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[Notices]  
[Page 75210-75213]  
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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-4914-N-07]

Mortgagee Review Board; Administrative Actions

AGENCY: Office of the Assistant Secretary for Housing-Federal Housing  
Commissioner, Department of Housing and Urban Development (HUD).

ACTION: Notice.

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SUMMARY: In compliance with section 202(c) of the National Housing Act, this notice advises of the cause and description of administrative actions taken by HUD's Mortgagee Review Board against HUD-approved mortgagees.

FOR FURTHER INFORMATION CONTACT: David E. Hintz, Secretary to the Mortgagee Review Board, 451 Seventh Street, SW., Washington, DC 20410-8000, telephone: (202) 708-3856, extension 3594. A Telecommunications Device for Hearing- and Speech-Impaired Individuals (TTY) is available at (800) 877-8339 (Federal Information Relay Service).

SUPPLEMENTARY INFORMATION: Section 202(c)(5) of the National Housing Act (added by section 142 of the Department of Housing and Urban Development Reform Act of 1989, Pub. L. 101-235, approved December 15, 1989), requires that HUD "publish a description of and the cause for administrative action against a HUD-approved mortgagee" by the Department's Mortgagee Review Board (Board). In compliance with the requirements of section 202(c)(5), this notice advises of administrative actions that have been taken by the Board from August 25, 2004 to October 18, 2005.

1. Accent Mortgage Services, Inc., Alpharetta, GA [Docket No. 03-3219-MR]

Action: On September 12, 2005, the Board issued a letter to Accent Mortgage Services, Inc. (Accent), withdrawing its HUD/FHA approval for five years. The Board also voted to impose a civil money penalty in the amount of \$6,500.

Cause: The Board took this action because Accent failed to comply with the terms of a Settlement Agreement dated March 26, 2004 to pay civil money penalties to the Department in the amount of \$75,000.

2. Alliance Mortgage Banking Corporation, Levittown, NY [Docket No. 04-4818-MR]

Action: Settlement Agreement signed September 16, 2005. Without admitting liability or fault, Alliance Mortgage Banking Corporation (Alliance) agreed to pay an administrative payment in the amount of \$136,775, indemnify HUD on 16 HUD/FHA-insured loans and reimburse 27 HUD/FHA borrowers unallowable charges in the amount of \$12,193. Additionally, Alliance agreed to retain an independent quality control

firm to conduct a quality control review of twenty HUD/FHA loans, consisting of current and defaulted loans. Based upon the results of this review, Alliance would submit to HUD a corrective action plan that addresses the findings of the quality control review and the issues outlined in the Notice of Violation.

Cause: The Board took this action based on the following violations of HUD/FHA requirements in the origination of HUD/FHA-insured loans where Alliance: Permitted employees to be involved in the processing of loan applications on loans where they were the seller; used falsified documentation or conflicting information in originating loans and/or obtaining HUD/FHA-insured mortgages; failed to resolve discrepancies or fully obtain and analyze the terms and conditions of the real estate transaction and consider the acquisition cost of recently acquired properties in the underwriting of loans; failed to properly verify the source and/or adequacy of funds for the downpayment and/or closing costs; failed to properly verify income; failed to limit seller contributions to the maximum permitted by HUD; failed to ensure timely completion and/or establish an escrow account for incomplete property repairs; submitted delinquent loans for mortgage insurance endorsement; failed to remit Up-Front Mortgage Insurance Premiums within 15 days from the date of loan closing;

[[Page 75211]]

permitted a borrower to obtain a HUD/FHA loan within three years of a foreclosed loan; violated HUD/FHA third party origination restrictions; and failed to ensure borrowers, who had been charged a commitment fee, executed a Commitment Agreement guaranteeing discount points and/or interest rates, at least 15 days prior to the date the loan closed.

### 3. American Union Mortgage, Inc., Ogden, UT [Docket No. 05-5049-MR]

Action: On October 18, 2005, the Board issued a letter to American Union Mortgage, Inc. (American Union) withdrawing its HUD/FHA approval for five years. The Board also voted to impose a civil money penalty in the amount of \$6,500.

Cause: The Board took this action because American Union failed to comply with the terms of a Settlement Agreement with the Department dated May 14, 2004 to pay civil money penalties to the Department in the amount of \$150,000.

