A Policy-Related Reporting Change, not Increasing Financial Distress, Drove the Late 2025 / Early 2026 Increase in the FHA Serious Delinquency Rate

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About the Author

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Executive Summary

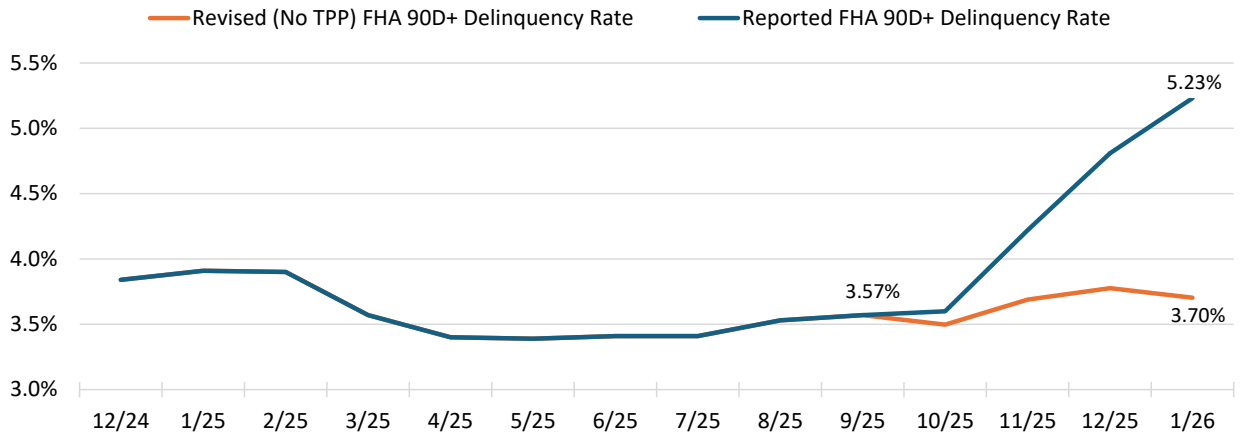
The 90D+ delinquency (DQ) rate on loans insured by the Federal Housing Administration (FHA), which captures loans that are 90 or more days delinquent but not in foreclosure or bankruptcy, has increased sharply. At 3.57% in September 2025, it has since risen to 5.23% in January 2026, an increase of 1.66 percentage points (pp) in just 4 months. Market commentators have cited this sharp increase in the FHA 90D+ DQ rate as a sign of financial stress among FHA borrowers.[1]

However, 92% (1.53pp) of the increase in the FHA 90D+ DQ rate noted above is driven by *how an FHA policy change is reported rather than increasing financial fragility among FHA borrowers.* Beginning in October 2025, FHA began requiring Trial Payment Plans (TPPs) for borrowers entering a home retention option. Rather than transitioning directly to current after entering the home retention option, as had previously been FHA's practice, borrowers must now make 3 consecutive payments before their loan is marked current. Therefore, loans are now classified as 90D+ DQ for at least 3 additional months, which creates a corresponding increase in the FHA 90D+ DQ rate.

As shown in Figure 1, absent the reporting change, the FHA 90D+ DQ rate would have increased modestly over the last few months to 3.70% in January 2026, an increase of just 0.13%. The 1.53pp "TPP gap" shown in Figure 1 – the difference between the reported rate and our revision that removes the impact of the policy-driven reporting change – will persist. Therefore, any comparisons of FHA 90D+ DQ rates across the October 2025 TPP-policy implementation threshold should be adjusted accordingly.[2]

TPPs are an important improvement in the FHA home retention program, as they allow the borrower to demonstrate that the provided solution is affordable before it is made permanent and FHA absorbs the cost. Therefore, the impact of the TPP requirement on FHA's 90D+ DQ rate should not be misinterpreted—FHA loan performance has been remarkably stable over the last 12 months.

Figure 1. Reported and Revised Non-Seasonally Adjusted FHA 90D+ Delinquency Rates.



Source: Recursion and author's calculations.

[1] See, for example, Mortgage delinquency rate rises to 4.26% in Q4 2025 and Mortgage delinquency rates in America's lowest-income areas haven't been this high since 2016 - MarketWatch.

