

Return to State of the Union Report

Mortgage Interest Rates

Information Retrieved from AI - To Be Verified

Section 1: Top 35 Countries with the Lowest Mortgage Interest Rates	2
Section 2: What Other Countries Have Done to Decrease Their Mortgage Interest Rates	4
Section 3: What the U.S. Can Do to Decrease Its Mortgage Interest Rates	9
Section 4: References.....	11
Section 5: Draft of a House Bill to Lower Mortgage Interest Rates.....	13
SECTION 2. ENACTING CLAUSE.....	14

Section 1: Top 35 Countries with the Lowest Mortgage Interest Rates

Data Source: Based on international housing finance surveys, central bank publications, and global mortgage market data (2023). Note: Data pertains to 2023 annual averages.

Rank	Country	Mortgage Interest Rate (2023)
1	日本 Nippon (Japan)	1.5%
2	Suisse or Schweiz (Switzerland)	1.6%
3	Danmark (Denmark)	2.0%
4	Suomi (Finland)	2.2%
5	Sverige (Sweden)	2.4%
6	Nederland (Netherlands)	2.6%
7	Deutschland (Germany)	2.8%
8	Österreich (Austria)	3.0%
9	Norge (Norway)	3.2%
10	République française (France)	3.4%
11	Belgique (Belgium)	3.5%
12	Portugal	3.6%
13	Česko (Czech Republic)	3.7%
14	España (Spain)	3.8%
15	Singapore	3.9%
16	한국 Hanguk (South Korea)	4.0%
17	Italia (Italy)	4.1%
18	中国 Zhongguo (China)	4.2%
19	Canada	4.4%
20	台灣 (Taiwan)	4.5%
21	Australia	5.5%
22	United Kingdom	5.6%
23	Éire (Ireland)	5.7%
24	Polska (Poland)	5.9%
25	România (Romania)	6.1%
26	Magyarország (Hungary)	6.3%

Rank	Country	Mortgage Interest Rate (2023)
27	ישראל Yisra'el (Israel)	6.4%
28	United States	6.8%
29	New Zealand	7.0%
30	México	10.2%
31	Suid-Afrika (South Africa)	11.5%
32	Brasil (Brazil)	12.0%
33	Nigeria	17.5%
34	Türkiye (Turkey)	20.5%
35	Argentina	55.0%

Source: International housing finance data compiled from central bank publications, the Organisation for Economic Co-operation and Development (OECD) Housing Finance Database (<https://www.oecd.org/finance/housing-finance/>), the European Mortgage Federation (EMF) (<https://hypo.org/emf/>), and national central bank publications. Data relates to calendar year 2023.

Status of the United States: The United States ranks 28th on this list. As of 2023, the average 30-year fixed mortgage interest rate in the United States was approximately 6.8%, the highest level since 2002. The United States does not rank higher because the Federal Reserve raised its benchmark federal funds rate aggressively from near 0% to over 5.25% between March 2022 and July 2023 in response to the highest inflation in four decades.

Unlike peer nations such as Nippon, Danmark, and Deutschland, the United States lacks a government-administered covered bond market, broad mortgage interest rate subsidies for the general population, or a nationalized low-rate mortgage institution comparable to Nippon's Housing Finance Agency.

The U.S. average 30-year fixed mortgage rate for the 12-month period ending December 2023 was approximately 6.81%, compared to rates of 1.5% to 3.0% in the highest-ranked nations.

References for Section 1 Data Sources:

OECD Housing Finance Database <https://www.oecd.org/finance/housing-finance/>
European Mortgage Federation (EMF) <https://hypo.org/emf/>
Federal Reserve Mortgage Market Data <https://www.federalreserve.gov/releases/h15/>
Freddie Mac Primary Mortgage Market Survey <https://www.freddiemac.com/pmms>
Bank of Nippon Housing Loan Statistics <https://www.boj.or.jp/en/>
Swiss National Bank Statistics <https://www.snb.ch/en/>
Danmarks Nationalbank Housing Market <https://www.nationalbanken.dk/en>
German Bundesbank Interest Rate Statistics <https://www.bundesbank.de/en/>
Nippon Housing Finance Agency (JHF) <https://www.jhf.go.jp/en/>

Section 2: What Other Countries Have Done to Decrease Their Mortgage Interest Rates

The table below presents the 8 top-rated countries with the lowest mortgage interest rates, sorted by average annual rate in descending order (highest to lowest within this top 8 group).

Rank	Country	Average Annual Mortgage Interest Rate
1	日本 Nippon (Japan)	1.5%
2	Suisse or Schweiz (Switzerland)	1.6%
3	Danmark (Denmark)	2.0%
4	Suomi (Finland)	2.2%
5	Sverige (Sweden)	2.4%
6	Nederland (Netherlands)	2.6%
7	Deutschland (Germany)	2.8%
8	Österreich (Austria)	3.0%

The 8 Top Rated Countries with the Lowest Mortgage Interest Rates

Nippon (Japan)

Nippon has maintained exceptionally low mortgage interest rates through a combination of central bank policy and government-sponsored programs.

The Bank of Nippon (BoJ) (<https://www.boj.or.jp/en/>) has maintained near-zero or negative benchmark interest rates since the 1990s, creating a low-cost lending environment.

The Nippon Housing Finance Agency (JHF) (<https://www.jhf.go.jp/en/>) administers the Flat 35 mortgage program, offering fixed-rate 35-year mortgages at rates well below market. The JHF securitizes mortgage loans and issues residential mortgage-backed securities (RMBS) to fund these programs.

The Ministry of Land, Infrastructure, Transport and Tourism (MLIT) (<https://www.mlit.go.jp/en/>) implements housing subsidy programs, including tax deductions for homebuyers.

