



Office of Single Family Housing, Washington, DC

HUD's Tracking of Partial Claim Notes for FHA Loans

**Office of Audit, Region 9
Los Angeles, CA**

**Audit Report Number: 2018-LA-0005
September 21, 2018**





To: Gisele G. Roget
Deputy Assistant Secretary for Single Family Housing, HU

From: //SIGNED//
Tanya E. Schulze, Regional Inspector General for Audit, 9DGA

Subject: HUD Did Not Have Adequate Controls To Ensure That Partial Claim Notes for FHA Loans Were Properly Tracked for Future Collection

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of HUD's tracking of partial claim notes.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG website. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 213-534-2471.



Audit Report Number: 2018-LA-0005

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HUD Did Not Have Adequate Controls To Ensure That Partial Claim Notes for FHA Loans Were Properly Tracked for Future Collection

Highlights

What We Audited and Why

We audited the U.S. Department of Housing and Urban Development's (HUD) tracking of partial claim notes. The audit was initiated in response to an Office of Inspector General preaudit analysis of HUD's Single Family Data Warehouse (SFDW) data, which determined that partial claim notes may not have been properly tracked in HUD's Single Family Mortgage Asset Recovery Technology (SMART) system (see Scope & Methodology section for description of HUD systems). Our audit objective was to determine whether HUD had adequate controls to ensure that partial claim notes were properly tracked for future collection.

What We Found

HUD's National Servicing Center (NSC) did not have adequate controls to ensure that partial claim notes were properly tracked for future collection, putting the collectability of \$6 million in partial claim notes at risk. More specifically, NSC did not always enter partial claim notes and lender payments into its tracking system and ensure that note and mortgage documents adequately supported the partial claim notes. From January 1, 2013, to August 31, 2017, HUD's SFDW showed that there were 407,984 partial claims. A review of 695 nonstatistically sampled Federal Housing Administration loans with partial claims paid during the period January 1, 2013, to August 31, 2017, found 421 deficiencies in boarding (entering partial claims) and 394 deficiencies in tracking partial claim notes. This condition occurred because of NSC's reliance on manual processes, which were inadequate to ensure that all partial claims paid and lender payments received were accurately captured in its SMART tracking system. In addition to the risk of partial claim collectability, HUD could be misreporting partial claim note balances.

What We Recommend

We recommend that HUD (1) enter more than \$3 million in partial claims that were not in SMART; (2) remove \$697,354 in duplicate partial claim note entries in SMART; (3) obtain missing documents for partial claims totaling \$644,767; (4) enter more than \$1.0 million in lender payments received that were not in SMART; (5) request that lenders rerecord mortgage documents for 18 inappropriately released loans totaling \$451,000; (6) review 4 loans, totaling \$93,409 in partial claim notes and remove those in which HUD has not paid a partial claim; (7) develop procedures and controls to enter all partial claims paid and lender payments received; (8) develop controls to ensure that note and mortgage documents accepted are accurate and entered into SMART; and (9) develop and implement controls to ensure that mortgages are released only when they have been satisfied.

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Background and Objective

The U.S. Department of Housing and Urban Development's (HUD) Federal Housing Administration (FHA), created by Congress in 1934, provides mortgage insurance on loans made by FHA-approved lenders. Under the FHA program, lenders bear less risk because FHA will pay a claim to the lender in the event of a homeowner's default; however, loans must meet certain requirements established by FHA to qualify for insurance. Through its National Servicing Center (NSC), FHA offers loss mitigation programs to help FHA-insured homeowners facing financial hardship and whose mortgage is either in default or at risk of default.

The partial claim option is a loss mitigation tool that allows lenders to advance funds on behalf of a borrower to reinstate a delinquent FHA-insured mortgage. The partial claim defers the repayment of mortgage principal through an interest-free subordinate mortgage that is not due until the first mortgage is paid off.

NSC, within the Office of Single Family Housing, through its contractor, is responsible for servicing these partial claim mortgages. NSC uses the Single Family Mortgage Asset Recovery Technology (SMART) to track partial claim loans. The SMART system is used for accounting-level detail on forward and subordinate mortgages, including its case-tracking ability; report-generating capability; query functions; and database management, analyzing, processing, and tracking of FHA-insured and HUD Secretary-held first, second, and subordinate note and mortgage loan-servicing functions. It is used to provide servicing to 10 different types of loans, including partial claims. From January 1, 2013, to August 31, 2017, HUD paid \$11.7 billion in partial claims.

Partial claim data from HUD's Single Family Claims Subsystem¹ are automatically boarded² into the SMART system. The system will reject the boarding of a partial claim if there is already a partial claim open in SMART for the corresponding FHA case number. In these cases, a validation is made to confirm that a multiple claim payment was made, causing a second, third, or possible fourth partial claim to be manually boarded into SMART. When the recorded mortgage and note documents are received, they are scanned and entered into SMART.

Our audit objective was to determine whether HUD had adequate controls to ensure that partial claim notes were properly tracked for future collection.

¹ The Single Family Insurance System – Claim Subsystem processes single-family insurance claims against defaulted loans.

² Boarding, a term used by NSC, means entering a partial claim note into its SMART tracking system.

Results of Audit

Finding: HUD Did Not Have Adequate Controls To Ensure That Partial Claim Notes Were Properly Tracked for Future Collection

HUD’s NSC did not have adequate controls to ensure that partial claim notes were properly tracked for future collection. Our review of 695 nonstatistically sampled FHA loans with partial claims paid during the period January 1, 2013, to August 31, 2017, identified 421 boarding deficiencies and 394 tracking deficiencies. This condition occurred because of NSC’s reliance on manual processes, which were inadequate to ensure that all partial claims paid and subsequent activities were accurately captured in its tracking system. The inadequate controls put the collectability of \$6 million in partial claim notes at risk, and HUD could be overstating and understating its partial claim notes.

Partial Claim Notes With Boarding Deficiencies

NSC had inadequate controls over its boarding process to ensure that all partial claim notes were entered into SMART. Our review of 695 nonstatistically sampled FHA loans with partial claims paid during the period January 1, 2013, to August 31, 2017, identified the following 421 boarding deficiencies:

Table 1 – Loans with boarding deficiencies

47	Partial claims were not boarded.
350	Manual partial claims were not boarded.
24	Partial claims were boarded twice, creating duplicate entries.

Most partial claim notes were automatically entered into SMART. However, NSC required a manual boarding process when an FHA loan had more than one partial claim paid. As a result, our audit identified \$716,061 in partial claim notes that were not boarded for 47 loans³ because of errors made during the manual boarding process.

Partial claims that were manually paid by HUD’s Single Family Claims Branch also required a manual boarding process. Although NSC received reports of manually paid partial claims from the Claims Branch, it chose not to board these manually paid partial claims into SMART due to discrepancies in the partial claim note amounts received from the Claims Branch. Therefore, nearly \$2.3 million in partial claim notes that were manually paid for 350 loans⁴ were not boarded into SMART.

³ See appendix D, column “Partial claim not boarded,” for specific loan details.

