



ASSISTANT SECRETARY FOR HOUSING-  
FEDERAL HOUSING COMMISSIONER

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

**Date: June 3, 2025**

**Mortgagee Letter 2025-14**

**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

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**Subject** Updates to Modernization of Engagement with Borrowers in Default and Loss Mitigation

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**Purpose** This Mortgagee Letter (ML) updates the requirements for the Mortgagee interview with Borrowers in Default and for Loss Mitigation.

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**Effective Date** The provisions in Attachment 1 of this ML may be implemented immediately but must be implemented no later than July 1, 2025.

The provisions in Attachment 2 of this ML must be implemented on October 1, 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).

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

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**Background** On December 4, 2024, HUD published ML 2024-24, *Modernization of Engagement with Borrowers in Default*, which aligned with the publication of the Modernization of Engagement with Mortgagors in Default Final Rule [published at 89 FR 63082; Docket No. FR-6353-F-02] to modernize

24 CFR § 203.604 and established new requirements for engagement with Borrowers in Default. ML 2024-24 established both interim and permanent requirements. The interim requirements include temporary exceptions from the requirements for engagement with Borrowers in Default that apply to Non-Occupant Borrowers and Borrowers who live more than 200 miles from their Mortgagee, which will expire on June 30, 2025, per the Federal Register notice *Modernization of Engagement with Mortgagees in Default: Partial Extension of Compliance Date* [published at FR-6353-N-03 on November 21, 2024]. The permanent policies established by ML 2024-24 were subsequently incorporated into Handbook 4000.1 and are set to become effective on July 1, 2025.

HUD has since determined that the permanent requirements established in ML 2024-24 are unnecessarily burdensome. Through this ML, HUD is updating the permanent policies established in ML 2024-24, effective July 1, 2025. This ML also expands what may be utilized to meet the reasonable effort requirements, including allowing Mortgagees to demonstrate compliance with 24 CFR § 203.604 by complying with the requirements of Regulation X.

Additionally, this ML provides technical corrections to the loss mitigation options and requirements established in ML 2025-06, *Updates to Servicing, Loss Mitigation, and Claims*, and revised in ML 2025-12, *Tightening and Expediting Implementation of the New Permanent Loss Mitigation Options*, which will be effective October 1, 2025.

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**Summary of  
Changes**

For changes in Attachment 1, effective July 1, 2025, this ML:

- updates Prohibited Fees and Charges (III.A.1.f.ii(B));
- updates Collection Communication Timeline – Standard (III.A.2.h.iii(B));
- replaces Loss Mitigation Consultation with Interview (III.A.2.h.xii);
- updates Section 247 Assignments – Standard (III.A.3.c.ii(A)); and
- updates Submission of Claim Form Parts to HUD for Hawaiian Home Lands Mortgages (IV.A.2.b.i(C)).

For changes in Attachment 2, effective October 1, 2025, this ML:

- updates Notice of Homeownership Counseling Availability (III.A.2.g.vii(A)(1));
- updates Loss Mitigation Home Retention Options (III.A.2.i);
- updates Borrower Qualifications (III.A.2.i.ii(A)(3));
- updates Mortgage Status (III.A.2.i.iii(A)(1));
- updates Borrower Affordability Attestation – Standard (III.A.2.i.iii(B)(2));
- updates Trial Payment Plans (III.A.2.i.iii(C));

## Mortgagee Letter 2025-14, Continued

- updates Borrower Attests They Can Resume Mortgage Payments (III.A.2.i.v(F)(1)(a));
  - updates Disaster Forbearance for Borrowers in PDMDAs (III.A.2.1.iv(A)); and
  - updates HUD's Loss Mitigation Program (III.A.3.c.i(C)).
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### **FHA Single Family Housing Policy Handbook 4000.1**

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

See [Attachment 1](#) and [Attachment 2](#).

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### **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.

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### **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>.

