



Insight

Lowering Housing Costs, Expanding Federal Risk?

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Executive Summary

- President Trump today issued an executive order Decreasing Housing Costs For The American People directing the Federal Housing Finance Agency to use its authority over Fannie Mae and Freddie Mac to lower mortgage-insurance and refinance closing costs through automated tools, while establishing a task force to expand factory-built housing and instructing the Departments of Agriculture and Veterans Affairs to reduce rates on certain direct loans.
- Although these measures could reduce transaction costs and ease some regulatory barriers to construction, the package primarily addresses financing frictions rather than the underlying supply constraints on new housing; they also prompt questions about the reliability of automated risk assessments and the appropriate role of the federal government in housing finance.
- Implementation will determine whether borrowers realize meaningful savings without weakening risk discipline, increasing taxpayer exposure, or further entrenching federal involvement in the housing market at the expense of private competition.

Introduction

Housing affordability is fundamentally constrained by the [insufficient supply of homes in the places people want to live](#). Part of this problem is bureaucratic: Restrictive zoning, permitting delays, impact fees, and other barriers to construction limit the ability of the housing market to respond to demand, contributing to high prices and making homeownership unaffordable. President Trump's executive order [Decreasing Housing Costs For The American People](#) seeks to address some of these costs by directing the Federal

Housing Finance Agency (FHFA), using its authority over Fannie Mae and Freddie Mac, the housing government-sponsored enterprises (GSEs) to drive down costs and reduce regulatory friction by expanding the role of automated tools and advancing factory-built housing. It also instructs the Departments of Agriculture (USDA) and Veterans Affairs (VA) to lower rates on certain direct loans, consistent with statute and available appropriations.

The EO builds on previous efforts, including the 2024 title-acceptance pilot, existing GSE practices concerning servicer outreach for mortgage-insurance cancellation, and broader deregulatory proposals. But how much does it actually do to expand the housing supply, rather than lower the cost of buying, refinancing, and carrying existing homes? The order's push to use advanced automation and "Super Intelligence" also raises questions about reliability and risk given the use of new and untested technologies. More fundamentally, even if the order delivers benefits does that justify a greater federal role in housing finance? Using the federally backed GSEs to reduce transaction costs may bring some benefits, but could also displace private alternatives and further entrench government involvement in the market.

Proactive Cancellation of "Excessive" Mortgage Insurance

Section 2 of the EO instructs the FHFA director to instruct the GSEs—where consistent with their interests, safety and soundness, and applicable requirements—to review single-family loans periodically using automated valuation models and other data, identify borrowers who appear to meet equity thresholds, and cancel "excessive" mortgage insurance when those thresholds and other conditions are satisfied. Using the language of "excessive" (and a clarification that proactive cancellation will not apply to historic private mortgage insurance) appears to attempt to differentiate between private mortgage insurance writ large and that which is unnecessary or unwanted, but does not provide any new definitional standard. The executive order also requires the creation of a pilot program for testing purposes.

Existing rules allow borrowers to request mortgage-insurance cancellation once they meet the applicable equity and other eligibility requirements. The EO would go further by directing Fannie Mae and Freddie Mac to regularly review their loans, use current property values to identify eligible borrowers, and proactively cancel mortgage insurance when all requirements are met. This could save homeowners money by ending premiums they would otherwise continue paying unnecessarily. Using automated valuation models could also reduce the need for costly appraisals and simplify the cancellation process.

The harder questions concern model risk and the credit exposure left behind. Automated valuations can overstate property values, and errors may be correlated across regions or

property types. If that leads to mortgage insurance being cancelled prematurely, the GSEs could face larger losses when borrowers default. A downturn could expose weaknesses that were less apparent in a rising market, particularly if valuation errors move together. The EO's push to employ "Super Intelligence" does not eliminate these risks; it may amplify them if models rely on flawed data or shared assumptions. FHFA will need clear eligibility standards, transparent performance measures, and ongoing model validation to ensure that cost savings do not come at the expense of sound underwriting.

Manufactured Housing and the Task Force

Section 3 of the EO establishes an interagency task force co-chaired by the Department of Housing and Urban Development and FHFA to recommend ways to expand modern factory-built housing eligible for federal programs—through common specifications, reciprocal recognition of inspections and certifications, elimination of duplicative federal requirements, and the use of federal financing and guarantee authorities. It is also to evaluate conditioning grant funding on state and local adoption of standardized permitting and to prepare legislative recommendations.

Factory-built and modular housing offer a promising way to increase supply and lower construction costs, particularly where regulation prevents manufacturers from benefiting from standardized, off-site production. The [ROAD to Housing](#) framework takes a similar approach by modernizing manufactured-housing requirements and reducing barriers to construction. The EO builds on that effort through reciprocal recognition of inspections and certifications, fewer duplicative federal requirements, and consideration of grant conditions tied to state and local permitting reform. These steps could help, but they will not resolve local zoning and land-use restrictions that prevent homes from being built in the first place. Any grant conditions should also use clear, objective standards rather than leave federal agencies broad discretion over local policy. The measure of success will be whether more homes get built faster and at lower cost.

Expanding Title Acceptance, the USDA and the VA

Section 4 of the EO directs expansion of the 2024 pilot into a nationwide program under which the GSEs may accept automated title reviews or other approved assessments in place of traditional lenders' title insurance on eligible refinances. Higher loan-to-value ratios, broader provider competition, reduced documentation for payment-reducing refinances, and lower GSE fees are all to be considered, with savings required to flow to borrowers.

The title-acceptance pilot was initially limited to certain low-risk refinances, but expanding it nationwide raises questions about who ultimately bears the risk. Title defects may be

uncommon, but losses can be significant, and any additional exposure for the GSEs will depend on how liability is divided among the GSEs, lenders, and assessment providers. Competition among providers could lower costs, but it should not come at the expense of sound standards. FHFA should establish whether automated assessments can deliver meaningful savings while keeping responsibility for errors clear and avoiding unnecessary expansion of the GSEs' role at taxpayers' expense.

The EO also directs VA and USDA to reduce interest rates on certain direct home loans, subject to applicable law and available appropriations. These reductions could benefit eligible borrowers, but their scale and fiscal implications are not established in the order, and they do little to address the underlying shortage of housing.

Conclusion

Any good-faith attempt to lower mortgage-insurance premiums, refinance closing costs, and barriers to factory-built housing is to be celebrated, but the real test is whether these measures deliver meaningful savings without increasing taxpayer exposure. The directive remains focused on making housing transactions cheaper rather than addressing the underlying shortage of homes. And while the GSEs may be useful tools for reducing certain costs, they should not become the federal government's answer to every housing-market problem. Lasting affordability will require more homes, fewer barriers to construction, and greater room for private competition—not another expansion of federal involvement in a market already struggling under the weight of its own constraints.