[2] The gap between the pre-TPP and post-TPP 90D+ DQ rate will increase if the number of monthly TPP entries increases substantially and conversely will decrease if the number of monthly TPP entries decreases substantially.

Introduction

FHA changed the reporting of loans that are resolved with a home retention alternative. Prior to October 2025, borrowers who accepted a home retention alternative such as a Standalone Partial Claim (PC), loan modification, or Payment Supplement (PS), would be reported as current in the month following the mortgage servicer's receipt of signed loss mitigation documents. In contrast, since October 2025, borrowers who accept a home retention alternative must now enter a TPP and make three consecutive on-time payments before the permanent loss mitigation documents can be executed and the status of their loan changed from 90D+ DQ to current. [3]

It is critical to note that the addition of TPPs significantly improves FHA's home retention program. When combined with streamlined access to home retention programs, TPPs reduce FHA's cost of providing assistance by ensuring the borrower demonstrates that the post-intervention monthly payment is affordable and the solution is sustainable before the intervention is made permanent. After accounting for self-cures and post-intervention redefaults, the average home retention action completed saves FHA $25,000 compared to a disposition.[4] Importantly, FHA does not absorb the cost of intervention on TPP failures.

However, because of the TPP requirement, loans are now classified as 90D+ DQ for at least 3 additional months, which leads to a reporting-driven increase in the FHA 90D+ DQ rate that does not reflect an increase in financial stress among FHA borrowers. Our analysis shows that in the absence of the TPP requirement, the non-seasonally adjusted FHA 90D+ DQ rate would have risen from 3.57% to 3.70% over the 4-month period, not the 5.23% reflected in FHA's January report, as shown in Figure 1 above.[5] The TPP requirement introduced in October 2025 has created a 1.53pp "TPP gap" between the reported FHA 90D+ DQ rate and what the rate would have been had the TPP policy not been implemented.

To restate, the FHA 90D+ DQ rate did *not* increase because more FHA borrowers are becoming delinquent; the increase is almost entirely driven by the introduction of the TPP, which requires 90D+ DQ loans to stay delinquent for longer. This is evident from Figure 2, which shows the FHA loan transition rates to increasing delinquency. For example, on average, 39% of loans that are 60D DQ transition to 90D DQ in the next month. Aside from the annual tick higher seen every November, the transition rates from current to 30D DQ, 30D DQ to 60D DQ, and 60D DQ to 90D DQ have been stable and in February 2026 were slightly *below* the levels from one year prior. It is also likely that at least some, if not most, of the

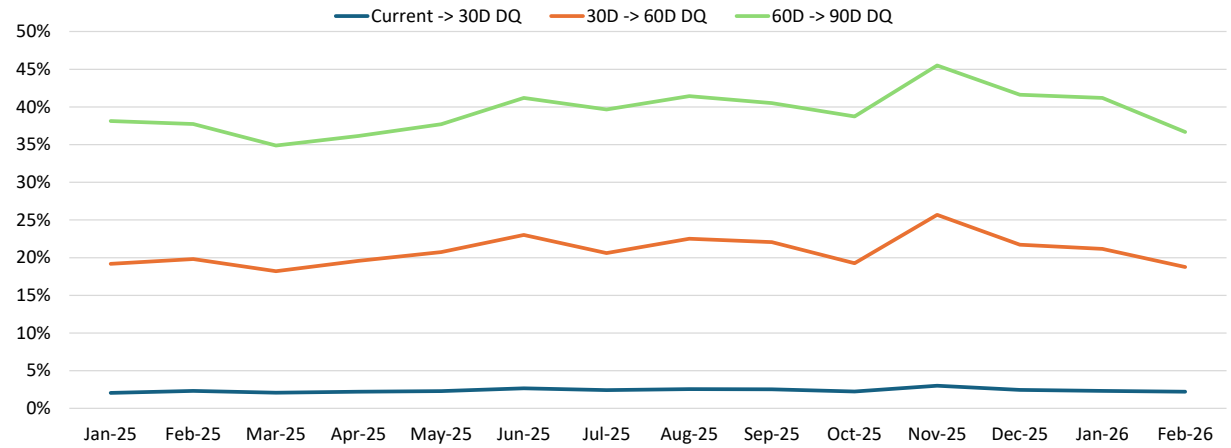
[3] See FHA Single Family Housing Policy Handbook, pages 1219 – 1224. Borrowers in imminent default are required to complete a 4-month TPP.