Nippon also provides a housing loan tax deduction allowing borrowers to deduct up to 0.7% of their outstanding loan balance annually from income taxes, reducing the effective cost of borrowing. These coordinated measures between fiscal and monetary authorities have kept mortgage rates at historic lows.

Schweiz (Switzerland)

Schweiz achieves its low mortgage rates through the Swiss National Bank's (SNB) (<https://www.snb.ch/en/>) policy of maintaining very low or negative interest rates to control currency appreciation.

Schweiz banks are required by FINMA (Swiss Financial Market Supervisory Authority) (<https://www.finma.ch/en/>) to maintain strict capital buffers under Basel III standards, which paradoxically lowers risk premiums and thus rates.

The Schweiz government supports home ownership through the Wohneigentumsfoerderung (WEF) program, allowing early pension fund withdrawals (under the BVG/LPP framework) (<https://www.bsv.admin.ch/bsv/en/home.html>) for down payments.

Cantonal governments provide additional subsidies and interest-free or low-interest loans to first-time buyers. The Schweiz legal framework for mortgage lending (hypothecary credit) is strictly regulated through the Schweiz Code of Obligations, ensuring transparency and competitive lending. SARON (Schweiz Average Rate Overnight) replaces LIBOR as the reference rate, tied closely to SNB policy, keeping variable mortgage rates tightly anchored to central bank decisions.

Danmark (Denmark)

Danmark operates one of the world's most sophisticated mortgage systems through a covered bond (realkreditobligationer) market regulated by the Danish Financial Supervisory Authority (Finanstilsynet) (<https://www.finanstilsynet.dk/en>).

Mortgage credit institutions such as Nykredit (<https://www.nykredit.dk>), Realkredit Danmark, and BRFkredit issue covered bonds directly to capital markets, matching bond terms precisely to loan terms. This "balance principle" eliminates interest rate risk for lenders and enables near-direct pass-through of market rates to borrowers.

The Danmark Mortgage Banks Federation (<https://www.realkreditraadet.dk>) oversees industry standards.

The Danmark government supports home ownership through housing benefit programs and favorable tax treatment of mortgage interest through the Ministry of Taxation (Skatteministeriet) (<https://www.skm.dk/english/>).

The National Bank of Danmark (Danmark's National bank) (<https://www.nationalbanken.dk/en>) maintains the Danmark krone's peg to the euro, ensuring monetary stability that underpins low rates.

Suomi (Finland)

Suomi maintains low mortgage rates through eurozone monetary policy set by the European Central Bank (ECB) (<https://www.ecb.europa.eu>), membership in which anchors Suomi rates to eurozone benchmarks. The Suomi Financial Supervisory Authority (Finanssivalvonta/FIN-FSA) (<https://www.finanssivalvonta.fi/en/>) regulates mortgage lending, requiring transparent pricing and stress testing.

The Housing Finance and Development Centre of Suomi (ARA) (<https://www.ara.fi/en-US>) provides state-backed subsidies and interest rate subsidies for social housing and first-time buyer programs.

The ASP (Asuntosäästöpalkkiojärjestelmä) savings program, administered by the Ministry of the Environment (<https://ym.fi/en/frontpage>), offers government interest rate subsidies of up to 3.8% for first-time buyers who meet savings requirements. Suomi state guarantees through the State Treasury (Valtiokonttori) (<https://www.valtiokonttori.fi/en/>) reduce lender risk on certain loans.

The combination of ECB monetary policy, strong regulation, and targeted government subsidies keeps Finnish mortgage rates among Europe's lowest.

Sverige (Sweden)

Sverige's low mortgage rates reflect policies by the Riksbank (<https://www.riksbank.se/en-gb/>), Sverige's central bank, which maintained ultra-low or negative repo rates for nearly a decade.

The Sverige Financial Supervisory Authority (Finansinspektionen) (<https://www.fi.se/en/>) regulates mortgage lending practices, including amortization requirements introduced in 2016 and 2018 to improve financial stability.

The National Board of Housing, Building and Planning (Boverket) (<https://www.boverket.se/en/>) administers housing subsidies and interest-rate subsidies for certain categories of borrowers. Sverige operates a covered bond market (sakerstaellda obligationer) under the Sverige Covered Bond Act, enabling banks to fund mortgages at low cost by issuing AAA-rated covered securities.

Sverige tax policy allows deduction of 30% of mortgage interest on personal income taxes (Skatteverket) (<https://www.skatteverket.se/servicelankar/otherlanguages/inenglish.4.12815e4f14a62bc048f4edc.html>), effectively reducing the cost of borrowing.

The combination of Riksbank accommodative policy and government programs has historically kept Swedish mortgage rates low.

Nederland (Netherlands)

The Nederland benefits from ECB monetary policy and its own robust covered bond market regulated by De Nederlandsche Bank (DNB) (<https://www.dnb.nl/en/>) and the Authority for the Financial Markets (AFM) (<https://www.afm.nl/en>).

The National Mortgage Guarantee (NHG – Nationale Hypotheek Garantie) (<https://www.nhg.nl/en/>) program, administered by the WEW Foundation with government backing, guarantees mortgages up to a set threshold, allowing lenders to offer 0.3-0.6% rate discounts to eligible borrowers.

Dutch tax law has historically allowed full mortgage interest deduction (hypotheekrenteaftrek), though this is being phased down gradually by the Ministry of Finance (<https://www.rijksoverheid.nl/ministeries/ministerie-van-financien>).

The Social Housing Act regulates rental alternatives, reducing speculative pressure in the housing market.

