



ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: April 28, 2025

Mortgagee Letter 2025-13

To: All FHA-Approved Mortgagees
All Direct Endorsement Underwriters
All Eligible Submission Sources for Condominium Project Approvals
All FHA Roster Appraisers
All FHA-Approved 203(k) Consultants
All FHA-Approved Title I Lenders
All HUD-Certified Housing Counselors
All HUD-Approved Nonprofit Organizations
All Governmental Entity Participants
All Real Estate Brokers
All Closing Agents

Subject Updates to Claims Without Conveyance of Title (CWCOT) Post-Foreclosure Sales Period and HUD Real Estate Owned Properties (REO) Exclusive Listing Period

Purpose This Mortgagee Letter (ML) replaces policies established in ML 2022-01, *Expansion of the Exclusive Listing Period for HUD Real Estate Owned Properties*, and ML 2022-08, *Expanding Affordable Housing Supply Through FHA's Claims Without Conveyance of Title (CWCOT) Process*.

Effective Date The CWCOT provisions of this ML may be implemented immediately but must be implemented for all post-foreclosure sales associated with defaulted FHA-insured Mortgages scheduled to occur on or after May 30, 2025.

The REO provisions of this ML must be implemented for all HUD REO Properties listed for sale on or after May 30, 2025.

All updates will be incorporated into a forthcoming update of the HUD Handbook 4000.1, *FHA Single Family Housing Policy Handbook* (Handbook 4000.1).

Affected Programs The provisions of this ML apply to CWCOT post-foreclosure sales efforts and HUD's Single Family (one- to four-unit) REO Properties.

Background

On January 13, 2022, HUD published ML 2022-01, *Expansion of the Exclusive Listing Period for HUD Real Estate Owned Properties*, which expanded the exclusive listing period for HUD REO Properties for Owner-Occupant Buyers, HUD-approved Nonprofits, and Government Entities from 15 to 30 Days.

On May 5, 2022, HUD published ML 2022-08, *Expanding Affordable Housing Supply Through FHA’s Claims Without Conveyance of Title (CWCOT) Process*, which established an exclusive 30-Day sales period for Owner-Occupant Buyers, HUD-approved Nonprofits, and Government Entities as part of the CWCOT post-foreclosure sale process.

These two MLs intended to make more Properties available directly to future homeowners or to future homeowners via programs run by HUD-approved Nonprofits or Government Entities. MLs 2022-01 and 2022-08 were subsequently incorporated into Handbook 4000.1.

HUD data over the past several years show, at best, mixed results from these efforts (see Tables below). During the new CWCOT exclusive listing period, very few Properties have sold to Owner-Occupant Buyers and even fewer were purchased by HUD-approved Nonprofits and Government Entities. For REO, it’s unclear whether the longer exclusive listing period resulted in higher overall REO sales to owner-occupants or shifted sales from the original listing period (Days 1-15) and/or the regular listing period. Further, REO sales to HUD-approved Nonprofits and Government Entities remain at near-zero levels. Low sales during exclusive listing periods leads to continued deterioration of the Properties, as well as additional holding costs, which leads to lower sales prices, greater losses to HUD, and an increase in time before Properties are returned to the market. As a result, HUD has determined it is appropriate to update the relevant sections of Handbook 4000.1.

	Post ML 2022-08			
	FY 2023		FY 2024	
	#	%	#	%
Exclusive Listing Period Sales to Owner-Occupants	85	3%	160	3%
Exclusive Listing Period Sales to Government Entities	1	0%	3	0%
Exclusive Listing Period Sales to Non-Profits	3	0%	15	0%
Non-Exclusive Listing Period Sales	2,696	97%	4,447	96%
Total CWCOT Post-Foreclosure Sales	2,785	100%	4,625	100%

	Pre ML 2022-01 Through 2/28/2022				Post ML 2022-01 Effective 3/1/2022					
	FY 2021		FY 2022		FY 2022		FY 2023		FY 2024	
	#	%	#	%	#	%	#	%	#	%
Exclusive Listing Period Sales to Owner-Occupants	3,755	49%	744	44%	1,242	48%	2,414	52%	2,357	46%
Days 1-15 Owner Occupant	N/A	N/A	N/A	N/A	1,131	44%	1,967	43%	1,831	36%
Days 16-30 Owner Occupant	N/A	N/A	N/A	N/A	111	4%	447	10%	526	10%
Exclusive Listing Period Sales to Government Entities	0	0%	0	0%	0	0%	0	0%	0	0%
Exclusive Listing Period Sales to Non-Profits	4	0%	1	0%	1	0%	4	0%	4	0%
Non-Exclusive Listing Period Sales	3,908	51%	949	56%	1,347	52%	2,182	47%	2,756	54%
Total REO Sales	7,667	100%	1,694	100%	2,590	100%	4,600	100%	5,117	100%

Summary of Changes

This ML:

- updates CWCOT Post-Foreclosure Sales Efforts (III.A.2.s.iii(F));
 - updates and renames CWCOT Post-Foreclosure Sales Period (III.A.2.s.iii(F)(1));
 - eliminates Exclusive Post-Foreclosure Sales Period (III.A.2.s.iii(F)(1)(a)); and
 - eliminates Extended Post-Foreclosure Sales Period (III.A.2.s.iii(F)(1)(b));
 - updates Single Family Default Reporting Requirements for CWCOT (III.A.2.s.iii(G));
 - updates Submission of Claim Form Parts to HUD for CWCOT (IV.A.2.d.iii);
 - rescinds current language and restores previous language in Exclusive Listing Period (IV.B.2.f.v); and
 - rescinds current language and restores previous language in Extended Listing Period (IV.B.2.f.vi).
-

FHA Single Family Housing Policy Handbook 4000.1

The policy changes will be incorporated into Handbook 4000.1 as follows:

Claims Without Conveyance of Title (III.A.2.s.iii)

(F) CWCOT Post-Foreclosure Sales Efforts

Servicing and Loss Mitigation

If the Property does not sell to a third party at the foreclosure sale, the Mortgagee may pursue post-foreclosure sales efforts and may utilize independent third-party providers to conduct such sales prior to making a final decision to convey a Property to HUD.

The Mortgagee’s third-party provider must indicate that the Property is being sold in an “as is” condition, and the condition is unknown and may include defects, possible health or safety hazards, or debris, or be located in a Special Flood Hazard Area (SFHA).

Where the Property is occupied, based on the appraisal or property inspection, the Mortgagee’s third-party provider must clearly indicate that the Property is occupied in the auction information.

(1) CWCOT Post-Foreclosure Sales Period

Mortgagees that utilize the post-foreclosure sales efforts must list the Property for sale to all third parties for a 60-Day period.

(2) Extensions of Time Frames to Engage in Post-Foreclosure Sales Efforts

HUD will provide the Mortgagee with an automatic extension of the conveyance time frames to attempt post-foreclosure sales efforts and commence possessory action, where applicable, for 60 Days from the date the foreclosure deed is filed for recording or the expiration of the redemption period, if applicable, in circumstances where the Mortgagee complied with all foreclosure time frames.

(a) Conveyance Time Frame if Property Does Not Sell

If the Property does not sell through the post-foreclosure sales efforts, the Mortgagee must convey the Property to HUD within 30 Days of the end of the post-foreclosure sales period.

(b) Extension of Conveyance Time Frame to Allow for Closing

Where a sales contract has been ratified before the expiration of the 60-Day period, HUD will provide the Mortgagee with an additional, automatic 60-Day extension to the deadline for conveyance, from the date the sales contract has been ratified, to allow for closing of the sale.

(3) Preservation and Protection during Post-Foreclosure Sales Period

The Mortgagee must preserve and protect the Property in accordance with HUD requirements during the post-foreclosure sales period and throughout any approved extensions to deadlines for conveyance. HUD will reimburse the Mortgagee through the FHA insurance claim for all reasonable preservation, protection, and eviction expenses incurred prior to the expiration of any extension of the deadlines for conveyance, as listed in [Property Preservation Allowances](#) (III.A.2.v.iii(B)(5)).

Claims Without Conveyance of Title (III.A.2.s.iii)

(G) Single Family Default Reporting Requirements for CWCOT

Mortgagees must report the Delinquency/Default Status (DDS) Codes that apply to the foreclosure sale, CWCOT, or CWCOT post-foreclosure sale outcomes at the end of each reporting cycle. For Properties marketed post-foreclosure sale, the applicable DDS Code indicating the marketing period must be reported. For all Properties sold, Mortgagees must report the buyer type.

Mortgagees must report the DDS Codes as follows:

- Status Code 1J – Post-Foreclosure Sales Period
- Status Code 2U – Owner-Occupant Buyer Successful Bidder

- Status Code 2N – Nonprofit Successful Bidder
- Status Code 2G – Governmental Entity Successful Bidder
- Status Code 2I – Investor/Other Successful Bidder
- Status Code 2R – Borrower Successful Bidder
- Status Code 2S – Servicer Successful Bidder

Mortgagees must report one of the existing termination DDS codes at the conclusion of the default episode:

- Status Code 46 – Property Conveyed to Insurer; expected to follow 2S, 1J, or 1E when a conveyance claim will be filed with HUD.
- Status Code 48 – Claim without Conveyance of Title; expected to follow 2U, 2N, 2G, 2I, 2R, or 2S when a CWCOT claim will be filed with HUD.
- Status Code 29 – Charge-off; expected after a 2S when a Mortgagee cannot pursue HUD disposition options and will not file any termination claim with HUD.
- Status Code 30 – Third-Party Sale; expected to follow 2U, 2N, 2G, or 2I when no claim will be filed with HUD.
- Status Code 73 – Property Redeemed; expected to follow 2S when a borrower redeems the property, and no claim will be filed with HUD.

(H) Reporting CWCOT

If a third party purchased the Property at foreclosure through CWCOT procedures, the Mortgagee must report in SFDMS the appropriate Claim Termination of Insurance Code.

