



## LOSS MITIGATION OPTIONS QUESTIONS AND ANSWERS

Question	Answer
Is the Borrower eligible for Home Retention and Disposition Options if the Property is vacant?	<p>Yes. A Borrower is still eligible for Loss Mitigation Options if the Property is vacant.</p> <p>For additional information, see:</p> <ul style="list-style-type: none"><li>• Mortgagee Letter 2025-12 at <a href="https://www.hud.gov/hudclips/letters/mortgagee">https://www.hud.gov/hudclips/letters/mortgagee</a></li><li>• Handbook 4000.1 III.A.2.h.iii(A)(1) at <a href="https://www.hud.gov/hud-partners/single-family-handbook-4000-1">https://www.hud.gov/hud-partners/single-family-handbook-4000-1</a></li></ul>
Is a Non-Borrower Who Acquired Title through an Exempted Transfer eligible for Home Retention Options if the Property is vacant but the Non-Borrower will occupy the home as a Principal Residence?	<p>Yes. A Non-Borrower Who Acquired Title through an Exempted Transfer is eligible for Home Retention Options if the property is vacant, and the Non-Borrower will occupy the home as a Principal Residence. Non-Borrowers Who Acquired Title through an Exempted Transfer are not eligible for an Outside of the Waterfall Loan Modification (OWL) and must be evaluated for the other Permanent Home Retention Options.</p> <p>For additional information, see:</p> <ul style="list-style-type: none"><li>• Mortgagee Letter 2025-12 at <a href="https://www.hud.gov/hudclips/letters/mortgagee">https://www.hud.gov/hudclips/letters/mortgagee</a></li><li>• Handbook 4000.1 III.A.2.h.iii(A)(2) at <a href="https://www.hud.gov/hud-partners/single-family-handbook-4000-1">https://www.hud.gov/hud-partners/single-family-handbook-4000-1</a></li></ul>



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<p>After failing a Trial Payment Plan (TPP) for an Outside of the Waterfall Loan Modification (OWL), can a Borrower still receive a Repayment Plan or be considered for other Permanent Home Retention Options?</p>	<p>Yes, a Borrower who fails an Outside of the Waterfall Loan Modification (OWL) Trial Payment Plan (TPP) is eligible for a Repayment Plan as well as to be reviewed for the Permanent Home Retention Options.</p> <p>For additional information, see:</p> <ul style="list-style-type: none"><li>• Mortgagee Letter 2025-12 at <a href="https://www.hud.gov/hudclips/letters/mortgagee">https://www.hud.gov/hudclips/letters/mortgagee</a></li><li>• Handbook 4000.1 III.A.2.i.iii(C)(5)(b) at <a href="https://www.hud.gov/hud-partners/single-family-handbook-4000-1">https://www.hud.gov/hud-partners/single-family-handbook-4000-1</a></li></ul>
<p>Is a Borrower considered unresponsive if they made a payment but failed to return their Affordability Attestation within 30 days?</p>	<p>Yes. If the Mortgagee requires an electronic or hard copy of the Borrower's Affordability Attestation and it is not returned in 30 Days, the Borrower is considered unresponsive and must be evaluated for an Outside of the Waterfall Loan Modification (OWL). Making a payment is not a substitute for affirming the attestation. The Mortgagee must obtain the Borrower Affordability Attestation electronically, by hard copy, or verbally for all Permanent Home Retention Options prior to issuing the final documents for the Permanent Home Retention Option.</p> <p>For additional information, see:</p> <ul style="list-style-type: none"><li>• Mortgagee Letter 2025-12 at <a href="https://www.hud.gov/hudclips/letters/mortgagee">https://www.hud.gov/hudclips/letters/mortgagee</a></li><li>• Handbook 4000.1 III.A.2.i.iii(B)(2) at <a href="https://www.hud.gov/hud-partners/single-family-handbook-4000-1">https://www.hud.gov/hud-partners/single-family-handbook-4000-1</a></li></ul>