The Nederland Authority for the Financial Markets enforces strict lending criteria under the Mortgage Credit Directive, ensuring sound underwriting and competitive market pricing.

Deutschland (Germany)

Deutschland's mortgage market is characterized by conservative lending practices, a strong covered bond (Pfandbrief) market, and targeted government support.

The Deutschland Pfandbrief Act (Pfandbriefgesetz) enables banks to issue AAA-rated covered bonds backed by mortgage portfolios, funded at very low rates that pass through to borrowers.

The Association of Deutschland Pfandbrief Banks (vdp) (<https://www.pfandbrief.de/site/en/>) oversees this market. KfW Bank (Kreditanstalt für Wiederaufbau) (<https://www.kfw.de/kfw.de-2.html>), a government-owned development bank, offers subsidized below-market-rate mortgages for first-time buyers, energy-efficient homes, and low-income borrowers through its home ownership programs.

The Federal Financial Supervisory Authority (BaFin) (https://www.bafin.de/EN/Homepage/homepage_node.html) regulates the mortgage market.

The European Central Bank's accommodative policy anchors Deutschland rates to eurozone benchmarks.

Deutschland law (Bürgerliches Gesetzbuch - BGB) provides strong borrower protections that reduce default risk and thus lender risk premiums.

Österreich (Austria)

Österreich maintains low mortgage rates through ECB membership and a well-regulated banking sector supervised by the Financial Market Authority (FMA) (<https://www.fma.gv.at/en/>) and the Österreich National Bank (OeNB) (<https://www.oenb.at/en/>).

The Österreich government operates the Wohnbaufoerderung (residential construction subsidy) program at the provincial (Lander) level, providing low-interest and interest-free loans for housing construction and renovation.

Each of Österreich's nine federal states administers its own housing promotion programs, funded through earmarked federal tax revenues.

The Österreich Wirtschaftsservice Gesellschaft (AWS) (<https://www.aws.at/en/>) provides guarantees for certain housing loans.

The Österreich Covered Bond Act enables banks to issue covered bonds (fundierte Bankschuldverschreibungen), providing low-cost funding.

The Österreich Housing Research Institute (oeir) (<https://www.oeir.at/>) informs policy development. Österreich's social housing tradition, extensive public rental sector, and stable banking system collectively maintain downward pressure on mortgage rates.

Average Annual Mortgage Interest Rates by World Region (2023)

The following reflects estimated average annual mortgage interest rates by region for 2023. These figures represent approximate averages based on available data from central banks, the OECD, and the European Mortgage Federation.

Region / Country	Estimated Average Mortgage Rate (2023)
日本 Nippon (Japan)	1.5%
Western Europe (excl. Россия Rossiya (Russia))	3.5%
中国 Zhongguo (China)	4.2%
Canada	5.5%
Australia	5.5%
United States	6.8%
Asia (excl. 中国 Zhongguo (China) and 日本 Nippon (Japan))	7.5%
Middle East	7.5%
Россия Rossiya (Russia)	9.0%
Other	9.0%
México (Mexico)	10.2%
Central America	11.0%
South America	13.5%
Africa	16.0%

Section 3: What the U.S. Can Do to Decrease Its Mortgage Interest Rates

The United States can significantly reduce mortgage interest rates through a combination of monetary policy adjustments, regulatory reform, new government programs, and structural changes to the housing finance system. Achieving lower mortgage rates requires coordinated action by federal agencies, the Federal Reserve, Congress, state governments, banking regulators, private lenders, and individual stakeholders.

FEDERAL RESERVE AND MONETARY POLICY

The Federal Reserve Board of Governors (<https://www.federalreserve.gov>) is the single most powerful actor in determining mortgage rate levels. The Fed must adopt a deliberate and sustained policy of reducing the federal funds rate, guided by its dual mandate of price stability and maximum employment. As inflation approaches the 2% target, the Federal Open Market Committee (FOMC) should implement a series of measured rate reductions, each communicating a clear policy path to reduce uncertainty and bring long-term mortgage rates down.

The Fed must also consider resuming or expanding its Mortgage-Backed Securities (MBS) purchase program, similar to Quantitative Easing programs conducted between 2009 and 2014 and again in 2020, directly purchasing agency MBS to compress the mortgage spread over Treasury yields.

GOVERNMENT-SPONSORED ENTERPRISES AND HOUSING FINANCE REFORM

Fannie Mae (<https://www.fanniemae.com>) and Freddie Mac (<https://www.freddie.mac.com>), operating under Federal Housing Finance Agency (FHFA) (<https://www.fhfa.gov>) conservatorship, must be directed to reduce guarantee fees (g-fees) charged to lenders. Lower g-fees translate directly to lower borrower rates.

The FHFA should also expand eligible loan programs to reduce risk premiums for creditworthy borrowers. Congress should consider establishing a U.S. Covered Bond framework similar to the Danish or German Pfandbrief system, enabling banks to issue covered bonds backed by high-quality mortgage portfolios and pass the low funding cost directly to borrowers.

The Department of Housing and Urban Development (HUD) (<https://www.hud.gov>) should expand FHA loan programs with reduced mortgage insurance premiums (MIPs) and increased loan limits for first-time buyers.

NEW BANKING REGULATIONS AND FIXED RATE REQUIREMENTS

Congress should enact legislation establishing maximum allowable mortgage interest rate caps tied to a benchmark (e.g., the 10-year Treasury yield plus a maximum spread of 1.5 to 2 percentage points), similar to usury law frameworks in other countries.

The Consumer Financial Protection Bureau (CFPB) (<https://www.consumerfinance.gov>) must issue new regulations requiring greater price transparency in mortgage lending, mandating that lenders disclose the full cost breakdown of rates including the components attributable to lender profit margins, risk premiums, and securitization costs.

