



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

March 27, 2015

MEMORANDUM NO:
2015-CF-1801

Memorandum

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

//signed//

FROM: Kimberly Randall
Director, Joint Civil Fraud Division, GAW

SUBJECT: Final Civil Action: Group One Mortgage, Inc., Settled Allegations of Failing To Comply With Federal Housing Administration Underwriting Requirements

INTRODUCTION

The U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG), assisted the U.S. Attorney's Office, Southern District of Florida, in the civil investigation of Group One Mortgage, Inc. Group One's principal place of business is located in Jupiter, FL.

BACKGROUND

The Federal Housing Administration (FHA) is a component of HUD. It 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.

Group One has participated in the FHA insurance program since 2004 and became a direct endorsement lender in 2005. The direct endorsement program authorizes private-sector mortgage lenders to approve mortgage loans for FHA insurance. Lenders approved for the program must follow FHA requirements and provide annual and per loan certifications that the lender complied with these requirements when underwriting and approving loans for FHA insurance. When a borrower defaults on an FHA-insured loan, HUD pays the insurance claims submitted by or on behalf of the lender.

RESULTS OF INVESTIGATION

Based on our review of FHA loans underwritten by Group One, the United States contended that it had certain civil claims against the lender arising from false claims that Group One had made to FHA as a direct endorsement lender. The United States alleged that Group One approved four loans¹ for FHA insurance but did not underwrite the loans in accordance with HUD-FHA regulations. It further alleged that Group One did not use due diligence to comply with HUD handbook requirements and ensure that the loans it approved on behalf of HUD were eligible for FHA insurance. Group One denied the allegations.

On November 19, 2014, Group One entered into a settlement agreement to pay \$406,000 to settle allegations that it had submitted false claims to FHA in violation of the False Claims Act, 31 U.S.C. (United States Code) 3729-3733, and common law causes of action. Of the settlement total, the FHA insurance fund was to receive \$376,523, and the remaining \$29,477 was to be paid to other Federal entities. The parties to the settlement agreement entered into the agreement to avoid the delay, uncertainty, inconvenience, and expense of lengthy litigation of the alleged claims. The parties also agreed that the settlement was neither an admission of liability by Group One nor a concession by the United States that its claims were not well founded.

RECOMMENDATION

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

- 1A. Allow HUD OIG to post \$376,523 to HUD's Audit Resolution and Corrective Actions Tracking System as ineligible costs.

¹ FHA loan numbers 094-5384484, 094-5394735, 091-4606472, and 095-0508197