



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

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: January 22, 2026

Mortgagee Letter 2026-02

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 Requirements for a Mortgagee's Sale of a Beneficial Interest and Declaration of Trust Submission

Purpose This Mortgagee Letter (ML) formalizes the policy requirements for a Mortgagee's Sale of a Beneficial Interest, and Declaration of Trust submission.

Effective Date The provisions of this ML may be implemented immediately but must be implemented no later than January 31, 2026.

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 FHA-insured Title II Single Family forward and Home Equity Conversion Mortgage (HECM) programs.

Background A Mortgagee's Sale of a Beneficial Interest in a group of Mortgages, where the interest to be acquired is related to all of the Mortgages as an entirety, rather than an interest in a specific Mortgage, must be made only pursuant to a Declaration of Trust that has been approved by FHA prior to the sale.

HUD reviews Declarations of Trust for approval based on the requirements set forth in regulations at 24 CFR § 203.430 through § 203.435 for forward Mortgages, 24 CFR § 203.488 through § 203.496 for Section 203(k) Rehabilitation Mortgages, and 24 CFR § 206.101 for HECMs.

Through this ML, HUD formalizes the policy requirements for the Sale of a Beneficial Interest in a group of Mortgages and submission of a Declaration of Trust to FHA. This policy guidance clarifies existing Declaration of Trust submission elements to help improve FHA's review process.

Summary of Changes

This ML:

- adds Sale of a Beneficial Interest in a Group of Mortgages (I.A.11) with requirements for the Sale of a Beneficial Interest in a group of Mortgages as an entirety and submission of a Declaration of Trust.

FHA Single Family Housing Policy Handbook 4000.1

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

FHA Lenders and Mortgagees (I.A)

11. Sale of a Beneficial Interest in a Group of Mortgages

Doing Business with FHA

a. Definitions

Declaration of Trust refers to the agreement(s) describing the beneficial ownership of certain assets and how such assets are to be distributed to the trust beneficiaries.

Sale of a Beneficial Interest refers to the arrangement governing the Mortgagee's sale of a beneficial interest in a group of Mortgages, where the interest to be acquired is related to all the Mortgages as an entirety, rather than an interest in a specific Mortgage.

b. Standard

The Mortgagee must ensure the Sale of a Beneficial Interest complies with the following requirements:

- Mortgages may be sold to and held by only an FHA-approved Mortgagee;
- Mortgages may be serviced or sub-serviced by only the Mortgagee or another FHA-approved Mortgagee for servicing; and
- beneficial interest certificates do not provide the certificate holder any interest in individual Mortgages or rights under the related contracts of insurance.

The FHA Commissioner has no obligation under the contract of insurance to deal with any assignee or entity holding a partial interest.

A Mortgagee must receive FHA's approval of the Declaration of Trust for the Sale of a Beneficial Interest before proceeding with the sale.

If the trustee or [Mortgage Holder](#) in the Declaration of Trust is in the process of obtaining FHA-approved Mortgagee status, the trustee or purchaser may accept a temporary assignment of the Mortgages that complies with Requirements for [Assignment of Mortgages to an Entity Other Than an FHA-Approved Mortgagee](#).

c. Required Documentation

The Mortgagee must submit a Declaration of Trust package to FHA for approval. The package must be submitted as an Ad hoc request through the [Lender Electronic Assessment Portal \(LEAP\)](#) and contain all required documents, demonstrate satisfaction of the Sale of a Beneficial Interest requirements, and include provisions designed to ensure that future transfers, assignments, and pledges of interests in Mortgages will continue to comply with FHA requirements.

i. Transmittal Letter

The Mortgagee must submit a transmittal letter that includes the following:

- all named parties in the Declaration of Trust and their FHA-approved Mortgagee status and number, if any;
- a description of:
 - the Sale of Beneficial Interest;
 - any assignments, transfers, or pledges of interests and any transfers of partial interests in a Mortgage; and
 - the relevant forward Mortgage or Home Equity Conversion Mortgage (HECM) regulation for the Sale of a Beneficial Interest; and
- a list of provisions of the Declaration of Trust satisfying the [Declaration of Trust](#) requirements, identifying each provision's section and page number.

ii. Declaration of Trust

The Mortgagee must submit the final, unexecuted version of the Declaration of Trust (e.g., a Trust Agreement) to FHA for review. If it is modeled after a Declaration of Trust approved for a prior Sale of

a Beneficial Interest, the Mortgagee must submit a comparison showing all changes made.

