



Mr. Dror Oppenheimer
Senior Advisor to the Assistant Secretary for Housing
U.S. Department of Housing and Urban Development

Mr. Oppenheimer,

Thank you for meeting with representatives from member banks and non-banks of the National Mortgage Servicing Association (NMSA) on December 4, 2019. We appreciate the opportunity to discuss important issues on behalf of the mortgage industry and the homeowners, including those related to the CWCOT program, servicing practices, and fees.

Below, please find comments and observations in response to questions presented during our meeting, regarding data on buyer makeup of CWCOT properties and the scope of properties that are not being put through CWCOT program, due to surchargeable expenses.

In addition, attached and below are documents and slides supporting our findings. I look forward to speaking with you in the coming weeks to review the next course of action and recommendations.

Sincerely,

A handwritten signature in black ink, appearing to read "Ed Delgado", followed by a period.

Ed Delgado
President & CEO
Five Star Global, LLC

NATIONAL MORTGAGE SERVICING ASSOCIATION

STUDY: CLAIMS WITHOUT CONVEYANCE OF TITLE (CWCOT)

DECEMBER 2019

EXECUTIVE SUMMARY

The following is an update from December 4, 2019 NMSA - HUD Working Session regarding the request for more data on buyer makeup of CWCOT properties and the scope of properties that are not being put through CWCOT due to surchargeable expenses/services not being able to utilize hazard insurance.

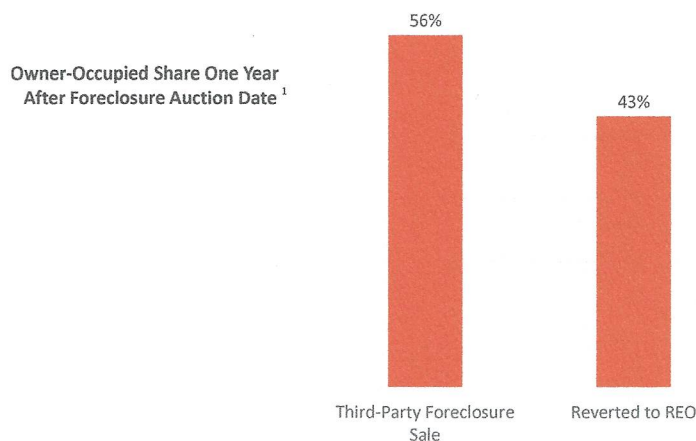
COMMENTS

MAKEUP OF BUYERS OF PROPERTIES SOLD THROUGH CWCOT

Information provided is as of Q2 2019, examining 23,000 properties that advanced to foreclosure auction in Q2 2018. These properties represent 50% of all properties sold at auction nationwide in Q2 2018.

OBSERVATIONS

Fifty-six percent of all properties sold to third parties at foreclosure auction were owner-occupied, one year after the foreclosure auction date compared to 43% of properties that reverted to the lender (REO).

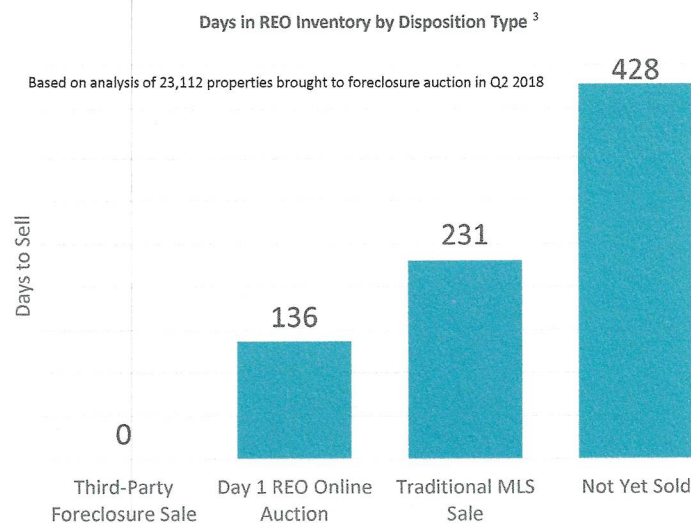


Properties sold at the foreclosure sale had a winning bid that was 115.4% of the seller's credit bid (reserve) compared to those being listed and sold on MLS at 99.5%.

When holding, repair and sales costs are factored in, MLS executed at 79.3% of the foreclosure sale credit bid vs. 110.4% for third-party foreclosure sales.



Properties sold via “Day 1” REO online auction sold on average 95 days faster than REOs sold via the MLS. This figure does not include the time to clear “marketable condition conveyance” hurdles in REO sales that would greatly increase this time difference.



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Key Observation: One year after properties are initially bought through CWCOT, auction increases owner-occupancy by 30.2% compared to those properties that advanced to REO.

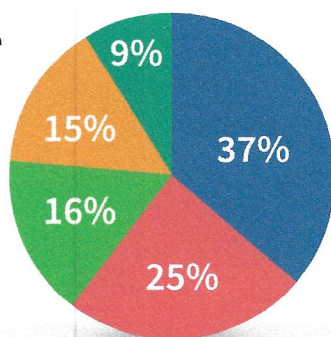
PROFILE OF NON-CWCOT PROPERTIES

A recent NMSA survey of 13 FHA servicers demonstrated that in the time category of recent foreclosures (6 to 18 months) repairing for conveyance condition represented 25% of the properties.

During this timeframe, Servicers were processing evictions on 37% of the properties with 55% of total properties reported as vacant. In the time period of aged foreclosures (greater than 18 months in age) repairing for conveyance condition increased to 51%.

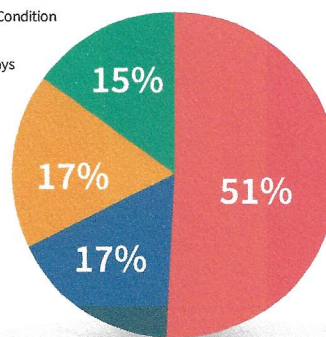
HUD - NMSA SURVEY ⁴
FCL 6-18 MONTHS

- Processing Eviction
- Repairing for Conveyance Condition
- Pending End of Redemption Period
- Property Preservation Delays
- Other



HUD - NMSA Survey
FCL > 18 Months

- Repairing for Conveyance Condition
- Processing Eviction
- Property Preservation Delays
- Other



CONCLUSION

Based on this data and the data presented at the December 4 meeting, the NMSA requests that HUD incorporate the following changes to CWCOT to continue to improve the effectiveness of the program:

- 1) Re-value properties in the program: Incorrect values on occupied proprieties hamper the effectiveness of CWCOT
- 2) Expand the first chance sales footprint nationwide
- 3) Update the haircuts which have not been updated in several years

^{1,2,3} Auction.com “Q2 2019 Seller Strategy Report”

⁴ NMSA “HUD Pending Conveyance Survey,” September 2019