GAO Highlights

MORTGAGE INSURANCE

HUD's Risk-Sharing Program and Its Role in Financing Affordable Rental Housing

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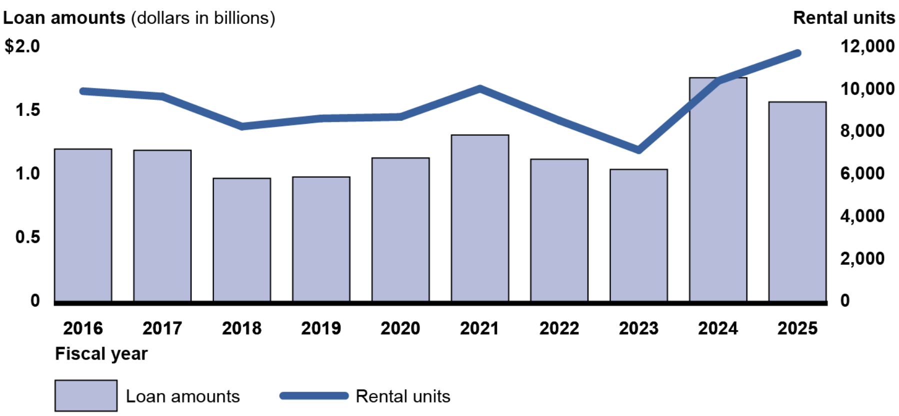
A report to congressional committees

Contact: Jill Naamane at naamanej@gao.gov

What GAO Found

Each year, the Department of Housing and Urban Development's (HUD) Federal Housing Administration (FHA) insures billions of dollars in mortgages for multifamily properties through a variety of programs. HUD's section 542(c) program provides FHA insurance for loans on affordable multifamily properties that are originated, underwritten, and serviced by housing finance agencies (HFA). The program is also known as the risk-sharing program because HUD and HFAs share the risk of loss on the loans. From fiscal years 2016 through 2025, HFAs underwrote over $12 billion (adjusted for inflation) in FHA-insured multifamily loans under the program. These loans helped finance 776 projects that are expected to produce or preserve about 93,670 rental units (see figure).

Loan Amounts and Rental Units Under HUD's Risk-Sharing Program, Fiscal Years 2016–2025



Source: GAO analysis of Department of Housing and Urban Development (HUD) data. | GAO-26-109028

Three traditional HUD mortgage insurance programs GAO selected for comparison—in which HUD-approved lenders process applications—each financed more multifamily housing than the risk-sharing program. These three programs and the risk-sharing program collectively helped finance projects expected to produce or preserve nearly 1.3 million multifamily units from fiscal years 2016 through 2025. The risk-sharing program accounted for 7 percent of the total units. The traditional programs may be used for both affordable and market-rate projects, while the risk-sharing program may be used only for affordable projects. According to HUD officials, around half of the projects under the traditional programs are market rate.

HUD's traditional and risk-sharing programs are similar in some areas but differ in other areas, partly because their requirements differ. Under the traditional programs, HUD-approved lenders prepare and submit loan applications for FHA insurance in accordance with HUD's uniform standards and procedures. Under the risk-sharing program, HFAs use their own standards and procedures. GAO found that the traditional and risk-sharing programs have some similarities in loan processing and underwriting, but HUD's role in those activities and program oversight differs. For example, HUD approves projects under the traditional programs, and HFAs approve projects under the risk-sharing program.

Why GAO Did This Study

Section 542 of the Housing and Community Development Act of 1992 directed FHA to demonstrate the effectiveness of new forms of federal credit enhancement (e.g., mortgage insurance) for multifamily housing loans. The risk-sharing program was initiated as a pilot program in 1994 and made permanent in 2001.

HFAs must be approved by HUD to participate in the risk-sharing program, and HUD had approved 37 HFAs as of July 2026. HUD delegates to state and local HFAs the authority to originate, underwrite, and service loans for the new construction, substantial rehabilitation, purchase, or refinancing of affordable multifamily housing. In general, a unit is considered affordable if rent plus utilities does not exceed 30 percent of household income. HFAs may elect to share from 10 percent to 90 percent of the loss on a loan with HUD.

Senate Report 119-47 includes a provision for GAO to review HUD's risk-sharing program. This report describes (1) how the program contributed to the production and preservation of affordable multifamily housing during fiscal years 2016–2025 and (2) how it compares with selected traditional HUD mortgage insurance programs for multifamily housing.

GAO analyzed HUD data on FHA multifamily mortgage insurance programs and reviewed HUD regulations and program documents. GAO also collected and reviewed documents on HFA multifamily programs. GAO interviewed HUD officials; representatives and HFA members of relevant HFA associations; and representatives of the Mortgage Bankers Association and two lenders.