



February 23, 2026

The Honorable William Pulte  
Director, Federal Housing Finance Agency  
400 7th Street SW  
Washington, DC 20219

**RE: Formal Request to Increase Income Eligibility Limits for Fannie Mae HomeReady® and Freddie Mac Home Possible® to 120% of Area Median Income**

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Dear Director Pulte,

The National Association of Mortgage Brokers (NAMMB) respectfully submits this formal proposal requesting that the Federal Housing Finance Agency (FHFA) direct Fannie Mae and Freddie Mac to increase the qualifying income limit for the HomeReady® and Home Possible® programs from the current 80% of Area Median Income (AMI) to 120% of AMI, applied uniformly nationwide.

NAMMB is the nation's largest trade association representing independent mortgage brokers, comprising over 56,000 mortgage professionals who collectively originate more than 25% of all U.S. residential mortgages. Our members serve Main Street borrowers in every congressional district, and they encounter the real-world consequences of restrictive income thresholds daily. This proposal is grounded in market data, structural equity concerns, and a straightforward policy rationale: the current 80% AMI ceiling no longer reflects the realities of today's housing market and actively creates an unequal playing field for borrowers and lenders alike.

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## **I. EXECUTIVE SUMMARY**

HomeReady and Home Possible are among the most effective tools available to expand sustainable homeownership for working American families. With 3% down payment requirements, reduced private mortgage insurance premiums, and flexible underwriting, these programs represent a cornerstone of responsible affordable lending. However, their impact is increasingly undermined by an income cap that was calibrated for a housing market that no longer exists.

Since 2019, the income required to purchase a median-priced home in the United States has more than doubled. Yet the AMI ceiling for HomeReady and Home Possible remains frozen at 80% — a threshold that was previously set at 100% AMI before it was tightened. At the same time, FHFA has already recognized 120% AMI as an appropriate eligibility threshold in other

contexts, most notably for LIPA waivers applied to first-time homebuyers in designated high-cost areas. This creates a structurally uneven playing field: two borrowers in the same community with the same financial profile may receive dramatically different program access based solely on what channel their loan is originated through or what product designation it carries.

### NAMB's Core Request

Increase the qualifying income limit for Fannie Mae HomeReady® and Freddie Mac Home Possible® from 80% of Area Median Income (AMI) to 120% AMI, applied uniformly to all eligible property locations nationwide.

## II. THE CURRENT LANDSCAPE: AN INCOME THRESHOLD MISALIGNED WITH MARKET REALITY

### A. HomeReady and Home Possible at 80% AMI

Fannie Mae's HomeReady and Freddie Mac's Home Possible programs currently require that total qualifying borrower income not exceed 80% of the Area Median Income for the property's location. This rule is absolute — Fannie Mae's Selling Guide explicitly provides that "the total annual qualifying income may not exceed 80% of the AMI for the property's location," with no exceptions for property type, borrower profile, or geographic circumstance.

This threshold was not always 80%. Both programs previously allowed borrowers at or below 100% AMI to qualify, and properties in designated low-income census tracts were exempt from income limits entirely. These more flexible eligibility standards were tightened over time, progressively narrowing access for the moderate-income families these programs were designed to serve.

### B. The Gap Between 80% AMI and Today's Homebuying Market

The National Housing Conference (NHC) has documented that the income required to purchase a median-priced home in the United States has doubled since 2019. This is not a temporary market anomaly — it reflects fundamental structural shifts: persistent housing supply shortages, elevated materials and labor costs, and sustained mortgage rates above 6%. The predictable consequence is that the households being screened out by the 80% AMI ceiling today are not wealthy households. They are teachers, nurses, first responders, skilled tradespeople, and mid-career professionals who earn a moderate, working income yet are locked out of the one tool best designed to help them achieve homeownership.

Program Benchmark	AMI Threshold
HomeReady (current)	80% AMI
Home Possible (current)	80% AMI
HomeReady / Home Possible (historical)	100% AMI

Freddie Mac Refi Possible	100% AMI
FHFA LLPA Waiver – First-Time Buyers (standard areas)	100% AMI
FHFA LLPA Waiver – First-Time Buyers (high-cost areas)	120% AMI
USDA Guaranteed Loan Program	115% AMI
Proposed NAMB Request (all areas)	120% AMI

### III. THE UNBALANCED PLAYING FIELD: 120% AMI ALREADY EXISTS

One of NAMB’s most significant concerns is that 120% AMI eligibility is not a novel concept — it is already embedded within FHFA’s own pricing framework, yet its application is inconsistent and context-dependent in ways that disadvantage independent mortgage brokers and the borrowers they serve.