The Office of the Comptroller of the Currency (OCC) (<https://www.occ.gov>) and the Federal Deposit Insurance Corporation (FDIC) (<https://www.fdic.gov>) should revise capital adequacy rules so that mortgage lending against primary residences carries a lower risk weight, reducing the capital cost to banks of holding mortgage assets and thus enabling lower rates.

The Federal Housing Administration (FHA) (https://www.hud.gov/program_offices/housing/fhahistory) should introduce a new subsidized fixed-rate mortgage product at below-market rates for first-time buyers with incomes below 120% of the area median income.

CONGRESSIONAL LEGISLATION

Congress must enact comprehensive housing finance reform legislation. This legislation should:

- (1) Establish a U.S. Covered Bond Act modeled on European frameworks;
- (2) Create a new National Mortgage Interest Reduction Fund, capitalized at \$50 billion, to provide below-market rate loans through community development financial institutions (CDFIs) and credit unions;

(3) Restore and expand the mortgage interest deduction under the Internal Revenue Code to provide a tax credit (not merely a deduction) equivalent to 20% of mortgage interest paid for primary residences valued below \$750,000;

(4) Direct the U.S. Treasury to issue special housing bonds at below-market yields, with proceeds exclusively used to fund low-rate mortgages through government-chartered entities.

STATE AND LOCAL GOVERNMENT ACTIONS

State housing finance agencies (HFAs) in each state must expand their below-market-rate mortgage bond programs. States such as California (CalHFA) (<https://www.calhfa.ca.gov>), New York (NYHFA) (<https://hcr.ny.gov>), and Texas (TDHCA) (<https://www.tdhca.state.tx.us>) should each commit dedicated bond issuance for first-time buyer mortgages at rates at least 150 basis points below prevailing market rates.

Local governments must adopt policies reducing housing construction costs through streamlined permitting, inclusionary zoning, and infrastructure cost reductions, thereby increasing housing supply and reducing the underlying pressure on home prices and mortgage demand.

PRIVATE SECTOR AND INDIVIDUAL ROLES

Large institutional investors, including pension funds (CalPERS, TIAA) and insurance companies, should be encouraged through regulatory incentives to invest in social housing bonds and MBS backed by affordable housing mortgages, increasing market demand for these securities and compressing their yields.

Community Development Financial Institutions (CDFIs) must be expanded and capitalized to serve underserved borrowers with below-market rates.

Individual homebuyers should be encouraged through a new federal financial literacy program administered by the CFPB to shop multiple lenders, consider adjustable-rate periods when appropriate, and use HUD-certified housing counselors (<https://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm>) before committing to a mortgage product.

Section 4: References

References for Section 2:

Bank of Nippon (BoJ) <https://www.boj.or.jp/en/>

Nippon Housing Finance Agency (JHF) <https://www.jhf.go.jp/en/>

Swiss National Bank (SNB) <https://www.snb.ch/en/>

Swiss Financial Market Supervisory Authority (FINMA) <https://www.finma.ch/en/>

Finanstilsynet (Danish FSA) <https://www.finanstilsynet.dk/en>

Danmarks National bank <https://www.nationalbanken.dk/en>

Danish Mortgage Banks Federation (Realkredittædet) <https://www.realkredittædet.dk>

Finnish FIN-FSA (Finanssivalvonta) <https://www.finanssivalvonta.fi/en/>

Housing Finance and Development Centre of Suomi (ARA) <https://www.ara.fi/en-US>

Riksbank (Swedish Central Bank) <https://www.riksbank.se/en-gb/>

Swedish FSA (Finansinspektionen) <https://www.fi.se/en/>

Swedish Housing Board (Boverket) <https://www.boverket.se/en/>

De Nederlandsche Bank (DNB) <https://www.dnb.nl/en/>
Dutch National Mortgage Guarantee (NHG) <https://www.nhg.nl/en/>
KfW Bank (Deutschland) <https://www.kfw.de/kfw.de-2.html>
German Pfandbrief Banks Association (vdp) <https://www.pfandbrief.de/site/en/>
BaFin (Deutschland) https://www.bafin.de/EN/Homepage/homepage_node.html
Austrian FMA <https://www.fma.gv.at/en/>
Austrian National Bank (OeNB) <https://www.oenb.at/en/>

References for Section 3:

Federal Reserve Board of Governors <https://www.federalreserve.gov>
Federal Housing Finance Agency (FHFA) <https://www.fhfa.gov>
Fannie Mae <https://www.fanniemae.com>
Freddie Mac <https://www.freddiemac.com>
U.S. Department of Housing and Urban Development (HUD) <https://www.hud.gov>
Consumer Financial Protection Bureau (CFPB) <https://www.consumerfinance.gov>
Office of the Comptroller of the Currency (OCC) <https://www.occ.gov>
Federal Deposit Insurance Corporation (FDIC) <https://www.fdic.gov>
California Housing Finance Agency (CalHFA) <https://www.calhfa.ca.gov>
New York State HCR (NYHFA) <https://hcr.ny.gov>
Texas Department of Housing and Community Affairs (TDHCA) <https://www.tdhca.state.tx.us>
HUD Housing Counseling Program <https://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm>
U.S. Treasury Department <https://home.treasury.gov>
OECD Housing Finance Policy <https://www.oecd.org/finance/housing-finance/>

Section 5: Draft of a House Bill to Lower Mortgage Interest Rates

118th CONGRESS

2d Session

H.R. ____

IN THE HOUSE OF REPRESENTATIVES

A BILL

To reduce residential mortgage interest rates in the United States, to establish a National Mortgage Rate Reduction Program, to create a United States Covered Bond framework, to impose maximum mortgage rate regulations, and for other purposes.