[4] For a more complete discussion of the importance of TPPs in the context of streamlined home retention solutions, see Home Retention Programs Save the GSEs and FHA Billions by Avoiding the High Cost of Preventable Foreclosures (HPC, 2025), pages 16 – 18. For a description of the role of TPPs in the FHA loss mitigation waterfall and the savings generated by the program, see Quantifying the Savings from FHA's Home Retention Programs (HPC, 2025).

[5] See FHA's non-seasonally adjusted 90D+ DQ rate in FHA Single Family Loan Performance Trends, January 2026, which is reported as of the end of the month. FHA's reported SDQ rate includes loans that are 90D+ DQ and loans in foreclosure or bankruptcy. We focus on the 90D+ DQ rate because it increased appreciably between September 2025 and January 2026.

remaining 0.13% increase in the 90D+ DQ rate between September 2025 and January 2026 that is not explained by the TPP requirement is due to seasonality.[6]

Figure 2. Transition Rates to Greater Delinquency for FHA Loans.



Source: Recursion and author's calculations.

Once loans that successfully exit TPPs are reflected in the reported FHA 90D+ DQ rate, which will begin with the February 2026 release, the gap between the reported FHA 90D+ DQ rate and the 90D+ DQ rate under the pre-TPP policy should stabilize and the trajectory of each rate will be similar going forward. It may take a month or two for completed TPPs to be processed by servicers, in which case the TPP gap may expand further in the next two months. In any case, once the TPP gap settles it will persist: post-October 2025 reported FHA 90D+ DQ rates will always reflect the impact of the TPP requirement described above and, as it stands today, will always be about 1.53pp higher than they would have been if TPPs were not required.[7] Therefore, any analysis of the FHA 90D+ DQ rate that crosses the October 2025 TPP-policy implementation threshold should be adjusted to account for the TPP gap.

Impact of TPP on FHA Delinquency Reporting

Beginning with the COVID-19 loss mitigation waterfall and until October 1, 2025, a delinquent FHA loan that was resolved with a permanent home retention option would be reported as current in the month following the mortgage servicer's receipt of signed loss mitigation documents. In Table 1, we illustrate the resolution timeline of a 90D+ DQ loan based on both the pre-October 2025 and post-October 2025

[6] FHA delinquencies tend to follow a seasonal pattern, rising each November and December and fall each January, February, and March, and this may account for some of the rise in the revised FHA 90D+ DQ rate between September and December 2025. For example, FHA's seasonally-adjusted 90D+ DQ rate rose by 1.12pp between September 2025 (3.59%) and January 2026 (4.71%), which implies that seasonal adjustments reduced the 1.66pp increase in the non-seasonally adjusted rate over the period by 0.54pp. We do not provide revised seasonally-adjusted 90D+ DQ rates because we do not have access to FHA's seasonal adjustment logic.

[7] The gap between the pre-TPP and post-TPP 90D+ DQ rate will increase if the number of TPP entries increases substantially and conversely will decrease if the number of TPP entries decreases substantially.

methodologies. In the pre-TPP case, a loan resolved with a home retention option during October 2025 would transition, or "roll," from 90D+ DQ to current on November 1, 2025. No TPP was required.

Table 1. Resolution timeline and Loan Status using pre-TPP and post-TPP Methods.

Date	Action	Pre-TPP Loan Status	TPP Status	Post-TPP Loan Status
10/1/2025		90D+ DQ		90D+ DQ
10/10/2025	Borrower receives home retention offer	90D+ DQ		90D+ DQ
10/20/2025	Servicer receives executed home retention offer	90D+ DQ		90D+ DQ
11/1/2025	Borrower makes first payment	Current	TPP Payment 1 Due	90D+ DQ
12/1/2025	Borrower makes second payment	Current	TPP Payment 2 Due	90D+ DQ
1/1/2026	Borrower makes third payment	Current	TPP Payment 3 Due	90D+ DQ
2/1/2026		Current		Current

Source: Author's calculations.

