

### FHA Issues Waiver Regarding Partial Payments for Mortgages in Default

On Thursday, December 11, 2025, the Federal Housing Administration (FHA) issued a [waiver](#) of certain language in section III.A.2.d.ii(A) of the [Single Family Housing Policy Handbook 4000.1](#) (Handbook 4000.1). The waived language was introduced in [Mortgagee Letter \(ML\) 2025-06](#), *Updates to Servicing, Loss Mitigation, and Claims*. That ML was updated and replaced by [ML 2025-12](#), *Tightening and Expediting Implementation of the New Permanent Loss Mitigation Options*, which became effective on October 1, 2025.

The provision that has now been waived affected how partial payments are applied to mortgages in default and how the date of default is determined. Specifically, the language could be interpreted to require the date of default to remain unchanged even when sufficient partial payments were received to satisfy a full monthly payment. This interpretation caused confusion for mortgagees attempting to comply with FHA requirements.

FHA determined that the language in [ML 2025-12](#) could be read as inconsistent with the Department of Housing and Urban Development's (HUD's) regulations at [24 CFR § 203.331](#), which explains how to calculate the date of default, and [24 CFR § 203.556](#), which governs the return of partial payments. As a result, HUD will not enforce compliance with the provision that has now been waived, and mortgagees should service mortgages as though the waived provision had never been in effect.

FHA has updated its [Extensions and Variances Automated Requests System](#) (EVARS) to align with this [waiver](#). Mortgagees may consider EVARS denials prior to December 15, 2025, for the extension of time to initiate foreclosure related to advancing the date of default approved.

FHA believes this [waiver](#) enhances clarity and consistency in FHA's default-related servicing requirements. FHA encourages borrowers to make payments to bring their mortgages current and avoid foreclosure; therefore, it is important that payments made on defaulted mortgages, including partial payments, allow the date of default to advance. This helps ensure the continued stability of the Mutual Mortgage Insurance Fund (MMIF).