H.R. 5508 — Mortgage Insurance Freedom Act

NAMB Recommendation: Amendment to Incorporate a Tiered MIP Reduction Framework

Submitted by the National Association of Mortgage Brokers (NAMB) | February 2026

Executive Summary

The National Association of Mortgage Brokers (NAMB) proudly stands in support of H.R. 5508, the Mortgage Insurance Freedom Act, introduced by Representatives Gregory W. Meeks (D-NY) and Pete Sessions (R-TX). This bipartisan legislation represents a landmark step toward fairness, affordability, and consumer protection for the millions of hardworking Americans who rely on FHA-insured mortgages to achieve the dream of homeownership.

NAMB applauds the bill's core mission: to end the inequitable life-of-loan mortgage insurance premium (MIP) requirement that continues to extract hundreds of dollars each month from borrowers who have already demonstrated their creditworthiness through years of responsible payments and meaningful equity accumulation. However, NAMB respectfully recommends that Congress strengthen H.R. 5508 by amending it to incorporate a structured, data-driven Tiered MIP Reduction Framework in place of a single, binary termination trigger.

★ NAMB's Proposed Amendment: A Three-Tier MIP Reduction Structure

Rather than a single cut-off at 78% LTV, NAMB urges Congress to adopt a graduated approach that rewards borrowers incrementally as they build equity — protecting the MMI Fund while delivering meaningful, progressive relief to FHA homeowners at every stage of their equity journey.

The Problem: A Punishing and Outdated Policy

Since 2013, the Federal Housing Administration has required the vast majority of FHA borrowers to pay mortgage insurance premiums for the entire life of their loan — regardless of how much equity they have built, how consistently they have made payments, or how remote the actual risk of default has become. This stands in stark contrast to conventional loan private mortgage insurance (PMI), which is automatically cancelled under the Homeowners Protection Act once a borrower reaches 78% loan-to-value.

The result is a structural inequity that disproportionately punishes FHA's core constituency: first-time homebuyers, low-to-moderate income families, and borrowers of color who rely on FHA's accessible entry point to homeownership. Today, more than 82% of FHA purchase borrowers are first-time homebuyers, 52% are borrowers of color, and the average FHA borrower is paying $181.69 per month — $2,180.32 annually — in mortgage insurance premiums, even when their risk profile no longer justifies it.

> By the time an FHA borrower reaches 78% LTV, they have paid premiums exceeding THREE TIMES the actuarial loan risk at that point.
> — Community Home Lenders of America (CHLA), December 2025

Meanwhile, the FHA Mutual Mortgage Insurance (MMI) Fund has never been stronger. As of Fiscal Year 2025, the Fund reported:

- A capital ratio of 11.47% — more than five times the statutory 2% minimum requirement
- An economic net worth of $118.87 billion
- Capital reserves estimated at over $173 billion, representing approximately 473-500% of the congressionally mandated reserve floor

The Fund is not at risk. The borrowers are. It is time for Congress to act.

Who Bears This Burden? The Human Impact by the Numbers

To understand why NAMB's proposed amendment is both necessary and urgent, Congress must look at who is paying this tax and what they stand to lose — or gain.

- 498,363 first-time homebuyers used FHA loans in Fiscal Year 2024, accounting for more than 82.6% of all FHA purchase mortgages.
- Over 2.3 million FHA loans were originated to first-time buyers over the past four fiscal years — roughly eight of every ten FHA borrowers.
- Nearly 52% of FHA homebuyers in 2024 self-identified as borrowers of color, making FHA the dominant pathway to homeownership for minority families.
- 16.77% of FHA loans went to Hispanic borrowers and 12.08% to Black borrowers — nearly 2.5 times the rate of conventional lending channels.
- The average FHA MIP costs borrowers $181.69/month or $2,180.32/year — every year, for the life of the loan, with no equity-based off-ramp under current policy.
- In today's high-rate environment, refinancing into a conventional loan to escape MIP is not a viable option for most borrowers: over 82.5% of outstanding FHA borrowers hold rates well below current market levels, making a refinance financially punishing.

These are not abstract statistics. These are teachers, nurses, veterans, and working parents who did everything right — who saved for a down payment, qualified for a home loan, and have faithfully made their payments month after month — yet continue to be charged for insurance protection against a risk that no longer exists.

