



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

September 9, 2016

MEMORANDUM NO:
2016-PH-1802

Memorandum

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

FROM: *//signed//*
David E. Kasperowicz
Regional Inspector General for Audit, Philadelphia Region, 3AGA

SUBJECT: Final Civil Action
Borrower Settled Alleged Violations of Home Equity Conversion Mortgage Program

INTRODUCTION

We audited the U.S. Department of Housing and Urban Development's (HUD) oversight of its Home Equity Conversion Mortgage (HECM) program and found that 33 borrowers had more than 1 loan under the program.¹ Having multiple loans violated program requirements because HUD requires borrowers to reside in the mortgaged residence as their principal residence and borrowers may not have more than one principal residence at a time. We referred the violations to HUD's Office of Program Enforcement for action under the Program Fraud Civil Remedies Act.

BACKGROUND

HUD provides reverse mortgage insurance through its HECM program. The purpose of the program is to enable elderly homeowners to convert the equity in their homes to monthly streams of income or credit lines. To be eligible for a HECM loan, the borrower must be 62 years of age or older, own the property outright or have a small mortgage balance, occupy the property as a principal residence, not be delinquent on any Federal debt, and participate in a consumer information session given by a HUD-approved program counselor.

The loan is secured by the borrower's equity in the home. The borrower is not required to repay the loan as long as the borrower continues to occupy the home as a principal residence, maintains the property, and pays the property taxes and the mortgage insurance premiums. The loan

¹ HUD Office of Inspector General audit report number 2012-PH-0004, issued February 9, 2012

agreement defines “principal residence” as the dwelling where the borrower maintains his or her permanent place of abode and typically spends the majority of the calendar year. A person may have only one principal residence at a time. The borrower must certify to principal residency initially at closing and annually thereafter.

In March 2007, one borrower obtained a HECM loan on a property that he owned in Payson, AZ, and certified in writing that the home was his principal residence. However, in August 2008, he obtained a second HECM loan on another property that he owned in Payson, AZ, and certified in writing that it was his principal residence. These actions violated HUD’s principal residency requirements because the borrower owned both properties at the same time.

RESULTS OF REVIEW

On March 26, 2014, HUD’s Office of Program Enforcement notified the borrower of its intent to file an action under the Program Fraud Civil Remedies Act. After negotiations with HUD, the borrower agreed to pay \$7,000 to settle the matter. The agreement did not constitute an admission of liability or fault by any party. The borrower made an initial payment of \$3,000 on December 17, 2015, and agreed to a repayment plan for the remaining \$4,000.

RECOMMENDATION

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

- 1A. Acknowledge that the attached settlement agreement for \$7,000 represents an amount due HUD.

As of December 27, 2015, the settlement agreement of \$7,000 was reached, and it represents an amount due HUD. Included in the settlement agreement is a repayment agreement, which explains that the borrower made an initial payment of \$3,000 and agreed to a repayment plan for the remaining \$4,000. In accordance with HUD Handbook 2000.6, REV-4, the final action target date will be set at February 1, 2018. At issuance of this memorandum, we will enter a management decision into HUD’s Audit Resolution and Corrective Action Tracking System, along with any supporting payment information received to date.