### 4. Bancplus Home Mortgage Center, Inc., Ft. Lauderdale, FL [Docket No. 04-4450-MR]

Action: Settlement Agreement signed May 24, 2005. Without admitting liability or fault, Bancplus Home Mortgage Center, Inc. agreed to pay an administrative payment in the amount of \$24,000 and indemnify HUD on two loans.

Cause: The Board took this action based on the following violations of HUD/FHA requirements in the origination of HUD/FHA-insured loans where Bancplus: Failed to implement a Quality Control Plan in conformance with HUD/FHA requirements (repeat finding); and failed to properly document the source and/or adequacy of funds used for the downpayment and/or closing cost.

### 5. Costal Capital Corp., Greenvale, NY [Docket No. 04-4384-MR]

Action: Settlement Agreement signed June 7, 2005. Without admitting liability or fault, Costal Capital Corp. (Costal) agreed to pay a civil money penalty in the amount of \$134,500, indemnify HUD on three loans and reimburse borrowers for impermissible expenses totaling \$7,014.

Cause: The Board took this action based on the following violations of HUD/FHA requirements in the origination of HUD/FHA-insured loans where Costal: Violated third party origination restrictions; improperly allowed documents to pass through the hands of interested third

parties; certifying falsely on form HUD-92900-A, Part II, Lender Certification; approved loans where the total origination fees charged to the borrowers were in excess of one percent; failed to properly verify the source and adequacy of funds used for the downpayment and/or closing costs; permitted borrowers to be charged fees that were not allowable under HUD/FHA requirements; failed to disclose all fees paid by the borrowers or on their behalf on the HUD-1 Settlement Statement; and failed to implement and maintain a Quality Control Plan in compliance with HUD/FHA requirements.

6. De Oro, Inc., Ontario, CA [Docket No. 05-5073-MR]

Action: On September 12, 2005, the Board issued a letter to De Oro, Inc. (De Oro) withdrawing its HUD/FHA approval for five years. The Board also voted to impose a civil money penalty in the amount of \$26,000.

Cause: The Board took this action based on the following violations of HUD/FHA requirements where De Oro: Failed to comply with the terms of agreements requiring De Oro to indemnify the Department; failed to accrue or note a significant contingent liability in HUD's Lender Assessment Sub-System financial statement submission; misrepresented its net worth; and provided HUD a false certification.

7. Global Financial Services, Inc., Bethesda, MD [Docket No. 04-4263-MR]

Action: Settlement Agreement signed September 13, 2005. Global Financial Services, Inc. (Global) agreed to pay a civil money penalty in the amount of \$62,500 and to immediate withdrawal of Global's HUD/FHA-approval for four years.

Cause: The Board took this action based on the following violations of HUD/FHA requirements in the origination of HUD/FHA-insured loans where Global: Employed an individual who has been debarred by the Department; and failed to implement and maintain a Quality Control Plan in compliance with HUD/FHA requirements.

8. Home Loan Mortgage Corporation, Hesperia, CA [Docket No. 05-5002-MR]

Action: On April 1, 2005, the Board issued a letter to Home Loan Mortgage Corporation (Home) withdrawing its HUD/FHA-approval for five years. The Board also voted to impose a civil money penalty in the amount of \$6,500.

Cause: The Board took this action because Home failed to comply with the terms of the Settlement Agreement executed with the Department dated May 3, 2001.

9. iMortgage Funding Corporation d/b/a Guaranty Mortgage, Houston, TX [04-4435-MR]

Action: Settlement Agreement signed May 11, 2005. Without admitting liability or fault, iMortgage Funding Corporation d/b/a Guaranty Mortgage (iMortgage), agreed to pay a civil money penalty in the amount of \$379,100 and indemnify HUD on 17 HUD/FHA-insured loans.

Cause: The Board took this action based on the following violations of HUD/FHA requirements in the origination of HUD/FHA-insured loans where iMortgage: Paid prohibited compensation to employees performing underwriting duties; failed to remit Upfront Mortgage Insurance Premiums to HUD/FHA within 15 days of loan closing; failed to adopt and implement a Quality Control Plan in compliance with HUD/FHA requirements; used documentation that was falsified and/or contained unresolved discrepancies; failed to properly verify the source and adequacy of funds used for the cash requirements and allowed funds for closing from unacceptable sources; failed to properly document and/or calculate income used for qualification or to justify loan approval with excessively high ratios of debt to income; omitted and understated

liabilities, and failed to consider contingent liabilities in loan qualification; failed to obtain credit reports that met HUD/FHA requirements; approved mortgagors with unacceptable credit histories, without adequate justification; approved mortgage loans for ineligible mortgagors; and failed to document properly or analyze adequately the credit histories of mortgagors who did not use traditional credit or who did not have acceptable traditional credit histories.

