



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-  
FEDERAL HOUSING COMMISSIONER

**Date:** XXXX, 2025

**Mortgagee Letter 2025-XX**

**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** Use of Independent Third-Party Providers in Connection with Claims Without Conveyance of Title (CWCOT)

---

**Purpose** This Mortgagee Letter (ML) updates the requirements for Independent Third-Party Providers in connection with foreclosures and Claims Without Conveyance of Title (CWCOT).

---

**Effective Date** The provisions of this ML are effective on [XXXXXX].

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 all FHA Title II Single Family forward mortgage programs.

---

**Background** HUD allows Mortgagees to work with third parties (referred to as Third-Party Providers) to conduct the foreclosure sales and post-foreclosure sales efforts for Properties secured by FHA-insured Mortgages, including marketing the Property for sale. Currently, HUD requires the Third-Party

## Mortgagee Letter 2025-XX, Continued

Provider conducting the foreclosure sales and post-foreclosure sales efforts to be independent from the Mortgagee.

The Independent Third-Party Provider is required to meet specific criteria to be considered independent from the Mortgagee. HUD's policy specifically restricts the use of a Third-Party Provider in connection with foreclosure sales and post-foreclosure sales efforts where the Third-Party Provider is an affiliate or subsidiary, or where the Mortgagee has significant influence over or a conflict of interest with the Third-Party Provider.

Given the small number of providers with national auction platforms, these restrictions limit competition when applied to Mortgage Servicers as well as Mortgage Holders. HUD has determined that the limitation is overly broad when the Third-Party Provider is only an affiliate or subsidiary of the Mortgage Servicer and not the Mortgage Holder. Similarly, the concerns regarding a Mortgagee's influence or a conflict of interest with a Third-Party Provider is more appropriate when focused on the Mortgage Holder. Therefore, through this ML, HUD is refining the limitations on Independent Third-Party Providers to those associated with the Mortgage Holder.

Modifying the limitations on the Independent Third-Party Providers available to the Mortgagee aligns with the Administration's overarching goals of reducing restrictions on industry partners and making it easier to do business with HUD.

---

### Summary of Changes

This ML:

- updates Independent Third-Party Providers (III.A.2.s.iii(D));
- updates CWCOT Post-Foreclosure Sales Efforts (III.A.2.s.iii(F)); and
- updates Third-Party Auction Service Fees (IV.A.2.d.ii(E)).

---

### 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)

#### (D) Independent Third-Party Providers

#### Servicing and Loss Mitigation

##### (1) Definition

An Independent Third-Party Provider is a party that conducts the foreclosure sale or post-foreclosure sales efforts, including marketing efforts in support of such sales under CWCOT procedures and who is not one of the following:

- an Affiliate or subsidiary of the Mortgage Holder;
- any entity over which the Mortgage Holder has significant influence; or
- any entity with which the Mortgage Holder has a conflict of interest in fact or appearance.

## (2) Standard

Where permitted by the jurisdiction, the Mortgagee may utilize an Independent Third-Party Provider to market the Property prior to any foreclosure sale or post-foreclosure sales efforts or to conduct such sales to ensure maximum competition for both the foreclosure sale and post-foreclosure sales.

The Mortgagee may only use an Independent Third-Party Provider that agrees, in writing, to share sales and auction reporting information with the Mortgagee and HUD.

For successful third-party sales, HUD will reimburse expenses relating to the Mortgagee's use of an Independent Third-Party Provider to market or conduct the foreclosure sale or post-foreclosure sales efforts, provided the Property was marketed for a minimum of 15 Days before each scheduled sale. HUD will reimburse such Independent Third-Party Provider expenses incurred for successful third-party sales up to an amount that does not exceed:

- 3 percent of the Property's sales price where the Independent Third-Party Provider markets the Property, but does not conduct the sale; or
- 5 percent of the Property's sales price where the Independent Third-Party Provider markets the Property and conducts the sale.

Closing costs of the sale are to be paid by the third-party purchaser or the Mortgagee. Revenue sharing agreements of the reimbursed fee between the Mortgagee and the independent third-party provider are prohibited.

---

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

### (F) CWCOT Post-Foreclosure Sales Efforts

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.

## Mortgagee Letter 2025-XX, Continued

The Mortgagee's Independent 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 Independent Third-Party Provider must clearly indicate that the Property is occupied in the auction information.

---

### FHA Single Family Housing Policy Handbook 4000.1

#### Claim Type 06 - Claims Without Conveyance of Title – Computation of Claim Amount (IV.A.2.d.ii)

##### (E) Third-Party Auction Service Fees

### Claims and Disposition

For successful third-party sales only, HUD will reimburse Mortgagees for Independent Third-Party Providers for auction service fees they incur for an amount that does not exceed 5 percent of a Property's sales price.

---

### 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.

---