OFFICE OF SINGLE FAMILY HOUSING

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<p>When a Borrower attests that they can resume monthly payments, does this refer to the regular, contractual payment, or a modified, potentially lower amount?</p>	<p>For the Borrower Affordability Attestation, when the Borrower attests they can resume monthly payments, this refers to the monthly payment for the Standalone Partial Claim, Standalone Loan Modification, Combination Loan Modification and Partial Claim, or Payment Supplement. In some instances, the monthly payment would refer to an amount less than the contractual/current payment where the Borrower may receive a payment reduction through the Home Retention Option. In other instances it may be higher.</p> <p>For Borrowers who will bring the Mortgage current by receiving a Standalone Partial Claim, the monthly payment attested to in the Borrower Affordability Attestation is the same as the contractual/ current payment.</p> <p>For additional information, see:</p> <ul style="list-style-type: none"><li>• Mortgagee Letter 2025-12 at <a href="https://www.hud.gov/hudclips/letters/mortgagee">https://www.hud.gov/hudclips/letters/mortgagee</a></li><li>• Handbook 4000.1 III.A.2.i.iii(B)(1) at <a href="https://www.hud.gov/hud-partners/single-family-handbook-4000-1">https://www.hud.gov/hud-partners/single-family-handbook-4000-1</a></li></ul>



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<p>Are Borrowers who fail an initial Trial Payment Plan (TPP) or any other Permanent Home Retention Option eligible for evaluation for a second TPP?</p>	<p>Borrowers who fail a Trial Payment Plan (TPP) for the following Permanent Home Retention Options, due to not making a scheduled TPP payment by the last Day of the month the payment was due, are eligible for evaluation for another Permanent Home Retention Option:</p> <ul style="list-style-type: none"><li>• a Standalone Partial Claim;</li><li>• a Standalone Loan Modification in lieu of a Partial Claim (calculated using Appendix 4.0, Part C: Borrower Attests They Can Resume Mortgage Payments); or</li><li>• an Outside of the Waterfall Loan Modification (OWL).</li></ul> <p>Borrowers who fail a TPP for any of the following options are not eligible for evaluation for another Permanent Home Retention Options or another TPP:</p> <ul style="list-style-type: none"><li>• Standalone Loan Modification (using Appendix 4.0 Part D: Calculate Standalone Loan Modification);</li><li>• Combination Loan Modification and Partial Claim (calculated in Appendix 4.0 Part E); and</li><li>• Payment Supplement (calculated using Appendix 4.0 Part F).</li></ul> <p>For additional information, see:</p> <ul style="list-style-type: none"><li>• Mortgagee Letter 2025-12 at <a href="https://www.hud.gov/hudclips/letters/mortgagee">https://www.hud.gov/hudclips/letters/mortgagee</a></li><li>• Handbook 4000.1 III.A.2.i.iii(C)(5)(b) at <a href="https://www.hud.gov/hud-partners/single-family-handbook-4000-1">https://www.hud.gov/hud-partners/single-family-handbook-4000-1</a></li></ul>



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Question	Answer
<p>If a Borrower returns the executed documents for the Permanent Home Retention Option (PHRO) but does not make a payment in the month the PHRO is effective, is the Borrower still eligible for the PHRO?</p>	<p>If the Borrower returned the documents for the Permanent Home Retention Option (PHRO) but did not continue to make Mortgage Payments, the Borrower did not complete their obligation under the terms of the PHRO. The Borrower remains eligible for a Repayment Plan, if they successfully completed the TPP. Additionally, the Borrower is eligible to be reviewed for a Home Disposition Option.</p> <p>For additional information, see:</p> <ul style="list-style-type: none"><li>• Mortgagee Letter 2025-12 at <a href="https://www.hud.gov/hudclips/letters/mortgagee">https://www.hud.gov/hudclips/letters/mortgagee</a></li><li>• Handbook 4000.1 III.A.2.i.iii(C)(5)(c) and III.A.2.i.ii(A)(3) at <a href="https://www.hud.gov/hud-partners/single-family-handbook-4000-1">https://www.hud.gov/hud-partners/single-family-handbook-4000-1</a></li></ul>
<p>How long must a Borrower be unresponsive before a Mortgagee can offer an Outside of the Waterfall Loan Modification (OWL)?</p>	<p>FHA has not set a specific minimum timeframe to determine unresponsiveness. Servicers have some flexibility given the variety of scenarios that would be appropriate for the Servicer to provide an Outside of the Waterfall Loan Modification (OWL). Mortgagees should follow their policies and procedures for determining whether a Borrower is or has become unresponsive to outreach by the Mortgagee during the Default episode.</p> <p>For additional information, see:</p> <ul style="list-style-type: none"><li>• Mortgagee Letter 2025-12 at <a href="https://www.hud.gov/hudclips/letters/mortgagee">https://www.hud.gov/hudclips/letters/mortgagee</a></li><li>• Handbook 4000.1 III.A.2.i.vii at <a href="https://www.hud.gov/hud-partners/single-family-handbook-4000-1">https://www.hud.gov/hud-partners/single-family-handbook-4000-1</a></li></ul>



