association (Ginnie Mae), are seeking public comments regarding the market for senior homeowners to access equity in their homes and possible improvements to the Home Equity Conversion Mortgage (HECM) and HECM mortgage-backed securities (HMBS) programs. Over its lifetime, HUD's reverse mortgage programs have served over a million American seniors but have faced operational and financial challenges. This Request for Information (RFI) aims to gather market feedback on opportunities to enhance the HECM and HMBS programs and the appropriate role of these programs in facilitating access to home equity for senior homeowners.

DATES: Comments must be received by **December 1, 2025**. Late-filed comments will be considered to the extent practicable.

ADDRESSES: Interested persons are invited to submit comments responsive to this RFI. Copies of all comments submitted are available for inspection and downloading at *www.regulations.gov.* To receive consideration as public comments, comments must be submitted through one of the two methods specified below. All submissions must refer to the above docket number and title.

Commenters are encouraged to identify the number of the specific question or questions to which they are responding. Responses should include the name(s) of the person(s) or organization(s) filing the comment; however, because any responses received by HUD will be publicly available, responses should not include any personally identifiable information or confidential commercial information.

1. *Electronic Submission of Comments.* Interested persons may submit comments electronically through the Federal eRulemaking Portal at *http://www.regulations.gov.*

2. *Submission of Comments by Mail.* Comments may be submitted by mail to the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 7th Street SW, Room 10276, Washington, DC 20410-0500.

FOR FURTHER INFORMATION CONTACT: Elizabeth Davis, Housing Program Officer, Office of Housing, Department of Housing and Urban Development, 451 7th Street SW, Room 9262-9280, Washington, DC 20410-0500; telephone number 202- 202-402-4491 or (800) CALL-FHA (1-800-225-5342); e-mail sffeedback@hud.gov. HUD welcomes and is prepared to receive calls from individuals who are deaf or hard of hearing, as well as individuals with speech and 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

The Home Equity Conversion Mortgage (HECM) program, administered by the Federal Housing Administration (FHA), was authorized by Congress in 1988 as a pilot initiative to help senior homeowners convert a portion of their accumulated home equity to cash—without having to sell their homes, relocate, or make monthly mortgage payments. The program was made permanent in 1998.

HECMs are available to homeowners aged 62 and above who occupy their homes as primary residences and meet certain financial and property eligibility criteria set forth in the regulations at 24 CFR part 206 and guidance in HUD's Single Family Housing Policy Handbook 4000.1. The product allows borrowers to receive loan proceeds in the form of a lump sum, monthly payments, a line of credit, or a combination of these options, with repayment deferred until certain due and payable events occur, such as when the borrower sells the home, moves out, or passes away. The FHA insures the HECM up to a Maximum Claim Amount (MCA), which is determined at the time of origination. Borrowers or their estates are guaranteed never to owe more than the home is worth, even if the loan balance exceeds the property value.

Over time, FHA has implemented a range of programmatic reforms aimed at mitigating losses to FHA's Mutual Mortgage Insurance Fund (MMIF), the federal fund covering HECMs and forward mortgages, caused by HECM activity and other external factors. These reforms include the introduction of financial assessment requirements, limits on upfront draw amounts, servicing rule changes, and adjustments to principal limit factors. Ginnie Mae, likewise, has developed HMBS pooling guidelines in an effort to address persistent liquidity constraints and other structural issues within the industry. As per its statutory purpose to increase liquidity of mortgage investments and distribution of the investment capital, Ginnie Mae launched the HMBS program in 2007. Like other Ginnie Mae programs, the HMBS carries the Ginnie Mae guaranty backed by the full faith and credit of the United States government.

HMBS enables FHA-approved HECM lenders, who also are approved Ginnie Mae issuers, to pool their loans into government-backed securities. Prior to the development of the HMBS security, Fannie Mae had been the largest investor in HECMs, purchasing them from originators and holding them in their investment portfolio. Fannie Mae officially stopped purchasing reverse mortgages in 2010, effectively leaving the HMBS structure as the only meaningful secondary mortgage market outlet for HECMs. Originally, the HMBS program saw modest uptake, with $1.2 billion in issuances in its first year, and a total Unpaid Principal Balance (UPB) of $6.3 billion by the end of the second year. Since 2022, HMBS issuance volumes have fallen, with only $6.3 billion in UPB being securitized in 2024, nearly the same level as that of a decade ago. Additionally, a private label market for HECM securities has developed in parallel as another source of liquidity and an outlet for collateral ineligible for the inclusion in federally guaranteed securities.