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### **Signature**

Frank Cassidy  
Principal Deputy Assistant Secretary for Housing

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**Attachment 1 (Effective July 1, 2025)**

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**FHA Single  
Family Housing  
Policy  
Handbook  
4000.1**

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

**Servicing Fees and Charges (III.A.1.f.ii)**

**(B) Prohibited Fees and Charges**

**Servicing and  
Loss Mitigation**

The Mortgagee must not charge the Borrower for the following services:

- costs of telephone calls, certified mail, arranging and conducting the **interview**, or other activities that are normally considered a part of a prudent Mortgagee's servicing activity;
- preparing and providing evidence of Payoff, Reconveyance, or termination of the Mortgage;
- providing information essential to the Payoff;
- recording the Payoff of the Mortgage in states where recordation is the responsibility of the Mortgagee;
- fees for services performed by attorneys or trustees who are salaried members of the Mortgagee's staff; or
- Mortgagee's use of an independent contractor, such as services related to the **interview** or a tax service, to furnish tax data and information necessary to pay property taxes or make the payments on behalf of the Mortgagee.

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**Collection Communication Timeline (III.A.2.h.iii)**

**(B) Standard**

The Mortgagee must perform in a timely manner the servicing actions set forth in the following Collection Communication Timeline.

<b>Day</b>	<b>Mortgagee Action</b>
1	Payment due date; no action required until the Mortgage becomes Delinquent.
10	The Mortgagee must begin attempts to contact Borrowers with a Delinquent Mortgage at risk of Early Payment Default or Re-Default in accordance with <a href="#">Specialized Collection Techniques for Early Payment Defaults and Re-Defaults</a> (III.A.2.h.v).
25	The Mortgagee must begin attempts to contact Borrowers with a Delinquent Mortgage in accordance with <a href="#">Contact Efforts for Delinquent Borrowers</a> (III.A.2.h.vi).
30	The Mortgagee must <a href="#">report the delinquency to HUD</a> (III.A.2.h.vii) via SFDMS.
32	The Mortgagee must send the following:

	<ul style="list-style-type: none"> <li>• <a href="#">Notice of Homeownership Counseling Availability</a> (III.A.2.h.ix(A)(1));</li> <li>• <a href="#">Servicemembers Civil Relief Act (SCRA) Notice Disclosure</a> (III.A.2.h.ix(A)(2)) (form <a href="#">HUD-92070</a>);</li> <li>• <a href="#">Delinquency Notice Cover Letter</a> (III.A.2.h.x(A)(1)); and</li> <li>• <i>Save Your Home: Tips to Avoid Foreclosure</i> (form <a href="#">HUD2008-5-FHA</a>).</li> </ul>
45	<p>The Mortgagee should begin analysis to identify appropriate loss mitigation options, if any.</p> <p>If unable to reach the Borrower(s), the Mortgagee must perform an <a href="#">Occupancy Inspection</a> (III.A.2.h.xi).</p>
61	<p>The Mortgagee must conduct or make a reasonable effort to arrange the <a href="#">Interview</a> with the Borrower no later than this date.</p>
90	<p>The Mortgagee must <a href="#">report the appropriate Default Reason Code</a> (III.A.2.h.xiii) for the Default in SFDMS.</p> <p>The Mortgagee must have evaluated all loss mitigation options to determine whether any are appropriate. The Mortgagee must reevaluate the Borrower for loss mitigation each month thereafter.</p>

## Early Default Intervention (III.A.2.h)

### xii. Interview

#### (A) Standard

The Mortgagee must have an interview with the Borrower or make a reasonable effort to arrange an interview no later than the 61<sup>st</sup> Day of delinquency, or no later than 30 days after default on a repayment plan, unless exempt.

The interview should provide a delinquent Borrower the opportunity to meet with the Mortgagee to discuss available loss mitigation options, and, when possible, to be evaluated for these options. The Mortgagee may conduct the interview face-to-face or using alternative communication methods, such as phone interviews, video calling services, or other conferencing technology.