The Data Speaks: Default Risk Collapses as Equity Grows

The foundational justification for the FHA's MIP structure is risk mitigation — protecting the MMI Fund against borrower defaults. But the data is unambiguous: as borrowers build equity and LTV ratios decline, default risk drops sharply and materially. Continuing to charge full premiums on seasoned, equity-rich loans is not risk management — it is revenue collection.

Research consistently identifies LTV ratio as one of the most powerful predictors of mortgage default. Borrowers with significant equity have both the financial incentive and the means to protect their investment. As noted in Urban Institute research, default rates are highly sensitive to LTV ratios — far more so than to debt-to-income ratios. A borrower at 78% LTV or below has demonstrated sustained financial responsibility, accumulated meaningful home equity, and has a powerful built-in protection against foreclosure: they can simply sell the home.

KEY DATA POINTS ON LTV AND DEFAULT RISK

▶ **FHA serious delinquency is concentrated among high-LTV, recently originated loans (2022-2024 vintages).**

▶ **FHA overall delinquency rate stands at ~4.8% — but this rate is driven overwhelmingly by** loans with LTVs near or above 90%, not by seasoned equity-rich borrowers.

▶ **GSE (Fannie/Freddie) serious delinquency rates — where PMI terminates at 78% LTV —** remain at just 0.53-0.56%, a fraction of the FHA rate.

▶ **The structural difference: conventional borrowers are released from MI at 78% LTV.** FHA borrowers are not — creating a false equivalence in risk that the MIP charges reflect.

Put plainly: the FHA's higher delinquency rates are a product of higher-LTV originations, not of borrowers who have already built equity. An FHA borrower who has paid their mortgage down to 78% LTV or below represents a fundamentally different, substantially lower risk profile than a borrower who closed six months ago at 96.5% LTV. Current policy treats them identically. NAMB's proposed amendment would not.

NAMB's Proposed Amendment: A Three-Tier MIP Reduction Framework

NAMB recommends that Congress amend H.R. 5508 to replace the single 78% LTV termination trigger with a graduated, three-tier MIP reduction schedule. This approach delivers meaningful financial relief to borrowers at each stage of their equity journey, mirrors the declining risk profile of seasoned FHA loans, and preserves the structural integrity and financial health of the MMI Fund.

Each tier would be calculated based on the original appraised value or sales price at origination — consistent with the methodology already proposed in H.R. 5508 — and would apply to loans endorsed after enactment. The existing MMI Fund protection clause (temporarily reinstating life-of-loan MIP if the Fund's capital ratio falls below 2%) would remain in place across all tiers.

Tier	LTV Threshold	MIP Reduction	New Annual MIP Rate	Est. Monthly Savings*
Tier 1 — Equity Milestone	≤ 78% LTV	50% reduction	0.275%	~$91/month (~$1,092/year)

Tier	LTV Threshold	MIP Reduction	New Annual MIP Rate	Est. Monthly Savings*
Tier 2 — Responsible Equity Builder	≤ 70% LTV	60% reduction	0.22%	~$109/month (~$1,308/year)
Tier 3 — Significant MIP Relief	≤ 60% LTV	75% reduction	0.138%	~$136/month (~$1,635/year)

** Estimated monthly savings are calculated based on the national average FHA loan balance and the average MIP of $181.69/month per the Broker Action Coalition (2025). Actual savings vary by loan amount.*

Tier 1 — The Equity Milestone (78% LTV): MIP Reduced by 50%

When an FHA borrower's loan balance is paid down to 78% of the original appraised value or purchase price, their annual MIP rate shall be reduced by 50% — from the standard 0.55% to approximately 0.275% — effective with the first monthly payment after the LTV threshold is reached.

At 78% LTV, a borrower has accumulated more than 22% equity in their home. This is the same threshold at which conventional PMI is automatically cancelled. FHA borrowers reaching this milestone have demonstrated, through years of on-time payments, that they are responsible stewards of their home investment. The MMI Fund data supports that risk at this LTV level is substantially reduced. A 50% MIP cut at Tier 1 would save the average FHA borrower approximately $91 per month or $1,092 annually — meaningful relief that can be redirected toward savings, education, or family needs.

