



ASSISTANT SECRETARY FOR HOUSING-  
FEDERAL HOUSING COMMISSIONER

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-8000

**Date: September 24, 2025**

**Mortgagee Letter 2025-21**

**To:** All FHA-Approved Mortgagees  
All Direct Endorsement Underwriters  
All Eligible Submission Sources for Condominium Project Approvals  
All FHA Roster Appraisers  
All FHA-Approved 203(k) Consultants  
All FHA-Approved Title I Lenders  
All HUD-Certified Housing Counselors  
All HUD-Approved Nonprofit Organizations  
All Governmental Entity Participants  
All Real Estate Brokers  
All Closing Agents

---

**Subject** Updates to Mortgagee Letter 2025-12, *Tightening and Expediting Implementation of the New Permanent Loss Mitigation Options*

---

**Purpose** This Mortgagee Letter (ML) updates the requirements for servicing FHA-insured forward Mortgages.

---

**Effective Date** The provisions of this ML may be implemented on October 1, 2025, but must be implemented no later than December 30, 2025.

All updates will be incorporated into a forthcoming update of the HUD Handbook 4000.1, *FHA Single Family Housing Policy Handbook* (Handbook 4000.1).

---

**Affected Programs** The provisions of this ML apply to all FHA-insured Title II Single Family forward mortgage programs.

---

**Background** Through this ML, HUD is publishing minor changes to facilitate implementation of servicing and loss mitigation requirements announced in ML 2025-12, *Tightening and Expediting Implementation of the New Permanent Loss Mitigation Options*, and ML 2025-14, *Updates to Modernization of Engagement with Borrowers in Default and Loss Mitigation*. This ML also updates FHA's requirements in accordance with

Executive Order 14218 “Ending Taxpayer Subsidization of Open Borders” to ensure FHA’s programs are administered in accordance with the Administration’s priorities. This ML aligns with FHA’s broader goals of supporting homeownership and safeguarding HUD’s Mutual Mortgage Insurance Fund (MMIF) to protect taxpayer dollars.

---

**Summary of  
Changes**

This ML:

- adds Adding Borrowers to a Mortgage (III.A.1.j.v);
  - updates Eligibility to Participate in HUD Programs (III.A.2.h.iii(A));
  - updates Financial Hardship Documentation (III.A.2.h.iv(C));
  - updates Loss Mitigation Home Retention Options – Definitions (III.A.2.i.i);
  - updates Borrower Qualifications (III.A.2.i.iii(A)(2));
  - updates Borrower Affordability Attestation – Standard (III.A.2.i.iii(B)(2));
  - updates Trial Payment Terms (III.A.2.i.iii(C)(2)(b));
  - updates Reconsideration for Permanent Home Retention Options After TPP Failure (III.A.2.i.iii(C)(5)(b));
  - updates Execution of Permanent Home Retention Option Documents (III.A.2.i.iii(D));
  - updates Partial Claims – Standard (III.A.2.i.iv(B));
  - updates Statutory Maximum for Partial Claims (including Payment Supplement) (III.A.2.i.iv(C));
  - updates Payment of Partial Claim (III.A.2.i.iv(I));
  - updates Combination Loan Modification and Partial Claim (III.A.2.i.v(G));
  - updates Mortgage Reinstatement with Other Permanent Loss Mitigation Option – MoPR Terminates (III.A.2.i.vi(J)(3));
  - updates Outside of the Waterfall Loan Modification – Eligibility (III.A.2.i.vii(B));
  - updates Loss Mitigation Assumption (III.A.2.i.ix);
  - updates DIL Exceptions for Borrowers with More than One FHA-Insured Mortgage (III.A.2.j.iii(C)(3));
  - updated Loss Mitigation Denial (III.A.2.q.i(D)(3));
  - updates Assumability of FHA-Insured Mortgages (III.A.3.b.i); and
  - updates Appendix 4.0, Part A: Arrearages.
-

**FHA Single  
Family Housing  
Policy  
Handbook  
4000.1**

The policy changes will be incorporated into Handbook 4000.1 as follows:

**Post-endorsement Mortgage Amendments (III.A.1.j)**

**v. Adding Borrowers to a Mortgage**

**Servicing and  
Loss Mitigation**

Any Borrower added to a Mortgage must have a valid SSN or EIN or meet the eligibility requirement exception regarding social security numbers as stated in II.A.1.b.ii(A)(1)(a).