#### (1) Meeting Not Required

The Mortgagee is not required to conduct an interview if:

- the Borrower has clearly indicated that they will not cooperate with an interview;
- the Borrower's payment is current due to an agreed-upon repayment plan, Forbearance Plan, or Trial Payment Plan (TPP);

- a reasonable effort to arrange a meeting with the Borrower is unsuccessful; or
- in the opinion of the Mortgagee's legal counsel, it would be a violation of bankruptcy law.

## **(2) Reasonable Effort in Arranging an Interview**

The Mortgagee must make two attempts to contact the Borrower to arrange the interview and include the following information:

- the availability of interviews; and
- how to schedule the interview.

The Mortgagee may use mailings, telephone calls, in-person outreach, or any electronic or other communication method through which the Mortgagee is able to communicate with Borrowers. The Mortgagee may use a third-party vendor to establish this contact with the Borrower and to schedule the Borrower's interview with a Mortgagee representative.

The Mortgagee may count compliance with any of the following as one or more of the required attempts to arrange the interview when information about the interview is also provided:

- [Contact Efforts for Delinquent Borrowers](#) (III.A.2.h.vi);
- [Delinquency Notice Cover Letter](#) (III.A.2.h.x);
- the Consumer Financial Protection Bureau's (CFPB) early intervention requirements for Live contact in [12 CFR § 1024.39\(a\)](#); or
- the CFPB's early intervention requirements for Written notice in [12 CFR § 1024.39\(b\)](#).

A second attempt is not required if the Mortgagee has established contact with the Borrower on the first attempt.

## **(3) Mortgagee Representative Authority**

The Mortgagee must ensure that the employee representing the Mortgagee at interviews has the authority to propose and accept reasonable repayment plans. Where a Mortgagee's representative exceeds their authority by agreeing to a repayment plan at the time of the interview, the Mortgagee must still accept the repayment plan agreed to by its representative, regardless of whether the representative overstepped their authority.

## **(B) Required Documentation**

The Mortgagee must document in the Servicing File:

- the reason the interview is not required, if exempt;

- the dates and methods of its attempts to arrange an interview; and
- the date of its interview with the Borrower.

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### Section 247 Assignments (III.A.3.c.ii)

#### (A) Standard

The Mortgagee may assign the Delinquent insured Mortgage and Note to HUD if all of the following conditions are met:

- the Mortgage has been in Default for 180 Days or more;
- when the Mortgage is 90 Days Delinquent, the Mortgagee has notified DHHL of the Default in writing;
- the Mortgagee has conducted or made a reasonable effort to arrange the [Interview](#) at least 30 Days before the application for assignment is submitted, unless exempt; and
- the Mortgagee has evaluated the Borrower for loss mitigation in accordance with HUD guidance.

The Mortgagee must not foreclose on or approve a Pre-Foreclosure Sale (PFS) or Deed-in-Lieu (DIL) transaction on Section 247 Mortgages; the only disposition option available to the Mortgagee is assignment.

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#### FHA Single Family Housing Policy Handbook 4000.1

#### Claims and Disposition

### Hawaiian Home Lands Mortgages (Section 247 Mortgages) Claims (IV.A.2.b.i)

#### (C) Submission of Claim Form Parts to HUD for Hawaiian Home Lands Mortgages

The Mortgagee may only file a claim after:

- the Mortgagee has notified the Department of Hawaiian Home Lands (DHHL) of the Borrower's Default by letter by the 90<sup>th</sup> Day of Delinquency;
- the Borrower's Default has remained uncured for 180 Days;
- the Mortgagee has met all regulatory program requirements, including the [Interview](#) and required loss mitigation evaluation; and
- HUD has issued the assignment acceptance letter to the Mortgagee via P260.