#### A. FHFA’s LLPA Waiver Already Uses 120% AMI

As of 2023, FHFA restructured Loan Level Price Adjustment (LLPA) fees for Fannie Mae and Freddie Mac. Under the revised framework, first-time homebuyers with qualifying income at or below 100% AMI in standard areas, and at or below 120% AMI in designated high-cost areas, receive an LLPA waiver. This means that the federal government’s own pricing mechanism has officially recognized 120% AMI as a reasonable eligibility threshold for preferential treatment of first-time buyers in higher-cost markets.

Yet those same borrowers — qualifying for an LLPA waiver at 120% AMI in a high-cost area — are simultaneously barred from accessing HomeReady or Home Possible, which are capped at 80% AMI. A borrower earning 110% of AMI in San Jose, California, or suburban Washington, DC, receives pricing benefits under the LLPA framework but cannot use the 3% down payment and reduced MI features of HomeReady or Home Possible. This is an internally inconsistent policy result that FHFA has the direct authority and compelling reason to correct.

#### The Contradiction in Plain Terms

FHFA’s own LLPA pricing structure grants fee waivers to first-time buyers up to 120% AMI in high-cost areas. Yet HomeReady and Home Possible, which those same buyers would benefit most from, remain capped at 80% AMI. The federal government is simultaneously telling a borrower: “You qualify for our pricing benefit” and “You don’t qualify for our down payment program.” This internal contradiction must be resolved.

#### B. Builder-Affiliated Channels Benefit While Independent Brokers Cannot Compete

A second dimension of the playing field problem is the advantage accruing to large national home builders through their affiliated lending entities. Captive builder lenders — subsidiaries or exclusive partners of major homebuilding corporations — operate in the new construction market

with product structures, rate buydown programs, and marketing advantages that are not equally available to the independent mortgage broker channel.

The national average new single-family home price has climbed to approximately \$485,000 as of recent reporting, and in many major metropolitan markets, the median new construction price substantially exceeds the income thresholds supported by 80% AMI qualification. When a builder's captive lender offers aggressive rate buydowns and lender-paid programs to move inventory — programs that effectively get around price-point limitations — they are accessing the same pool of moderate-income buyers that HomeReady and Home Possible were designed to serve, but without the AMI constraints that bind independent brokers.

This structural imbalance means that a family earning 95% of AMI who wants to purchase a new home in a builder's community is far better served by going directly to the builder's affiliated lender than by working with an independent mortgage broker, even though the independent broker may offer superior advice, lower fees, and a broader range of products. The 80% AMI cap effectively forces independent brokers out of new construction transactions involving moderate-income buyers, concentrating business with builder-affiliated entities and reducing market competition.

### **C. Builder Data Confirms the Stakes**

NAMB's position is supported by analysis from two of the nation's largest homebuilders, which reviewed their community data in relation to HomeReady and Home Possible AMI thresholds:

- For homes priced at \$350,000 or less, raising the AMI limit to 100% would make approximately 40% more builder communities available to HomeReady and Home Possible borrowers.
- In a separate sample of approximately 100 communities across four states, zero communities were accessible to HomeReady or Home Possible borrowers at the 80% AMI threshold. Raising to 100% AMI opened access to approximately 13% of those communities.
- The data strongly implies that a further increase to 120% AMI would unlock access to a materially larger share of new construction inventory — precisely the supply the market needs to address the affordable housing shortage.

These findings illustrate the compounding effect of a constrained income limit: not only does it lock out individual borrowers, it functionally prevents a significant portion of new construction housing from being financed through programs designed to make homeownership accessible. The policy is working against its own stated purpose.

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## **IV. NATIONAL AFFORDABLE HOUSING CONTEXT**

### **A. The Supply Gap and Income-Eligible Housing**

The United States is estimated to face a housing shortage of between 3.8 million and 7 million units depending on methodology. The National Association of Realtors, Harvard's Joint Center for Housing Studies, and the Urban Institute have all documented that new housing construction remains well below the rate needed to keep pace with household formation and backlog demand. In this environment, affordable housing policy is not only a social objective — it is a macroeconomic priority.

According to HUD data, the national median family income (MFI) for 2025 reflects significant variation by geography. In high-cost metros, the MFI can exceed \$130,000 to \$160,000 or more, meaning that an 80% AMI ceiling in those markets translates to an absolute income cap that is lower in purchasing power than the equivalent threshold in more affordable markets. This geographic mismatch is particularly acute in the Sun Belt metros, Mountain West, and coastal metros where population growth, job formation, and new home construction activity are most concentrated.

## B. Homeownership Gaps by Income and Race

The homeownership rate for Black Americans stands at approximately 42%, compared to approximately 72% for non-Hispanic white Americans — a gap that is persistent across all income levels, according to data from Fannie Mae’s own Equitable Housing Finance Plan. Research confirms that the primary barrier to homeownership for communities of color is not income per se, but capital — specifically, the funds required for a down payment. White borrowers are approximately 30% more likely to be able to access \$3,000 from family or friends for down payment assistance, according to the same Fannie Mae data.