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<p>What should a Mortgagee do if the final documents for a COVID-19 Home Retention Option are not sent by September 30, 2025, because the Borrower was on a Trial Payment Plan (TPP)?</p>	<p>Because a Trial Payment Plan (TPP) for a COVID or FHA-HAMP Home Retention Option will not count as a TPP for the new waterfall, Servicers should not place a Borrower on a TPP if they will not be able to send out the final documents for a Home Retention Option prior to September 30, 2025. The Mortgagee should utilize a Forbearance or Repayment Plan if needed to transition during this period. Mortgagees are not required to place Borrowers on a TPP prior to October 1, 2025, other than for Borrowers in Imminent Default or Non-Borrowers Who Acquired Title Through an Exempted Transfer.</p> <p>For additional information, see:</p> <ul style="list-style-type: none"><li>• Mortgagee Letter 2025-12 at <a href="https://www.hud.gov/hudclips/letters/mortgagee">https://www.hud.gov/hudclips/letters/mortgagee</a></li><li>• Handbook 4000.1 III.A.2.i at <a href="https://www.hud.gov/hud-partners/single-family-handbook-4000-1">https://www.hud.gov/hud-partners/single-family-handbook-4000-1</a></li></ul>
<p>What options are Servicers able to offer to Borrowers who require assistance during the 31-60 days past due period?</p>	<p>Borrowers who are more than 31 Days, but less than 61 Days Delinquent are eligible for a Repayment Plan or Forbearance, if needed. For Borrowers who are ready to resume monthly Mortgage Payments after one or two months of delinquency, a Repayment Plan may be the best option to bring the Mortgage current, while retaining the ability to utilize a Permanent Home Retention Option in the next 24 months if needed.</p> <p>For additional information, see:</p> <ul style="list-style-type: none"><li>• Mortgagee Letter 2025-12 at <a href="https://www.hud.gov/hudclips/letters/mortgagee">https://www.hud.gov/hudclips/letters/mortgagee</a></li><li>• Handbook 4000.1 III.A.2.i.ii at <a href="https://www.hud.gov/hud-partners/single-family-handbook-4000-1">https://www.hud.gov/hud-partners/single-family-handbook-4000-1</a></li></ul>



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What should a Mortgagee do if a Borrower remits more than a single payment or makes the Trial Payment Plan (TPP) payment more than 15 Days in advance of the due date?	<p>Mortgagees should advise the Borrower that only payments submitted within the timeframe outlined in the Trial Payment Plan (TPP) Agreement will be counted towards the TPP. The Servicer must include in the terms of the TPP that the payments must be made no more than 15 days before the payment due date. Mortgagees should apply payments in accordance with state and federal laws.</p> <p>For additional information, see:</p> <ul style="list-style-type: none"><li>• Mortgagee Letter 2025-12 at <a href="https://www.hud.gov/hudclips/letters/mortgagee">https://www.hud.gov/hudclips/letters/mortgagee</a></li><li>• Handbook 4000.1 III.A.2.i.iii(C)(2) at <a href="https://www.hud.gov/hud-partners/single-family-handbook-4000-1">https://www.hud.gov/hud-partners/single-family-handbook-4000-1</a></li></ul>
For Non-Borrowers Who Acquired Title Through an Exempted Transfer, can Mortgagees name the Non-Borrower who is assuming the loan on the loss mitigation documents after successful completion of the Trial Payment Plan (TPP)?	<p>Yes. For Non-Borrowers Who Acquired Title Through an Exempted Transfer, loss mitigation documents may be sent in tandem with assumption documents. It is the Mortgagee's responsibility to ensure that the modification is enforceable, which includes having authorized signers and liable parties to the debt.</p> <p>For additional information, see:</p> <ul style="list-style-type: none"><li>• Mortgagee Letter 2025-12 at <a href="https://www.hud.gov/hudclips/letters/mortgagee">https://www.hud.gov/hudclips/letters/mortgagee</a></li><li>• Handbook 4000.1 III.A.2.h.iii(A)(2) at <a href="https://www.hud.gov/hud-partners/single-family-handbook-4000-1">https://www.hud.gov/hud-partners/single-family-handbook-4000-1</a></li></ul>



