MORTGAGE BANKERS ASSOCIATION

November 26, 2025

The Honorable Frank Cassidy
Principal Deputy Assistant Secretary for Housing
Federal Housing Administration
451 7th Street S.W.
Washington, DC 20410

The Honorable Joseph Gormley
Executive Vice President and Chief Operating Officer
Government National Mortgage Association
451 7th Street S.W., Suite 500
Washington, DC 20410

RE: FHA and Ginnie Mae RFI Regarding the Future of the HECM and HMBS Programs and Opportunities for Innovation in Accessing Home Equity [Docket No. FR-6551-N-01]

Dear Deputy Assistant Secretary Cassidy and Executive Vice President Gormley:

The Mortgage Bankers Association (MBA)[1] thanks the Federal Housing Administration (FHA) and the Government National Mortgage Association (Ginnie Mae) for the opportunity to respond to the joint Request for Information (RFI) regarding the future of the Home Equity Conversion Mortgage (HECM) and HECM Mortgage-Backed Securities (HMBS) programs.[2] MBA affirms that HECM loans are a secure and sustainable product that helps seniors unlock their home equity to cover expenses in retirement, all while living in their homes without the burden of monthly mortgage payments. Furthermore, MBA recognizes the critical need to enhance the HMBS program and strengthen liquidity. The RFI outlines

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[1] The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 275,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets, to expand homeownership, and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of more than 2,000 companies includes all elements of real estate finance: independent mortgage banks, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies, credit unions, and others in the mortgage lending field. For additional information, visit MBA's website: www.mba.org.

[2] Request for Information: Future of the HECM and HMBS Programs and Opportunities for Innovation in Accessing Home Equity, Federal Register Doc. 2025-19344 (October 2, 2025) available at https://www.federalregister.gov/documents/2025/10/02/2025-19344/future-of-the-hecm-and-hmbs-programs-and-opportunities-for-innovation-in-accessing-home-equity)

specific areas of interest, and we appreciate the opportunity to provide greater context about each.

Program Performance and Market Role

Since President Reagan signed the Housing and Community Development Act of 1987 into law, the HECM program has emerged as a vital tool that has promoted financial stability and independence for over 1.3 million older American homeowners. By enabling older Americans to access funds from a portion of their home equity while remaining in their homes, the HECM program has helped seniors meet their financial needs with their own assets and reduce reliance on other government assistance programs and publicly funded safety net services.

Since the program's creation, HECMs have also provided the foundational framework upon which proprietary (non-FHA) reverse mortgages are built. Proprietary reverse mortgage lenders often model their products after the HECM framework to ensure credibility, regulatory compliance, and borrower confidence. This alignment allows proprietary products to expand on HECM principles while still maintaining the transparency and safeguards that have become industry norms due to the HECM program's influence.

HECMs and proprietary reverse mortgage products each serve distinct but necessary roles within the reverse mortgage market, catering to different needs and financial situations. Together, both types of reverse mortgages complement each other, providing financial opportunity for older homeowners across all income levels. MBA strongly supports FHA's and Ginnie Mae's objectives to improve program efficiency. The program improvements outlined in this letter will help lower costs for consumers, increase adoption, and enhance the long-term sustainability of the HECM and HMBS programs.

Consumer Demand and Origination Volumes

According to MBA members, the demand for HECM loans remains strong among seniors. However, overall HECM loan volume has not increased due to overly burdensome aspects of the loan process and the steep upfront costs associated with the loan. These factors discourage many potential borrowers as they evaluate whether a HECM is suitable for their needs.

Meanwhile, proprietary reverse mortgage products have prominently supplemented the reverse mortgage market. These products can offer advantages such as allowing for higher loan limits and accepting non-FHA-approved properties.

Nevertheless, the HECM program continues to serve a critical function in supporting seniors. By providing access to home equity for retirement income, HECMs remain vital for older homeowners who may otherwise have more limited financial flexibility. The importance of the HECM program is underscored by the fact that it enables a broad spectrum of seniors to meet their financial needs.

Liquidity

MBA emphasizes that addressing liquidity challenges in the HECM market requires two initiatives: the implementation of a new HMBS Ginnie Mae security and the creation of a streamlined HECM servicing program.

MBA continues to advocate for the implementation of a new HMBS security that would allow all HECMs at 98% of their Maximum Claim Amount (MCA) to be re-securitized.
This mechanism will enhance issuer liquidity, stimulate investor demand, and increase guaranty fee revenue.

In parallel, MBA proposes a program where FHA would allow existing private servicers to continue servicing loans after assignment to FHA (post-98% buyout). This would relieve FHA of both certain servicing losses and the operational intensity of overseeing loan servicing activities. FHA policies currently result in higher portfolio losses than those realized by private servicers. FHA would significantly benefit from the immediate relief gained by leaving servicing in the hands of the private market, with lenders who are highly incentivized to minimize servicing-related losses. Under the proposed framework, private servicers would retain servicing fee revenue throughout the life of the loan, strengthening their business models. The competitive nature of the market could encourage entities to pass some or all of the benefits on to borrowers in the form of more advantageous loan pricing. Moreover, senior borrowers will not have to deal with the confusion and complexity that comes with a servicing transfer.