II. Purpose of this Request for Information

The purpose of this RFI is to solicit information on the appropriate role of the HECM and HMBS programs in facilitating access to home equity for senior homeowners and opportunities to improve and more closely align these programs with their intended role.

III. Specific Information Requested

While HUD welcomes all comments relevant to the appropriate role of the HECM and HMBS programs and enhancements to these programs, HUD is particularly interested in receiving input from interested parties on the questions outlined below.

Program Performance, Market Role, and Emerging Risks

1. To what extent have the HECM and HMBS programs met their intended policy goals?
2. What should HECM's role be for senior borrowers, given the rise of proprietary home equity products and competition in the market?
3. Do the HECM and HMBS programs inhibit private sector innovation in developing products for senior Americans to access home equity?
4. Are there certain features of the HECM and HMBS programs that present emerging risks or costs to the MMIF or Ginnie Mae?

Consumer Interest and Demand

5. As noted in FHA's Fiscal Year 2024 Annual Report to Congress,[1] the 2024 total current Maximum Claim Amount (MCA) for HECM endorsements declined by 17 percent from 2023's total MCA. HECM endorsements declined by 59 percent since 2022. Why has

[1] FHA's Fiscal Year 2024 Annual Report to Congress, available at https://www.hud.gov/sites/dfiles/Housing/documents/2024FHAAnnualReportMMIFund.pdf.

consumer demand for HECMs declined over this period, despite a growing aging homeowner population and record levels of home equity?

6. How well do borrowers understand the HECM product, including terms and risks? Are existing safeguards sufficient to protect borrowers from potential predatory lending practices?
7. How do borrowers respond to other home equity and proprietary reverse mortgage products versus the HECM product? Are there notable differences between those products and HECM in terms of usability, complexity, or borrower's loan performance?

Origination Volumes

8. What are lenders' primary barriers to entry into the reverse mortgage market? How can HUD help remove those barriers to increase lender participation in the HECM program?
9. Should HUD reevaluate HECM features or products, such as certain payment plan options, Principal Limit growth, HECM for Purchase, and HECM-to-HECM refinances?

Liquidity

10. Is there possible investor demand for HMBS that is not currently being met? What changes or features would enable HMBS to better meet that demand, and what benefits and risks are associated with them?
11. Would a different issuance volume attract more broker-dealers and investors?
12. What features of the current HMBS product could be changed to improve issuer operations and provide greater liquidity, and what are the benefits and risks associated with them?

Program Improvements

13. What regulatory or other administrative changes should HUD make to improve the HECM program, including but not limited to new servicing policies or tools, changes to HECM Refinance policies (e.g., net benefit test), and use of note sales and other strategies for active and due and payable HECMs?

14. Are there any statutory changes that would improve the HECM or HMBS programs?
15. Is there renewed interest in HUD providing HECM Lender Insurance authority?[2]
16. Does the Life Expectancy Set Aside (LESA) adequately cover borrowers' actual property charges throughout the life of the HECM? If not, should HUD adjust the LESA or provide an alternative to combat tax and insurance defaults? Also, should HUD mandate a LESA for all borrowers?
17. What changes would you recommend to HECM's underwriting policies in the Financial Assessment, and what are the related considerations?
18. What factors influence a HECM holder's decision to transfer ownership of HECMs to another party, such as if whether the UPB is less than 98 percent of the Maximum Claim Amount (MCA) or the HECM is eligible for assignment? Do those factors differ based on the UPB to MCA ratio?
19. How could HUD reduce obstacles to asset resolution and claim payment following a HECM becoming due and payable?
20. How can FHA monitor better for deferred maintenance?
21. What program changes would improve the HECM and HMBS programs' ability to meet their intended policy goals, while reducing or not increasing FHA's or Ginnie Mae's exposure to additional losses or risks?Are there aspects of other foreign or domestic reverse mortgage or aging-in-place programs that could be incorporated into HUD's reverse mortgage programs?

Frank Cassidy,

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[2] HUD removed the reference to Lender Insurance authority in 24 CFR 206.15 through the final rule: The Federal Housing Administration: Strengthening the Home Equity Conversion Mortgage Program, effective September 19, 2017 (82 FR 7117).

Principal Deputy Assistant Secretary for Housing.

Joseph Gormley,
Executive Vice President and Chief Operating Officer for Ginnie Mae.

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