The Mortgagee must submit form HUD-27011 to HUD via EDI or FHA Catalyst. For EDI submissions, the Mortgagee must submit Parts A and B simultaneously. For FHA Catalyst submissions, the Mortgagee must submit Parts A, B, C, D, and E. The Mortgagee must retain copies of all Parts of the form HUD-27011 in the Claim Review File.

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**Attachment 2 (Effective October 1, 2025)**

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**FHA Single  
Family Housing  
Policy  
Handbook  
4000.1**

The policy changes update ML 2025-12 and will be incorporated into Handbook 4000.1 as follows:

**Required Notices to Borrower by 45th Day of Delinquency – Standard (III.A.2.g.vii(A))**

**Servicing and  
Loss Mitigation**

**(1) Notice of Homeownership Counseling Availability [Text was deleted in this section.]**

The Mortgagee must provide a Borrower with a Delinquent Mortgage with a notice describing the availability of housing counseling offered by HUD-approved housing counseling agencies. The notification must:

- inform the Borrower with a Delinquent Mortgage of the availability of housing counseling services provided by HUD-approved housing counseling agencies;
- provide instructions for locating a HUD-approved housing counseling agency in the Borrower's area and includes the HUD Housing Counseling Agency Locator toll-free telephone number (800) 569-4287, through which Borrowers can obtain a list of housing counseling agencies;
- provide instructions that HUD is prepared to accept calls from persons who are deaf or hard of hearing, as well as individuals with speech and communication disabilities. The Federal Communications Commission (FCC) has information on how to make an [accessible phone call](#); and
- describe housing counseling and the potential benefits of engaging in housing counseling.

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**Default Servicing (III.A.2)**

**i. Loss Mitigation Home Retention Options**

If the Mortgagee has sent out the final documents to the Borrower to complete a COVID-19 Advance Loan Modification (COVID-19 ALM), COVID-19 Recovery Loss Mitigation Option (COVID-19 Recovery Option), or FHA-Home Affordable Modification Program (FHA-HAMP) Option (for Non-Borrowers Who Acquired Title through an Exempted Transfer), as of September 30, 2025, the Mortgagee must complete the COVID-19 ALM, COVID-19 Recovery Option, or FHA-HAMP Option.

The COVID-19 ALM, COVID-19 Recovery Options, and FHA-HAMP expire on September 30, 2025, and final documents may not be sent after

this date. For Borrowers in Imminent Default or non-borrowers who acquired title through an exempted transfer, the Mortgagee may send final documents after September 30, 2025, where the home retention option was approved no later than September 30, 2025.

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### **Repayment Plans (III.A.2.i.ii(A))**

#### **(3) Borrower Qualifications**

The Mortgagee must ensure the Borrower attests they can make the Mortgage Payment under the Repayment Plan.

The Mortgagee must ensure that the Borrower's Arrearages do not exceed:

- four months Delinquent PITI; or
- 12 months Delinquent PITI for:
  - Mortgages funded in connection with mortgage revenue bonds that are restricted by the IRC and cannot extend the term of a Mortgage, or the interest rate cannot be modified; or
  - Borrowers who have less than \$1,000 in Partial Claim funds available; or
  - Borrowers who received a Permanent Home Retention Option in the past 24 months, where the first legal action to initiate foreclosure has not been completed.

Borrowers who failed a TPP for a Permanent Home Retention Option during the current Default episode are not eligible for a Repayment Plan.

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

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

The Mortgagee must ensure that:

- a minimum of four Mortgage Payments have been paid by the Borrower on the Mortgage, except for Disaster Home Retention Options;
- the Mortgage is in Default or Imminent Default;
- any foreclosure action is suspended or terminated in accordance with the requirements for [Terminating Foreclosure Proceedings for Loss Mitigation](#) (III.A.2.q.ii(C)(2)); and
- three or more full monthly payments are due and unpaid (i.e., 61 Days or more past due) prior to sending the TPP Agreement for the approved Permanent Home Retention Option.

