



FHA INFO 2024-90

December 19, 2024

FHA Seeks Feedback on the Proposed Establishment of the Optional Reimbursement Claim Alternative Mortgagee Letter

Today, the Federal Housing Administration (FHA) posted the draft, *Establishment of the Optional Reimbursement Claim Alternative (ORCA) Mortgagee Letter (ML)* on its [Single Family Housing Drafting Table](#) (Drafting Table) for review and feedback. If finalized, this policy would allow mortgagees to seek reimbursement for costs associated with their advances for taxes and insurance on defaulted FHA-insured Single Family Title II forward mortgages after the borrower's escrow has been exhausted but before the final claim payment is made. This draft ORCA policy is intended to support lender liquidity.

Currently, mortgagees incur significant upfront expenses between default and final resolution when advancing tax and insurance payments on defaulted mortgages. Receiving reimbursement of tax and insurance advances earlier in the process may help alleviate some of the financial burden of costs that mortgagees incur while servicing FHA-insured mortgages during the default and foreclosure processes.

Please note that if FHA finalizes this policy, it will take significant time to implement, as FHA will need to update its claims system.

Interested stakeholders are encouraged to thoroughly review the draft ML and provide feedback through March 3, 2025. Instructions for viewing and providing feedback on the draft ML 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 departmental policy and cannot be used in connection with any FHA-insured mortgage. FHA's existing policies remain in effect until amended.

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