---

**Loss Mitigation Program – Standard (III.A.2.h.iii)**

**(A) Eligibility to Participate in HUD Programs**

The Mortgagee must verify that the Borrowers are eligible to participate in HUD's Loss Mitigation Program.

To be eligible to participate in HUD's Loss Mitigation Program, the Borrower:

- may not own other real estate subject to FHA insurance, except within the stated [exceptions](#) (II.A.1.b.iii(A)(2)(c));
- has not been the Borrower, except through inheritance or as a co-signer only, on prior loans on which an FHA claim has been paid within the past three years; and
- for purposes of a Loan Modification, Partial Claim, Combination Loan Modification and Partial Claim, or Payment Supplement, must not be debarred, suspended or subject to a HUD Limited Denial of Participation (LDP) as determined in accordance with [Excluded Parties](#) (II.A.1.b.ii(B)) requirements; and
- for purposes of a Partial Claim, Combination Loan Modification and Partial Claim, or Payment Supplement, may not have unresolved delinquent Federal Debt as determined in accordance with [Borrower Ineligibility Due to Delinquent Federal Non-Tax Debt](#) (II.A.1.b.ii(A)(10)) requirements. The Delinquent FHA-insured Mortgage associated with the Loss Mitigation does not constitute a disqualifying delinquent Federal Debt.

**(1) Occupancy**

**(a) Definitions**

An Owner-Occupant Borrower refers to a Borrower residing in the Property secured by the FHA-insured Mortgage as a Principal Residence.

A Non-Occupant Borrower refers to a Borrower on a Mortgage securing a Property that is not occupied by any Borrower or is not the Principal Residence.

**(b) Standard**

The Mortgagee must consider Owner-Occupant Borrowers and Non-Occupant Borrowers for all Loss Mitigation Options.

**(2) Non-Borrowers Who Acquired Title through an Exempted Transfer**

The Mortgagee may consider Repayment Plans, Forbearances, Permanent Home Retention Options, and Home Disposition Options for a non-borrower who acquires title to a Property securing an FHA-insured Mortgage if the Mortgage is not due and payable pursuant to the [Garn-St. Germain Depository Institutions Act](#), (i.e., an Exempted Transfer), and the non-borrower:

- is willing to assume personal liability for repayment of the Mortgage in accordance with the agreed loss mitigation terms;
- will occupy the home as a Principal Residence;
- meets the criteria for loss mitigation assistance;
- for a Permanent Home Retention Option, successfully completes a six-month TPP; and
- for a Permanent Home Retention Option, has a valid SSN or EIN or meets the eligibility requirement exception regarding social security numbers as stated in II.A.1.b.ii(A)(1).

**(B) 90-Day Review**

A Mortgagee is required to complete an evaluation of a Defaulted Mortgage for appropriate Loss Mitigation Options before four monthly installments are due and unpaid and send a written [Notice to Borrower](#) (III.A.2.h.vi) with the determination of eligibility.

**(C) Required Documentation**

The Mortgagee must retain in the Servicing File and the Claim File, if applicable, documentation evidencing that the Borrower is eligible to participate in an FHA transaction, and a copy of the Notice to Borrower, and document efforts to reach the Borrower in Default in advance of the 90-Day Review deadline.

The Mortgagee may obtain confirmation from the Borrower, verbally or in writing, that the Borrower does not own any other FHA-insured Property or meets one of the stated exceptions.

