



March 6, 2020

Federal Housing Administration
Office of Single Family Housing
U.S. Department of Housing and Urban Development
451 Seventh Street SW
Washington, DC 20410

Re: "Enhancements to FHA's Claims Without Conveyance of Title (CWCOT) Procedures: Proposed Enhancements Posted February 24, 2020"

Thank you so much for the opportunity to provide input on the proposed enhancements to the Claim Without Conveyance of Title (CWCOT) program.

Our organization, the National Community Stabilization Trust (NCST), does not participate as a user in the CWCOT program, and therefore we do not have comments on the merits of the particular enhancements proposed by HUD. However, our understanding from program participants is that the proposed changes will lead to an even greater share of properties flowing through the CWCOT program. While this seems like it would be a good thing, we are concerned about the unintended consequence of CWCOT which is that when properties go through CWCOT, they are not easily available to potential owner-occupants or community nonprofits. Unless this problem is fixed, we do not support expanding the program.

First, because properties that flow through CWCOT never enter HUD's REO portfolio after foreclosure, these properties are not subject to the special homeownership and nonprofit acquisition opportunities provided through HUD's REO program:

- The 15- day "first look" period of priority for homeowners, nonprofits, and government agencies on insured homes (eligible for FHA loan) and a 5-day period for uninsured homes (ineligible for FHA).
- The "Good Neighbor Next Door" program, which gives teachers, firefighters, police officers, and nonprofits access to properties at a significant discount in revitalization areas.
- The "Insured with Escrow" program for homes needing less than \$10,000 in repairs, which provides that buyers are eligible to receive funds to repair the property upon acquisition through an FHA renovation loan.

Second, the vast majority of properties sold in the CWCOT program are sold through private auction websites rather than on the Multiple Listing Service (which is how most families shop for homes). While theoretically those auction websites are open to all members of the public as well as real estate agents, a quick review of any of the commonly used websites such as Auction.com or Hubzu will reveal two

significant obstacles to participation by prospective homeowners: (1) listings that specify cash-only or otherwise preclude conventional financing; and (2) the need for a deposit in an account to be an active buyer.

By facilitating sales to cash buyers rather than homeowners, HUD is unintentionally speeding the transition of neighborhoods from homeownership to rental neighborhoods and putting upward pressure on home prices. Accordingly, these cash sales negatively affect housing affordability and neighborhood stability.

If HUD is changing the CWCOT rules to improve the program and increase the number of properties that flow through it, HUD should also change the rules to prioritize selling foreclosed properties to owner occupants whenever possible. To do so, HUD should require that all CWCOT sales be conducted on platforms that are fully accessible by typical homebuyers and nonprofits, including the use of conventional and FHA mortgage financing as well as cash or lines of credit.

Additionally, HUD should create a “second look” so that properties offered for sale through the CWCOT program that do not transact at foreclosure sale would then be offered through a platform such as NCST’s REOMatch, which provides an exclusive “first look” at REO properties to community development organizations hoping to acquire and rehabilitate homes for resale to neighborhood residents. HUD could also explore expanding the CWCOT footprint to properties with more distress if they transacted through REOMatch, where rehab prior to sale would be guaranteed and monitored.

NCST stands ready to partner with HUD to develop CWCOT guidelines that prevent the program from unintentionally reducing the supply of affordable properties for homeownership. HUD has previously participated as a seller in NCST’s REOMatch program during the Neighborhood Stabilization Program, so we understand how to interface with the HUD systems and could easily incorporate HUD properties into our platform. Regardless of whether the NCST platform is used, we are happy to brainstorm with HUD on how best to achieve these important goals.

Thank you again for the opportunity to submit these comments.

Julia Gordon

President, National Community Stabilization Trust