⁴ See appendix D, column “Manual partial claim not boarded,” for specific loan details.

In addition, partial claims were boarded into SMART twice. Duplicates were boarded because NSC entered partial claims that were processed and then reentered the same partial claim when disbursed. Our audit identified 24 loans⁵ with \$697,354 in duplicate partial claim note entries in SMART.⁶ Even though the partial claims were not paid twice, this duplicate boarding issue effectively overstated partial claim balances. According to NSC, this boarding issue was corrected in 2017.

Partial Claim Notes With Tracking Deficiencies

NSC lacked adequate controls to ensure that partial claim notes were properly tracked for future collection. Based on our review of 695 nonstatistically sampled FHA loans with partial claims paid during the period January 1, 2013, to August 31, 2017, we identified the following 394 tracking deficiencies:

Table 2 – Loans with tracking deficiencies

33	The mortgage document was missing or not recorded at the county recorder’s office.
40	The note document was missing.
156	The partial claim payment was canceled but was not removed from SMART.
139	A lender payment was received but was not recorded in SMART.
18	The mortgage was inappropriately released.
4	A partial claim note was entered into SMART but was not paid by HUD.
1	A transaction was entered into SMART in error.
1	NSC did not collect on the partial claim note after the loan matured.
2	The partial claim note amount entered into SMART was different from the amount on the note or mortgage amount.

Missing Note and Mortgage Documents

According to HUD Handbook 4000.1, FHA Single Family Housing Policy Handbook,⁷ lenders are required to deliver to HUD’s servicing contractor (1) the original partial claim promissory note no later than 60 days from the execution date and (2) the recorded subordinate mortgage no later than 6 months from the execution date. However, there were at least 33 loans⁸ in which the mortgage document was missing or did not indicate that it had been recorded at the appropriate county recorder’s office and at least 40 loans⁹ in which the note document was missing. This

⁵ See appendix D, column “Partial claim boarded twice,” for specific loan details.

⁶ As part of its comments, appendix B, HUD provided support for the statement that 24 duplicate entries were removed from SMART. The supporting documents will be reviewed during audit resolution.

⁷ See appendix C.

⁸ See appendix D, column “Mortgage missing or unrecorded,” for specific loan details.

⁹ See appendix D, column “Note missing,” for specific loan details.

condition occurred because NSC relied on the servicing contractor to notate in SMART the receipt of the note and mortgage documents. There were instances in which SMART indicated that the documents had been received, but the documents were missing from SMART. Without these documents, the collectability of \$644,767 in partial claim notes was put at risk. We identified an additional 252 loans that we did not verify whether the note and mortgage documents were entered into SMART or whether the mortgage was recorded at the county's office. HUD should review these additional loans to determine whether it had obtained the corresponding note and recorded mortgage documents.¹⁰

Canceled Partial Claim Payments Not Removed and Lender Payments Received Not Recorded

Although NSC received a monthly report of canceled partial claim payments, canceled payments for 156 loans¹¹ were not removed from SMART. In addition, NSC was not aware of the lender payments received for 139 loans.¹² When NSC was aware of the lender payments received, they were not recorded in a timely manner. Therefore, the balances owed on the partial claim notes shown in SMART were not always accurate.¹³ In some cases, the servicing contractor noted in SMART that lenders submitted payments via Pay.gov¹⁴ and that internal fund transfers were in pending status for months. However, the lender payments were not recorded as received; therefore, the balances were overstated by more than \$1.0 million.

Inappropriate Mortgage Releases

NSC lacked adequate controls to verify the status of partial claim notes before approving mortgage releases. There were 18 loans¹⁵ in which the servicing contractor incorrectly noted that the partial claim was not paid by HUD so NSC approved the mortgage release. These errors put HUD's collectability of \$451,000 in partial claim mortgages at risk because the mortgages securing HUD's interests were released.

Other Tracking Deficiencies

In addition to the deficiencies identified above, eight loans¹⁶ had other tracking deficiencies that impacted HUD's collectability of the partial claim notes. These other tracking deficiencies identified include the following:

¹⁰ See FHA cases labeled with "DNU" in appendix D.

¹¹ See appendix D, column "Partial claim payment canceled but not removed," for specific loan details.

¹² See appendix D, column "Lender payments not entered," for specific loan details.

¹³ For the 156 loans, partial claim payments that were canceled were typically reissued by manual payment. When NSC neglected to remove the canceled payment and enter the manual payment, the effects canceled each other out.

¹⁴ Pay.gov is a claim remittance process by which lenders returned claim payments to HUD.

¹⁵ See appendix D, column "Inappropriate mortgage release," for specific loan details.

¹⁶ See appendix D, columns "Partial claim entered but not paid by HUD," "Partial claim note not collected after loan matured," "Amount entered different from note or mortgage," and "Entry in SMART made in error," for specific loan details.

Table 3 – Loans with other tracking deficiencies

4	A partial claim note was manually entered into SMART, but it was not paid by HUD, causing the balances to be overstated by \$93,409.
1	A transaction removing a partial claim note was entered into SMART by error, causing the balances to be understated by \$63,591.
1	NSC did not collect on the \$1,905 partial claim note after the FHA loan matured.
2	The partial claim note amounts boarded into SMART were different from the amount on the note or mortgage document, causing the balances to be understated by \$622.

Conclusion

Because of NSC’s reliance on manual processes and inadequate controls, partial claim notes were not always properly tracked for future collection. NSC did not always board partial claim notes into its tracking system, and those that were boarded into the system were not always tracked properly. A review of 695 nonstatistically sampled FHA loans with partial claims paid identified 421 boarding deficiencies and 394 tracking deficiencies. These deficiencies put the collectability of \$6 million in partial claim notes at risk.

Recommendations

We recommend that the Deputy Assistant Secretary for Single Family Housing

- 1A. Board 47 partial claim notes that were not boarded into SMART, resulting in funds to be put to better use in the amount of \$716,061.¹⁷
- 1B. Coordinate with the Deputy Assistant Secretary for Finance and Budget to board 350 manually paid partial claims that were not boarded into SMART, resulting in funds to be put to better use in the amount of \$2,297,706.¹⁸
- 1C. Remove 24 duplicate partial claim note entries from SMART, resulting in funds to be put to better use in the amount of \$697,354.¹⁹
- 1D. Obtain the missing mortgage documents for 33 loans and the missing note documents for 40 loans, totaling \$644,767 in partial claim notes, and require any unrecorded mortgage documents to be recorded at the appropriate county’s office to ensure that HUD’s

¹⁷ See appendix D, column “Partial claim not boarded,” for specific loan details.

¹⁸ See appendix D, column “Manual partial claim not boarded,” for specific loan details.

¹⁹ See appendix D, column “Partial claim boarded twice,” for specific loan details.

interests are protected.²⁰ For any missing documents that cannot be obtained, the Deputy Assistant Secretary should require the lender to reimburse HUD for the partial claim note.