**Evaluation of Borrower for Loss Mitigation Assistance (III.A.2.h.iv)**

**(C) Financial Hardship Documentation**

Mortgagees must obtain the Borrower's reason for Financial Hardship and documentation, as required in the table below. The Mortgagee may obtain the reason for Financial Hardship verbally, electronically, or in writing.

<b>Type of Hardship</b>	<b>Required Hardship Documentation</b>
Unemployment	Not required
Reduction in income: a hardship that has caused a decrease in your income due to circumstances outside your control (e.g., elimination of overtime, reduction in regular working hours, a reduction in base pay)	Not required
Increase in housing-related expenses: a hardship that has caused an increase in your housing expenses due to circumstances outside your control (e.g., uninsured losses, increased property taxes, HOA special assessment)	Not required
Disaster (natural or man-made) impacting the Property or Borrower's place of employment	Not required
Long-term or permanent disability, or serious illness of a Borrower/co-Borrower or dependent Family Member	Not required
Divorce or legal separation	Final divorce decree or final separation agreement <b>OR</b> Recorded quitclaim deed
Separation of Borrowers unrelated by marriage, civil union, or similar domestic partnership under applicable law	Recorded quitclaim deed <b>OR</b> Legally binding agreement evidencing that the non-occupying Borrower or co-Borrower has relinquished all rights to the Property

## Mortgagee Letter 2025-21, Continued

Death of Borrower or death of either the primary or secondary wage earner	Death certificate <b>OR</b> Obituary or newspaper article reporting the death
Active duty servicemember employment transfer/relocation	<b>For active duty servicemembers:</b> Permanent Change of Station (PCS) orders or letter showing transfer
Other hardship not listed above	Not required unless needed to evidence legal ownership due to the hardship

The Mortgagee must review the required documents to identify if the documents indicate that Borrowers or non-borrowers:

- have or will have legal ownership of the Property; and
- will be included on Loss Mitigation documents for the Permanent Home Retention Option.

---

### Loss Mitigation Home Retention Options (III.A.2.i)

#### i. Definitions

The Loss Mitigation Home Retention Options are:

- Repayment Plans;
- Forbearances;
- Standalone Partial Claims;
- Standalone Loan Modifications;
- Combination Loan Modifications and Partial Claims;
- Payment Supplements; and
- Outside of the Waterfall Loan Modifications (OWLs).

Early Default Intervention Tools refer to Repayment Plans and Forbearances.

Permanent Home Retention Options refer to Standalone Partial Claims, Standalone Loan Modifications, Combination Loan Modifications and Partial Claims, and Payment Supplements.

Arrearages refer to amounts needed to bring the Mortgage current and must only include:

- for Repayment Plans, Standalone Partial Claims, and Payment Supplements, principal amounts that are past due;
- unpaid accrued interest;
- past due escrow amounts and/or Mortgagee advances for escrow items;
- projected escrow shortage amount, except for Repayment Plans; and

- allowable legal fees and foreclosure and bankruptcy costs for work performed for the current Default episode as of the date of the foreclosure cancellation and not higher than the fees and costs HUD has identified as customary and reasonable.

---

**Permanent Home Retention Options – Standard Eligibility  
(III.A.2.i.iii(A))**

**(2) Borrower Qualifications**

The Mortgagee must ensure that the Borrower:

- attests that the Default or Imminent Default is due to a Financial Hardship;
- attests that they can resume making their current Mortgage Payment or indicates they require payment reduction;
- has not executed an agreement for a Permanent Home Retention Option or OWL, where the date of execution on a previous Permanent Home Retention Option occurred in the past 24 months, at the time the Permanent Home Retention Option is executed, except:
  - a Borrower who received a PDMDA Home Retention Option or a COVID-19 Home Retention Option in the past 24 months remains eligible for a Permanent Home Retention Option or OWL; and
  - a Borrower who received a Permanent Home Retention Option, OWL, or PDMDA Home Retention Option within the past 24 months remains eligible for a PDMDA Home Retention Option if impacted by a disaster associated with a PDMDA;
- completes the Borrower Affordability Attestation for the Permanent Home Retention Option; and
- has successfully completed a TPP.