Approximately 498,000+ FHA first-time buyers originate each year. Many will reach the 78% LTV threshold within 7-10 years through normal amortization and home price appreciation.

Tier 1 relief represents the largest single group of eligible borrowers and the most immediate affordability impact for working families.

Tier 2 — The Responsible Equity Builder (70% LTV): MIP Reduced by 60%

When a borrower's outstanding principal balance falls to 70% of the original appraised value or sales price, the annual MIP shall be reduced by 60% — from the standard 0.55% to approximately 0.22% — effective with the first monthly payment following the threshold crossing.

A borrower at 70% LTV has built 30% equity in their home — a level of financial investment that places them squarely within the low-risk tier of any mortgage portfolio. At this stage, the probability of default resulting in a net loss to the MMI Fund is negligible. The home's equity buffer far exceeds any realistic loss severity scenario. Continuing to charge these borrowers anything approaching a standard MIP rate serves no risk management purpose — it is simply an overcharge.

Tier 2 relief would save the average qualifying borrower approximately $109 per month or $1,308 per year, representing the growing cohort of FHA borrowers who have remained in their homes long enough to benefit from both principal paydown and the substantial home price appreciation of the past decade — appreciation that has averaged 5.21% annually according to the Federal Housing Finance Agency.

Tier 3 — Significant MIP Relief (60% LTV): MIP Reduced by 75%

When a borrower's outstanding principal balance falls to 60% of the original appraised value or sales price, the annual mortgage insurance premium shall be reduced by 75% — from the standard 0.55% to approximately 0.138% — effective with the first monthly payment following confirmation of the threshold crossing.

At 60% LTV, a borrower holds 40% equity in their home. This is not an at-risk borrower. This is a homeowner who has built substantial generational wealth. The probability of default resulting in a net loss to the MMI Fund at this equity level is negligible — a borrower with 40% equity who faces financial hardship does not default; they sell their home, retire the loan, and walk away with equity. The Fund assumes virtually zero net risk at this level, and a 75% MIP reduction reflects that reality.

Tier 3 relief would return approximately $136 per month — $1,635 per year — to these borrowers. These are families who have sacrificed and stayed in their homes for years, patiently building equity while their conventional-loan neighbors stopped paying PMI long ago. Tier 3 is not just sound policy — it is a meaningful and proportionate reward for their sustained financial responsibility.

> CONSUMER PROTECTION PRINCIPLE
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> The goal of mortgage insurance is risk mitigation, not revenue generation. When the risk is effectively negligible, the charge must reflect that reality. NAMB believes that every dollar collected beyond actuarially justified need is a dollar taken from a family that has already earned meaningful relief from mortgage insurance. Tier 3 ensures that FHA homeowners who have built substantial equity receive a 75% reduction — the deepest relief in the framework — as a fair and proportionate reward for their long-term financial responsibility.

Why a Tiered Framework Is Superior to a Binary Cut-Off

While NAMB enthusiastically supports the spirit of H.R. 5508, a single 78% LTV termination point — though a vast improvement over current policy — leaves significant consumer protection value on the table and misses an opportunity to more accurately align MIP charges with actual risk levels. A tiered framework is superior for several reasons.

First, it is proportionate. A borrower at 77.9% LTV is not meaningfully different in risk profile from a borrower at 60% LTV, yet a binary approach treats them identically once both fall below 78%. Tiering ensures that MIP charges decline in step with declining risk — a foundational principle of any actuarially sound insurance framework.

Second, it is progressive in its relief. The borrowers most likely to reach 70% or 60% LTV are those who have owned their homes longest, often the same low-to-moderate income families who are most dependent on every dollar of monthly cash flow. Delivering deeper relief to longer-term, more equity-rich borrowers targets the greatest benefit to those who have served the FHA program most faithfully.

Third, it provides a policy buffer. If Congress or HUD expresses concern about the MMI Fund's long-term revenue trajectory under full immediate termination at 78%, a tiered approach provides a responsible middle path: the Fund continues to collect reduced but not eliminated premiums from Tier 1 and Tier 2 borrowers, maintaining a revenue stream while still delivering substantial savings to borrowers whose risk profile no longer justifies full-rate premiums.

