

FHA Establishes New Payment Supplement Loss Mitigation Home Retention Solution

Today, the Federal Housing Administration (FHA) published [Mortgagee Letter \(ML\) 2024-02, Payment Supplement](#). This ML establishes FHA's new Payment Supplement loss mitigation home retention solution designed to help additional borrowers avoid foreclosure and retain their homes when other FHA home retention options are unable to generate a sustainable monthly mortgage payment reduction.

The Payment Supplement allows servicers to bring the borrower's mortgage current and temporarily reduce the principal portion of their monthly mortgage payment for a term of three years without modifying the mortgage. The Payment Supplement is only repaid when the borrower sells or refinances the home, or the mortgage is otherwise extinguished.

When implemented, the Payment Supplement will be a permanent addition to FHA's loss mitigation tools and will be incorporated into future revisions to FHA's loss mitigation waterfall.

This final policy takes into consideration feedback received by stakeholders on the draft MLs and Disclosures that were posted on Single Family's Drafting Table as announced in FHA INFOs [2023-44](#), [2023-94](#), and [2023-98](#).

FHA is also announcing the availability of the following new Payment Supplement documents, which are located on the [Single Family Model Documents](#) web page on hud.gov:

- [Annual Payment Supplement Disclosure](#)
- [Final Payment Supplement Disclosure](#)
- [Payment Supplement Agreement Rider](#)
- [Payment Supplement Promissory Note and Payment Supplement Security Instrument](#).

FHA is also providing a [Payment Supplement Calculation Worksheet](#) available on the [FHA SF Loss Mitigation](#) web page as a tool to assist servicers in calculating the Payment Supplement.

Mortgage servicers may implement Payment Supplement into their operations beginning May 1, 2024, but must implement this solution by January 1, 2025.