---

**Borrower Affordability Attestation (III.A.2.i.iii(B))**

**(2) Standard**

The Mortgagee must obtain the Borrower Affordability Attestation either electronically, by hard copy, or verbally for all Permanent Home Retention Options prior to issuing the final documents for the Permanent Home Retention Option.

The Mortgagee must ensure:

- the Borrower affirms the monthly Mortgage Payment amount offered is affordable; and

- the Borrower acknowledges they will not be eligible for another Permanent Home Retention Option, which may provide additional payment reduction, in the 24 months following the execution of the offered Permanent Home Retention Option, except for a PDMDA.

If the Mortgagee receives the Borrower Affordability Attestation verbally, the Mortgagee must certify that they have verbally received the Borrower's attestation and note the name and the phone number of the Borrower that provided the attestation.

If the Mortgagee requires an electronic or hard copy of the Borrower Affordability Attestation, the Mortgagee must provide the Borrower 30 Days to return it. If it has not been returned, the Mortgagee must contact the Borrower, at a minimum, twice within the 30-Day period to notify the Borrower that the Borrower Affordability Attestation must be returned within 30 Days.

The Mortgagee must receive the Borrower Affordability Attestation from at least one Borrower.

If the Borrower Affordability Attestation is not obtained, the Mortgagee must consider the Borrower to be unresponsive, evaluate the Borrower for an OWL, and commence, recommence, or resume foreclosure within 90 Days if the Borrower is ineligible for the OWL.

---

### **Trial Payment Plan – Standard (III.A.2.i.iii(C)(2))**

#### **(b) Trial Payment Terms**

The Mortgagee must ensure the following terms of the TPP are met:

- the TPP does not exceed a period of three consecutive months, **four consecutive months for Borrowers in Imminent Default**, or six consecutive months for [Non-Borrowers Who Acquired Title through an Exempted Transfer](#);
- the payments must be made in, or no more than 15 Days before, the month they are due;
- for any Loss Mitigation Option that includes a Loan Modification, the interest rate for the TPP and the permanent Loan Modification is not greater than the Market Rate;
  - the Market Rate must be established when the TPP is offered;
- the monthly payment under the TPP must be the projected monthly Mortgage Payment, after an escrow analysis, for the Permanent Home Retention Option or OWL; and
- Late Charges must be waived during the trial payment period if the Borrower is paying as agreed on the TPP.



For Borrowers completing a TPP after a default during a Payment Supplement Period, the Mortgagee must:

- ensure the amount of the monthly payment during the TPP is the projected monthly Mortgage Payment for the Permanent Home Retention Option or OWL;
  - for Standalone Partial Claims, continue to apply the Monthly Principal Reduction (MoPR) during the TPP when the Mortgagee has received and accepted, at a minimum, the Borrower's portion of the Mortgage Payment under the Payment Supplement; and
  - for Loan Modifications or Combination Loan Modifications and Partial Claims:
    - not reduce the TPP payment amount by the MoPR; and
    - apply the MoPR when the Borrower's portion of the Mortgage Payment due under the Payment Supplement has been received and accepted, including partial payments accumulated during the TPP.
- 

#### **Trial Payment Plan Failure (III.A.2.i.iii(C)(5))**

##### **(b) Reconsideration for Permanent Home Retention Options After TPP Failure**

Borrowers who fail an initial TPP for **the following** Home Retention Options, due to not making a scheduled TPP payment by the last Day of the month the payment was due, are eligible for re-evaluation for a Permanent Home Retention Option:

- a Standalone Partial Claim;
- a Standalone Loan Modification in lieu of a Partial Claim (calculated using Appendix 4.0, Part C: Borrower Attests They Can Resume Mortgage Payments); or
- an OWL.