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<p>Can a Borrower move from a Presidentially Declared Major Disaster Area (PMDMA) Forbearance into a non-disaster Forbearance with the accrued Arrearages?</p>	<p>Yes. Accrued Arrearages accrued during a Presidentially Declared Major Disaster Area (PMDMA) Forbearance within the same Default episode do not count against the 12-month Delinquent Principal, Interest, Taxes and Insurance (PITI) maximum.</p> <p>For additional information, see:</p> <ul style="list-style-type: none"><li>• Mortgagee Letter 2025-12 at <a href="https://www.hud.gov/hudclips/letters/mortgagee">https://www.hud.gov/hudclips/letters/mortgagee</a></li><li>• Handbook 4000.1 III.A.2.i.ii(B)(3) at <a href="https://www.hud.gov/hud-partners/single-family-handbook-4000-1">https://www.hud.gov/hud-partners/single-family-handbook-4000-1</a></li></ul>
<p>Is there a required minimum 25% Principal and Interest (P&amp;I) reduction for an Outside of the Waterfall Loan Modification (OWL) for a 30-year Standalone Loan Modification before evaluating a Borrower for an OWL for a 40-year Standalone Loan Modification?</p>	<p>No. The minimum payment reduction for an Outside of the Waterfall Loan Modification (OWL) is \$1, regardless of the term. The Mortgagee must first review the Borrower for a 30-year Standalone Loan Modification at the Market Rate. If the minimum \$1 payment reduction is not met, the Mortgagee must review the Borrower for a 40-year Standalone Loan Modification at the Market Rate.</p> <p>For additional information, see:</p> <ul style="list-style-type: none"><li>• Mortgagee Letter 2025-12 at <a href="https://www.hud.gov/hudclips/letters/mortgagee">https://www.hud.gov/hudclips/letters/mortgagee</a></li><li>• Handbook 4000.1 III.A.2.i.vii at <a href="https://www.hud.gov/hud-partners/single-family-handbook-4000-1">https://www.hud.gov/hud-partners/single-family-handbook-4000-1</a></li></ul>





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<p>Are Non-Borrowers Who Acquired Title through an Exempted Transfer eligible for Outside of the Waterfall Loan Modification (OWL)?</p>	<p>No. Non-Borrowers Who Acquired Title through an Exempted Transfer are not eligible for the Outside of the Waterfall Loan Modification (OWL) and must be evaluated for the Early Default Intervention Tools, Permanent Home Retention Options, and/or Home Disposition Options.</p> <p>For additional information, see:</p> <ul style="list-style-type: none"><li>• Mortgagee Letter 2025-12 at <a href="https://www.hud.gov/hudclips/letters/mortgagee">https://www.hud.gov/hudclips/letters/mortgagee</a></li><li>• Handbook 4000.1 III.A.2.h.iii(A)(2) at <a href="https://www.hud.gov/hud-partners/single-family-handbook-4000-1">https://www.hud.gov/hud-partners/single-family-handbook-4000-1</a></li></ul>
<p>What HUD Permanent Home Retention Options (PHRO) are subject to the 24-month restriction, and when does this period begin?</p>	<p>HUD is limiting the use of the Permanent Home Retention Options (PHRO) and Outside of the Waterfall Loan Modifications (OWL) to no more than once every 24 months, starting on October 1, 2025, with the exception of Presidentially Declared Major Disaster Area (PDMDA). The 24-month restriction does not apply to any home retention options approved prior to October 1, 2025, Forbearances, Repayment Plans, or Home Disposition Options.</p> <p>The date of execution of the PHRO or OWL documents marks the start of the 24-month period during which the Borrower is ineligible for another PHRO or OWL.</p> <p>For additional information, see:</p> <ul style="list-style-type: none"><li>• Mortgagee Letter 2025-12 at <a href="https://www.hud.gov/hudclips/letters/mortgagee">https://www.hud.gov/hudclips/letters/mortgagee</a></li><li>• Handbook 4000.1 III.A.2.i.iii at <a href="https://www.hud.gov/hud-partners/single-family-handbook-4000-1">https://www.hud.gov/hud-partners/single-family-handbook-4000-1</a></li></ul>