



MEMORANDUM

February 12, 2026

To: Matthew Jones
Deputy Assistant Secretary, Office of Single Family Housing, HU

//signed//

From: Kilah S. White
Assistant Inspector General for Audit and Evaluation, GA

Subject: Audit Memorandum-2026-BO-0801 - HUD's Office of Single Family Housing's Efforts to Increase the Supply of Affordable Housing Had Minimal Effect

HUD's Single Family Housing's (SFH) Office for Single Family Asset Management is responsible for developing and implementing policies for mortgage servicing, claims, and property disposition that help the Federal Housing Administration (FHA) assist homeowners in avoiding foreclosure whenever possible while mitigating losses to the Mutual Mortgage Insurance Fund (MMIF). HUD's Equity Action Plan focused on increasing economic development at the community, municipal, Tribal, and state levels to find solutions where the demand for affordable housing exceeds the available supply.¹ In further support of these actions, HUD has aimed to promote greater financing options and provide new and innovative avenues to provide technical assistance to program partners to increase housing availability and affordability. HUD's strategic goals and action plan influenced SFH's efforts to increase housing accessibility to owner-occupants, nonprofit organizations, and governmental entities through flexible timelines catering to prioritized groups.

To increase the supply of affordable housing to underserved communities, SFH took the following actions:

- Expanded the exclusive listing period for REO (Real Estate Owned) homes from 15 days to 30 days to increase the time owner-occupants, HUD-approved nonprofits, and governmental entities can view and bid on properties without competing with investor purchasers through issuance of Mortgagee Letter 2022-01.
- Enhanced the CWCOT (Claims Without Conveyance of Title) program to provide a post-foreclosure exclusive 30-day period for owner-occupants, HUD-approved nonprofits, and

¹ On January 20, 2025, Executive Order 14151, "Ending Radical and Wasteful Government DEI Programs and Preferencing," required all agencies to terminate equity action plans identifying barriers underserved communities face in accessing federal benefits. Executive Order 14151 also required OMB to "terminate, to the maximum extent allowed by law" all environmental justice offices and positions, all equity action plans, "equity" actions, initiatives, or programs, and all "equity-related" grants or contracts.

governmental entities to bid on properties prior to the mortgagee's conveyance to HUD, reintroducing these affordable properties into the housing supply more quickly through the issuance of Mortgagee Letter 2022-08.

Our audit objective was to determine whether HUD met its intended outcome to increase the supply of affordable housing to owner-occupants, governmental entities, and HUD-approved non-profits by expanding the exclusive listing periods for its REO properties and CWCOT program.

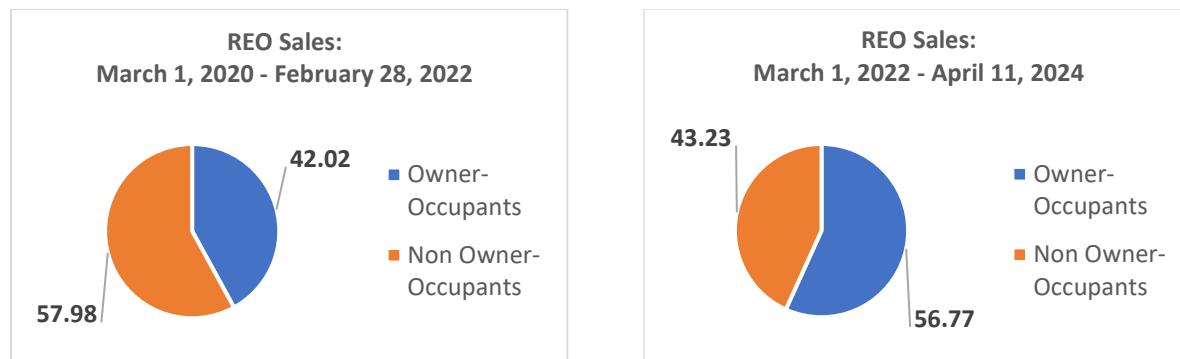
HUD performed an analysis of REO sales during fiscal years 2023 and 2024 which found its efforts to increase the supply of affordable housing had mixed results. HUD determined that the increased exclusive listing periods had a limited impact on REO and CWCOT sales. As a result, HUD rescinded the mortgagee letters that expanded the exclusive listing periods for both programs. Because of these changes, we were unable to fully address the audit objective.

Review Results

HUD's efforts to increase the supply of affordable housing to owner-occupants, HUD-approved non-profits, and government entities by expanding the exclusive listing periods in its REO and CWCOT properties had a minimal impact on the supply of affordable housing. To help increase the supply of affordable housing, HUD issued Mortgagee Letter 2022-01 which expanded the exclusive listing period for the REO program from 15 days to 30 days. The REO program's policy changes resulted in an increase in the proportion of exclusive listing owner-occupants to total sales of approximately 14 percent. HUD also issued Mortgagee Letter 2022-08 which created an exclusive listing period of 30 days for the sale of CWCOT post-foreclosure properties. However, contrary to the guidance in Mortgagee Letter 2022-08, 115 investors purchased homes during the restricted exclusive listing period. HUD performed an analysis of fiscal years 2023 and 2024 and found its efforts had mixed results in increasing the supply of affordable housing. As a result, HUD issued Mortgagee Letter 2025-13, which changed the REO exclusionary period back to 15 days and eliminated the exclusive period for the CWCOT program.

Expanded REO Exclusive Listing Period Increased Owner Occupant Sales

Based on preliminary HUD sales data between January 2020 and April 2024, the REO program's policy expansion of the exclusive listing period from 15 to 30 days (Mortgagee Letter 2022-01) resulted in at least a 14 percent increase in the proportion of exclusive listing owner-occupants to total sales. This percentage represents the owner-occupant exclusive difference in 3,483 units of 6,135 total REO units sold post-March 2022 versus 6,807 units of 16,199 total units sold pre-March 2022 (see figure below).



