

July 23, 2025

FHA Update

Effective Date

Effective immediately

Update:

FHA Slashed Red Tape in Push to Make Housing More Affordable and Accessible

The Federal Housing Administration (FHA) published a sweeping set of policy retractions for its Single Family mortgage insurance program, spanning the loan origination process from loan application through endorsement. With this set of policy retractions, FHA is cutting red tape to more effectively deliver on President Trump's priorities to reduce the costs of homeownership for American families by removing policies that have increased regulatory and financial burdens. Today's policy retractions, executed through a series of Mortgagee Letters (ML), are aimed at eliminating policies that directly or indirectly increase the cost of home ownership for aspiring first-time homebuyers. In the spirit of National Homeownership Month, these changes are another direct response to President Trump's January 20, 2025 Executive Orders aimed at reversing policies that have adversely affected key sectors of the economy, including the housing market.

We encourage everyone to review each FHA Mortgagee Letter in full to ensure a complete understanding of the updates. Please refer to the attached letters for additional details. A summary of the key points from these Mortgagee Letters are provided below:

- Rescission of Outdated and Costly FHA Appraisal Protocols. This ML eliminates several antiquated and burdensome procedural steps an FHA appraiser must complete during each assignment, better aligning FHA with industry standards and reducing unnecessary costs and delays that are passed through to homebuyers. During the first Trump Administration, HUD made targeted technology investments through FHA Catalyst that have substantially improved FHA's collateral valuation analytics. As a result, FHA is now able to extend the benefit of these investments to borrowers, lenders, and taxpayers in the form of streamlined appraisal procedures, lower costs, and quicker turn times.
- Rescission of Full-Time Direct Endorsement Underwriter Requirements. This ML rescinds the full-time employment requirement for Direct Endorsement (DE) underwriter eligibility to allow part-time employment with an FHA-approved mortgagee. This update provides mortgagees with increased flexibility to more effectively manage their staffing needs, reduce origination costs, and encourage greater participation in FHA programs.
- Rescission of the Supplemental Consumer Information Form Requirement. The Supplemental Consumer Information Form (SCIF) (Fannie Mae/Freddie Mac Form 1103) is used to collect information about the borrower's language preferences. Due to its limited benefit and additional collection burden, the SCIF is no longer required to be submitted in the FHA case binder as part of the Uniform Residential Loan Application.
- Rescission of Federal Flood Risk Management Standard (FFRMS) for New Construction Eligibility. FHA has rescinded ML 2024-20, which required that the lowest floor in newly constructed properties located within the one-percent-annual-chance (100-year) floodplain be built at least two feet above the Base Flood Elevation (BFE). This standard would have limited the land available for development and increased the cost of construction for FHA-insured single-family properties, thereby exacerbating the insufficient supply of affordable housing for the next generation of homebuyers. This change is necessary to restore the previously established policy and provide clarity on the current applicable standards for new construction property eligibility and documentation requirements.
- Rescission of Mandatory Pre-Endorsement Inspection Requirements for Properties Located in Presidentially-Declared Major Disaster Areas (PDMDAs). This ML modifies FHA disaster inspection requirements for forward mortgages to align with the industry standard, allowing mortgagees the discretion to assess property condition and determine appropriate risk-based actions prior to endorsement. This update reduces costly and unnecessary delays and will improve the bandwidth of home property inspectors that are often overwhelmed following a natural disaster. Mortgagees remain responsible for ensuring a subject property is eligible for FHA insurance.



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FHA strongly believes that the removal of these requirements will strengthen the housing market, reduce unnecessary regulations, increase America's affordable housing supply, reduce financing costs, and save taxpayer dollars by creating a more efficient FHA lending process.

The provisions of these MLs are effective immediately and will be incorporated into a future version of the FHA's Single Family Housing Policy Handbook 4000.1.

Should you have any questions, please reach out to your Account Executive or Client Manager