**FHA Single
Family Housing
Policy
Handbook
4000.1**

**Claims and
Disposition**

Claim Type 06 - Claims Without Conveyance of Title (IV.A.2.d)

iii. Submission of Claim Form Parts to HUD for CWCOT

The Mortgagee must submit Parts A and B simultaneously no later than 30 Days after:

- the date the Mortgagee acquired good and marketable title;
- the date a third party acquired good and marketable title;
- the date the Borrower or other party redeemed the Property;
- the date the redemption period expires; or
- such other date as required by the FHA Commissioner.

When filing via EDI, FHA Catalyst, or FHAC, the Mortgagee must submit Parts A and B no later than two Days after the date the form was prepared. When submitting via FHA Catalyst, the Mortgagee must also submit Parts C, D, and E.

In all cases, the Mortgagee must also upload into P260:

- all Parts of form HUD-27011;
 - the Closing Disclosure or similar legal document for post-foreclosure sales;
 - the appraisal;
 - appraisal invoices;
 - a worksheet reflecting the Mortgagee’s application of the CAFMV. The worksheet must include the CAFMV adjustment percentage provided in the instructions on FHAC, and where applicable, the state-mandated foreclosure price; and
 - a third-party service fee invoice for auction services, if applicable.
-

Exclusive Listing Period (IV.B.2.f.v)

(A) Definition

The Exclusive Listing Period is a competitive listing period in which only eligible Governmental Entities, HUD-approved Nonprofits, and Owner-Occupant Buyers may submit bids on HUD REO Properties.

(B) Standard

Governmental Entities, HUD-approved Nonprofits, and Owner-Occupant Buyers may submit bids during the exclusive listing period. HUD will choose the winning bid, which produces the greatest net return to HUD and meets HUD’s terms of offering of the Property.

(1) Length of Exclusive Listing Period

For Properties marketed as “insured” or “insured with escrow,” the exclusive listing period is 15 Days.

For Properties marketed as “uninsured,” the exclusive listing period is five Days.

(2) Review of Bids during Exclusive Listing Period

(a) Bid Opening for “Insured” and “Insured with Escrow” HUD REO Properties

(i) Bids Received from Days 1 through 10

For Properties marketed as “insured” or “insured with escrow,” the AM will open all bids received from the 1st through the 10th Day of the exclusive listing period on the next business day after

the 10th Day of the exclusive listing period. The AM opening the bids will treat all bids as having been received simultaneously.

(ii) Bids Received from Days 11 through 15

If none of the bids received by the 10th Day are accepted, the AM will open and review bids received during the 11th Day up to the 15th Day daily on the next business day. If a bid is not accepted during the 15-Day exclusive listing period, the AM will extend the listing to all buyers by listing the Property in the extended listing period.

(b) Bid Opening for “Uninsured” HUD REO Properties

For Properties that are marketed as “uninsured,” AMs will open and review all bids received from the 1st through the 5th Day on the next business day after the 5th Day of the exclusive listing period. The AM will treat all bids as having been received simultaneously. If a bid is not accepted in the five-Day exclusive listing period for Properties listed as “uninsured,” the AM will extend the listing to all buyers by listing the Property in the extended listing period.

(c) Bid Opening on Weekends and Federal Holidays

HUD considers bids received on Fridays, Saturdays, and Sundays in the same bid period as being received simultaneously during that period. The AM will open those bids on:

- the following Monday; or
- the next business day if Monday is a federal holiday.

HUD considers bids received on a federal holiday in the same bid period as being received on the previous Day. The AM will open those bids on the next business day.

Extended Listing Period (IV.B.2.f.vi)

(A) Definition

The Extended Listing Period is a competitive listing period during which all buyers may submit bids on HUD REO Properties.

(B) Standard

If a Property **remains unsold for 15 Days**, HUD will extend the listing to all buyers by listing the Property in the extended listing period.

All buyers, including Investors, may submit bids on HUD REO Properties during the extended listing period.

(C) Review of Bids during Extended Listing Period

The AM will open bids at the end of each business day, subject to the policies in [Bid Opening on Weekends and Federal Holidays](#).

Paperwork Reduction Act

The information collection requirements contained in this document have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. 3501-3520) and assigned OMB control numbers 2502-0005; 2502-0059; 2502-0117; 2502-0189; 2502-0302; 2502-0306; 2502-0322; 2502-0328; 2502-0358; 2502-0404; 2502-0414; 2502-0429; 2502-0494; 2502-0496; 2502-0524; 2502-0525; 2502-0527; 2502-0538; 2502-0540; 2502-0556; 2502-0561; 2502-0566; 2502-0570; 2502-0583; 2502-0584; 2502-0589; 2502-0600; 2502-0610; and 2502-0611. In accordance with the PRA, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

Feedback or Questions

HUD welcomes feedback from interested parties and will consider feedback in determining the need for future updates. Any feedback or questions regarding this ML may be directed to the FHA Resource Center at 1-800-CALLFHA (1-800-225-5342), answers@hud.gov, or www.hud.gov/answers. The FHA Resource Center is prepared to accept calls from persons who are deaf or hard of hearing, as well as individuals with speech or communication disabilities. Information on how to make an accessible phone call is available at <https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs>.

Signature

Frank Cassidy
Principal Deputy Assistant Secretary for Housing