**All other** Borrowers are **in**eligible for re-evaluation for a second TPP, but remain eligible to be reviewed for Home Disposition Options.

For an eligible Borrower, the Mortgagee must:

- re-evaluate the Borrower for a Permanent Home Retention Option, in order, using Appendix 4.0, Part D through Part F; and
- if the Permanent Home Retention Option provides at least a \$1.00 reduction in the P&I payment from the initial TPP, offer the Borrower one additional TPP for the Permanent Home Retention Option.

If the Borrower receives a second TPP, the Mortgagee must report the use of a TPP in SFDMS after the TPP failure for the initial TPP is reported.

If a second Permanent Home Retention Option is unable to provide the required P&I reduction or if the Borrower fails a second TPP, the Mortgagee must evaluate the Borrower for Home Disposition Options.

---

### **Permanent Home Retention Options (III.A.2.i.iii)**

#### **(D) Execution of Permanent Home Retention Option Documents**

The Mortgagee must send the Permanent Home Retention documents to the Borrower within 15 Days from the successful completion of a TPP.

The Mortgagee must cease all foreclosure related activities upon acceptance of the executed Permanent Home Retention Option Documents.

The Mortgagee must ensure that Permanent Home Retention Option documents are executed by all parties necessary to ensure:

- HUD's first lien position is preserved; and
- the Agreement is enforceable under state and local law.

The Mortgagee must accept the executed Permanent Home Retention Option documents returned within the month of the effective date of the Permanent Home Retention Option, provided the Borrower continues to make Mortgage Payments.

The Mortgagee must include a written notification with the Permanent Home Retention Option documents that advises the Borrower:

- the Permanent Home Retention Option will be denied if the documents are not returned within the month of the effective date of the Permanent Home Retention Option;
- the Permanent Home Retention Option will be denied if the Borrower does not continue to make Mortgage Payments; and
- the Permanent Home Retention Option must fully reinstate the Mortgage within the month of the effective date even if the Mortgagee accepts the executed documents after the effective date.

If the Borrower fails to return the executed Permanent Home Retention Option documents within the month of the effective date of the Permanent Home Retention Option, the Mortgagee must deny the option. If the Permanent Home Retention Option is denied, the Mortgagee must evaluate the Borrower for the Home Disposition Options. If the Borrower is denied for a Home Disposition Option, the Mortgagee must commence, recommence, or resume foreclosure no later than 90 Days after denial of the Loss Mitigation Option.

The Mortgagee must provide a fully executed copy of the Loss Mitigation Agreement documents to the Borrower no later than 15 Days after the documents are accepted by the Mortgagee.

---

**Partial Claims (III.A.2.i.iv)**

**(B) Standard**

The Partial Claim must be secured by a zero interest subordinate promissory Note and Mortgage executed by the Borrower in favor of HUD.

The Mortgagee must ensure that any Partial Claim, whether a Standalone Partial Claim or in combination with a Loan Modification, fully reinstates the Mortgage. A Partial Claim offered in combination with a Loan Modification may include an amount used for principal deferment, when required.

Mortgagees must perform an escrow analysis to ensure that the delinquent payments to be included in the Partial Claim reflect the actual escrow funds required for those months and adequate funds to pay escrow bills when due to avoid a future escrow shortage without creating a surplus.

The minimum Partial Claim amount must be no less than \$1,000, except for Partial Claims for Home Retention Options associated with a PDMDA.

**The Mortgagee must advance funds for the Partial Claim prior to filing a claim for reimbursement.**

Mortgagees may include an additional monthly payment to the Arrearage amount to allow time for the Borrower to return the executed documents, and to ensure the Partial Claim includes all Arrearages accrued prior to the Borrower resuming Mortgage Payments. No other fees or costs may be included in the Partial Claim.