10. Karim Enterprises, Inc., St. Charles, MO [Docket No. 05-5017-MR]

Action: Settlement Agreement signed July 8, 2005. Without admitting liability or fault, Karim Enterprises, Inc. (Karim) agreed to pay HUD a civil money penalty in the amount of \$22,000.

Cause: The Board took this action based on the following violations of HUD/FHA requirements in the origination of HUD/FHA-insured loans where Karim: Loaned gift funds to a donor in HUD/FHA-insured mortgage transaction; submitted or caused the submission of false information to HUD in connection with a HUD/FHA-insured mortgage transaction; and failed to

[[Page 75212]]

implement a Quality Control Plan in conformance with HUD/FHA requirements.

11. KB Home Mortgage Company, Los Angeles, CA [Docket No. 05-5020-MR]

Action: Settlement Agreement signed June 27, 2005. Without admitting liability or fault, KB Home Mortgage Company (KB Home) agreed to pay HUD an administrative payment in the amount of \$3,200,000. KB Home also agreed to prepare and submit a compliance plan acceptable to HUD that details the policies and procedures KB Home will implement to rectify the violations of HUD requirements identified in the Notice of Violation.

Cause: The Board took this action based on the following violations of HUD/FHA requirements in the origination of HUD/FHA-insured loans where KB Home: Approved loans with ratios exceeding guidelines without compensating factors or without adequate compensating factors; approved loans based on effective income that was overstated, improperly calculated or inadequately documented; failed to include or determine all of the mortgagor's liabilities and/or liabilities of the non-purchasing spouse in loan qualification; failed to properly verify the source and/or adequacy of funds required and/or there were insufficient funds verified to close; approved loans to borrowers who were not eligible because of unpaid court-ordered judgments and delinquent federal debt; approved loans to borrowers who were not eligible because of past credit performance; failed to address and resolve significant file discrepancies; failed to ensure property compliance with the Builder's Certification of Plans, Specifications and Site, HUD form 92541; failed to ensure the mortgagor met the minimum required investment because the loan exceeded the maximum allowable mortgage amount; failed to ensure the mortgagor was not charged excessive and/or unallowable fees and/or there was no documentation supporting the fee; failed to ensure that the HUD-1 Settlement Statement reflected the earnest money deposit that was shown on the sales contract and the loan application; failed to ensure the accuracy of the information contained in the HUD-1A, Addendum to the HUD-1 Settlement Statement; and failed to ensure gift letters met HUD requirements.

12. Major Mortgage Corporation, Lathrup Village, MI [Docket No. 05-5071-MR]

Action: On September 8, 2005, the Board issued a letter to Major Mortgage Corporation (Major Mortgage) withdrawing its HUD/FHA approval for five years. The Board also voted to impose a civil money penalty in

the amount of \$6,500.

Cause: The Board took this action because Major Mortgage failed to comply with the terms of a Settlement Agreement dated November 30, 1998 whereby Major Mortgage agreed to indemnify HUD on 15 loans.

13. Megamerica Mortgage Group, Inc., San Antonio, TX [Docket No. 04-4262-MR]

Action: Settlement Agreement signed April 6, 2005. Without admitting liability or fault, Megamerica Mortgage Group, Inc. (Megamerica) agreed to pay an administrative payment in the amount of \$20,500.

Cause: The Board took this action based on the following violations of HUD/FHA requirements in the origination of HUD/FHA-insured loans where Megamerica: Operated branch offices under prohibited branch arrangements; failed to implement and maintain a Quality Control Plan in compliance with HUD/FHA requirements; failed to file annual reports regarding loan application activity required by Mortgagee Letter 95-3 and HUD Handbook 4155.1 REV-4 CHG 1; and charged mortgagors excessive or prohibited fees.

14. Pike Creek Mortgage Services, Inc., Wilmington, DE [Docket No. 04-4629-MR]

Action: Settlement Agreement signed September 14, 2005. Without admitting liability or fault, Pike Creek Mortgage Services, Inc. (Pike Creek) agreed to pay a civil money penalty in the amount of \$19,000.