- 1E. Review 249 loans labeled with “DNV”²¹ in appendix D to identify any missing note or mortgage documents for the partial claims. For loans identified with missing documents, the Deputy Assistant Secretary should obtain the documents or require the lender to reimburse HUD for the partial claim note. For loans identified with unrecorded mortgage documents, the Deputy Assistant Secretary should require them to be recorded at the county’s office to ensure that HUD’s interests are protected.
- 1F. Coordinate with the Deputy Assistant Secretary for Finance and Budget to record lender payments to update the balances for 139 loans in SMART, resulting in funds to be put to better use in the amount of \$1,055,113.²²
- 1G. Rerecord the mortgage documents at the respective counties’ offices for 18 loans for which the partial claim mortgages were inappropriately released, resulting in funds to be put to better use in the amount of \$451,000.²³
- 1H. Review four loans with partial claim notes already recorded in SMART and remove those loans in which HUD has not paid a partial claim, resulting in funds to be put to better use in the amount of \$93,409.²⁴
- 1I. Reverse the transaction for one loan for which the transaction removing a partial claim note was made in error, resulting in funds to be put to better use in the amount of \$63,591.²⁵
- 1J. Collect on one partial claim note for which the loan had matured, resulting in funds to be put to better use in the amount of \$1,905.²⁶
- 1K. Review two loans in which the partial claim note amount entered was different from the note or mortgage amount to ensure that the appropriate partial claim note amount is entered into SMART, resulting in funds to be put to better use in the amount of \$622.²⁷
- 1L. Update its procedures to allow automatic boarding for all partial claims paid to eliminate errors caused by manual boarding, including partial claim notes not boarded, and partial claim notes boarded but not yet paid by HUD.

²⁰ See appendix D, columns “Mortgage missing or unrecorded” and “Note missing,” for specific loan details.
²¹ Did not verify (DNV) – We did not verify whether the document was entered into SMART or whether it was recorded at the county’s office.
²² See appendix D, column “Lender payments note entered,” for specific loan details.
²³ See appendix D, column “Inappropriate mortgage release,” for specific loan details.
²⁴ See appendix D, column “Partial claim entered but not paid by HUD,” for specific loan details.
²⁵ See appendix D, column “Entry in SMART made in error,” for specific loan details.
²⁶ See appendix D, column “Partial claim note not collected after loan matured,” for specific loan details.
²⁷ See appendix D, column “Amount entered different from note or mortgage,” for specific loan details.

- 1M. Develop and implement procedures and controls to board all manually paid partial claims and record all lender payments received via claim remittances.
- 1N. Develop and implement additional controls to ensure that it accepts only note and mortgage documents with correct amounts that could be matched to the amount recorded in SMART and that the note and mortgage documents marked as received are entered into SMART.
- 1O. Develop and implement additional controls to ensure that it releases mortgages only when they have been satisfied.

Scope and Methodology

We performed our audit fieldwork from October 2017 to June 2018 remotely at the Office of Inspector General (OIG), Office of Audit, in Phoenix, AZ, and San Francisco, CA. Our audit period covered partial claims paid on FHA-insured single-family loans from January 1, 2013, to August 31, 2017.

To accomplish our objective, we

- Reviewed applicable HUD requirements (mortgagee letters and HUD Handbooks), internal policies, and procedures;
- Interviewed appropriate HUD personnel from the Office of Single Family Housing;
- Reviewed claim payment data from HUD’s Single Family Data Warehouse²⁸ (SFDW) and Neighborhood Watch;²⁹
- Reviewed partial claim note data and source documentation from SMART;
- Reviewed claim remittance transactions from HUD’s Single Family Insurance System – Claim Subsystem (A43C);³⁰
- Reviewed manual claim payment data from the HUD Single Family Claims Branch’s Access database;³¹ and
- Selected a nonstatistical sample of 695 FHA loans with partial claims paid.

We used data from SFDW and the Claims Branch’s Access database to identify the audit universe. The audit universe included all partial claims paid on FHA-insured single-family loans from January 1, 2013, to August 31, 2017. The final audit universe consisted of 408,401 partial claims paid that totaled \$11.7 billion.³²

²⁸ The Single Family Data Warehouse is a large collection of database tables dedicated to support analysis, verification, and publication of FHA single-family data.

²⁹ Neighborhood Watch is a secure web-based application designed to provide comprehensive data querying, reporting and analysis capabilities for tracking the performance of loans originated, underwritten, and serviced by FHA-approved lenders.

³⁰ The Single Family Insurance System – Claim Subsystem processes single-family insurance claims against defaulted loans.

³¹ HUD Single Family Claims Branch’s Access databases maintains the manual claims that cannot be processed by the Single Family Insurance System – Claim Subsystem.

³² From SFDW, there were 407,984 partial claim loans with payments that totaled \$11.7 billion. From the Access database, there were 417 partial claim loans with payments that totaled \$10.3 million.

Although we did not perform a detailed assessment of the reliability of the data, we determined that the data were sufficiently reliable for the purposes of our review because the data in the sampled items were supported by documentation supplied by NSC or the Claims Branch.

We identified a nonstatistical sample of 695 FHA loans with more than \$17.2 million in partial claims paid for the audit. The sample was selected based on

- Indications of tracking issues, including (1) incorrect unpaid principal balances, (2) duplicate partial claims, (3) loans with missing documents, and (4) notes in SMART indicated that payments were received through Pay.gov but were not entered in SMART,
- FHA case numbers not in SMART,
- Understated unpaid principal balances,
- Overstated unpaid principal balances, and
- Manually paid partial claims.

This sampling method did not allow us to make a projection to the universe, but it was sufficient to meet the audit objective.

We reviewed the nonstatistical sample to determine whether HUD properly tracked partial claim notes for collection. For each sampled FHA loan with a partial claim, we reviewed, as applicable, the

- Neighborhood Watch case details,
- Manual partial claim payment records,
- Lender claim remittance records, and
- SMART notes and transaction records.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Internal Controls

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- effectiveness and efficiency of operations,
- reliability of financial reporting, and
- compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objective:

- Controls to ensure that HUD properly tracks partial claim notes for future collection.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

Significant Deficiency

Based on our review, we believe that the following item is a significant deficiency:

- HUD did not have adequate controls to ensure that partial claim notes were properly tracked for future collection (finding).

Appendixes

Appendix A

Schedule of Questioned Costs and Funds To Be Put to Better Use

Recommendation number	Unsupported 1/	Funds to be put to better use 2/
1A		\$716,061
1B		2,297,706
1C		697,354
1D	\$644,767	
1F		1,055,113
1G		451,000
1H		93,409
1I		63,591
1J		1,905
1K		622
Totals	644,767	5,376,761

- 1/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures. In this instance, the unsupported costs associated with recommendation 1D represent the missing mortgage documents for 33 loans and the missing note documents for 40 loans totaling \$644,767 in partial claim notes.
- 2/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an OIG recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, implementation of recommendations 1A, 1B, 1C, 1F, 1G, 1H, 1I, 1J, and 1K will reduce the risk that partial claims could be not tracked, overstated, or understated and will ensure that partial claims are properly tracked for future collection. See appendix D for specific deficiencies identified for each loan.