---

**Partial Claims (III.A.2.i.iv)**

**(C) Statutory Maximum for Partial Claims (including Payment Supplement)**

Statutory Maximum for Partial Claims refers to the total outstanding balance of all Partial Claims and Payment Supplements and must not exceed 30 percent of the Mortgage's unpaid principal balance, as of the date of Default at the time of payment of the initial Partial Claim and will remain constant for the life of the Mortgage.

The total funds available for a Partial Claim must be calculated per [Determining the Maximum Funds Available for a Partial Claim](#) (III.A.2.i.iv(E)).

When reviewing Borrowers for a Partial Claim, a **Streamline Refinance** on the same Property and by the same Borrower is not considered a new Mortgage for determining the statutory maximum value for all Partial Claims.

---

## **Partial Claims (III.A.2.i.iv)**

### **(I) Payment of Partial Claim**

HUD will not require payment on the Partial Claim until the first of the following events occurs:

- the maturity of the Mortgage;
- the sale or transfer of the Property; **except for non-borrowers who acquired title through an exempted transfer;**
- the assumption of the Mortgage **except for non-borrowers who acquired title through an exempted transfer;**
- the Payoff of the Mortgage, except that HUD will agree to subordinate the Partial Claim Note to a Streamline Refinance; or
- if provided for under the Partial Claim Note, the termination of FHA insurance.

HUD does not prohibit partial or total payment on the Partial Claim at any time prior to the due date for the Partial Claim.

---

## **Loan Modifications (III.A.2.i.v)**

### **(G) Combination Loan Modification and Partial Claim**

The Mortgagee must use the calculations in Appendix 4.0 FHA Home Retention Options Calculations, Part E, to determine the loan amount and Partial Claim funds required for a Combination Loan Modification and Partial Claim.

**The P&I reduction for a Combination Loan Modification and Partial Claim may exceed 25 percent, if required to meet the minimum \$1,000 Partial Claim amount.**

#### **(1) 30-Year Combination Loan Modification and Partial Claim**

The Mortgagee must determine if a 30-year Combination Loan Modification and Partial Claim can achieve a 25 percent reduction to the

P&I portion of the Mortgage Payment. The Mortgagee must ensure the Partial Claim is no more than what is needed to achieve a 25 percent reduction to the P&I and may include principal deferment if required to achieve a 25 percent reduction.

If the 25 percent reduction is achieved, the Mortgagee must offer the Borrower a 30-year Combination Loan Modification and Partial Claim.

If the 25 percent reduction cannot be achieved, the Mortgagee must review the Borrower for a 40-year Combination Loan Modification and Partial Claim.

## **(2) 40-Year Combination Loan Modification and Partial Claim**

The Mortgagee must determine if a 40-year Combination Loan Modification and Partial Claim can achieve a 25 percent reduction to the P&I portion of the Mortgage Payment. The Mortgagee must ensure the Partial Claim is no more than what is needed to achieve a 25 percent reduction to the P&I and may include principal deferment if required to achieve a 25 percent reduction.

The Mortgagee must offer the 40-year Combination Loan Modification and Partial Claim with the maximum reduction to the P&I portion of the Mortgage Payment that can be achieved up to 25 percent and not less than 15 percent.

If a minimum 15 percent reduction to the P&I portion of the Mortgage Payment cannot be achieved, the Mortgagee must review the Borrower for the Payment Supplement.

