

SERVICING

HUD gives community groups more time to bid on foreclosure properties

By [Bonnie Sinnock](#) January 14, 2022, 12:57 p.m. EST 2 Min Read

The Department of Housing and Urban Development is doubling its 15-day exclusive listing period that gives community organizations first dibs on certain foreclosure properties, a move designed to support the [Biden administration's affordable housing goals](#).

The exclusive listing period applies to insured one-to-four family real-estate owned properties eligible for financing under the Federal Housing Administration's 203(b) program, which typically finances up to \$10,000 in renovations unrelated to the home's structure.

The change — which takes effect March 1, and follows a [first-look period extension by the Federal Housing Finance Agency last fall](#) — will further test whether giving consumers and their advocates more time to consider distressed properties gives them more access to affordable homes.

“By extending the time frame individuals have to bid on an REO property, we are offering families and a better chance to purchase a quality HUD-owned home to live in, build equity and create generational wealth,” said Lopa Kolluri, principal deputy assistant secretary for housing, in a press release.

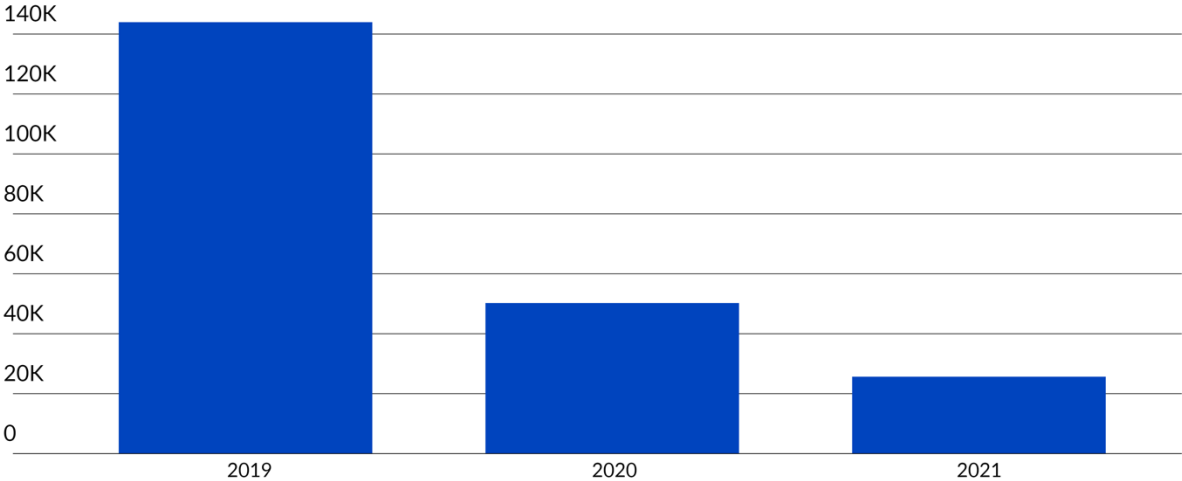
HUD specifically gives owner-occupants, nonprofits that it's approved, and governmental organizations preference in bidding for these REO properties. Starting in March, that preferred period will start with a 10-day round of initial offers. If no accepted bid from preferred buyers emerges during that time, the exclusive bidding period will be extended another 20 days. During that latter period, HUD will open and review bids daily. Only if no bids are accepted during that time will properties be offered to the market at large.

The results of [a recent sale of HUD-held loan pools on vacant properties](#) anecdotally suggests the department has been successful in bringing more community organizations into the bidding processes. A record 23 nonprofits participated in that sale, with 11 of them winning pools that represented 50% of total loans in the offering. HUD had offered 50% of the loans in the pool rather than the 10% it had offered in the past.

Frustration with the limited consumer access to lower-priced properties has grown in [a hot housing market that only recently has shown signs of potential cooling](#).

The supply of real-estate owned properties in the broader market is historically low due to previous pandemic-related bans on foreclosure and other forms of relief for homeowners. Lenders repossessed 25,662 REO properties in the past year, down 49% from 2020 and 95% from a peak of 1.05 million in 2010, marking the lowest level ever seen since at least 2006, according to Attom. Just prior to the pandemic, REO volumes were nearly three times as they were in 2020, and at a 15-year low.

Real-estate owned properties by year



Source: Attom

While a recent report from Black Knight shows [the vast majority or 89% of single-family borrowers have now exited forbearance](#), and foreclosure bans have largely ended, Attom forecasts that REO activity will remain lower throughout 2022 due to high home equity levels. While this bodes well for distressed borrowers, it limits the supply of lower-priced homes available to buyers in a tight housing market.

“Homeowners have a record amount of equity – over \$23 trillion – and over 87% of homeowners in foreclosure have positive equity. This means that most borrowers will have an opportunity to sell their house at a profit rather than lose everything to a foreclosure auction,” said Rick Sharga, executive vice president of Attom affiliate RealtyTrac, in a press release.