Appendix B


Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 1

Comment 2

 U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000
OFFICE OF HOUSING

SEP 05 2018

MEMORANDUM FOR: Tanya E. Schulze, Regional Inspector General for Audit, 9DGA

FROM: Giselle C. Rojas, Deputy Assistant Secretary for Single Family Housing, HU

SUBJECT: Discussion and Comments on Draft Audit Report:
HUD's Tracking of Partial Claim Notes for FHA Loans
OIG Audit Report 2018-LA-000X

The Office of Inspector General (OIG) performed a review of the U.S. Department of Housing and Urban Development's (HUD) tracking of partial claim notes in the Single Family Mortgage Asset Recovery Technology (SMART) system. The audit objective was to determine whether HUD had adequate controls to ensure that partial claim notes were properly tracked for future collections.

The Office of Single Family Housing (Single Family) respectfully requests that the following recommendations are considered before finalizing the audit.

Response to OIG Draft Recommendations

1. Boarding Partial Claims into SMART (1A and 1B)

Single Family suggests removing the statements of "funds to be put to better use" in the audit recommendation. The partial claims were inadvertently missed when manually boarded into the SMART system by the contractor. However, the partial claims were legitimate payments to the Holder of record.

Single Family has requested from the Office of Finance & Budget (FAB) the case data of 350 loans where the manually paid partial claims are in question. Once the data has been received, it will be determined if there are manually paid claims needing to be boarded into SMART. In addition, Single Family suggests removing the statements of "funds to be put to better use" in the audit report because the partial claims were valid payments that were correctly paid to the Holder of record. Therefore, the statement of "funds to be put to better use" in the amounts \$716,061 and \$2,297,706 do not completely describe the situation.

2. Duplicate Partial Claims (1C)

Single Family has removed the 24 duplicate partial claims (see Attachment A). Single Family received the duplicate case data from the A43C file that was received nightly from FAB. However,

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**Ref to OIG
Evaluation**

Comment 3

although the payments were sent twice to SMART, the claims were not paid twice. Single Family, therefore, suggests removing the statements of "funds to be put to better use" in the audit report. The statement of "funds to be put to better use" in the amount \$697,354 is inaccurate because the payments were not duplicated, and the partial claims were legitimate payments to the Holder of record.

Comment 4
Comment 5

3. Missing Mortgage and Note Documents (1D and 1E)

Single Family suggests removing the recommendations from the audit report. The mortgage and notes documents were received or the lenders were billed prior to the audit. In addition, the loans that were labeled "Did Not Verify" (DNV) in Appendix D of the draft audit report, appear to be based on an assumption that documents are missing since the information was not verified by the OIG. Single Family does not agree with this assumption and requests that the recommendation be removed.

Comment 6

4. Recording Lender Payments (1F)

Single Family sent a request to FAB to identify any payments that were received through pay.gov for the 139 loans. Furthermore, the statement of "funds to be put to better use" is inaccurate because the partial claims were legitimate payments to the Holder of record. If the Holder of record has returned the funds to HUD, then the funds will be applied to the loan balance, once confirmed and transferred by FAB.

Comment 7
Comment 8

5. Policy and Procedures (1L, 1M, 1N and 1O)

Single Family updated procedures and programming in SMART in April 2018 which enhanced automatic boarding of partial claims and eliminated the manual boarding process. Single Family also modified the A43C file to stop duplicate payments being sent to SMART. This modification went into production in July 2017 and the information was provided to the auditors (see Attachment B).

Comment 9

Single Family has a process in place to verify that only acceptable notes and mortgages are accepted in SMART and it is documented in the Secretary Held Servicing Guide. Single Family will however, review the Secretary Held Servicing Guide to identify if additional controls are warranted.

Comment 1

Conclusion

As indicated above, Single Family respectfully requests that the OIG consider modifying the findings and recommendations in the draft audit report to accurately identify the controls and deficiencies found. Single Family also requests that the recommendations referencing "funds to be put to better use" be revised or, at a minimum, reflect the fact that funds were not paid erroneously to the Holder. Lastly, because the referenced controls have mostly been implemented and are in place, Single Family recommends that this audit not be categorized with a significant deficiency.

OIG Evaluation of Auditee Comments

- Comment 1 We appreciate HUD taking the time to review and respond to the audit report. Attachments A and B were not attached due to the presence of personally identifiable information and OIG's agreement that HUD had corrected the issue related to duplicate partial claim note entries, respectively. The attachments can be made available upon request.
- The audit report was revised or clarified as noted in the proceeding comments based on information provided by HUD. However, the recommendations remained largely unchanged and the internal control deficiency is still categorized as a significant deficiency.
- Comment 2 HUD suggested removal of the funds to be put to better use for recommendations 1A and 1B because the partial claims, although not boarded into SMART, were legitimate payments. We agree the partial claims were legitimate payments to the lenders. However, as stated in the audit report, the review determined partial claims paid were not boarded into SMART. Therefore, partial claim balances were understated putting the collectability of these partial claim notes at risk.
- Recommendations that funds be put to better use are explained in appendix A. In this instance, implementation of recommendations 1A and 1B will reduce the risk that partial claims could be understated and will ensure that partial claims are properly tracked for future collection. The recommendations remain unchanged.
- Comment 3 We agree with HUD's statement that the partial claim payments were not duplicated. Although not paid twice, the audit determined that partial claims paid were boarded into SMART twice, effectively overstating the partial claim balances. Language was added to the report finding to provide clarification.
- We determined the documents provided by HUD do support the statement that the 24 duplicate entries were removed from SMART. The documents will be used during audit resolution to appropriately close the recommendation.
- Recommendations that funds be put to better use are explained in appendix A. In this instance, implementation of recommendation 1C will reduce the risk that partial claims could be overstated and will ensure that partial claims are properly tracked for future collection. The recommendation remains unchanged.
- Comment 4 We disagree with HUD's suggestion that recommendations 1D and 1E be removed from the audit report. HUD did not provide additional documents with its response to support its statement that the mortgage and note documents were received or the lenders were billed prior to the audit. The recommendations remain unchanged.

- Comment 5 We disagree with HUD’s request to remove recommendation 1E. However, we agree that there appeared to be an assumption with the way the recommendation was worded. The audit did not determine whether the 249 loans labeled with “DNV” were missing note or mortgage documents. The recommendation was based on the finding that loans were missing note and mortgage documents. However, we did not verify the status of the documents for the 249 loans. We rephrased recommendation 1E to clarify that we recommend HUD verify the presence of these documents.
- Comment 6 HUD stated the funds to be put to better use is not accurate because the partial claims were legitimate payments. Recommendations that funds be put to better use are explained in appendix A. In this instance, implementation of recommendation 1F will reduce the risk that partial claims could be overstated and will ensure that partial claims are properly tracked for future collection. The recommendation remains unchanged. Single Family Housing should provide support obtained from the Office of Finance and Budget through the audit resolution.
- Comment 7 We acknowledge HUD’s statement that it has updated procedures and programming in April 2018. However, additional documents were not provided with the response to support that it updated procedures and programming in SMART. HUD should submit all supporting documents as part of the audit resolution.
- Comment 8 The audit report acknowledged that, according to the NSC, the boarding issue related to duplicate entries in SMART was corrected in 2017 (see page 5, last sentence of section “Partial Claim Notes With Boarding Deficiencies”). We revised recommendation 1L regarding updating procedures to eliminate errors caused by duplicate entries.
- Comment 9 HUD stated it has a process in place, documented in the Secretary Held Servicing Guide, to verify that only acceptable notes and mortgages are accepted in SMART. However, the Secretary Held Servicing Guide was not provided with the response. HUD should submit all supporting documents as part of the audit resolution.

