



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

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

1 **Date:** XXXX, 2024

2 **Mortgagee Letter** 2024-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

14 **Subject** Partial Claim Document Recording and Payoff Statements

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.

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).

23 **Affected** The provisions of this ML apply to all FHA Title II Single Family forward
24 **Programs** mortgage programs.

25 **Background** Congress has provided HUD with the authority to use Partial Claims, which
26 are zero interest subordinate liens, on their own or in combination with loan
27 modifications, as a loss mitigation tool Mortgagees may use to assist
28 Borrowers in bringing their Mortgage current after a default episode. Since
29 the start of the COVID-19 pandemic, over one million Borrowers with

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

13 **Summary of** This ML:
14 **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)).

17 **FHA Single** The policy changes will be incorporated into Handbook 4000.1 as follows:
18 **Family Housing**
19 **Policy** **Loan Documents III.A.2.k.v(H)**
20 **Handbook** **(2) Recordation of Partial Claim Documents**
21 **4000.1**

22 **Servicing and** The Mortgagee must submit executed Partial Claim security instruments for
23 **Loss Mitigation** recordation within **fifteen** business days from:
24

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

27 The Mortgagee must submit the security instruments for recordation before
28 filing the claim with HUD.

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

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

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

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(10) Payoff Statement for Partial Claims

(a) Standard

When the Mortgagee receives a payoff request for an existing FHA-insured Mortgage, the Mortgagee must:

- determine if there are any outstanding Partial Claims associated with the Mortgage; and
- provide a payoff statement for any outstanding Partial Claim(s), including Payment Supplements, along with the payoff for the FHA-insured Mortgage.

To receive the payoff statement for all Partial Claim(s) associated with the Mortgage serviced by HUD’s Loan Servicing Contractor, the Mortgagee must log into HUD’s SMART Integrated Portal (SIP) and request a payoff letter for the current total amount(s) due for all Partial Claim(s) using the FHA case number.

The Mortgagee must also produce a payoff statement for any Partial Claims where the Partial Claim has not been legally recorded and delivered to HUD or a claim has not been filed.

(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