



Federal Housing Administration (FHA)



To stimulate private credit for home construction and address the severe unemployment during the Great Depression, Congress enacted the National Housing Act of 1934. This legislation led to the establishment of the Federal Housing Administration (FHA), which later became part of the Department of Housing and Urban Development (HUD) in 1965. The formation of the FHA marked the beginning of the modern mortgage marketplace, significantly impacting homeownership in the United States.

While the FHA does not directly lend money, it plays a crucial role by providing mortgage insurance through approved lenders, protecting them against losses from defaults. Over its history, the FHA and HUD have insured more than 34 million home mortgages. FHA-insured loans offer numerous benefits compared to other mortgage options, including low down payment requirements even for 2–4-unit properties. The flexibility in funding sources for down payments and associated costs allows for gifts and grants. Additionally, FHA underwriting is accommodating for those with less-than-perfect credit and aligns with various first-time buyer and down payment assistance programs. The FHA also provides a renovation loan known as the FHA 203(k).

Until 2013, the FHA was unique among government agencies in that it operated solely on self-generated income. After nearly 80 years of profitability for taxpayers, losses from the housing crisis in the 2000s significantly impacted the FHA's revenues and reserves. To stabilize its financial standing, the FHA has gradually raised the mortgage insurance premiums it charges. Currently, FHA premiums are among the highest in the market and, as of 2013, cannot be canceled on most new FHA loans. Despite these increased costs, an FHA loan often remains the best or only financing option for many buyers.

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