Fourth, it is equitable across loan vintages. Some FHA borrowers originating at today's home prices may take longer to reach 78% LTV through amortization alone. For these borrowers, tiered relief ensures they benefit even when appreciation alone has not yet driven them to the first threshold.

Safeguarding the MMI Fund: Built-In Protections

NAMB's proposed amendment does not ask Congress to gamble with the long-term health of the Mutual Mortgage Insurance Fund. To the contrary, the tiered framework includes robust built-in protections that ensure fiscal responsibility while delivering consumer relief.

- The existing MMI Fund capital ratio protection clause from H.R. 5508 — which would temporarily reinstate life-of-loan MIP if the Fund's capital ratio falls below the statutory 2% minimum — is preserved and applied across all three tiers.
- With the Fund currently holding an 11.47% capital ratio — nearly six times the statutory floor — there is substantial runway before any such clause would be triggered.
- Tiered reductions (rather than immediate full termination) ensure that the Fund continues to collect reduced premiums from Tier 1 and Tier 2 borrowers, providing a responsible transition rather than an abrupt revenue cliff.
- All LTV calculations under the proposed amendment would continue to use the lower of the original sales price or appraised value at origination, consistent with H.R. 5508 and the Homeowners Protection Act, preventing speculative appreciation from being used to artificially accelerate MIP termination.
- HUD would be directed to issue implementing rules and borrower education guidance within 180 days of enactment, consistent with the administrative timeline already contemplated in H.R. 5508.

> At current reserve levels, the MMI Fund holds capital equal to 473-500%+ of its congressional mandate. Even absorbing the full revenue impact of tiered MIP reductions, the Fund would remain well above statutory requirements. Consumer relief does not require risk to the Fund. The data shows we can — and must — do both.

Consumer Protection at the Heart of NAMB's Mission

Mortgage brokers are, first and foremost, advocates for their clients. NAMB members sit across the kitchen table from first-time buyers, help them navigate the FHA process, and then watch as those same families continue to pay for insurance long after the risk that insurance was designed to cover has vanished. This is not a policy abstract — it is a monthly injustice that NAMB members witness in every community they serve.

The tiered MIP framework NAMB proposes is, at its core, a consumer protection mechanism. It ensures that FHA borrowers — America's most vulnerable homebuyers — are treated with the same fairness and transparency afforded to conventional borrowers. It gives families a clear, predictable roadmap to savings that they can plan around. And it rewards the financial behavior — consistent payments, equity building, responsible homeownership — that public policy should incentivize, not penalize.

When a family can redirect $91, $136, or $182 per month away from an insurance premium they no longer need toward retirement savings, college funds, home improvements, or the everyday cost of living, that is consumer protection in action. That is equity — in both senses of the word — being returned to its rightful owners.

> "FHA's current lifetime mortgage insurance premium requirement disproportionately impacts first-time, lower-income, and minority homebuyers — the very families who rely on FHA loans as a pathway to sustainable homeownership."
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> — Marc H. Morial, President & CEO, National Urban League

Conclusion: A Call to Lead with Fairness

NAMB urges the House Financial Services Committee and the full Congress to advance H.R. 5508 — and to strengthen it through the adoption of the Tiered MIP Reduction Framework outlined in this position paper. The Mortgage Insurance Freedom Act is good policy. A tiered amendment makes it great policy: more equitable, more precisely calibrated to actual risk, and more powerfully transformative for the millions of FHA borrowers who deserve better.

The FHA was created to open the door to homeownership for Americans who might otherwise be left behind. The life-of-loan MIP requirement, as currently structured, has become a lock on that door for borrowers who have already proven they belong inside. It is time to hand them the key.

NAMB stands ready to work with Congress, HUD, and all stakeholders to craft implementing language, provide supporting data, and advocate aggressively for the passage of an amended Mortgage Insurance Freedom Act that delivers real, lasting, and equitable relief to FHA borrowers nationwide.

For more information or to discuss this position paper, please contact:

National Association of Mortgage Brokers (NAMB) | www.namb.org

NAMB—The Association of Mortgage Professionals represents the interests of the entire mortgage brokerage industry, advocating for fair regulation, consumer protection, and expanded access to homeownership for all Americans.