Appendix C

Criteria

Title 24 CFR (Code of Federal Regulations) 203.371 provides information on partial claims. It states:

- The mortgagee [lender] shall provide HUD with the original credit instrument no later than 60 days after execution.
- The mortgagee shall provide HUD with the original security instrument no later than 6 months following the date of execution.
- If the mortgagee does not provide the original note and security instrument within the prescribed deadlines, the mortgagee shall be required to reimburse the amount of the claim paid, including the incentive.

HUD Handbook 4000.1, FHA Single Family Housing Policy Handbook, provides information on partial claims and the required documents to be provided to HUD. Paragraph III.A.2 (H)(6)(a) states:

- The mortgagee must deliver to HUD's servicing contractor:
 - The original partial claim promissory note, no later than 60 days from the execution date.
 - The recorded subordinate mortgage, no later than six months from the execution date.
- When HUD has received Partial Claim documents that do not fully support the amount claimed by mortgagee, HUD will consider the documents incomplete. The mortgagee must timely correct the deficiencies to satisfy the six-month deadline for the mortgage to provide complete and accurate Partial Claim documents.

HUD Handbook 4740.2, REV-3, Title I and Other Debt Collection Guidance Handbook, chapter 8, provides information regarding single-family partial claims referred to the Financial Operations Center for collection from the borrower. The handbook states:

In exchange for HUD's payment, the mortgagor is required to execute a promissory note and subordinate mortgage payable to HUD. No payment is due until a callable event occurs (usually a sale or refinance of the mortgaged property.) Once the note becomes due and payable, Housing's Oklahoma City National Servicing Center's contractor issues a demand letter. If the borrower fails to pay, the debt can be referred to the FOC [Financial Operations Center] for appropriate collection action. The referral package must include supporting documentation including a copy of the note and lien.

Appendix D

Schedule of Boarding and Tracking Deficiencies

FHA case number	Boarding deficiencies			Tracking deficiencies								
	Partial claim not boarded	Manual partial claim not boarded	Partial claim boarded twice	Mortgage missing or unrecorded	Note missing	Partial claim payment canceled but not removed	Lender payments not entered	Inappropriate mortgage release	Partial claim entered but not paid by HUD	Entry in SMART made in error	Partial claim note not collected after loan matured	Amount entered different from note or mortgage
011-3286219		x		DNV ³³	DNV	x						
011-4312590		x		DNV	DNV	x						
011-4550923		x		DNV	DNV		x					
011-4797423		x					x					
011-4808469		x		DNV	DNV		x					
011-5234772		x			x			x				
011-5251633									x			
011-5375197	x											
011-6034623		x					x					
011-6042426		x		DNV	DNV	x						
011-6162660	x											
011-6210976		x		DNV	DNV	x						
011-6438504		x										
011-6506242		x		DNV	DNV							
011-6621263		x		DNV	DNV	x						
011-6859782		x		DNV	DNV	x						
011-7192891		x		DNV	DNV	x						
011-7365709		x		DNV	DNV		x					

³³ Did not verify (DNV) – We did not verify whether the document was entered into SMART or whether it was recorded at the county’s office.

FHA case number	Boarding deficiencies			Tracking deficiencies								
	Partial claim not boarded	Manual partial claim not boarded	Partial claim boarded twice	Mortgage missing or unrecorded	Note missing	Partial claim payment canceled but not removed	Lender payments not entered	Inappropriate mortgage release	Partial claim entered but not paid by HUD	Entry in SMART made in error	Partial claim note not collected after loan matured	Amount entered different from note or mortgage
011-7392625	x			x	x							
011-7914681		x		DNV	DNV	x						
022-1931161		x		x	x		x					
023-3124397									x			
023-3408368		x						x				
023-3588367		x		DNV	DNV	x						
023-4038021	x											
023-4479722		x		DNV	DNV	x						
023-5725405			x									
031-3211589		x					x					
031-3892650		x		DNV	DNV							
031-4396421		x					x					
042-8008858				x								
042-8152064		x		DNV	DNV		x					
042-8414811		x					x					
042-9301967		x		DNV	DNV	x						
042-9406580		x				x	x					
043-8226947		x		DNV	DNV		x					
044-4473199							x					
044-4517753		x		DNV	DNV		x					
044-4779352		x		DNV	DNV		x					
045-6364332		x		DNV	DNV		x					
045-6378065		x					x					
045-6460984		x		DNV	DNV		x					
045-6600953	x											
045-6715341		x		DNV	DNV		x					
045-6852578		x		DNV	DNV		x					

FHA case number	Boarding deficiencies			Tracking deficiencies								
	Partial claim not boarded	Manual partial claim not boarded	Partial claim boarded twice	Mortgage missing or unrecorded	Note missing	Partial claim payment canceled but not removed	Lender payments not entered	Inappropriate mortgage release	Partial claim entered but not paid by HUD	Entry in SMART made in error	Partial claim note not collected after loan matured	Amount entered different from note or mortgage
045-6997995		x										
045-7579227		x		DNV	DNV	x						
045-8396134		x		DNV	DNV		x					
048-4641887		x		DNV	DNV	x						
048-5248983		x		DNV	DNV		x					
048-5546640		x					x					
048-5933272		x					x					
048-6620584		x		DNV	DNV	x						
052-1698727	x											
052-3601000		x										
052-4003562	x											
052-4159842	x											
052-4901459			x									
052-5270664			x									
052-7632633		x		DNV	DNV	x						
052-7695770		x		DNV	DNV	x						
061-1994746		x				x	x					
061-2247230	x											
061-2622039							x					
061-2943888		x		x	x							
061-3257575		x		DNV	DNV	x						
061-3265303		x		DNV	DNV		x					
061-3297000		x		DNV	DNV	x						
061-3307426		x										
061-3449252		x		DNV	DNV	x						
061-3467393		x		DNV	DNV	x						
061-3600017		x		DNV	DNV							