Collectively, these two measures would support a more viable HECM program, reduce the financial burden on FHA, and enhance the stability and economic performance of the MMI Fund.

MBA notes that FHA has the legal authority to establish the new servicing program described via Mortgagee Letter or notice under the Reverse Mortgage Stabilization Act. Ginnie Mae also has the necessary authority to create a new security backed by FHA-insured reverse mortgages. MBA is ready to assist FHA and Ginnie Mae in evaluating and operationalizing these proposals and welcomes opportunities for discussion regarding its implementation.

Program Improvements

Removing undue lender burdens and avoiding obstacles to borrower acceptance and access is fundamental to the HECM and HMBS programs' ability to meet their intended policy goals. MBA advocates for the following program improvements:

- **Restructure the upfront HECM Mortgage Insurance Premium (MIP).** Currently, the flat upfront MIP charged against the Maximum Claim Amount (MCA) represents a significant cost that limits the attractiveness of HECM loans for many seniors. Moreover, the existing MIP model inadvertently skews the risk profile of the MMI Fund by deterring low-risk borrowers who would use only a small portion of their available equity, as they face disproportionately high initial costs. MBA advocates for a restructured upfront MIP model based on the amount actually drawn/borrowed, rather than home value or MCA. Lowering the upfront MIP, or alternatively tiering the premium to the amount drawn, will ensure that more lower-risk homeowners are served. In such a scenario, to balance the cost of adjustments to the upfront MIP, MBA supports a strategic increase to the ongoing MIP, currently calculated at 0.5% of the outstanding loan balance. Doing so will keep the costs associated with the HECM program consumption-based while minimizing any potential adverse impacts on the MMI Fund. Additionally, MBA recommends charging a higher upfront MIP when borrowers refinance from a HECM into a new HECM, thus suppressing any loan churning incentive.

- **Restructure HECM principal limit factors (PLFs**). PLFs can discourage certain borrowers due to the lower amount of accessible equity. MBA urges FHA to raise PLFs for the oldest borrowers and broadly adjust PLFs to the borrower's risk profile. Restructuring the upfront MIP will also reduce the potential strain of lower PLFs. Even with the same PLF amount for a particular HECM, the loan is more affordable due to a more feasible upfront MIP.

- **Modernize the collateral risk assessment**: MBA urges FHA to promote tools such as Automated Valuation Models (AVMs), along with a broad range of property and market data sources, to streamline the loan processing workflow and provide more accurate, less costly, and timely property valuations. This approach allows lenders to identify higher-risk properties earlier in the process, reducing the likelihood of issues for borrowers. At the same time, allowing lenders greater choice in collateral valuation and expanding the pool of qualified appraisers can make the process more convenient, reduce delays, and improve borrower satisfaction. Adopting proven valuation technology will provide a more efficient and accurate risk assessment for FHA at a lower cost and a less burdensome experience for seniors.

- **Adjust Life Expectancy Set-Asides (LESAs) in HECMs.** MBA encourages FHA to restructure Life Expectancy Set-Aside (LESA) requirements to apply only to borrowers who are at high risk of default. Refining the risk-based LESA framework would ensure that safeguards are in place for those who truly need them, while minimizing costs for borrowers with a lower likelihood of default. A more targeted approach would improve borrower acceptance of the HECM program. MBA strongly opposes a mandatory LESA requirement for all HECM borrowers. Mandating LESAs would significantly reduce financial flexibility, as funds would be locked aside and unavailable for immediate and essential expenses, including healthcare, home repairs, or daily living costs. This constraint would not only limit the practical utility of HECMs for seniors but also constrain borrower eligibility and suppress consumer demand.

- **Cultivate a robust HECM counseling process**. MBA recommends that FHA promote the usage of digital tools and allow for expanded remote access to counseling services. Additionally, increasing counselor capacity and investing in ongoing education for counselors is necessary to maintain broad access and high-quality guidance. FHA's commitment to a streamlined counseling process will reduce the risk of default, improve borrower decision-making, strengthen borrower confidence, and help prevent predatory or fraudulent practices.

Conclusion

In summary, the HECM and HMBS programs have helped promote financial stability for seniors by allowing them to responsibly access their home equity. Critically, the programs reduce reliance on other costly government programs and save the American taxpayer money by helping older homeowners remain financially independent. Addressing liquidity challenges and implementing program improvements for HECM and HMBS are vital to supporting the country's senior population.

Thank you in advance for your consideration of these comments. MBA looks forward to continuing our partnership with FHA and Ginnie Mae on this and other critically important housing issues.

Sincerely,

Pete Mills
Senior Vice President
Residential Policy and Strategic Industry Engagement
Mortgage Bankers Association