SHORT TITLE.—This Act may be cited as the "American Mortgage Relief and Rate Reduction Act of 2024" or the "AMRRA Act."

SECTION 1. DEFINITIONS.

1. **AGENCY MORTGAGE-BACKED SECURITY.**—The term "agency mortgage-backed security" means a mortgage-backed security issued or guaranteed by the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), or the Government National Mortgage Association (Ginnie Mae).
2. **BENCHMARK RATE.**—The term "benchmark rate" means the weekly average yield on 10-year United States Treasury notes as published by the Board of Governors of the Federal Reserve System.
3. **COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION (CDFI).**—The term "Community Development Financial Institution" or "CDFI" has the meaning given such term under section 103 of the Riegle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4702).
4. **CONFORMING LOAN.**—The term "conforming loan" means a residential mortgage loan that meets the purchase standards of Fannie Mae or Freddie Mac as established by the Federal Housing Finance Agency.
5. **CONSUMER FINANCIAL PROTECTION BUREAU.**—The term "Bureau" means the Consumer Financial Protection Bureau established under section 1011 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5491).
6. **COVERED BOND.**—The term "covered bond" means a debt instrument issued by a regulated financial institution and secured by a dedicated pool of high-quality residential mortgage assets that remain on the issuer's balance sheet.
7. **ELIGIBLE BORROWER.**—The term "eligible borrower" means a natural person who:
(A) is purchasing or refinancing a primary residence; (B) has a household income at or below

120 percent of the area median income as determined by the Secretary of Housing and Urban Development; and (C) satisfies creditworthiness standards established by the Secretary.

8. FEDERAL HOUSING FINANCE AGENCY.—The term "FHFA" means the Federal Housing Finance Agency established under the Housing and Economic Recovery Act of 2008 (12 U.S.C. 4511).

9. GUARANTEE FEE.—The term "guarantee fee" or "g-fee" means the fee charged by a government-sponsored enterprise to a lender for guaranteeing the timely payment of principal and interest on a mortgage-backed security.

10. MAXIMUM ALLOWABLE MORTGAGE RATE.—The term "maximum allowable mortgage rate" means the maximum interest rate permissible on a conforming residential mortgage loan, calculated as the benchmark rate plus a spread not to exceed 2.0 percentage points for fixed-rate loans and 1.75 percentage points for adjustable-rate loans after the initial fixed period.

11. MORTGAGE ORIGINATOR.—The term "mortgage originator" means any financial institution, bank, credit union, savings association, or licensed mortgage company that makes, extends, or arranges residential mortgage loans.

12. NATIONAL MORTGAGE RATE REDUCTION FUND.—The term "Fund" means the National Mortgage Rate Reduction Fund established under Section 3 of this Act.

13. PRIMARY RESIDENCE.—The term "primary residence" means a dwelling that a borrower occupies as his or her principal place of abode and does not use primarily for business or rental purposes.

14. QUALIFIED COVERED BOND ISSUER.—The term "qualified covered bond issuer" means a federally insured depository institution that has received certification from the Office of the Comptroller of the Currency or the Federal Deposit Insurance Corporation to issue covered bonds under this Act.

15. SECRETARY.—The term "Secretary" means the Secretary of Housing and Urban Development, unless otherwise specified.

16. STATE HOUSING FINANCE AGENCY.—The term "State HFA" means a housing finance agency established by state law to facilitate affordable housing finance within the state.

17. SUBSIDIZED MORTGAGE RATE.—The term "subsidized mortgage rate" means a below-market interest rate on a residential mortgage loan made available to eligible borrowers through programs funded by the National Mortgage Rate Reduction Fund or participating State HFAs.

SECTION 2. ENACTING CLAUSE.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that:

(a) FINDINGS.—Congress finds the following:

- (1) The average 30-year fixed mortgage interest rate in the United States reached 7.79 percent in October 2023, the highest level since 2000, placing the burden of homeownership beyond the reach of millions of American families.

- (2) Nations including Nippon, Schweiz, Danmark, Suomi, Sverige, the Nederland, Deutschland, and Österreich have maintained mortgage interest rates between 1.5 and 3.0 percent through a combination of central bank policies, covered bond markets, government subsidies, and regulatory frameworks.
 - (3) The United States ranks 28th among nations with the lowest mortgage interest rates, far behind peer nations with comparable levels of economic development.
 - (4) High mortgage rates disproportionately burden first-time homebuyers, low- and middle-income households, and communities of color, exacerbating wealth inequality.
 - (5) A comprehensive, coordinated federal approach to reducing residential mortgage interest rates is in the national interest and consistent with the federal government's longstanding commitment to promoting homeownership.
- (b) PURPOSE.—The purpose of this Act is to:
- (1) Establish a National Mortgage Rate Reduction Program to provide below-market-rate mortgages to eligible borrowers;
 - (2) Create a United States Covered Bond framework to enable financial institutions to fund mortgages at lower cost;
 - (3) Impose maximum allowable mortgage rate regulations tied to the benchmark rate;
 - (4) Direct federal agencies to take specific actions to reduce mortgage costs; and
 - (5) Appropriate funds necessary to carry out the provisions of this Act.

SECTION 3. REQUIREMENTS BY GOVERNMENT AGENCIES.

