Insurance
Deep Dive

Homeowners Threatened by Costly Roof Repairs in Trump FHFA Move

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Summary by Bloomberg AI AI Generated

- Fannie Mae and Freddie Mac's US regulator is pushing to allow for cheaper roof insurance coverage on mortgages backed by the companies, with homeowners only having to purchase "actual cash value" insurance coverage for roofs.
- The rule change may leave many policyholders in the lurch when they need to make a claim, as they would be on the hook for the difference between the depreciated value of their roofs and what it costs to replace them.
- Critics say the rule change weakens homeowners' protections while doing little to address the underlying problems in the insurance market that are driving high costs, and that it may lead to patchwork repair jobs or homeowners forgoing repairs entirely.

Fannie Mae and Freddie Mac’s US regulator is pushing to allow for cheaper roof insurance coverage on mortgages backed by the companies, but the rule change also leave many policyholders in the lurch when they need to make a claim, industry watchers say.

Homeowners will only have to purchase “actual cash value” insurance coverage for roofs—typically paying out smaller amounts for repairs, reflecting property wear and tear—rather than “replacement cost value” that will still be required for everything but roofs, under new rules announced this month by the Federal Housing Finance Agency.

The loosening of insurance requirements is part of the Trump administration’s wish to make housing more affordable, billed as a response to rising insurance costs and what Fannie and Freddie’s regulator called a “stupid Biden-era” policy.

But while some homeowners may pay a lower upfront premium by buying ACV coverage, they would be on the hook for—and in some cases, unable to afford—the difference between the depreciated value of their roofs and what it costs to replace them if a major storm hits.

“Having insurance that doesn’t help you rebuild your home makes insurance more of a compliance product than a protection product,” said Douglas Heller, who serves as director of insurance at the Consumer Federation of America, an association of nonprofit consumer organizations.

The risk is that homeowners will opt for patchwork repair jobs or forgo repairs entirely, leading to further deterioration, said Chris Theall, a roofing contractor based in South Carolina.

It’s a high-stakes gamble, both for homeowners and for industry groups who support the rollback of Biden-era guidance intended to enforce long-standing RCV coverage requirements.

Roof repair and replacement costs exceeded $30 billion in 2024, and roof-related items represented more than a quarter of all residential claim value, according to a report last year from Verisk Analytics Inc., which provides risk-assessment services for insurers.

Insurance is generally regulated at the state level. But Fannie and Freddie, which support about 70% of the mortgage market, and their federal regulator can dictate the type of insurance coverage that many homeowners must carry.

The insurance standards exist to ensure people can afford to rebuild, Heller said. But they’re also a way to protect lenders from borrowers who get saddled with major repairs and end up unable to pay back their loan, he said.

