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ARMED SERVICES
BUDGET
FOREIGN RELATIONS
HOMELAND SECURITY
SPECIAL COMMITTEE
ON AGING
CHAIRMAN

United States Senate

April 2, 2025

The Honorable Scott Turner
Secretary
U.S. Department of Housing and Urban Development
451 7th Street Southwest
Washington, D.C. 20410

Dear Secretary Turner:

I would first like to thank you for your work with the Trump administration to support families and provide a safety net when they need it most. Within the first two months of your service as Secretary of the Department of Housing and Urban Development, we have already seen great results as you and your team work to unwind harmful Biden-era housing policies. I grew up in public housing, and I know firsthand the value of your efforts.

Throughout the four years of the Biden-Harris administration, we saw how their reckless decisions made life harder for American families. Inflation was up 20% over that period of time, interest rates were sky-high, and Americans' dreams of homeownership were put at risk as they struggled to put food on the table. I am so grateful to have President Trump back in the White House working diligently, alongside you and other members of his administration, to find solutions to the problems President Biden created, and to ensure the federal government works better for families across the nation.

I write today to bring your attention to recent reports highlighting a serious concern involving mortgages insured by the Federal Housing Administration (FHA).[1] The Biden-Harris administration left a ticking time bomb in our housing market, fueled by lax underwriting standards and disastrous policies that placed low-income home buyers in a dangerous debt spiral. Many of the alarm bells in the current market are the same as those leading up to the 2008 housing crisis.

[1] *See* AEI Housing Center, "AEI Housing Market Indicators (HMI)," Mar. 4, 2025 *available at* https://www.aei.org/housing/housing-market-indicators/.

Last year, nearly two-thirds of all borrowers whose mortgages were insured by the FHA had a debt-to-income ratio greater than 43%, with some as high as 57% – a level of debt that makes such borrowers particularly susceptible to being unable to absorb unexpected expenses. As reflected in the AEI report, allowing heavily debt-burdened borrowers to take on more debt, and providing a government guarantee for those mortgages, resulted in a higher rate of serious delinquencies (more than 90 days past-due without payment) within the first 12 months after issuance than we saw during the peak of the 2008 subprime mortgage crisis.

Ordinarily, such serious defaults would lead to foreclosure. However, among the Biden-Harris administration's dangerous and shortsighted economic policies, the FHA announced the implementation of the Payment Supplement loss mitigation option in February 2024 to prevent foreclosures of seriously delinquent mortgages.[2] This policy allowed the agency to pay mortgage servicers the value of a borrower's missed payments to bring the mortgage current, while also paying the servicer to reduce the monthly mortgage payments for delinquent borrowers by 25% for a three-year period. Both the value of the missed mortgage payments and the reduced amount of monthly payments going forward are added to the principal balance owed on the original mortgage. This only delayed and worsened the consequences for homeowners by increasing the overall size of the mortgage, driving the borrower deeper into debt, and leading to mortgages that exceed the value of the home itself.

The Biden-Harris administration insured risky mortgages, backed by U.S. taxpayer dollars, then trapped delinquent borrowers in a growing debt spiral while further tightening the housing supply by preventing those homes from re-entering the market through normal foreclosure proceedings. **In doing so, the Biden-Harris administration set tens of thousands of borrowers up for failure, with U.S. taxpayers on the hook.**

Owning a home is part of the American dream, and a worthy goal for so many Americans. The Biden-Harris administration made that dream nearly impossible by fueling inflation, driving high interest rates and adopting reckless policies, like this, that allowed individuals to take on mortgages they could not afford, which put them on a path to default. Continuing this disastrous federal policy would be a complete disservice to borrowers and taxpayers alike.

Immediate action is needed to address this growing subprime mortgage bubble and ensure the financial solvency of the FHA insurance fund from which the "Payment

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[2] *See* U.S. Dept. of Housing & Urban Development, FHA Single Family Housing Industry News, "FHA Establishes New Payment Supplement Loss Mitigation Home Retention Solution," Feb. 21, 2024, *available at* https://www.hud.gov/sites/dfiles/SFH/documents/SFH_FHA_INFO_2024-03.pdf.

Supplement" amounts are drawn. Returning to fiscally prudent underwriting standards for new FHA-backed mortgages is a good first step to prevent this problem from worsening, but undoing the damage caused by the Biden-Harris administration's "Payment Supplement" program will be a delicate, but necessary, task to avoid a calamitous flood of foreclosures.

I welcome the opportunity to speak with you about this grave concern, and the steps you are taking to address this issue. Thank you for your attention to this, and for the work you will undertake to clean up the mess left behind by the Biden-Harris administration.

Sincerely,

Rick Scott
United States Senator

cc: Director Bill Pulte, Federal Housing Finance Agency