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FHA INFO 2023-15

March 8, 2023

FHA Publishes 40-Year Loan Modification Final Rule and Mortgagee Letter

Today, the Federal Housing Administration (FHA) published a final rule in the Federal Register, *Increased Forty-Year Term for Loan Modifications* [[Docket No. FR-6263-F-031](#)]. The final rule will allow mortgagees to increase the maximum term of a loan modification from 360 to 480 months for FHA-insured mortgages after a default episode. FHA will also simultaneously publish [Mortgagee Letter \(ML\) 2023-06](#), *Establishment of the 40-Year Loan Modification Loss Mitigation Option* establishing the standalone 40-year loan modification policy.

Specifically, the final rule will permit mortgagees to provide a 40-year loan modification to borrowers. The provisions of the final rule will expand FHA's loss mitigation options to include a standalone 40-year loan modification. The 40-year loan modification can assist borrowers in avoiding foreclosure by spreading the outstanding mortgage balance over a longer period, thereby making their monthly payments more affordable.

FHA is publishing the final rule after careful consideration of all public comments received to its proposed rule that was published in the Federal Register [[Docket No. FR-6263-P-011](#)] on April 1, 2022. Public comments to the proposed rule were overwhelmingly supportive of the 40-year loan modification option and recognized the many benefits to borrowers. This final rule provides mortgagees with an additional option to help borrowers bring their mortgages current and avoid losing their homes. The rule also aligns FHA's requirements with loan modification options available to mortgagees for borrowers with mortgages backed by Fannie Mae and Freddie Mac, which provide a 40-year loan modification option.

The regulations in this final rule are effective on May 8, 2023.

The provisions of the ML may be implemented immediately but must be implemented no later than May 8, 2023. Updates in the ML will be incorporated in a future version of the [Single Family Housing Policy Handbook 4000.1](#).

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