



FHA INFO 2025-08

January 16, 2025

FHA Announces Updated Loss Mitigation Options to Assist Homeowners at Risk of Foreclosure Keep Their Homes

Today, the Federal Housing Administration (FHA) published Mortgagee Letter (ML) [2025-06, Updates to Servicing, Loss Mitigation, and Claims](#), and *Appendix 4.0* of its [Single Family Housing Policy Handbook 4000.1](#) (Handbook 4000.1). FHA is also updating its [Single Family Default Monitoring System \(SFDMS\) Reporting Codes and Reporting Data Elements](#) and [Claim Filing Technical Guide](#) supplemental documents.

The revisions announced today include updates to FHA's permanent loss mitigation options based on learnings from its temporary COVID-19 policies and feedback received on the draft policies posted on the [Single Family Housing Drafting Table](#) and announced via [FHA INFO 2024-81](#), dated November 25, 2024.

Today's ML also extends existing COVID-19 Recovery Options to February 1, 2026, giving stakeholders time to implement the new loss mitigation, claims, and reporting requirements.

The provisions in this ML include, but are not limited to:

- Updates FHA's repayment plan and forbearance policies;
- Changes to FHA's Home Retention Options:
 - For borrowers who can resume their previous monthly payments:
 - Mortgagees would offer a standalone partial claim or a 30-year standalone loan modification for borrowers who can receive a payment reduction;
 - For borrowers who cannot afford their existing monthly payments:
 - Mortgagees would continue to target a 25 percent reduction in the monthly principal and interest (P&I) payment by evaluating the borrower for home retention options in the following order:
 - 30- or 40-year standalone loan modification;
 - 30- or 40-year combination loan modification and partial claim;
 - or

- If the borrower cannot obtain at least 15 percent P&I reduction from a modification, Payment Supplement, which provides a temporary three-year reduction in monthly payments.
- Revises FHA's loan modification for unresponsive borrowers (the Outside of the Waterfall Loan Modification (OWL));
- Updates the allowable loan modification interest rate pricing;
- Updates FHA's Presidentially-Declared Major Disaster Area policies; and
- Adds guardrails to mitigate the risk of redefault and ensure that borrowers receive the most appropriate loss mitigation option, including:
 - Requiring that the borrower has made at least four loan payments;
 - Borrower attesting that the home retention option is affordable;
 - Borrower successfully completing a three-month trial payment plan (TPP) before receiving a home retention option;
 - Providing one additional retention attempt for borrowers who attested they could resume their previous monthly payment or received an OWL and failed a TPP if the option reduces their monthly payments from the failed TPP; and
 - Limiting borrowers to one executed home retention option in an 18-month period.
- Changes to FHA's Home Disposition Options:
 - Streamlines Pre-foreclosure Sale and Deed-In-Lieu requirements;
 - Increases monetary incentives for borrowers to avoid foreclosure through completing a pre-foreclosure sale or deed-in-lieu and, post-foreclosure, for occupants to avoid an eviction.
- Updates to Appendix 4.0, which provides mortgagees with calculations for the home retention options.
- Updates and consolidates SFDMS reporting.
- Updates the claims requirements to match the new loss mitigation options.

The provisions of this [ML](#) are effective February 2, 2026. These policy updates will be incorporated into a future version on the [Handbook 4000.1](#).

Mortgagees and other stakeholders interested in FHA policies are encouraged to thoroughly review the *Servicing and Loss Mitigation*, and *Claims and Disposition* sections, *Appendix 4.0* of [Handbook 4000.1](#) and the [SFDMS Reporting Codes](#) and [Claim Filing Technical Guide supplemental documents](#) and forward any questions to the FHA Resource Center (referenced below).

The draft policy posted on the Single Family Drafting Table originally included the addition of the Equity Saver Sale (ESS). After careful consideration of feedback from stakeholders, the ESS is not included in this final ML. FHA believes the ESS would be a valuable tool as it is intended to provide borrowers with a marketing period prior to foreclosure to complete a voluntary sale and retain net equity proceeds. FHA is particularly interested in receiving feedback on this topic for future consideration. Interested stakeholders are encouraged to thoroughly review the draft ESS and provide their feedback through March 17, 2025, using the feedback instructions posted on the [Drafting Table](#). FHA will carefully consider all feedback received before publishing a final ML.

If FHA's systems development will be completed in advance of February 2, 2026, FHA may issue a new ML to announce that mortgagees may elect to implement the provisions in this ML prior to February 2, 2026.

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

Need Support? Contact the FHA Resource Center.

- Visit our knowledge base to obtain answers to frequently asked questions 24/7 at www.hud.gov/answers.
- E-mail answers@hud.gov. Emails and phone messages will be responded to during normal hours of operation, 8:00 AM to 8:00 PM (Eastern), Monday through Friday on all non-Federal holidays.
- Call 1-800-CALLFHA (1-800-225-5342). Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at 1-800-877-8339.

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