FHA case number	Boarding deficiencies			Tracking deficiencies								
	Partial claim not boarded	Manual partial claim not boarded	Partial claim boarded twice	Mortgage missing or unrecorded	Note missing	Partial claim payment canceled but not removed	Lender payments not entered	Inappropriate mortgage release	Partial claim entered but not paid by HUD	Entry in SMART made in error	Partial claim note not collected after loan matured	Amount entered different from note or mortgage
061-3840111		x		DNV	DNV	x						
061-4153034			x									
091-3436243		x		DNV	DNV		x					
091-3539989	x											
091-3833569		x					x					
091-4381566		x		DNV	DNV		x					
091-4637752		x		x	x		x					
092-6576829				x	x			x				
092-7962145		x		DNV	DNV	x						
092-8168004		x		x	x	x						
092-9367620		x					x					
093-4210877		x		DNV	DNV		x					
093-6074129		x						x				
093-6161733		x		DNV	DNV	x						
093-6552163		x		DNV	DNV							
093-6810823		x		DNV	DNV		x					
093-7865586			x									
094-3844356		x		DNV	DNV		x					
094-3995234		x					x					
094-5569913		x		x	x							
094-5819319		x		DNV	DNV	x						
095-0730802	x			x	x							
095-0732651		x										
095-0769169		x										
095-0806097		x		DNV	DNV	x						
095-1399604		x		DNV	DNV							
095-1735953		x		DNV	DNV	x						

FHA case number	Boarding deficiencies			Tracking deficiencies								
	Partial claim not boarded	Manual partial claim not boarded	Partial claim boarded twice	Mortgage missing or unrecorded	Note missing	Partial claim payment canceled but not removed	Lender payments not entered	Inappropriate mortgage release	Partial claim entered but not paid by HUD	Entry in SMART made in error	Partial claim note not collected after loan matured	Amount entered different from note or mortgage
095-1773407			x									
095-1830868		x		DNV	DNV							
101-6354994					x			x				
101-7019944					x							
101-7525599		x		DNV	DNV	x						
101-7637517		x		DNV	DNV		x					
101-8099955					x							x
101-8845280								x				
101-9256912		x		DNV	DNV	x						
101-9497087		x		DNV	DNV	x						
101-9668018		x		DNV	DNV		x					
105-0181537		x				x						
105-0548695		x		DNV	DNV	x						
105-0626331					x							
105-0641062		x					x					
105-1322701												x
105-1857206			x									
105-2054238		x										
105-2410349			x									
105-3423020							x					
105-3931202			x									
105-3999898		x		DNV	DNV	x						
105-4033946			x									
105-4054542		x					x					
105-4264173		x		DNV	DNV	x						
105-4952897		x										
105-5203605			x									

FHA case number	Boarding deficiencies			Tracking deficiencies								
	Partial claim not boarded	Manual partial claim not boarded	Partial claim boarded twice	Mortgage missing or unrecorded	Note missing	Partial claim payment canceled but not removed	Lender payments not entered	Inappropriate mortgage release	Partial claim entered but not paid by HUD	Entry in SMART made in error	Partial claim note not collected after loan matured	Amount entered different from note or mortgage
105-5331347		x				x	x					
105-5539001		x		DNV	DNV	x						
105-5628833				x								
105-6013694									x			
105-6829560				DNV	DNV		x					
105-8699772		x		DNV	DNV		x					
121-2492336		x		DNV	DNV	x						
131-7984011								x				
132-1407849		x		DNV	DNV	x						
132-1504712		x		DNV	DNV	x						
132-1757638		x		DNV	DNV		x					
132-2053297				DNV	DNV		x					
137-0045609		x		DNV	DNV	x						
137-1164896		x				x						
137-1422269		x		DNV	DNV		x					
137-1542547		x		DNV	DNV	x						
137-1882998		x										
137-2440252		x				x						
137-2748729							x					
137-4265827		x		DNV	DNV							
137-4316941		x										
137-4391148		x				x						
137-4479539		x		x								
137-4989826		x		DNV	DNV							
137-5096950		x		DNV	DNV							
137-5122754		x		DNV	DNV	x						
137-5331793	x											

FHA case number	Boarding deficiencies			Tracking deficiencies								
	Partial claim not boarded	Manual partial claim not boarded	Partial claim boarded twice	Mortgage missing or unrecorded	Note missing	Partial claim payment canceled but not removed	Lender payments not entered	Inappropriate mortgage release	Partial claim entered but not paid by HUD	Entry in SMART made in error	Partial claim note not collected after loan matured	Amount entered different from note or mortgage
137-5776134		x			DNV		x	x				
151-5628789		x				x						
151-6192171		x		DNV	DNV		x					
151-6483832		x		DNV	DNV		x					
151-7020429		x		DNV	DNV	x						
151-7065930		x		DNV	DNV		x					
151-8068769	x											
161-1901431		x		DNV	DNV	x						
161-2217866		x		DNV	DNV							
161-2368058		x				x	x					
161-2719514		x		DNV	DNV	x						
161-3384766		x		DNV	DNV	x						
182-1263990			x									
197-3816068							x					
197-4126025	x			x	x		x					
197-4184176		x					x	x				
197-4215215		x		DNV	DNV		x					
197-4303565		x						x				
197-4776776		x						x				
197-5289888		x		DNV	DNV		x					
201-2255864								x				
201-3934232									x			
201-4017101		x										
201-4094371		x		DNV	DNV							
201-4477319		x		DNV	DNV		x					
221-3161034		x				x						
221-3198448	x											

FHA case number	Boarding deficiencies			Tracking deficiencies								
	Partial claim not boarded	Manual partial claim not boarded	Partial claim boarded twice	Mortgage missing or unrecorded	Note missing	Partial claim payment canceled but not removed	Lender payments not entered	Inappropriate mortgage release	Partial claim entered but not paid by HUD	Entry in SMART made in error	Partial claim note not collected after loan matured	Amount entered different from note or mortgage
221-3291565		x		DNV	DNV	x						
221-3416832		x		DNV	DNV		x					
221-3871855		x		DNV	DNV	x						
221-4197997		x					x	UTD ³⁴				
221-4958039		x		DNV	DNV	x						
221-5113967		x		DNV	DNV	x						
222-1939278		x		DNV	DNV	x						
231-0716671		x				x						
231-1166049		x		DNV	DNV	x						
241-3927814		x					x	UTD				
241-4392043					x							
241-4511875							x					
241-5374828		x		DNV	DNV							
241-5390179				x								
241-5771910		x				x						
241-6159615		x				x						
241-7717891		x		DNV	DNV		x					
241-7723845				x	x							
241-8273446		x		DNV	DNV	x						
241-8334455	x											
241-8592398	x											
241-8874266		x		DNV	DNV		x					
241-8970026		x		DNV	DNV	x						
241-9498974		x										
249-5053078		x		DNV	DNV		x					

³⁴ Unable to determine (UTD) – We were unable to determine whether the mortgage was released