The Mortgagee may send the TPP Agreement to Borrowers in Imminent Default prior to three or more full monthly payments becoming due and unpaid. The Mortgagee may consider a Borrower in Imminent Default who has completed a TPP and remains in Default as meeting the delinquency requirement.

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### **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.

If the Borrower Affordability Attestation is not returned in 30 Days, the Mortgagee must consider the Borrower to be unresponsive and must evaluate the Borrower for an OWL.

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### **Trial Payment Plans (III.A.2.i.iii(C))**

#### **(1) Definitions**

A Trial Payment Plan (TPP) is a payment plan for a period of three months, four months for a Borrower in Imminent Default, or six months for Non-

Borrowers Who Acquired Title through an Exempted Transfer

(III.A.2.h.iii(A)(2)), during which the Borrower must make the agreed-upon consecutive monthly payments beginning after the Mortgagee has approved the Borrower for a Permanent Home Retention Option or OWL, and prior to executing the permanent Loss Mitigation documents.

A Trial Payment Plan (TPP) Agreement is a written document that establishes the TPP terms, which must be provided to the Borrower prior to the first payment due under the TPP payment due date.

**(2) Standard**

**(a) Trial Payment Plan Required**

The Mortgagee must ensure the Borrower successfully completes a TPP for a period of three months before executing Permanent Home Retention Option or OWL documents.

The Mortgagee must ensure Borrowers in Imminent Default successfully complete a TPP for a period of four months before executing Permanent Home Retention Option documents.

The Mortgagee must ensure Non-Borrowers Who Acquired Title through an Exempted Transfer successfully complete a TPP for a period of six months before executing Permanent Home Retention Option documents.

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**30-Year Standalone Loan Modification (III.A.2.i.v(F)(1))**

**(a) Borrower Attests They Can Resume Mortgage Payments**

The Mortgagee is not required to meet the minimum 25 percent P&I reduction for Borrowers who attest that they can resume their current Mortgage Payment and the P&I portion of the modified Mortgage Payment for the 30-year Standalone Loan Modification is at least \$1 less than the P&I for the Standalone Partial Claim as calculated in Appendix 4.0, Part C.

If the Borrower affirms that they can make the modified Mortgage Payment, the Mortgagee must offer the 30-year Standalone Loan Modification.

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**Loss Mitigation for Borrowers in PDMDAs (III.A.2.i.iv)**

**(A) Disaster Forbearance for Borrowers in PDMDAs**

The Mortgagee may offer a Disaster Forbearance, which allows for one or more periods of reduced or suspended payments without specific terms of

repayment, to a Borrower with a mortgaged Property or place of employment located within a PDMDA.

The Mortgagee must ensure the Disaster Forbearance meets the requirements for [Forbearances](#) (III.A.2.i.ii(B)) **except:**

- **the requirement that first legal action to initiate foreclosure has not been completed does not apply to Disaster Forbearances;** and
- the Disaster Forbearance Time Frames apply.

The Mortgagee must waive late fees when the Borrower is on a Disaster Forbearance.

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

**Hawaiian Home Lands Mortgages (Section 247 Mortgages) – Reporting of Delinquent Mortgages (III.A.3.c.i)**

**(C) HUD’s Loss Mitigation Program**

The Mortgagee may offer the following Loss Mitigation Options to eligible Borrowers with Section 247 Mortgages:

- [Repayment Plans](#) (III.A.2.i.ii(A));
- [Forbearance](#) (III.A.2.i.ii(B));
- [Standalone Loan Modification](#) (III.A.2.i.v); and
- [Outside of the Waterfall Loan Modification](#) (III.A.2.i.vii).

Due to Hawaii state law prohibitions on the placement of junior liens on Properties secured by Section 247 Mortgages, the Mortgagee must not use Partial Claims with Section 247 Mortgages.

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