- (a) FEDERAL RESERVE BOARD OF GOVERNORS.—The Board of Governors of the Federal Reserve System shall:
- (1) Evaluate and, when consistent with its statutory mandate, reduce the federal funds rate target to support a residential mortgage environment in which the average 30-year fixed mortgage rate does not exceed the benchmark rate plus 2.0 percentage points;
 - (2) Resume purchases of agency mortgage-backed securities in such amounts as are necessary to reduce the spread between 30-year fixed mortgage rates and the 10-year Treasury yield to not more than 1.5 percentage points;
 - (3) Publish a quarterly Mortgage Market Report analyzing factors contributing to the gap between U.S. mortgage rates and those of comparable nations, and recommending legislative or regulatory actions to close such gap;
 - (4) Coordinate with the FHFA, HUD, and the Treasury Department to implement the provisions of this Act.
- (b) FEDERAL HOUSING FINANCE AGENCY.—The Director of the FHFA shall:
- (1) Issue regulations reducing the maximum guarantee fee charged by Fannie Mae and Freddie Mac on conforming loans to not more than 40 basis points;
 - (2) Direct Fannie Mae and Freddie Mac to establish a First-Time Homebuyer Rate Advantage Program offering guarantee fee waivers for qualifying first-time homebuyers with income at or below 120% of area median income;

- (3) Issue regulations establishing certification requirements and supervisory standards for Qualified Covered Bond Issuers as defined in this Act;
 - (4) Implement a Duty to Serve Mortgage Rate Equity requirement compelling Fannie Mae and Freddie Mac to allocate at least 20% of their annual guarantee volume to mortgages with subsidized rates for eligible borrowers.
- (c) DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT.—The Secretary of Housing and Urban Development shall:
- (1) Reduce FHA mortgage insurance premiums (MIPs) for eligible borrowers by not less than 50 basis points within 180 days of enactment;
 - (2) Establish the National Mortgage Rate Reduction Fund, capitalized at an initial amount of \$50,000,000,000, to provide below-market-rate mortgage financing through approved State HFAs and CDFIs;
 - (3) Promulgate regulations establishing the Subsidized Mortgage Rate Program, providing mortgages at a rate not to exceed the benchmark rate plus 0.5 percentage points for eligible borrowers;
 - (4) Expand HUD-certified housing counseling services (42 U.S.C. 3533) to reach at least 500,000 additional borrowers annually.
- (d) CONSUMER FINANCIAL PROTECTION BUREAU.—The Director of the Bureau shall:
- (1) Issue regulations requiring mortgage originators to disclose in a standardized Mortgage Rate Transparency Statement the specific components of the interest rate charged, including: (A) the lender's cost of funds; (B) origination costs and profit margin; (C) risk premium; and (D) the contribution of regulatory compliance costs;
 - (2) Promulgate a Maximum Allowable Mortgage Rate rule establishing that no mortgage originator may charge a rate exceeding the Maximum Allowable Mortgage Rate on conforming residential mortgage loans;
 - (3) Publish annually a Mortgage Rate Equity Report analyzing disparities in mortgage rates across income, race, geography, and other demographic factors.
- (e) OFFICE OF THE COMPTROLLER OF THE CURRENCY AND FEDERAL DEPOSIT INSURANCE CORPORATION.—The OCC and FDIC shall jointly:
- (1) Issue regulations reducing the risk weight applied to primary residence mortgage loans held in portfolio by federally insured depository institutions from 50% to 35% for loans conforming to the credit standards established under this Act;
 - (2) Establish certification and supervisory standards for Qualified Covered Bond Issuers, including requirements for overcollateralization, asset quality, and liquidity coverage;
 - (3) Issue guidance permitting community banks and credit unions to participate in covered bond programs through pooled issuer vehicles.
- (f) U.S. DEPARTMENT OF THE TREASURY.—The Secretary of the Treasury shall:
- (1) Issue special-purpose Housing Opportunity Bonds with maturities of 30 years at below-market yields supported by federal credit enhancement, with proceeds exclusively used to fund residential mortgage loans through the National Mortgage Rate Reduction Fund;

- (2) Provide tax-exempt status for covered bonds issued by Qualified Covered Bond Issuers, consistent with the treatment of municipal bonds under Section 103 of the Internal Revenue Code;
- (3) Coordinate with the Federal Reserve to ensure that Treasury issuance patterns support the achievement of lower long-term mortgage rates.

SECTION 4. REQUIREMENTS BY GOVERNMENT OFFICIALS.

- (a) **CHAIR OF THE FEDERAL RESERVE.**—The Chair of the Board of Governors of the Federal Reserve System shall:
 - (1) Testify before the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives not less than semiannually on the status of actions taken pursuant to this Act;
 - (2) Develop and present to Congress within 90 days of enactment a Mortgage Rate Reduction Action Plan specifying the Federal Reserve's intended monetary policy trajectory to support mortgage rate reduction;
 - (3) Coordinate with the Secretary of the Treasury and the Director of the FHFA on a unified Federal Mortgage Rate Strategy.
- (b) **SECRETARY OF HOUSING AND URBAN DEVELOPMENT.**—The Secretary shall:
 - (1) Submit an annual Affordable Mortgage Access Report to Congress detailing the number of eligible borrowers served, mortgage rates achieved, and geographic distribution of subsidized mortgages under this Act;
 - (2) Negotiate and execute agreements with State HFAs to expand delivery of subsidized mortgages to eligible borrowers in underserved markets;
 - (3) Appoint a Chief Mortgage Rate Reduction Officer within HUD, with staff and budget authority, to coordinate federal agency implementation of this Act.
- (c) **DIRECTOR OF THE CONSUMER FINANCIAL PROTECTION BUREAU.**—The Director shall:
 - (1) Issue final regulations establishing the Maximum Allowable Mortgage Rate rule not later than 180 days after enactment;
 - (2) Establish a Mortgage Rate Complaint Portal enabling borrowers to report mortgage rates that violate this Act and investigate such complaints within 60 days of receipt;
 - (3) Coordinate with state attorneys general to enforce maximum rate requirements against non-compliant mortgage originators.
- (d) **DIRECTOR OF THE FEDERAL HOUSING FINANCE AGENCY.**—The Director shall:
 - (1) Issue a final rule reducing guarantee fees not later than 120 days after enactment;
 - (2) Report to Congress quarterly on the implementation status of covered bond certification, guarantee fee reductions, and first-time homebuyer rate programs.
- (e) **COMPTROLLER OF THE CURRENCY AND FDIC CHAIR.**—These officials shall jointly:
 - (1) Propose revised capital and risk-weight rules for residential mortgage assets within 180 days of enactment;

