



U. S. DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT
OFFICE OF INSPECTOR GENERAL

December 21, 2018

MEMORANDUM NO:
2019-CF-1801

Memorandum

TO: Dane M. Narode
Associate General Counsel, Office of Program Enforcement, CACC

//Signed//

FROM: Christeen Thomas
Director, Joint Civil Fraud Division, GAW

SUBJECT: Final Civil Action: Universal American Mortgage Company, LLC, Settled
Allegations of Failing To Comply With HUD's Federal Housing Administration
Loan Requirements

INTRODUCTION

The U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG), assisted the U.S. Department of Justice (DOJ) and the U.S. Attorney's Office for the Eastern and Western Districts of Washington in the civil investigation of Universal American Mortgage Company, LLC. Our investigation was ongoing when a qui tam¹ action was filed in the U.S. District Court for the Western District of Washington. Universal American has its principal place of business in Miami, FL.

BACKGROUND

The Federal Housing Administration (FHA) is a component of HUD. The program provides mortgage insurance for a person to purchase or refinance a principal residence. The mortgage loan is funded by a lending institution, such as a mortgage company or bank, and the mortgage is insured by FHA.

Universal American has participated in the FHA program since 1960 and became an FHA-approved direct endorsement lender in 1987. HUD's direct endorsement program authorizes

¹ The False Claims Act allows private persons to file suit for violations of the False Claims Act on behalf of the Government. A suit filed by an individual on behalf of the Government is known as a "qui tam" action, and the person bringing the actions is known as a "relator."

private-sector mortgage lenders to approve mortgage loans for FHA insurance. Through the direct endorsement lender program, approved lenders such as Universal American are authorized to originate, underwrite, and approve mortgage loans to be insured by FHA without prior HUD review or approval. Lenders approved for the program must follow various FHA requirements, including providing annual and per loan certifications that the lender complied with these requirements when underwriting and approving loans for FHA insurance. The lender that holds the mortgage note may submit a claim for insurance benefits to FHA to cover losses if the borrower defaults on or is unable to repay the mortgage.

RESULTS OF INVESTIGATION

On October 16, 2018, Universal American entered into a settlement agreement with the Federal Government. It agreed to pay \$13.2 million to avoid the delay, uncertainty, inconvenience, and expense of lengthy litigation. The Federal Government alleged that Universal American violated HUD requirements in its origination, underwriting, and quality control of certain mortgages between January 2006 and December 2011. The settlement was neither an admission of liability or wrongdoing by Universal American nor a concession by the United States that its claims were not well founded.

Of the \$13.2 million settlement, HUD FHA received \$6.07 million. The remaining portion was paid to the relator and other Federal entities.

RECOMMENDATION

We recommend that HUD's Office of General Counsel, Office of Program Enforcement,

- 1A. Acknowledge that \$6,076,741 of the \$13,200,000 in the attached settlement agreement represents an amount due HUD, less DOJ's civil debt collection fees.²

As of the date of this memorandum, the settlement amount due HUD had been paid in full. Therefore, no further action is required by the Office of General Counsel. At issuance of this memorandum, HUD OIG will enter a management decision into HUD's Audit Resolution and Corrective Action Tracking System, along with the supporting payment information, to show that final action was completed.

² DOJ's 1994 Appropriation Act (Public Law 103-121) authorized DOJ to retain up to 3 percent of all amounts collected as the result of its civil debt collection litigation activities.