The increase in the proportion of owner-occupant exclusive listing sales to total purchases was accompanied by a corresponding marked decrease in investor sales.

Weaknesses Existed in HUD's CWCOT Exclusive Listing Period Sales

Before issuing Mortgagee Letter 2022-08, HUD did not have an exclusive listing period for the CWCOT program. Therefore, HUD had no data to compare the possible effects of the exclusive listing period. However, based on our review and analysis, 115 investors were able to purchase homes during the restricted exclusive listing period, contrary to the guidance in mortgagee letter. The mortgages for these 115 properties totaled \$15.7 million.

Mortgagee Letter 2022-08 also required HUD to maintain documentation to support all CWCOT property sales in its P260 system. However, HUD did not maintain records verifying buyers, such as the owner-occupant signed statement that they intended to use the property as their principal residence and support that non-profit entities were included on the list of HUD-approved nonprofits. The P260 system allows mortgagees to submit requests, notifications, and documents related to obtaining approvals for conveyance and assists HUD in performing effective oversight in ensuring compliance with the mortgagee letter. Our review of public record databases, including Accurint,² for the properties that were missing documentation in the P260 system showed that the purchasers were owner-occupants or investors.

HUD Rescinded Its Policies on REO and CWCOT Program Exclusive Listing Periods

HUD performed an analysis of fiscal years 2023 and 2024 which found its efforts had mixed results to increase the supply of affordable housing. For the REO program, HUD found that it was unclear whether the longer exclusive listing period resulted in higher overall REO sales to owner-occupants or shifted sales from the original listing period of 1-15 days and/or the regular listing period. Further, REO sales to HUD-approved nonprofits and government entities remained at near-zero levels. For the CWCOT program, HUD found that only 3 percent of CWCOT sales were to owner-occupants, resulting in a limited benefit of holding 97 percent of sales off the market for 30 days, and increasing HUD's losses through additional holding costs and lower sales prices. Further, HUD concluded that more non-investors purchased the CWCOT properties after the exclusive listing period. Given these circumstances, HUD decided to reduce the REO exclusive listing period back to 15 days. HUD also eliminated the exclusive period for the CWCOT program to provide increased returns to the MMIF, which it stated maximized its recovery of its losses within a reasonable period.

Recommendations

The memorandum contains no recommendations.

² Accurint is a public records database that functions as a direct connection to assist in verifying buyers' identities, conduct investigations, and detect fraud.

Management Response

On January 7, 2026, we provided HUD with a draft audit memorandum for review and comment. On January 23, 2026, the Deputy Assistant Secretary for Single Family Housing informed us that HUD elected not to provide formal comments to the draft audit memorandum.

Scope and Methodology

We performed our audit off-site at our offices in Washington, DC, and Atlanta, GA, from December 2024 to August 2025. The audit covered the period of January 1, 2020, through April 11, 2024.

To achieve the audit objective, we:

- Reviewed HUD's policies for both the REO and CWCOT program, Mortgagee Letters 2022-01 and 2022-08, respectively. HUD introduced policy reforms in 2022 to both programs to increase the housing supply for owner-occupants, HUD-approved nonprofits, and governmental entities.
- Obtained HUD sales data for the REO and CWCOT programs between January 2020 to April 2024 and May 2022 to April 2024, respectively. HUD downloaded the raw data to an Excel file from their P260 system, which allows mortgagees to submit requests, notifications, and documents related to obtaining approvals for conveyance activities.
- Organized the data based on the 30-day exclusionary periods outlined in Mortgagee Letters 2022-01 and 2022-08. The CWCOT program did not have an exclusive listing period before the May 2022 policy change. Therefore, we were unable to conduct comparative analysis with the REO program.

To achieve our audit objective, we relied on computer-processed data provided by HUD from its P260 system. HUD provided sales data for the REO and CWCOT programs. We selected a random sample of sales for each program and conducted testing to determine whether the data were reliable and obtained supporting documentation from the P260 system. These documents included settlement statements and purchase addendums. For sales that were missing documentation in the P260 system, we performed searches on the internet and in Accurint to verify the data provided. The following paragraphs discuss the details of our universe and sample.

Sampling for REO program

From March 2022 to April 2024, HUD sold 3,483 REO properties to owner-occupants during the exclusive listing period. To determine whether HUD's data were accurate, we selected a sample of sales and using a simple stratified random sample and selected a sample of 67 sales to review. We reviewed 14 sales from the sample and determined that we did not have to review the remaining 53 items because, in our judgement, HUD's REO data were accurate and reliable.

Sampling for CWCOT Program

From July 2022 to March 2024, HUD sold 433 properties during the exclusive listing period. Of this amount: 125 were sold to owner-occupants, 115 were sold to investors, and the status of 137 successful bidders was not reported by HUD. The remaining properties were sold to non-profits, government

entities, and the mortgage servicer. To determine whether data provided by HUD were accurate, we selected a systematic stratified random sample of 45 sales among the universe of 125 properties sold to owner-occupants. We reviewed 10 of these sales and based on our review determined that we did not have to review the remaining sample items because, in our judgement, HUD's data were accurate.

We also performed file reviews for 20 of the 115 CWCOT investor purchases; for these reviews we selected highest-dollar-value mortgage amounts and searched for possible variances between P260 system data and public records databases, including Accurint. In addition, non-profits purchased six properties and government agencies purchased three properties. We reviewed 100 percent of these non-profit and government purchases.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.