As of October 1, 2025, FHA borrowers receiving a permanent home retention option must complete a 3-month TPP before the loan can be reported as current. The TPP requirement changes the resolution timeline of the loan as shown in the far-right column of Table 1. With the TPP in place, the loan remains 90D+ DQ for an additional 3 months (November 2025, December 2025, and January 2026); the borrower must make the 3 payments due under the TPP before their loan can roll to current.[8]

Comparing loan status across the 2 methods, it is evident that loans resolved after the TPP requirement went into effect will be 90D+ DQ for 3 additional months (November 2025, December 2025, and January 2026 in our example) compared to loans resolved with the pre-TPP methodology.

The Cause of the TPP Gap

The TPP acts as a 3-month holding tank, keeping loans that would have previously rolled from 90D+ DQ to current reported as 90D+ DQ for 3 or more months, and these 3+ extra months of 90D+ DQ status mechanically increase the FHA's reported 90D+ DQ rate relative to the 90D+ DQ rate that would have been reported under the pre-October 2025 methodology. As loans successfully complete the TPP and are released from the tank, the trajectory of the post-TPP 90D+ DQ rate will likely track the trajectory of the pre-TPP rate, but the 1.53pp TPP gap introduced by the TPP requirement will remain in place.

The size of the TPP gap is determined by the volume of TPP entries and, as long as entry volumes are stable, the 1.53pp TPP gap will remain consistent. However, should entry volumes change, the TPP gap will rise or fall accordingly. For example, if TPP entries increase due to an increase in loss mitigation throughput by mortgage servicers, the TPP gap would increase over the subsequent 3+ months until TPP exits catch up, at which point the TPP would stabilize at the higher level. Conversely, should TPP entries fall, for example because a new government stimulus program allows delinquent borrowers to resolve

[8] It may take an extra month for the loan to roll to current, as FHA instructs servicers to "prepare the Loss Mitigation documents to be effective no later than the first Day of the second month following the final TPP month." See FHA Single Family Housing Policy Handbook, page 1222.

their delinquency without using home retention programs, the TPP gap would decrease over the next 3+ months as TPP exits outpace entries, and then stabilize at the lower level once entry and exit volumes converge.

Quantifying the TPP gap

To quantify the impact of the TPP requirement on the FHA 90D+ DQ Rate, we need to identify loans that are being reported as 90D+ DQ today that would not have had that classification under the pre-TPP system. To do so, we calculate:

(1) *Pre-TPP 90D+ DQ Loan Count = Post-TPP 90D+ DQ Loan Count – Loans in a TPP – Loans in a TPP with 1 or 2 Missed Payments*

As shown in Table 1, before the TPP was introduced, delinquent FHA loans that were resolved with a Standalone PC, PS, or modification would roll from 90D+ DQ to current in the month after the borrower returned the executed documentation. Therefore, in Equation (1), we subtract loans that are in a TPP from the Post-TPP 90D+ DQ loan count.

In addition, as illustrated in Table 2, loans that fail a TPP under the new system remain 90D+ DQ. However, under the pre-TPP system, these loans would first have rolled to current upon resolution, as shown in Table 2. Then, after the first missed payment, these loans would be marked as 30D DQ and, after the second missed payment, 60D DQ. Not until the third missed payment would these loans return to 90D+ DQ status, at which point the loans would have the same status under the pre-TPP and post-TPP methods.[9] Therefore, in Equation (1) we also subtract loans in a TPP that miss their first or second payment (but not third) from the count of 90D+ DQ loans in the post-TPP system.

Table. 2. Loan Status of Redefaults using pre-TPP and post-TPP Methods.

Date	Action	Pre-TPP Loan Status	TPP Status	Post-TPP Loan Status
10/1/2025		90D+ DQ		90D+ DQ
10/10/2025	Borrower receives home retention offer	90D+ DQ		90D+ DQ
10/20/2025	Servicer receives executed home retention offer	90D+ DQ		90D+ DQ
11/1/2025	Borrower misses first payment	Current	TPP Payment 1 Due	90D+ DQ
12/1/2025	Borrower misses second payment	30D DQ	TPP Payment 2 Due	90D+ DQ
1/1/2026	Borrower misses third payment	60D DQ	TPP Payment 3 Due	90D+ DQ
2/1/2026		90D+ DQ		90D+ DQ

Source: Author's calculations.

