



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

January 29, 2014

MEMORANDUM NO:
2014-CF-1801

Memorandum

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

FROM: *//signed//*
Kimberly Randall
Director, Joint Civil Fraud Division, GAW

SUBJECT: Final Action
John Sherman
Violations of U.S. Department of Housing and Urban Development Real Estate-
Owned Program Requirements

INTRODUCTION

The Office of Inspector General (OIG) investigated allegations that John Sherman violated U.S. Department of Housing and Urban Development (HUD) real estate-owned (REO) owner occupancy program requirements. The Cincinnati HUD Office referred the complaint to HUD-OIG.

BACKGROUND

When a HUD home becomes available for sale, the principal method of sale is a competitive sales procedure. The property is publicly advertised for 10 days for sealed bids, with a possibility for an extended listing period. It is usually listed on the Multiple Listing Service and on internet listing sites maintained by management companies under contract to HUD. Its list price is determined by an independent appraisal. Any real estate broker who is properly registered with HUD may submit a contract for purchase. In accordance with HUD policy, priority is given to owner-occupant purchasers during the initial 10 days of the list period. If the property remains unsold at the conclusion of the 10 day period, there is a review of all bids, including investors, for the highest acceptable bid.

The owner-occupant bidder certifies on HUD Form 9548, Sales Contract, that the purchased property will be owner occupied as the primary residence. The form is signed by the bidder, the real estate agent, and a HUD official. The purchaser also certifies on HUD Form 9548-D, Addendum to the Sales Contract, that he/she has not purchased a HUD-owned property within the past 24 months and will occupy the property as primary residence for at least 12 months. The real estate broker certifies on HUD Form 9548-D that he/she has not knowingly submitted the HUD-9548, Sales Contract, for the property on behalf of an investor purchaser. The broker further certifies that he/she has discussed the penalties for false certification with the purchaser(s).

RESULTS OF INVESTIGATION

Our investigation revealed that John Sherman failed to comply with the HUD REO program requirement that an individual who purchased a REO home during its initial offering period must be the owner-occupant of the purchased home for one full year. On April 20, 2012, Mr. Sherman purchased the subject property in Dayton, Ohio, for \$8,000 as a priority purchaser and owner-occupant through the REO program. Mr. Sherman certified that he was submitting the offer to purchase as an owner occupant. However, we determined that Mr. Sherman did not intend to occupy the property, nor did he ever live in the property.

On July 24, 2013, we issued a referral to HUD's Office of General Counsel recommending that HUD pursue an action against John Sherman under the Program Fraud Civil Remedies Act (PFCRA), 31 U.S.C. (United States Code) 3801-3812. To resolve the matter, HUD accepted a settlement agreement from Mr. Sherman on October 18, 2013, in which Mr. Sherman admitted that he never lived in the subject property or ever intended to do so after the purchase. He paid \$7,500 to HUD to resolve the matter, the maximum recovery allowed under the PFCRA for a false statement.

RECOMMENDATION

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

- 1A. Agree to allow HUD OIG to post \$7,500 to HUD's Audit Resolution and Corrective Actions Tracking System.