---

## **Subsequent Default during Payment Supplement Period (III.A.2.i.vi(J))**

### **(3) Mortgage Reinstatement with Other Permanent Loss Mitigation Option – MoPR Terminates**

If the Borrower cannot bring the Mortgage current through an additional Standalone Partial Claim, the Mortgagee must:

- evaluate the Borrower for the available Permanent Home Retention Options **or OWL**;
- terminate the Payment Supplement and application of the MoPR upon receipt of the new executed loss mitigation documents;
- send the Borrower documentation that the Payment Supplement has been terminated and a detailed account of how the Payment Supplement funds were applied;

- no later than 30 Days after the date the Payment Supplement was terminated, remit any remaining funds from the Payment Supplement Account [to HUD](#) via Pay.gov; and
  - report the termination of the Payment Supplement through SFDMS.
- 

### **Outside of the Waterfall Loan Modification (III.A.2.i.vii)**

#### **(B) Eligibility**

The Mortgagee must ensure that:

- the Borrower has been unresponsive to outreach by the Mortgagee during the Default episode;
- final documents to complete a Loss Mitigation Option have not been sent to the Borrower during the Default episode;
- the Borrower has not executed an agreement for a Permanent Home Retention Option or OWL in the past 24 months at the time the Permanent Home Retention Option is **executed**, except:
  - a Borrower who received a PDMDA Home Retention Option or a COVID-19 Home Retention Option in the past 24 months remains eligible for an OWL; and
- the OWL at the Market Rate will provide at least a \$1.00 reduction to the P&I portion of the Borrower's monthly Mortgage Payment as of the date the OWL begins; and
- the Borrower receives at least one offer for an OWL per Default episode, **if eligible**.

[Non-Borrowers Who Acquired Title through an Exempted Transfer](#) are not eligible for the OWL and must be evaluated for the other Permanent Home Retention Options.

#### **(1) Mortgage Status**

The Mortgagee must ensure that:

- the Mortgage is 90 or more Days Delinquent;
- a minimum of four Mortgage Payments have been paid by the Borrower on the Mortgage, except for Disaster Home Retention Options;
- the first legal action to initiate foreclosure has not been completed; and
- the Arrearages do not exceed the equivalent of 12 months PITI.

#### **(2) Property Condition**

The Mortgagee must conduct any review it deems necessary, including a property inspection, when:

- the Mortgagee receives notice from the Borrower, local government, or other third parties regarding adverse property condition; or
- the Property may be affected by a disaster event.

If the Mortgagee determines the property condition will adversely impact the long-term use of the Property or ability to support the debt, the Mortgagee is not required to review the Borrower for the OWL.

---

### **Loss Mitigation Home Retention Options (III.A.2.i)**

#### **ix. Loss Mitigation Assumption**

##### **(A) Definition**

Loss Mitigation Assumption refers to the assumption of personal liability for repayment of the Mortgage in accordance with agreed loss mitigation terms by an occupying non-borrower who will be added to the Mortgage or who has acquired a title interest in a Property securing an FHA-insured Mortgage.

##### **(B) Standard**

The Mortgagee must ensure that the assumptor meets the criteria for approval of a Loss Mitigation Home Retention Option.

All assumptors must have a valid SSN or EIN or meet the eligibility requirement exception regarding social security numbers as stated in II.A.1.b.ii(A)(1)(a).

The Mortgagee must obtain the signature of each non-borrower assumptor on:

- all associated written agreements for the approved Loss Mitigation Option; and
- an assumption agreement that conforms with applicable state law for assumption of personal liability for repayment of the Mortgage in accordance with agreed loss mitigation terms.

##### **(C) Reporting a Loss Mitigation Assumption**

The Mortgagee must report Reinstated by Assumptor, Code 21, in SFDMS.

---

### **DIL Options (III.A.2.j.iii(C))**

#### **(3) DIL Exceptions for Borrowers with More than One FHA-Insured Mortgage**

The Mortgagee must obtain a certification from the Borrower that the Borrower does not own any other FHA-insured Property.

If the Borrower owns more than one FHA-insured Property, the Mortgagee must submit a request for HUD approval via EVARS to offer a DIL Option to a Borrower who owns more than one FHA-insured Property.

