



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

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

- 1 **Date:** XXXX, 2025
- 2 **Mortgagee Letter** 2025-XX
- 3 **To:** All FHA-Approved Mortgagees
4 All Direct Endorsement Underwriters
5 All Eligible Submission Sources for Condominium Project Approvals
6 All FHA Roster Appraisers
7 All FHA-Approved 203(k) Consultants
8 All FHA-Approved Title I Lenders
9 All HUD-Certified Housing Counselors
10 All HUD-Approved Nonprofit Organizations
11 All Governmental Entity Participants
12 All Real Estate Brokers
13 All Closing Agents
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- 14 **Subject** Partial Claim Document Recording and Payoff Statements
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- 15 **Purpose** This Mortgagee Letter (ML) extends the time allowed to record Partial
16 Claim security instruments and establishes a new procedure for Mortgagees
17 to obtain and provide Partial Claim payoff statements.
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- 18 **Effective Date** The provisions of this ML may be implemented immediately but must be
19 implemented no later than [90 Days from date of publication].
20 All updates will be incorporated into a forthcoming update of the HUD
21 Handbook 4000.1, *FHA Single Family Housing Policy Handbook*
22 (Handbook 4000.1).
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- 23 **Affected** The provisions of this ML apply to all FHA Title II Single Family forward
24 **Programs** mortgage programs.
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- 25 **Background** HUD has the authority to use Partial Claims, which are zero interest
26 subordinate liens, on their own or in combination with loan modifications,
27 as a loss mitigation tool Mortgagees may use to assist Borrowers in bringing
28 their Mortgage current after a default episode. Since the start of the COVID-
29 19 pandemic, over one million Borrowers with FHA-insured Mortgages
30 have received a Partial Claim to help bring their Mortgage current and avoid

1 foreclosure. Due to the increased use of Partial Claims in recent years, HUD
2 is updating two procedural requirements where this tool is used to assist
3 Borrowers. First, the time allowed to record Partial Claim documents is
4 being extended in response to industry feedback concerning challenges in
5 meeting the current timeline. Second, to provide clarity concerning the total
6 outstanding debt associated with Partial Claims and improve the accuracy
7 and response time for payoff requests, HUD is implementing a streamlined
8 process for providing payoff statements for the Mortgage and any Partial
9 Claims. This will also reduce confusion and help Borrowers understand the
10 total debt associated with their FHA insured Mortgage.

11 **Summary of** This ML:
12 **Changes**

- updates Recordation of Partial Claim Documents (III.A.2.k.v(H)(2));
- updates Servicing of Partial Claims (III.A.2.k.v(H)(9)); and
- adds Payoff Statement for Partial Claims (III.A.2.k.v(H)(10)).

15 **FHA Single** The policy changes will be incorporated into Handbook 4000.1 as follows:
16 **Family Housing**
17 **Policy** **Loan Documents III.A.2.k.v(H)**
18 **Handbook**
19 **4000.1** **(2) Recordation of Partial Claim Documents**

20 **Servicing and** The Mortgagee must submit executed Partial Claim security instruments for
21 **Loss Mitigation** recordation within **fifteen** business days from:
22

- the date of receipt from the Borrower; or
- **bankruptcy court approval, if required; or**
- where HUD execution is required, receipt from HUD.

25 The Mortgagee must submit the security instruments for recordation before
26 filing the claim with HUD.

27 The Mortgagee must ensure that the recordation of the Partial Claim security
28 instruments does not jeopardize the first lien status of the FHA-insured
29 Mortgage; there is no lien priority requirement for the filing of a Partial
30 Claim.

31 **(9) Servicing of Partial Claims [Text has been deleted from this Section]**

32 The Mortgagee remains responsible for servicing the Partial Claim until the
33 debt and security instruments are legally recorded in the appropriate
34 jurisdiction and delivered to HUD. Mortgagees must notify HUD when the
35 first Mortgage is being paid in full or refinanced.

(10) Payoff Statement for Partial Claims and Payment Supplements

(a) Standard

When the Mortgagee receives a payoff request for an FHA-insured Mortgage and there are any outstanding Partial Claims or Payment Supplements associated with the Mortgage, the Mortgagee must:

- include a letter with the payoff statement for the FHA-insured Mortgage that indicates the Borrower has one or more outstanding Partial Claim(s) or Payment Supplement(s) and information about how to obtain a payoff statement from HUD; and
- submit the email address and/or fax number where the Partial Claim payoff statement should be sent in HUD's SMART Integrated Portal (SIP) – Partial Claim Payoff Dashboard.

The Mortgagee is responsible for ensuring the accuracy of the data entered into SIP. The Mortgagee must confirm that the payoff statement has been successfully delivered by verifying the status of the Partial Claim payoff statement in the Partial Claim Payoff Dashboard in SIP. When a payoff statement has not been successfully delivered, as indicated in SIP, the Mortgagee must obtain the Partial Claim payoff statement from the Partial Claim Payoff Dashboard in SIP and provide it directly to the requestor.

Where the Partial Claim has not been legally recorded and delivered to HUD or a claim has not been filed, the Mortgagee must produce and provide a payoff statement for any Partial Claims to the requestor.

(b) Required Documentation

The Mortgagee must retain in the servicing file documentation of any payoff statement for Partial Claim(s) that were provided by the Mortgagee.

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; 2502-0189; 2502-0302; 2502-0306; 2502-0322; 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.

1 **Signature**

2 Julia R. Gordon
3 Assistant Secretary for Housing -
4 FHA Commissioner

Drafting Table