

# Congress of the United States

Washington, DC 20515

April 30, 2025

The Honorable Steve Womack  
Chair  
Appropriations Subcommittee on Transportation,  
Housing, and Urban Development  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Jim Clyburn  
Ranking Member  
Appropriations Subcommittee on Transportation,  
Housing, and Urban Development  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Chairman Womack and Ranking Member Clyburn:

As you finalize the Transportation, Housing, and Urban Development Appropriations Act for Fiscal Year (FY) 2026, we respectfully request that you include report language directing the Housing and Urban Development (HUD) Department to conduct a study of climate-related risks to its loan guarantee programs.

The Federal Housing Administration's (FHA) mortgage financing programs enable billions of dollars of capital to support the purchase, refinance, construction, and rehabilitation of single- and multi-family housing and assisted housing across the United States. However, due to the increasing frequency and severity of weather disasters caused by climate change, homeowners may find it challenging to make mortgage payments, which could lead to defaulting on FHA-insured loans.

In 2024, 27 climate disaster events in the U.S. resulted in nearly \$185 billion in total damages.<sup>1</sup> If homeowners cannot bear the costs of climate disasters and are unable to make payments on mortgages or other loans, these resulting defaults could push losses into different parts of the financial system.<sup>2</sup> The risk would shift to lenders—or, in the case of FHA-insured mortgages, to the federal government. Therefore, climate-related financial risk can trigger shocks in the broader financial system.

In 2021, HUD released its Climate Action Plan to address some of the risks posed by climate change to HUD's mission, programs, and operations. Specifically, the Department said that its loan guarantee programs, such as the FHA's Mutual Mortgage Insurance (MMI) and General Insurance and Special risk (GI/SR) Funds, are particularly vulnerable to climate change because of increased defaults and loss severities due to physical damage, disruptions in borrowers' ability to pay, and declining property values in specific communities.<sup>3</sup> For context, FHA's MMI Fund insures about 7.8 million single-family mortgages, which accounted for more than 16 percent of all home-purchased mortgages in 2024.<sup>4</sup> On the other hand, FHA's GI/SR Fund insures over 11,200 multi-family mortgages, 3,700 residential care facility mortgages, and 80 mortgages on hospitals.<sup>5</sup>

Given the FHA's prominent role in the mortgage market, we respectfully request that the Subcommittee include the following report language:

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<sup>1</sup> Billion-Dollar Weather and Climate Disasters. 2024. <https://www.ncei.noaa.gov/access/billions/>.

<sup>2</sup> FSOC Annual Report. 2023. <https://home.treasury.gov/system/files/261/FSOC2023AnnualReport.pdf>

<sup>3</sup> "Climate Action Plan." Nov. 2021. <https://www.hud.gov/sites/dfiles/Main/documents/HUD-Climate-Action-Plan.pdf>

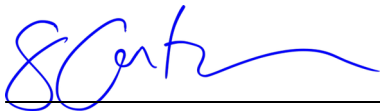
<sup>4</sup> "FHA's Annual Report to Congress on the Financial Status of the MMI Fund for Fiscal Year 2024." <https://www.hud.gov/sites/dfiles/Housing/documents/2024FHAAnnualReportMMIFund.pdf#page=5>; "FHA Single Family Market Share. 2024 Q3. <https://www.hud.gov/sites/dfiles/Housing/documents/FHA-SF-Market-Share-2024Q3.pdf> .

<sup>5</sup> "FHA Commercial Mortgage Portfolio." Sep. 2024. <https://www.hud.gov/sites/dfiles/Housing/images/FHACommMortPortSeptember2024.pdf>.

***Climate and Natural Disaster Risks to FHA-Insured Mortgages.***—The Committee notes that climate change is causing an increase in the frequency and severity of weather events, resulting in considerable physical damage to properties across the country. Climate disasters could significantly raise the number of delinquencies, defaults, and foreclosures on Federal Housing Administration-insured mortgages for single-family and multi-family properties. Therefore, the Committee directs HUD to complete a study and report on the impacts of climate change on the performance of loans insured under the Federal Housing Administration’s Mutual Mortgage Insurance (MMI) and General Insurance and Special Risk Insurance (GI/SRI) Funds. This includes the potential for reduced recoveries and higher loss severities on defaulted loans due to the impacts of climate change. The Department is further directed to identify regions of the country where FHA-insured mortgages are most exposed to climate-related risks. HUD is directed to submit this study and report it to the House Committee on Appropriations no later than one year after enactment.

This effort is crucial to understanding the impact of climate disasters broadly on the housing finance ecosystem and loan performance, specifically delinquency and default. Thank you for your consideration. We look forward to working with you and your staff through the FY 2026 Appropriations process to address climate-related financial risks in the mortgage sector.

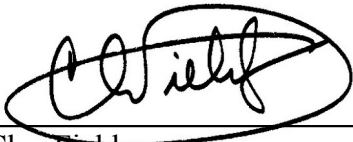
Sincerely,



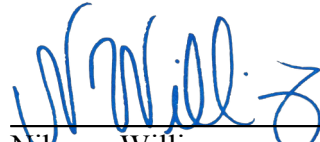
Sean Casten  
Member of Congress



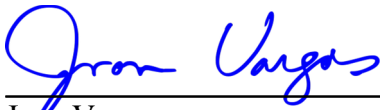
Emanuel Cleaver, II  
Member of Congress



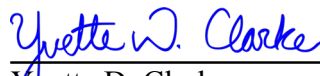
Cleo Fields  
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Nikema Williams  
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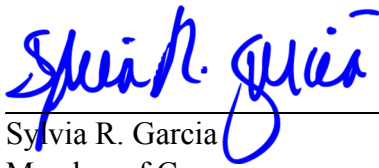
Yvette D. Clarke  
Member of Congress



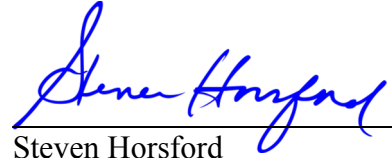
André Carson  
Member of Congress



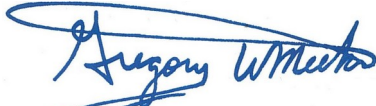
George Whitesides  
Member of Congress



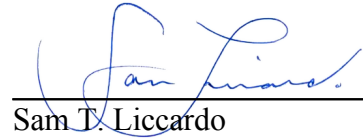
Sylvia R. Garcia  
Member of Congress



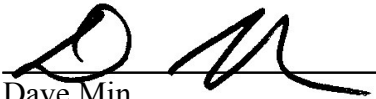
Steven Horsford  
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