---

### **Exceptions to Foreclosure Initiation Time Frame (III.A.2.q.i(D))**

#### **(3) Loss Mitigation Denial**

If the Permanent Home Retention Option or OWL is denied, the Mortgagee must evaluate the Borrower for a Home Disposition Option. If the Borrower is denied for a Home Disposition Option, the Mortgagee must commence, recommence, or resume foreclosure no later than 90 Days after denial of the Loss Mitigation Option.

HUD provides an automatic 90-Day extension to the initiation of foreclosure timeline in any case in which the Mortgagee needs additional time to comply with the appeals process required by the CFPB Loss Mitigation regulations under RESPA (Regulation X) at 12 CFR § 1024.41.

The 90-Day extension begins on the date the Mortgagee denies loss mitigation and sends the Borrower the notice required under CFPB regulations.

---

### **Assumptions (III.A.3.b)**

#### **i. Assumability of FHA-Insured Mortgages**

All FHA-insured Mortgages are assumable. The Mortgagee must not impose, agree to, or enforce legal restrictions on conveyances or assumptions after closing except when:

- specifically permitted by HUD regulations; or
- the restriction had been specified in a junior lien granted to the Mortgagee after settlement.

The Mortgagee must review the mortgage documents to determine what restrictions have been placed on the Mortgage.



Anyone assuming an FHA-insured Mortgage must have a valid SSN or EIN or meet the eligibility requirement exception regarding social security numbers as stated in II.A.1.b.ii(A)(1)(a).

---

**APPENDIX 4.0 – FHA HOME RETENTION OPTIONS  
CALCULATIONS (APPLIES TO SERVICING ONLY) (10/01/2025)**

**Part A: Arrearages**

<b>Step 1 – Calculate the Items to Include in Arrearages</b>	<b>Result</b>
a. Only applicable for Repayment Plans, Partial Claims, and Payment Supplements, calculate the principal amounts that are past due.	\$
b. Calculate accrued interest amounts that are past due.	\$
c. Calculate past due escrow amounts and/or Mortgagee advances for escrow items	\$
d. Calculate projected escrow shortage amount after completion of an escrow analysis, except for Repayment Plans.	\$
e. Calculate allowable legal fees and foreclosure and bankruptcy costs for work performed for the current Default episode as of the date of the foreclosure cancellation and not higher than the fees and costs HUD has identified as customary and reasonable.	\$
<b>Step 2 – Calculate Total Arrearages for Repayment Plans, Partial Claims, and Payment Supplements</b>	<b>Result</b>
Add amounts in Steps 1.a-e.	\$
<b>Step 3 – Calculate Total Arrearages for Loan Modifications or Combination Loan Modifications and Partial Claims</b>	<b>Result</b>
Add amounts in Steps 1.b-e.	\$

---

---

**Paperwork  
Reduction Act**

The information collection requirements contained in this document have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. 3501-3520) and assigned OMB control numbers 2502-0005; 2502-0059; 2502-0117; 2502-0189; 2502-0302; 2502-0306; 2502-0322; 2502-0328; 2502-0358; 2502-0404; 2502-0414; 2502-0429; 2502-0494; 2502-0496; 2502-0524; 2502-0525; 2502-0527; 2502-0538; 2502-0540; 2502-0556; 2502-0561; 2502-0566; 2502-0570; 2502-0583; 2502-0584; 2502-0589; 2502-0600; 2502-0610; and 2502-0611. In accordance with the PRA, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

---

**Feedback or  
Questions**

HUD welcomes feedback from interested parties and will consider feedback in determining the need for future updates. Any feedback or questions regarding this ML may be directed to the FHA Resource Center at 1-800-CALLFHA (1-800-225-5342), [answers@hud.gov](mailto:answers@hud.gov), or [www.hud.gov/answers](http://www.hud.gov/answers). The FHA Resource Center is prepared to accept calls from persons who are deaf or hard of hearing, as well as individuals with speech or communication disabilities. Information on how to make an accessible phone call is available at <https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs>.

---

**Signature**

Frank Cassidy  
Principal Deputy Assistant Secretary for Housing

---