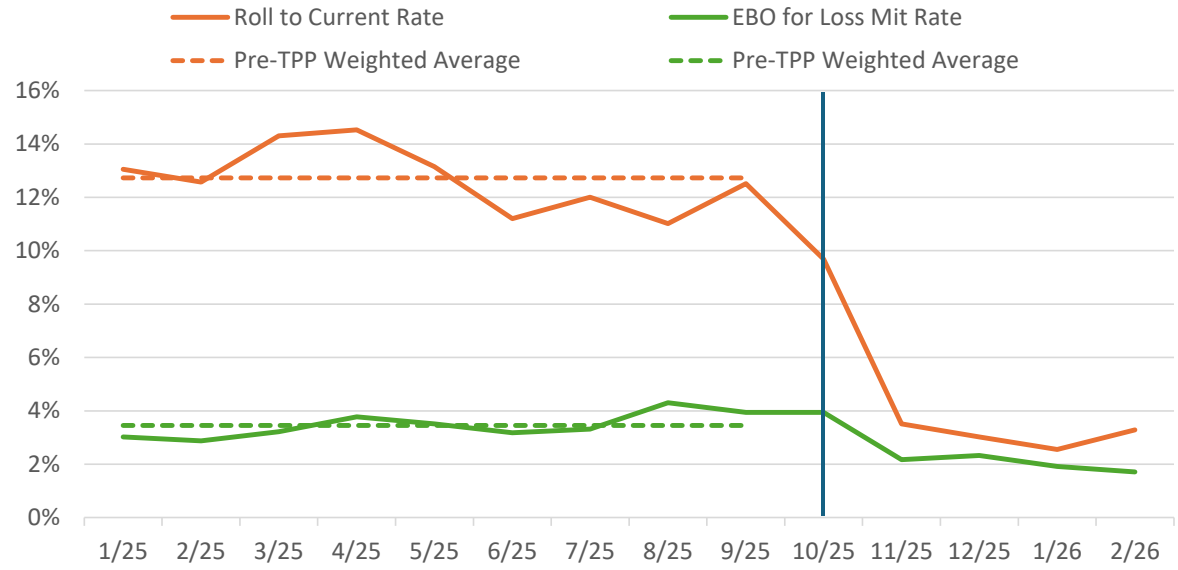
To estimate the number of loans entering a TPP each month, we use roll rates of FHA loans from 90D+ DQ to current and early buyout (EBO) rates of 90D+ DQ loans. FHA loans that rolled from 90D+ DQ to current under the pre-TPP regime were either resolved with a home retention solution that allowed the loan to remain in the Ginnie Mae MBS pool (i.e., a PC or PS) or were cured by the borrower without the

[9] We assume in this example and throughout our analysis that borrowers who miss a TPP payment also miss all subsequent TPP payments.

use of an FHA permanent home retention option. EBOs, where the delinquent loan is purchased out of the Ginnie Mae MBS pool by the mortgage servicer, are executed before a loan is modified or before a foreclosure sale.

As shown in Figure 3, from January to September 2025, between 11% and 14.5% of 90D+ DQ FHA loans rolled to current each month. The average 90D+ DQ to current roll rate over this period was 12.7%. In contrast, once the TPP requirement became effective in October 2025, the roll rate from 90D+ DQ to current dropped precipitously and, from November 2025 to February 2026, it averaged just 3.1%.[10] We assume the drop in roll rates from 90D+ DQ to current observed in Figure 3 is a result of the new TPP requirement and represents loans resolved with a PC or PS that enter a TPP.

Figure 3. Roll to Current and Early Buyout Rates for 90D+ DQ FHA Loans.



Source: Recursion and author's calculations.