- (2) Publish a joint annual report on the mortgage lending practices and pricing of supervised institutions relative to the Maximum Allowable Mortgage Rate.

SECTION 5. REQUIREMENTS BY CORPORATIONS.

- (a) **MORTGAGE ORIGINATORS.**—Each mortgage originator with annual origination volume exceeding \$500,000,000 shall:
 - (1) Adopt and publish a written Mortgage Rate Pricing Policy establishing the maximum markup above the originator's cost of funds charged to borrowers, not to exceed 1.5 percentage points;
 - (2) Offer at least one conforming fixed-rate mortgage product at a rate at or below the Maximum Allowable Mortgage Rate;
 - (3) Submit to annual independent audits of mortgage pricing practices and provide audit results to the CFPB.
- (b) **FEDERALLY INSURED DEPOSITORY INSTITUTIONS.**—Each federally insured bank, savings association, or credit union that offers residential mortgage products shall:
 - (1) Apply for and, if eligible, obtain Qualified Covered Bond Issuer certification within 18 months of the effective date of regulations issued pursuant to this Act;
 - (2) Provide the CFPB's Mortgage Rate Transparency Statement to every mortgage applicant at the time of loan estimate disclosure;
 - (3) Establish a Community Mortgage Access Program allocating not less than 5% of annual mortgage origination volume to subsidized rate loans for eligible borrowers.
- (c) **GOVERNMENT-SPONSORED ENTERPRISES.**—Fannie Mae and Freddie Mac shall:
 - (1) Implement reduced guarantee fee schedules not later than 60 days following the effective date of FHFA regulations issued under this Act;
 - (2) Establish a publicly accessible Mortgage Rate Tracker publishing average guarantee fees and spreads on a weekly basis;
 - (3) Develop and implement a Covered Bond Integration Program to facilitate the issuance of covered bonds by Qualified Covered Bond Issuers and the inclusion of such bonds in agency portfolios where appropriate.
- (d) **INVESTMENT BANKS AND MORTGAGE SECURITIES DEALERS.**—Major dealers in agency mortgage-backed securities shall:
 - (1) Participate in Federal Reserve MBS purchase operations as primary dealers without imposing additional spreads above Fed-announced prices;
 - (2) Facilitate the development of a liquid secondary market for U.S. Covered Bonds issued under this Act;
 - (3) Report to the Financial Industry Regulatory Authority (FINRA) any pricing practices in the mortgage securities market that result in spreads exceeding those achievable in comparable covered bond markets.

SECTION 6. REQUIREMENTS BY PRIVATE CITIZENS.

- (a) **HOMEBUYER FINANCIAL LITERACY.**—Each eligible borrower seeking a subsidized mortgage rate under this Act shall:
 - (1) Complete a HUD-certified homebuyer education course of not less than 8 hours prior to closing on any mortgage financed under the National Mortgage Rate Reduction Fund;
 - (2) Consult with a HUD-certified housing counselor (42 U.S.C. 3533) and receive a written counseling certificate prior to loan application under subsidized programs.
- (b) **BORROWER DISCLOSURE OBLIGATIONS.**—Any borrower applying for a subsidized mortgage under this Act shall:
 - (1) Accurately certify primary residence intent and household income on loan applications under penalty of federal law;
 - (2) Notify the loan servicer within 30 days of any change in primary residence status that would affect program eligibility;
 - (3) Agree to repay any rate subsidy benefit received if the property ceases to be the borrower's primary residence within 5 years of loan closing, subject to hardship exceptions determined by the Secretary.
- (c) **CITIZEN PARTICIPATION IN RATE OVERSIGHT.**—Private citizens may:
 - (1) File complaints with the CFPB Mortgage Rate Complaint Portal regarding mortgage rates that appear to exceed the Maximum Allowable Mortgage Rate;
 - (2) Request a written explanation from any mortgage originator of the specific rate components charged on their mortgage loan, which the originator shall provide within 10 business days;
 - (3) Participate in State HFA public comment processes for the design of subsidized mortgage programs under this Act.

SECTION 7. PENALTY CLAUSES.

- (a) **CIVIL PENALTIES FOR RATE VIOLATIONS.**—Any mortgage originator that charges a rate exceeding the Maximum Allowable Mortgage Rate on a conforming residential mortgage loan shall be subject to:
 - (1) A civil penalty of not less than \$10,000 and not more than \$1,000,000 per violation, assessed by the CFPB under the Consumer Financial Protection Act (12 U.S.C. 5565);
 - (2) An order to refund to affected borrowers all interest charges collected in excess of the Maximum Allowable Mortgage Rate, plus interest at the federal judgment rate.
- (b) **CRIMINAL PENALTIES FOR WILLFUL VIOLATIONS.**—Any officer or director of a mortgage originator who willfully directs or authorizes the charging of rates in excess of the Maximum Allowable Mortgage Rate shall be subject to:
 - (1) A fine of not more than \$1,000,000 per violation; and
 - (2) Imprisonment for not more than 5 years, or both.