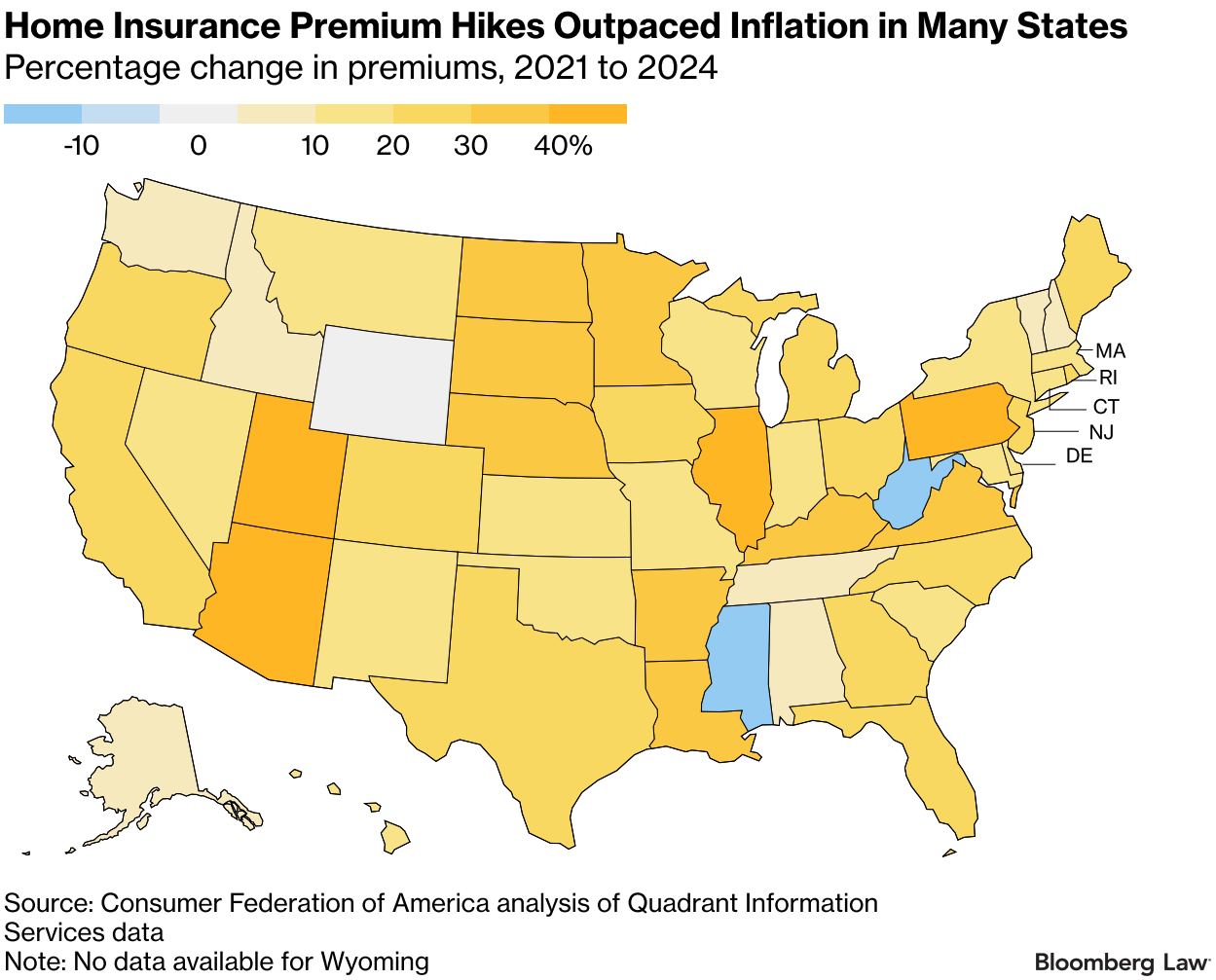
The FHFA is led by Trump appointee Bill Pulte, who this week alleged that New York Attorney General Letitia James may have defrauded insurers by providing false information in homeowner policy applications.

The agency didn’t respond to a request for comment.

Affordability Concerns

Many homeowners are contending with steep price increases on insurance policies or losing coverage altogether, as carriers respond to extreme weather and high rebuilding costs.

From 2021 to 2024, homeowners insurance premiums increased by 24% on average nationwide, a CFA report showed. Premiums went up by some amount in 95% of ZIP codes, the report said.



But the rule change only weakens homeowners' protections while doing little to address the underlying problems in the insurance market that are driving high costs, Heller said.

Other consumer advocates agreed.

"We see this as a shortsighted political solution to the affordability problem that requires a more robust solution," Amy Bach, the executive director for United Policyholders, an insurance consumer group, said by email.

One idea floated this month by the Brookings Institution would create a federal reinsurance program for home insurers.

But short of a major structural change to the market, Fannie and Freddie's regulator is using its existing powers to relax the front-end insurance costs for homebuyers on the mortgages it controls.

Insurance industry groups that had pushed the Trump administration to reverse the guidance on replacement cost coverage cheered the announcement.

“At a time when families are struggling with rising living costs and housing affordability challenges, policies grounded in real-world market conditions can make a meaningful difference,” Karen Collins, vice president of property and environmental at the American Property Casualty Insurance Association, said in a statement.

But the FHFA’s approach should be “paired with stronger building codes, improved mitigation, and efforts to reduce litigation-driven costs,” she added.

Zelle LLP’s Steven Badger, who often represents the first-party property insurance industry in disputed claims, was skeptical that the rule change would meaningfully address affordability and market trends driven by climate risk.

Regulators need to focus on long-term fixes, such as mandating the use of hail-resistant roofing to prevent claims in the first place, Badger said.

“No damage, no claims, no payments, and insurance costs eventually go down for everyone: that is the solution,” he said.

To contact the reporter on this story: Olivia Alafriz in Washington at oalafriz@bloombergindustry.com

To contact the editors responsible for this story: Michael Smallberg at msmallberg@bloombergindustry.com; Rob Tricchinelli at rtricchinelli@bloombergindustry.com

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