Cause: The Board took this action based on the following violations of HUD/FHA requirements in the origination of HUD/FHA-insured loans where Pike Creek: Failed to ensure that loans were originated by its employees; falsely certified on the HUD/VA Addendum to the Uniform Residential Loan Application, form HUD-92900-A, Part II Lender Certification; failed to retain a loan origination file; failed to file annual reports regarding loan application activity; and failed to implement and maintain a Quality Control Plan in compliance with HUD/FHA requirements.

15. RTM Funding, Inc., Kingwood, TX [Docket No. 03-3169-MR]

Action: Settlement Agreement signed April 14, 2005. Without admitting liability or fault, RTM Funding, Inc. (RTM) agreed to pay a civil money penalty in the amount of \$11,000.

Cause: The Board took this action based on the following violations of HUD/FHA requirements in the origination of HUD/FHA-insured loans where RTM: Failed to maintain entire case file at least two years from date of insurance endorsement; failed to implement and maintain a Quality Control Plan in compliance with HUD/FHA requirements; and failed to file annual reports regarding loan activity as required by Mortgagee Letter 95-3 and HUD Handbook 4155.1 REV-4 CHG-1.

16. Saxon Equity Mortgage Bankers, Ltd., Hauppauge, NY [Docket No. 05-5046-MR]

Action: Settlement Agreement signed September 13, 2005. Without admitting liability or fault, Saxon Equity Mortgage Bankers, Ltd. (Saxon) agreed to pay the Department a civil money penalty in the amount of \$13,000.

Cause: The Board took this action because Saxon failed to comply with the terms of two indemnification agreements signed with the Department dated June 13, 1994 and February 28, 2001. Saxon has now entered into an acceptable payment agreement for amounts due under the agreements.

17. Susan Mittman Real Estate, Inc., Brooklyn, NY [Docket No. 04-4444-MR]

Action: Settlement Agreement signed May 11, 2005. Without admitting liability or fault, Susan Mittman Real Estate, Inc. (Susan Mittman) agreed to pay an administrative payment in the amount of \$30,000.

Cause: The Board took this action based on the following violations of HUD/FHA requirements in the origination of HUD/FHA-insured loans where Susan Mittman: Originated loans where the borrowers were charged fees in excess of the one percent allowable origination fee for services covered by the origination fee; and failed to implement and maintain a Quality Control Plan in compliance with HUD/FHA requirements.

18. Terra Financial Group, Inc., Philadelphia, PA [Docket No. 04-4299-MR]

Action: Settlement Agreement signed September 22, 2005. Without admitting liability or fault, Terra Financial Group, Inc. (Terra) agreed to pay an administrative payment in the amount of \$7,000.

Cause: The Board took this action based on the following violations of HUD/FHA requirements in the origination of HUD/FHA-insured loans

[[Page 75213]]

where Terra: Failed to ensure that loans were originated by its employees; failed to maintain complete loan origination files; failed to provide evidence that original documents were reviewed; failed to file annual reports regarding loan application activity as required by Mortgagee Letter 95-3 and HUD Handbook 4155.1; and failed to implement and maintain an adequate Quality Control Plan in compliance with HUD/FHA requirements.

19. Tucson Mortgage, LLC, Tucson, AZ [Docket No. 04-4934-MR]

Action: Settlement Agreement signed September 22, 2005. Without admitting liability or fault, Tucson Mortgage, LLC (Tucson) agreed to pay an administrative payment in the amount of \$45,000.

Cause: The Board took this action based on the following violations of HUD/FHA requirements in the origination of HUD/FHA-insured loans where Tucson: Allowed an unapproved branch to originate HUD/FHA-insured mortgages; provided false documents to originate a HUD/FHA-insured mortgage; failed to file loan application reports to HUD as required by the Mortgagee Letter 95-3 and HUD Handbook 4155.1 REV-4 CHG 1; failed to perform Quality Control reviews; and failed to provide complete loan origination files for review.

20. United Lending Partners, LP, Irving, TX [Docket No. 05-5053-MR]

Action: On September 8, 2005, the Board issued a letter to United Lending Partners, Ltd., (United Lending) withdrawing its HUD/FHA approval for five years. The Board also voted to impose a civil money penalty in the amount of \$26,000.

Cause: The Board took this action because United Lending failed to comply with the terms of agreements dated June 3, 2003, November 13, 2003 and December 2, 2003 requiring United Lending to indemnify the Department on 15 loans.

Dated: December 12, 2005.

Brian D. Montgomery,  
Assistant Secretary for Housing--Federal Housing Commissioner.  
[FR Doc. E5-7503 Filed 12-16-05; 8:45 am]

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