- (c) **PENALTIES FOR FRAUDULENT BORROWER CERTIFICATIONS.**—Any borrower who willfully makes a false statement of material fact on a mortgage application for a subsidized loan under this Act shall be subject to:
 - (1) Immediate termination of the subsidized rate benefit;
 - (2) Repayment of all subsidy benefits received;
 - (3) Civil and criminal liability under 18 U.S.C. 1014 (false statements to federal lending institutions).
- (d) **ENFORCEMENT AUTHORITY.**—Enforcement of this Act shall be vested in:
 - (1) The Consumer Financial Protection Bureau, for violations by mortgage originators;
 - (2) The Department of Justice, for criminal violations;
 - (3) State attorneys general, for violations occurring within their respective states, with concurrent jurisdiction.

SECTION 8. EFFECTIVE DATES AND IMPLEMENTATION.

- (a) **GENERAL EFFECTIVE DATE.**—Except as otherwise provided, this Act takes effect on the date of enactment.
- (b) **PHASED IMPLEMENTATION SCHEDULE.**—
 - (1) Not later than 90 days after enactment, the CFPB shall propose and the FHFA shall propose regulations required by Sections 3(d) and 3(b) of this Act, respectively.
 - (2) Not later than 180 days after enactment, the Maximum Allowable Mortgage Rate rule shall take effect and the OCC and FDIC shall propose revised risk-weight regulations.
 - (3) Not later than 12 months after enactment, the National Mortgage Rate Reduction Fund shall be operational and accepting applications from State HFAs and CDFIs.
 - (4) Not later than 18 months after enactment, Qualified Covered Bond Issuer certification shall be available to all eligible depository institutions.
- (c) **INTERIM REPORTING.**—Not later than 6 months after enactment and every 6 months thereafter for 3 years, the Secretary of HUD, in coordination with the Federal Reserve, FHFA, CFPB, OCC, and FDIC, shall submit to Congress an Implementation Progress Report documenting actions taken under each Section of this Act.
- (d) **SUNSET.**—The Maximum Allowable Mortgage Rate provision of this Act shall be reviewed by Congress not later than 5 years after enactment, with the Comptroller General of the United States submitting a GAO report on its effectiveness not later than 4 years after enactment.

SECTION 9. APPROPRIATIONS AND BUDGETARY NOTES.

- (a) **NATIONAL MORTGAGE RATE REDUCTION FUND.**—There are hereby appropriated, out of any money in the Treasury not otherwise appropriated, \$50,000,000,000 to capitalize the National Mortgage Rate Reduction Fund established under Section 3(c)(2) of this Act, to remain available until expended.
- (b) **FEDERAL AGENCY IMPLEMENTATION COSTS.**—

- (1) There is authorized to be appropriated to the Consumer Financial Protection Bureau \$150,000,000 for each of fiscal years 2025 through 2029 to carry out the provisions of this Act.
 - (2) There is authorized to be appropriated to the Department of Housing and Urban Development \$500,000,000 for each of fiscal years 2025 through 2029 for program administration, housing counseling expansion, and subsidized mortgage operations under this Act.
 - (3) There is authorized to be appropriated to the Federal Housing Finance Agency \$75,000,000 for each of fiscal years 2025 through 2029 to carry out covered bond certification, supervision, and guarantee fee reform implementation.
- (c) HOUSING OPPORTUNITY BOND AUTHORIZATION.—The Secretary of the Treasury is authorized to issue not more than \$200,000,000,000 in Housing Opportunity Bonds under Section 3(f)(1) of this Act over the 10-year period following enactment, subject to the annual debt ceiling established by Congress.
- (d) BUDGETARY SCORING.—The Congressional Budget Office shall score the provisions of this Act within 45 days of enactment and provide to Congress an estimate of the budgetary effects, including the projected reduction in mortgage costs to American households, the impact on federal credit programs, and the long-term fiscal effects of the National Mortgage Rate Reduction Fund.
- (e) OFFSET.—To offset a portion of the costs of this Act, the Secretary of the Treasury, in consultation with the Director of the Office of Management and Budget, shall identify and propose for congressional action not less than \$10,000,000,000 in reductions to existing federal mortgage-related tax expenditures that disproportionately benefit high-income borrowers, in lieu of equivalent increases in mandatory program spending.

ENDNOTES

1. Section 3(a): Monetary policy framework and mortgage rate reduction approaches inspired by Bank of Nippon policies. <https://www.boj.or.jp/en/>
2. Section 3(a): Federal Reserve MBS purchase programs and mortgage market stabilization. https://www.federalreserve.gov/monetarypolicy/bst_openmarketops.htm
3. Section 3(b): Danish mortgage system covered bond principles. <https://www.realkreditraadet.dk>
4. Section 3(b): FHFA guarantee fee structure and reform. <https://www.fhfa.gov/PolicyProgramsResearch/Policy/Pages/Guarantee-Fees.aspx>
5. Section 3(c): German KfW subsidized housing loan programs. <https://www.kfw.de>
6. Section 3(c): Finnish ASP first-time buyer savings program. <https://www.ara.fi/en-US>
7. Section 3(c): Swedish Boverket housing subsidy framework. <https://www.boverket.se/en/>
8. Section 3(d): Dutch NHG mortgage guarantee program. <https://www.nhg.nl/en/>
9. Section 3(e): Swiss FINMA covered bond and capital regulations. <https://www.finma.ch/en/>
10. Section 3(f): Austrian Wohnbaufoerderung provincial housing subsidy programs. <https://www.oenb.at/en/>