FHA case number	Boarding deficiencies			Tracking deficiencies								
	Partial claim not boarded	Manual partial claim not boarded	Partial claim boarded twice	Mortgage missing or unrecorded	Note missing	Partial claim payment canceled but not removed	Lender payments not entered	Inappropriate mortgage release	Partial claim entered but not paid by HUD	Entry in SMART made in error	Partial claim note not collected after loan matured	Amount entered different from note or mortgage
249-5192043							x					
249-5282806	x			x	x							
249-5353195		x		DNV	DNV	x						
249-5642318		x		DNV	DNV		x					
251-3123361		x		x	x							
251-3503088		x		x	x		x					
251-4130641		x						x				
251-4500360		x										
261-6263522		x		DNV	DNV		x					
261-7802452		x		DNV	DNV		x					
262-1514680		x					x					
263-2808886		x		DNV	DNV	x						
263-3822701		x		x	x							
263-3827274		x		x			x					
263-4011346		x		DNV	DNV		x					
263-4777681		x		DNV	DNV		x					
271-3204529		x		DNV	DNV	x						
271-9304376		x		x	x							
277-0015948		x		DNV	DNV	x						
277-0615163		x		DNV	DNV							
277-0639550							x					
277-0843919		x		DNV	DNV	x						
281-2771577		x		DNV	DNV	x						
281-2855598		x		DNV	DNV	x						
292-4076810		x		DNV	DNV	x						
292-4411228		x										
311-1617121		x		DNV	DNV	x						

FHA case number	Boarding deficiencies			Tracking deficiencies								
	Partial claim not boarded	Manual partial claim not boarded	Partial claim boarded twice	Mortgage missing or unrecorded	Note missing	Partial claim payment canceled but not removed	Lender payments not entered	Inappropriate mortgage release	Partial claim entered but not paid by HUD	Entry in SMART made in error	Partial claim note not collected after loan matured	Amount entered different from note or mortgage
311-1719566		x		DNV	DNV		x					
311-1876903		x		DNV	DNV	x						
311-1888562		x		DNV	DNV							
311-2214808		x		DNV	DNV	x						
321-2008929					x							
321-2044722		x		DNV	DNV	x						
332-4769856		x					x					
332-4781840		x						x				
332-4814643		x		DNV	DNV	x						
341-0537839	x											
341-1079042		x		DNV	DNV	x						
351-3469261		x		DNV	DNV		x					
351-4661237		x					x					
351-4831237	x											
351-4857359		x										
351-4939050		x		DNV	DNV		x					
351-5069310		x		DNV	DNV	x						
351-5324635		x					x					
351-5439000		x					x					
351-5748454		x		DNV	DNV	x						
352-5709363		x										
352-5822065									x			
352-5974918		x		DNV	DNV	x						
352-5994261		x		DNV	DNV		x					
352-6193242		x		DNV	DNV		x					
352-6232874		x		DNV	DNV	x						
352-6237871		x		DNV	DNV	x						

FHA case number	Boarding deficiencies			Tracking deficiencies								
	Partial claim not boarded	Manual partial claim not boarded	Partial claim boarded twice	Mortgage missing or unrecorded	Note missing	Partial claim payment canceled but not removed	Lender payments not entered	Inappropriate mortgage release	Partial claim entered but not paid by HUD	Entry in SMART made in error	Partial claim note not collected after loan matured	Amount entered different from note or mortgage
352-6245552		x		DNV	DNV	x						
352-6279409		x		DNV	DNV	x						
352-6330005			x									
352-6370380			x									
352-6475553		x					x					
361-2685914		x		DNV	DNV		x					
361-3368797		x		DNV	DNV	x						
361-3552044	x											
361-3800888			x									
371-3563398	x											
371-3932359		x		DNV	DNV							
371-3999446		x		DNV	DNV	x						
371-4183133		x		DNV	DNV							
371-4901131		x				x	x					
371-4997701		x		DNV	DNV	x						
372-2535087				x	x							
374-3746770	x											
374-3966442	x			x	x							
374-4060766		x		DNV	DNV	x						
374-4095555		x		DNV	DNV	x						
374-4307031		x			x		x					
374-4651566		x		DNV	DNV							
374-4725891		x		DNV	DNV		x					
374-4748597		x		DNV	DNV	x						
374-4792380		x		DNV	DNV	x						
374-4811575		x		DNV	DNV		x					
374-4829973		x		DNV	DNV	x						

FHA case number	Boarding deficiencies			Tracking deficiencies								
	Partial claim not boarded	Manual partial claim not boarded	Partial claim boarded twice	Mortgage missing or unrecorded	Note missing	Partial claim payment canceled but not removed	Lender payments not entered	Inappropriate mortgage release	Partial claim entered but not paid by HUD	Entry in SMART made in error	Partial claim note not collected after loan matured	Amount entered different from note or mortgage
374-4894931		x		DNV	DNV		x					
374-4905462		x		DNV	DNV		x					
374-4943454		x		DNV	DNV	x						
374-5058405		x		DNV	DNV	x						
374-5073244		x		DNV	DNV	x						
374-5096070		x		DNV	DNV	x						
374-5112882		x				x						
374-5145880		x		DNV	DNV	x						
374-5149059		x										
374-5179458		x		DNV	DNV	x						
374-5179782		x		DNV	DNV							
374-5215374		x		DNV	DNV							
374-5292925		x		DNV	DNV	x						
374-5347513	x											
374-5351422		x		DNV	DNV	x						
374-5357107		x		DNV	DNV	x						
374-5400066		x		DNV	DNV		x					
374-5404951		x		DNV	DNV	x						
374-5434402		x					x					
374-5496080		x		DNV	DNV	x						
374-5511285		x		DNV	DNV	x						
374-5977011		x		DNV	DNV	x						
374-6005342			x									
381-4381672		x		DNV	DNV							
381-4706080		x		DNV	DNV	x						
381-4940910					x							
381-5010237		x		DNV	DNV		x					

FHA case number	Boarding deficiencies			Tracking deficiencies								
	Partial claim not boarded	Manual partial claim not boarded	Partial claim boarded twice	Mortgage missing or unrecorded	Note missing	Partial claim payment canceled but not removed	Lender payments not entered	Inappropriate mortgage release	Partial claim entered but not paid by HUD	Entry in SMART made in error	Partial claim note not collected after loan matured	Amount entered different from note or mortgage
381-5661654		x				x						
381-6447549		x		DNV	DNV	x						
381-6526448		x		DNV	DNV		x					
381-7989504		x		DNV	DNV		x					
381-8086949		x		DNV	DNV	x						
381-8621286		x		DNV	DNV							
381-9134217		x										
387-0806164		x		DNV	DNV	x						
411-3662925			x									
412-4609953		x		DNV	DNV		x					
412-5258604				x								
412-5372648		x		x	x		x					
412-5399590		x						x				
412-5998339		x										
412-6118034		x					x					
412-6620554			x									
412-6634909		x		DNV	DNV	x						
412-7686301		x		DNV	DNV		x					
412-7979434			x									
413-3895576		x		DNV	DNV		x					
413-4261249	x											
413-4467243		x			x							
421-3608379		x		DNV	DNV	x						
421-3721120		x		DNV	DNV		x					
421-3839802		x		DNV	DNV	x						
421-4340072					x							
421-4856127			x									