This is precisely the gap that HomeReady and Home Possible are designed to address: low down payment requirements, flexible funding sources, and reduced MI costs. Restricting income eligibility to 80% AMI ensures that many moderate-income minority families who have the income to sustain a mortgage but lack accumulated generational wealth for a large down payment are excluded from the very programs built for their circumstances. Raising the ceiling to 120% AMI, even with no other program changes, would meaningfully expand access for these borrowers.

## C. Peer Program Comparison

NAMB notes that analogous federal programs have recognized the inadequacy of 80% AMI for serving today’s moderate-income homebuyers. The USDA Guaranteed Loan Program, which offers 100% financing for rural homebuyers, sets its income limit at 115% AMI — nearly half again as generous as the current HomeReady and Home Possible ceiling. State Housing Finance Agencies (HFAs), which operate HFA Preferred and HFA Advantage products through the Enterprises, set their own income limits frequently at or above 100% AMI. Proposed federal legislation such as the Down Payment Toward Equity Act and the LIFT Act have contemplated 120% to 140% AMI thresholds for first-generation homebuyer assistance. The policy momentum is clearly toward recognizing that moderate-income borrowers require more flexible standards.

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## V. NAMB’S SPECIFIC REQUESTS

NAMB respectfully requests the following actions from FHFA and the Enterprises:

- **Increase the qualifying income limit for both Fannie Mae HomeReady® and Freddie Mac Home Possible® from 80% to 120% of Area Median Income (AMI), applied uniformly to all eligible property locations nationwide, with no geographic carveout.**
- Align the HomeReady and Home Possible income thresholds with the 120% AMI standard already applied by FHFA in its LLPA waiver framework for high-cost areas, eliminating the internal policy contradiction described herein.

- As an immediate interim step, restore the prior HomeReady and Home Possible income ceiling of 100% AMI, which was in effect before the current tightening, and commit to a further increase to 120% AMI through a formal rulemaking or guidance process within 12 months.
  - Restore the income limit exemption for properties located in designated low-income census tracts, allowing any borrower purchasing in such a tract to access HomeReady or Home Possible without an AMI income cap, consistent with the programs' original design intent.
  - Engage with NAMB and the independent mortgage broker community in a formal stakeholder consultation process on any further modifications to HomeReady and Home Possible program standards, recognizing that independent brokers disproportionately serve the lower- and moderate-income borrowers these programs are designed to reach.
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## VI. RISK CONSIDERATIONS AND RESPONSIBLE EXPANSION

NAMB anticipates the concern that expanding income eligibility could introduce credit risk or adversely affect program sustainability. We respectfully submit that this concern, while appropriate to raise, does not withstand close analysis:

- HomeReady and Home Possible already impose robust credit quality requirements, including minimum credit scores, DTI limits of 45%-50%, mandatory homebuyer education for first-time buyers, and standard appraisal and property eligibility requirements. Raising the income ceiling does not alter any of these guardrails.
  - The programs' risk profile is driven by LTV, credit score, and borrower capacity — not by whether a borrower earns 85% or 115% of AMI. A borrower at 110% AMI with a 720 FICO score and 40% DTI is a lower credit risk than a borrower at 75% AMI with a 640 FICO and 48% DTI. Income level within the moderate range is not a reliable predictor of default risk.
  - Raising the income limit expands the addressable market for these programs, which may actually improve program economics through scale and reduce average risk concentration.
  - FHFA's own LLPA pricing structure already prices risk by credit profile and LTV — not by AMI bracket. Extending program access to 120% AMI borrowers while retaining all other underwriting standards is fully consistent with FHFA's existing risk framework.
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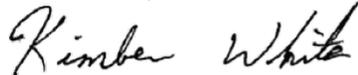
## VII. CONCLUSION

The 80% AMI ceiling on HomeReady and Home Possible is an artifact of a previous market environment that no longer corresponds to present-day housing affordability realities. It creates an unbalanced playing field by denying access to moderate-income borrowers through the independent broker channel while similar borrowers are accommodated in other program contexts. It contradicts FHFA's own LLPA waiver framework. And it actively prevents the expansion of homeownership to the working American families — teachers, nurses, veterans, first responders — for whom these programs were specifically designed.

Raising the income limit to 120% AMI is not a departure from program principles. It is a recalibration that restores the programs' original reach, aligns with the policy standards FHFA has already adopted in adjacent contexts, and reflects the simple reality that the cost of homeownership in America today demands a more inclusive definition of who counts as a "moderate-income" borrower.

NAMB stands ready to provide additional data, facilitate direct conversations with member mortgage professionals, and support FHFA in any process necessary to advance this change. We are grateful for the Agency's ongoing commitment to housing access and look forward to a constructive dialogue.

Respectfully submitted,

A handwritten signature in black ink that reads "Kimber White". The signature is written in a cursive, flowing style.

Kimber White

President

National Association of Mortgage Brokers