



FHA INFO 2023-44

May 31, 2023

Proposed Payment Supplement Partial Claim Loss Mitigation Option Available for Feedback on Single Family Housing Drafting Table

Today, the Federal Housing Administration (FHA) posted a draft of Mortgagee Letter (ML), *Payment Supplement Partial Claim*, on its [Single Family Housing Drafting Table](#) (Drafting Table) for public feedback. The draft ML proposes a new loss mitigation option – the Payment Supplement Partial Claim (Payment Supplement PC) – to assist struggling borrowers that are delinquent on their mortgage payments and are unable to obtain a significant payment reduction with other available loss mitigation options. This option will be particularly useful for borrowers who have below market interest rates.

The draft Payment Supplement PC ML proposes to allow mortgagees to use available partial claim funds to cure arrearages on an FHA-insured mortgage and temporarily reduce the principal amount of the borrower's monthly mortgage payments for three to five years. Once the three- to five-year Payment Supplement Period ends, borrowers resume responsibility for their full monthly mortgage payments.

As with other partial claim options, the borrower will be required to repay the Payment Supplement PC note, secured by a subordinate mortgage, upon termination or refinancing of the FHA-insured first mortgage or the sale of the property. Mortgagees would be required to evaluate eligible borrowers for the Payment Supplement PC loss mitigation option when the COVID-19 Recovery Modification option will not meet the target payment reduction.

Through this proposed loss mitigation option, more borrowers may be able to bring their mortgages current, retain their home by temporarily reducing monthly payments, and avoid foreclosure.

Interested stakeholders are encouraged to thoroughly review the draft ML and provide feedback through June 30, 2023. Instructions for viewing the draft ML and providing feedback are available on the [Drafting Table](#). FHA will carefully consider all feedback received before publishing a final ML.

As a reminder, this draft ML is not official policy and may not be used in connection with any FHA-insured mortgage. FHA's existing policies remain in effect until amended.

For more information, read today's [press release](#).

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