FHA case number	Boarding deficiencies			Tracking deficiencies								
	Partial claim not boarded	Manual partial claim not boarded	Partial claim boarded twice	Mortgage missing or unrecorded	Note missing	Partial claim payment canceled but not removed	Lender payments not entered	Inappropriate mortgage release	Partial claim entered but not paid by HUD	Entry in SMART made in error	Partial claim note not collected after loan matured	Amount entered different from note or mortgage
421-5199428		x		DNV	DNV	x						
431-4452098							x					
431-5792884			x									
441-4318558				x								
441-5434949		x		DNV	DNV		x					
441-6056664		x		DNV	DNV		x					
441-6364578		x		DNV	DNV							
441-6379520		x		DNV	DNV		x					
441-6515880		x		DNV	DNV	x						
441-6535101		x		DNV	DNV	x						
441-6699058		x		DNV	DNV							
441-6805597		x				x						
441-6912206		x		DNV	DNV	x						
441-6923323		x		DNV	DNV	x						
441-7016480		x		DNV	DNV		x					
441-7772863	x											
441-7846552		x		DNV	DNV	x						
441-8573703		x										
441-8635656							x					
441-8725319			x									
441-9050704		x		DNV	DNV							
441-9317003		x		DNV	DNV	x						
441-9349347		x		DNV	DNV	x						
441-9406598		x		DNV	DNV	x						
441-9507609		x		DNV	DNV	x						
442-1728830				x	x							
442-1931979				x	x							

FHA case number	Boarding deficiencies			Tracking deficiencies								
	Partial claim not boarded	Manual partial claim not boarded	Partial claim boarded twice	Mortgage missing or unrecorded	Note missing	Partial claim payment canceled but not removed	Lender payments not entered	Inappropriate mortgage release	Partial claim entered but not paid by HUD	Entry in SMART made in error	Partial claim note not collected after loan matured	Amount entered different from note or mortgage
442-2158284		x		DNV	DNV	x						
442-2372294							x					
442-2978523		x		DNV	DNV	x						
446-1428860		x		DNV	DNV		x					
451-1204263		x			x			x				
461-3232724				x								
461-3326850	x			x	x							
461-4016942		x					x					
461-4267765	x						x					
481-3364334		x		DNV	DNV	x						
482-3142495		x		DNV	DNV	x						
482-3352879		x		DNV	DNV		x					
482-4087553		x		DNV	DNV	x						
482-4310846		x		DNV	DNV	x						
483-2735360					x							
483-3183519		x		DNV	DNV		x					
483-3554227		x										
483-3625188		x		DNV	DNV	x						
483-4327101		x						x				
483-4479095		x		DNV	DNV	x						
491-6343894		x		DNV	DNV	x						
491-6829375	x				x							
491-7344736		x		DNV	DNV		x					
491-8588032	x											
491-8975163		x		DNV	DNV	x						
491-9225269		x		DNV	DNV		x					
492-3864800				x								

FHA case number	Boarding deficiencies			Tracking deficiencies								
	Partial claim not boarded	Manual partial claim not boarded	Partial claim boarded twice	Mortgage missing or unrecorded	Note missing	Partial claim payment canceled but not removed	Lender payments not entered	Inappropriate mortgage release	Partial claim entered but not paid by HUD	Entry in SMART made in error	Partial claim note not collected after loan matured	Amount entered different from note or mortgage
492-6436335		x		DNV	DNV		x					
492-6469089	x			x								
492-7126535	x											
492-7853198		x										
492-9227592			x									
493-6213410		x				x						
493-6337163		x		DNV	DNV	x						
493-6436992	x											
493-6977860		x		DNV	DNV		x					
493-8514541		x					x					
493-8527081		x										
493-8930227		x		DNV	DNV		x					
493-9376744		x										
494-2546600		x		DNV	DNV		x					
494-3668264			x									
495-3573182				x								
495-5120621	x											
495-6282700		x		DNV	DNV		x					
495-6782655		x		DNV	DNV		x					
495-6930479		x		DNV	DNV		x					
495-7676779		x					x					
495-7906765		x		DNV	DNV	x						
495-8021544		x										
495-8519364		x		DNV	DNV							
498-0124119		x		DNV	DNV	x						
501-2143465											x	
501-5177372	x											

FHA case number	Boarding deficiencies			Tracking deficiencies								
	Partial claim not boarded	Manual partial claim not boarded	Partial claim boarded twice	Mortgage missing or unrecorded	Note missing	Partial claim payment canceled but not removed	Lender payments not entered	Inappropriate mortgage release	Partial claim entered but not paid by HUD	Entry in SMART made in error	Partial claim note not collected after loan matured	Amount entered different from note or mortgage
501-5311831	x											
501-5317437		x		DNV	DNV		x					
501-5592140		x		x	x		x					
501-5734826	x											
501-6085809	x											
501-6155577	x											
501-6710054	x											
501-6999053	x											
501-7096498	x											
501-7400181	x											
501-7436793	x											
501-7660923	x											
501-7738608		x		DNV	DNV		x					
512-0064434		x										
512-0071181		x						x				
512-1091538		x		DNV	DNV	x						
512-1180615		x		DNV	DNV		x					
512-1403911		x		DNV	DNV	x						
512-1520696		x		DNV	DNV	x						
514-0291190		x		DNV	DNV	x						
521-3943177		x		DNV	DNV		x					
521-6676238		x		DNV	DNV		x					
521-7353349		x			x							
541-4758252					x							
541-5776587		x		DNV	DNV	x						
541-6643170		x		DNV	DNV		x					
541-7267321	x				x							

FHA case number	Boarding deficiencies			Tracking deficiencies								
	Partial claim not boarded	Manual partial claim not boarded	Partial claim boarded twice	Mortgage missing or unrecorded	Note missing	Partial claim payment canceled but not removed	Lender payments not entered	Inappropriate mortgage release	Partial claim entered but not paid by HUD	Entry in SMART made in error	Partial claim note not collected after loan matured	Amount entered different from note or mortgage
541-8047968		x		DNV	DNV		x					
541-8806557		x		DNV	DNV	x						
541-9690288		x										
544-0723818		x										
544-0723903		x		DNV	DNV		x					
544-0900904		x		DNV	DNV	x						
544-0960812		x		DNV	DNV	x						
544-0991543		x		DNV	DNV							
544-1097970		x		DNV	DNV	x						
561-8161475		x					x					
562-1679314		x		DNV	DNV		x					
562-2305502					x							
566-0436415		x		DNV	DNV		x					
581-3128180		x		DNV	DNV	x						
581-3260707		x		DNV	DNV	x						
581-3559963		x										
581-4642653		x		DNV	DNV	x						
581-4818242		x		DNV	DNV	x						
581-4844192		x		DNV	DNV	x						
591-1214601		x										
Total deficiencies	47	350	24	33	40	156	139	18	4	1	1	2
Total amount	\$716,061	\$2,297,706	\$697,354	\$644,767		\$ - ³⁵	\$1,055,113	\$451,000	\$93,409	\$63,591	\$1,905	\$622

³⁵ Partial claim payments that were canceled were typically reissued by manual payment. When NSC neglected to record both the canceled payment and the manual payment, the effects canceled each other out.