March 24, 2025

The Honorable Matt Jones
Deputy Assistant Secretary for Single Family Housing
Department of Housing and Urban Development
451 7th St S.W.
Washington, D.C. 20410

RE: Safeguarding Forbearance and Loss Mitigation

Dear Mr. Jones:

Congratulations on your recent appointment as Deputy Assistant Secretary for Single Family Housing. The Housing Policy Council[1], Gate House Strategies[2], and the Mortgage Bankers Association[3] look forward to working with you to strengthen the FHA programs and fortify the MMI fund.

To that end, as you undertake your review of FHA program policy, we recommend that you consider additional measures that impose a strict limit on the availability of permanent home retention assistance and establish sustainable borrower performance. We suggest FHA consider two policy changes to reduce costs to the FHA insurance fund:

- a cap on the number of times a program is offered; and
- a requirement for borrowers to demonstrate financial stability before completing a permanent home retention solution.

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[1] The Housing Policy Council is a trade association comprised of the leading national mortgage lenders and servicers; mortgage, hazard, and title insurers; and technology and data companies. Our interest is in the safety and soundness of the housing finance system, the equitable and consistent regulatory treatment of all market participants, and the promotion of lending practices that create sustainable homeownership opportunities in support of vibrant communities and long-term wealth-building for families. For more information, visit www.housingpolicycouncil.org.

[2] Gate House Strategies is an advisory firm focused within the Financial Services, Mortgage Lending/Servicing, Community Development, and Public Housing sectors. Gate House partners have lead the nation's major mortgage insurance programs at HUD, the Federal Housing Administration (FHA), and held executive positions at the GSEs providing expertise in the mortgage market to ensure compliance, manage risk, and perform mission critical management functions. Its leadership includes former HUD Deputy Secretary Brian Montgomery, the only person to have lead FHA twice, Keith Becker, former Chief Risk Officer of FHA, Hunter Kurtz, former Assistant Secretary for Public and Indian Housing, and Michael Marshall and Dror Oppenheimer, two former Senior Advisors to the FHA Commissioner.

[3] The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 275,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets, to expand homeownership, and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of more than 2,000 companies includes all elements of real estate finance: independent mortgage banks, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies, credit unions, and others in the mortgage lending field. For additional information, visit MBA's website: www.mba.org.

We believe these measures should go into effect as soon as is operationally feasible[4].

Specifically, we suggest that a financially distressed borrower may qualify for only one permanent home retention option in an 18-month period[5] (while exempting natural disasters[6]). In fact, the Administration may want to further limit the 18-month timeframe, as data or loan performance may dictate. Excessive use of forbearance increases claims severity and erodes borrowers' equity and is therefore not in FHA's or the borrower's interest. Establishing a cap on the frequency of loss mitigation is not only consistent with FHA historical practice (prior to COVID, FHA borrowers were limited to one solution in 24-months), it would also bring FHA into closer alignment with Fannie Mae and Freddie Mac, which have limits on the number of times certain loss mitigation solutions can be utilized.

Similarly, we suggest that FHA require borrowers to complete a Trial Payment Plan (TPP) before executing a permanent home retention solution to demonstrate a financial capacity to sustain their new monthly payment. Successful completion of a TPP validates a borrower's ability to meet the new program terms. Implementing TPPs reduces the risk of borrower redefault and future liquidation. Once implemented, FHA can evaluate the sustainable performance of FHA's loss mitigation programs.

We believe that putting into place reasonable measures to reduce FHA loss severity and protect borrower equity from unsustainable loss mitigation options would send a positive signal to the market that new leadership is committed to improving the FHA loss mitigation system. Thank you for considering these recommendations. We look forward to working with you and your staff on this and other important issues.

Yours Truly,

Housing Policy Council
Gate House Strategies
Mortgage Bankers Association

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[4] The industry typically requests a minimum of 90 days to execute programmatic changes, to carry out the operational and process updates necessary, but we stand ready to engage with the FHA to determine the most appropriate timeline that is mutually acceptable to all parties.
[5] A similar type of cap is identified in Mortgagee Letter 2025-06, but this would not take effect until February 2, 2026.
[6] We think it may also be reasonable to establish an exception to the cap for borrowers who receive a standalone partial claim or a standalone loan modification because these programs do not offer monthly payment reduction. FHA models may show that it is in FHA's financial interest to permit reconsideration of these borrowers for modifications that provides payment relief.