Loans that are resolved with modifications are also contributing to the recent rise in the reported FHA 90D+ DQ rate. Today, borrowers who resolve loans with modifications will also need to complete TPPs before the modification becomes effective, and the TPPs will extend the 90D+ DQ status of modified loans by 3 or more months relative to modifications completed before the TPP policy became effective. Therefore, we assume that the post-October drop in EBO rates evident in Figure 3 is a result of the TPP requirement. Before October 2025, the EBO rate averaged 3.5% per month. After October 2025, the average EBO rate fell to 2.0%.[11] The TPP requirement seems to have reduced the transition rate of 90D+

[10] The 3.1% of 90D+ DQ FHA loans that continue to roll to current after the TPP became required in October 2025 are likely the result of completed repayment plans, self-cures, or exits from TPPs implemented prior to the October 2025 deadline, since servicers were permitted to begin using TPPs before October if they chose.

[11] We assume the remaining 2% of 90D+ FHA loans that are EBOs are for modifications completed before the TPP requirement took effect or by servicers who began using TPPs before October 2025. EBOs executed to complete a foreclosure sale are categorized separately.

DQ loans to current for modifications by 1.5 percentage points on average, and we include this effect in our calculations.

Estimating TPP Entries

To estimate the number of loans entering a TPP each month, we begin with FHA-reported non-seasonally adjusted 90D+ DQ rates. As shown in Table 3, FHA reports the number of FHA-insured loans outstanding and the 90D+ DQ rate each month as of the end of the month, from which we can calculate the number of reported 90D+ DQ loans. The FHA 90D+ DQ rate rose from 3.57% in September 2025 to 5.23% in January 2026, so the number of 90D+ DQ loans increased from about 291,000 to about 431,000.

Next, we sum roll rates from 90D+ DQ to current and EBO rates from Ginnie Mae MBS loan performance data, as shown in Table 3.[12] We assuming that, had the TPP policy not taken effect, the sum of roll rates to current and EBO rates in October 2025 to January 2026 would have matched the pre-TPP average of 16.2%. Then, we use the "rate drop", or difference between the pre-TPP average of 16.2% and the 90D+ DQ roll rate to current plus EBO rate for each month in the post-TPP period to project the number of loans entering a TPP for each month.

For example, the 90D+ DQ to current roll rate plus EBO rate from October to November was 13.6%, a 2.6pp drop from the pre-October average of 16.2%. Applying the 2.6pp drop to the roughly 291,000 SDQ loans entering October 2025 implies that 7,433 loans were resolved with a PC, PS, or modification and therefore entered a TPP during October, with the first TPP payment due in November. Similarly, in November the roll rate dropped by 10.5pp from the pre-October average, indicating another 30,926 loans were resolved with a home retention option and entered a TPP in November.

Table 3. FHA 90D+ DQ Rates, Roll Rates from 90D+ DQ to Current, and TPP Entries.

Date	FHA-Insured Loans	90D+ DQ Rate	90D+ DQ Count	90D DQ+ to Current Roll Rate + EBO Rate	Rate Drop (percentage points)	TPP Entries
10/1/2025	8,150,049	3.57%	290,957	13.6%	2.6	7,433
11/1/2025	8,176,266	3.60%	294,346	5.7%	10.5	30,926
12/1/2025	8,194,450	4.22%	345,806	5.3%	10.8	37,454
1/1/2026	8,218,177	4.81%	395,294	4.5%	11.7	46,301
2/1/2026	8,247,428	5.23%	431,340	5.3%	10.9	47,109

Sources: FHA Single Family Loan Performance Trends, January 2026, Recursion, and author's calculations.

[12] FHA reports SDQ loan counts as of the end of the month, whereas Ginnie Mae loan performance data is as of the beginning of each month. We align our data accordingly and use the Ginnie Mae date convention when displaying our results.

Estimating Loans in TPPs with 1 or 2 Missed Payments

To project the remaining component of Equation (1), loans in a TPP with 1 or 2 missed payments, we need a measure of 3-month post-intervention delinquency rates. We rely on recent research that indicates that 39% of FHA borrowers who received a PC or PS and 50% of FHA borrowers who received a modification missed at least 1 payment in the 3 months after curing their loan.[13] Because 90D+ DQ rolls to current outnumber EBOs by about 9 to 1 in the post-TPP period, modifications make up 10% of provided home retention options and the weighted average 3-month delinquency rate is 40%. Note that the authors state that their estimates of TPP failure rates are upper bound estimates because a borrower who has been told of the importance of making the 3 TPP payments is less likely to fail to make the first 3 payments than a borrower who was given a PC, PS, or modification with no TPP.