The Declaration of Trust must include provisions setting forth the FHA requirements for the following types of transfers.

(A) Sale of a Beneficial Interest

(1) FHA-Approved Mortgagee Requirements

The Declaration of Trust must identify the entity that will be the Purchasing Mortgage Holder (III.B.1.b.ii(A)).

The Purchasing Mortgage Holder must maintain its FHA approval status at all times.

If the Purchasing Mortgage Holder's approval status is withdrawn or terminated, a new FHA-approved Mortgagee must acquire the Mortgages and maintain its FHA approval status at all times.

(2) Servicer Requirements

The Declaration of Trust must identify the FHA-approved Mortgagee with Title II program approval that will service the Mortgages.

The Servicer, subservicers, or successor servicers must maintain FHA servicing approval.

Servicers must service all Mortgages in accordance with FHA requirements and all applicable laws.

If the Servicer, subservicer, or successor servicer does not maintain its FHA servicing approval, another Mortgagee with FHA servicing approval must be substituted.

(3) Additional Requirements

In the event the Declaration of Trust entity is terminated, dissolved, or otherwise liquidated, any remaining Mortgages must be transferred to an FHA-approved Mortgagee.

Each beneficial interest holder agrees that it has no rights against FHA or HUD with respect to any contract of insurance for the Mortgages in the group and has only a

beneficial interest in the group of Mortgages subject to the approved Declaration of Trust to the extent of its terms.

(B) Mortgage Sale

In a Mortgage Sale (III.B.1.b.ii(A)), Mortgages may be sold only to another FHA-approved Mortgagee.

The Selling Mortgage Holder must notify HUD within 15 Days of the sale using the form required by FHA.

When a Mortgage is sold, the Purchasing Mortgage Holder will succeed to all the rights and become bound by all the obligations of the Mortgagee under the contract of insurance. The Selling Mortgage Holder will not be relieved of its obligation to remit and pay the FHA mortgage insurance premiums until FHA receives the required notice.

(C) Non-Mortgage Sale

(1) Assignment of Mortgages to Another FHA-Approved Mortgagee

For assignment of Mortgages to another FHA-approved Mortgagee that is not a Mortgage Sale (III.B.1.b.ii(A)):

- the Mortgagee remains the Mortgagee of record; and
- the Commissioner has no obligation to recognize or deal with the assignee Mortgagee.

(2) Assignment of Mortgages to an Entity Other Than an FHA-Approved Mortgagee

For assignment of Mortgages to an entity other than an FHA-approved Mortgagee that is not a Mortgage Sale (III.B.1.b.ii(A)), in addition to the requirements for Assignment of Mortgages to Another FHA-Approved Mortgagee:

- the assignee must be a corporation, trust, or organization which certifies to the Mortgagee that it has:
 - assets of \$100,000 or more; and
 - lawful authority to hold an interest in a Mortgage or a group of Mortgages; and
- the Mortgagee must make the assignment with agreement that the Mortgagee must, within one year from the date of assignment or such additional time as approved by FHA:

- repurchase the Mortgage; or
- sell the Mortgage to an FHA-approved Mortgagee.

(3) Partial Transfer of Interest in a Mortgage

For partial transfer of interest in a Mortgage that is not a Mortgage Sale (III.B.1.b.ii(A)):

- the Mortgagee transferring the partial interest must remain the holder of record and retain a financial interest in the Mortgage;
- the partial interest holder must be:
 - an FHA-approved Mortgagee; or
 - a corporation, trust, or organization which certifies that it has:
 - assets of \$100,000 or more; and
 - lawful authority to acquire a partial interest in a Mortgage; and
- the partial interest must be documented in a participation agreement that complies with FHA requirements.

iii. Additional Declaration of Trust Documentation

The Mortgagee must submit the final version of the following Declaration of Trust documentation, if they are part of the transaction:

- Servicing Agreement;
- Subservicing Agreement;
- Custody Agreement;
- Nominee Agreement;
- Participation Agreement; and
- Definition Key: Standard / Key Terms.

FHA may request additional documentation referenced in the Declaration of Trust to complete its review.

If any required documents are amended after submission, prior to or after the sale date, the amendment must comply with all FHA requirements and the submission must be presented prior to execution.

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-

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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, or 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
Assistant Secretary for Housing -
FHA Commissioner
