



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

September 23, 2016

MEMORANDUM NO:
2016-CF-1808

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: American Midwest Mortgage Corporation 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 HUD's Office of Program Enforcement in the civil investigation of American Midwest Mortgage Corporation. American's principal place of business is located in Cleveland, OH.

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.

American became an FHA-approved direct endorsement lender on August 28, 1983. The direct endorsement lender program authorizes private-sector mortgage lenders to approve mortgage loans for insurance by FHA. Lenders approved for the program must follow various FHA requirements and provide annual and per loan certifications that the lender complied with these requirements when underwriting and approving loans for FHA insurance.

RESULTS OF INVESTIGATION

Based in part on OIG's review, on December 11, 2015, HUD notified American that it believed American was liable under the Program Fraud Civil Remedies Act of 1986, 31 U.S.C. (United States Code) 3801-3812,¹ for submitting false claims, false statements, or both, associated with FHA-insured loan transactions.

On April 7, 2016, to avoid the uncertainty of litigation, the parties entered into a settlement agreement related to five FHA-insured mortgage transactions that failed to meet HUD underwriting requirements. American agreed to make two payments to HUD totaling \$110,000 – \$75,000 at the time of the agreement and \$35,000 within 60 days following the effective date of the agreement. American made the final payment of \$35,000 on June 6, 2016.

RECOMMENDATION

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

- 1A. Acknowledge that the attached settlement agreement for \$110,000 represents an amount due HUD.

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.

¹ The Program Fraud Civil Remedies Act establishes remedies for false statements and false claims valued at \$150,000 or less that are submitted to the Federal Government or to intermediaries of the Government.