In addition, the TPP delinquency rate estimates noted above include PCs and modifications that were provided in 2024, before the PS was widely available, which are likely to have higher failure rates compared to PCs and modifications today. Prior to the PS, most borrowers who needed a payment reduction and had a below-market note rate on their loan had to choose between a PC that provided level monthly payments and a modification that provided modest payment reduction at best. Modifications at the prevailing mortgage rate could not reach the 25% principal and interest payment reduction target for most FHA borrowers in need of assistance. These interventions are less likely to create affordable payments and therefore one would expect higher delinquency rates.

Beginning in January 2025, the PS became a mandatory part of the home retention program, and loans in these circumstances would be resolved with a PS, which provides a 25% payment reduction for 3 years. Post-2025, borrowers in need of payment reduction have a more affordable option, which should result in lower failure rates in the first few months after all interventions. For these reasons, we would expect the actual average TPP failure rate to be lower than 40%. Regardless, our measurement of the TPP gap is not particularly sensitive to the TPP failure rate, as shown in the next section.

We then assume missed payments during a TPP are distributed equally across the 3-month TPP (i.e., 13.33% of TPPs fail each month) and that borrowers who miss a payment while in a TPP miss all subsequent TPP payments. Projected TPP failures for each month are shown in Table 4. For example, of the 7,433 loans in a TPP at the beginning of November, 13.33% or 994 are expected to miss the November payment and fail the TPP.[14] The 5,129 TPP failures in December are calculated as 13.33% of the 38,359 loans that entered a TPP in October (7,433) or November (30,926). Loans in a TPP at the end of month capture the accumulation of TPP entrances less failures and successful exits.

[13] Source: *Trials and Tribulations*, J.P. Morgan North America Securitized Products Research, March 6, 2026. Note that the authors state that their TPP failure rates are an upper bound estimate, but our revised 90D+ DQ rates have little sensitivity to the TPP failure rate.

[14] Figures here and throughout may not sum due to rounding.

Table 4. TPP Entrants, Failures, Success, and Loans with 1 or 2 Missed Payments.

Date	90D+ DQ Rate	90D+ DQ Count (BOM)	Entries	Failures	Successful Exits	Loans in TPP (EOM)	1 or 2 Missed Payments
10/1/2025	3.57%	290,957	7,433	0	0	7,433	0
11/1/2025	3.60%	294,346	30,926	994	0	37,365	994
12/1/2025	4.22%	345,806	37,454	5,129	0	69,690	6,123
1/1/2026	4.81%	395,294	46,301	10,137	4,451	101,403	15,266
2/1/2026	5.23%	431,340	47,109	15,334	18,521	114,657	24,477

Sources: FHA Single Family Loan Performance Trends, January 2026, Recursion, and author's calculations.

As shown in Table 4, we also track loans in a TPP with 1 or 2 missed payments. To illustrate how this calculation works, we'll use the group of 7,433 borrowers who entered a TPP in October. Of those, 994 miss their first TPP payment in November and are counted as in a TPP with 1 or 2 missed payments for November. In December, these same 994 borrowers also miss their second TPP and, along with another 994 borrowers who made their first TPP payment in November but miss their second TPP payment in December, are counted as having missed 1 or 2 payments. In January, the 994 borrowers who miss their third TPP payment are dropped from this count, while we include the 994 borrowers who made their November payment but missed their December and January payments, as well as another 994 borrowers who made their first two TPP payments but missed the third payment due in January. There are no TPP payments due in February for this group, so they do not contribute to the loans in a TPP with 1 or 2 missed payments count for February.

Calculating the Revised FHA 90D+ DQ Rate and the TPP Gap

With the components of Equation (1) in hand, we can calculate the revised FHA 90D+ DQ count and rate and the TPP gap as shown in Table 5. The revised 90D+ DQ count is calculated using Equation (1), and the revised FHA 90D+ DQ rate is calculated using the FHA-insured loan counts from Table 3. We project that, had the new TPP requirement not taken effect in October 2025, the FHA 90D+ DQ rate for the end of January 2026 would have been 3.70%, 1.53pp lower than the reported rate of 5.23%.

Table 5. The Revised FHA 90D+ DQ Rate.

Date	90D+ DQ Rate	90D+ DQ Count (BOM)	Loans in TPP (EOM)	Loans in TPP, 1 or 2 Missed Payments	Revised 90D+ DQ Count	Revised 90D+ DQ Rate	TPP Gap (percentage points)
10/1/2025	3.57%	290,957	7,433				
11/1/2025	3.60%	294,346	37,365	994	285,919	3.50%	0.10
12/1/2025	4.22%	345,806	69,690	6,123	302,318	3.69%	0.53
1/1/2026	4.81%	395,294	101,403	15,266	310,338	3.78%	1.03
2/1/2026	5.23%	431,340	114,657	24,477	305,460	3.70%	1.53

Sources: FHA Single Family Loan Performance Trends, January 2026, Recursion, and author's calculations.

Our TPP failure rate is an upper bound and, because the higher the TPP failure rate, the lower the revised 90D+ DQ rate, we may be overestimating the TPP gap. However, even if we reduce the TPP failure rate to zero, the TPP gap would still be substantial. In Table 6, we recalculate the TPP gap after

adjusting the TPP failure rate to 0, which is, of course, an unrealistic lower bound. In this case, the TPP requirement accounts for 84% (1.39pp) of the rise in the reported FHA 90D+ DQ rate.

Table 6. The Revised FHA 90D+ DQ Rate with no TPP failures.

Date	90D+ DQ Rate	90D+ DQ Count (BOM)	Loans in TPP (EOM)	Loans in TPP, 1 or 2 Missed Payments	Revised 90D+ DQ Count	Revised 90D+ DQ Rate	TPP Gap (percentage points)
10/1/2025	3.57%	290,957	7,433				
11/1/2025	3.60%	294,346	38,359	0	286,912	3.51%	0.09
12/1/2025	4.22%	345,806	75,813	0	307,447	3.75%	0.47
1/1/2026	4.81%	395,294	114,681	0	319,481	3.89%	0.92
2/1/2026	5.23%	431,340	130,864	0	316,659	3.84%	1.39

Sources: FHA Single Family Loan Performance Trends, January 2026, Recursion, and author's calculations.

Conclusion

The FHA 90D+ DQ rate has increased sharply, up from 3.57% in September 2025 to 5.23% in January 2026, an increase of 1.66pp in just 4 months. Ordinarily, such a sharp increase in the FHA 90D+ DQ rate would be a sign of financial stress among FHA borrowers. However, our analysis indicates that 92% (1.53pp) of the recent increase in the FHA 90D+ DQ rate is driven by *how an FHA policy change is reported rather than increasing financial fragility among FHA borrowers.*

Beginning in October 2025, FHA borrowers who resolve their delinquency with a home retention solution are required to enter a TPP and make 3 consecutive payments before their loan is marked current. Rather than transitioning directly to current after entering the home retention option, as had previously been FHA's practice, loans are now classified as 90D+ DQ for at least 3 additional months, driving up the FHA 90D+ DQ rate. Absent the reporting change, the FHA 90D+ DQ rate in January 2026 would have been 3.70%.

The addition of TPPs is a significant improvement to FHA's home retention program. TPPs reduce the cost of FHA's home retention program by ensuring the borrower demonstrates that the resulting monthly payment is affordable before the solution is made permanent. FHA does not absorb the cost of home retention solutions on TPP failures.

Once loans that successfully exit TPPs are reflected in the reported FHA 90D+ DQ rate, which will begin with the February 2026 release, the TPP gap should stabilize and the trajectories of the reported FHA 90D+ DQ rate and the 90D+ DQ rate under the pre-TPP policy should be similar going forward. Because the 1.53pp TPP gap caused by the policy-driven reporting change will persist, any longitudinal study of the FHA 90D+ DQ rate that crosses the October 2025 TPP-policy implementation threshold should be adjusted accordingly.