



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-5948-N-01]

Mortgagee Review Board: Administrative Actions

AGENCY: Office of the Assistant Secretary for Housing–Federal Housing Commissioner, HUD.

ACTION: Notice.

SUMMARY: In compliance with Section 202(c)(5) of the National Housing Act, this notice advises of the cause and description of administrative actions taken by HUD’s Mortgagee Review Board against HUD-approved mortgagees.

FOR FURTHER INFORMATION CONTACT: Nancy A. Murray, Secretary to the Mortgagee Review Board, 451 Seventh Street SW, Room B-133/3150, Washington, DC, 20410-8000; telephone (202) 708-2224 (this is not a toll-free number). Persons with hearing or speech impairments may access this number through TTY by calling the toll-free Federal Information Service at (800) 877-8339.

SUPPLEMENTARY INFORMATION: Section 202(c)(5) of the National Housing Act (12 U.S.C. 1708(c)(5)) requires that HUD “publish a description of and the cause for administrative action against a HUD-approved mortgagee” by the Department’s Mortgagee Review Board (“Board”). In compliance with the requirements of Section 202(c)(5), this notice advises of actions that have been taken by the Board in its meetings from October 1, 2014 to September 30, 2015.

I. Civil Money Penalties, Withdrawals of FHA Approval, Suspensions, Probations, Reprimands, and Settlements.

1. Allied First Bank, SB, Oswego, IL [Docket No. 15-1506-MR]

Action: On June 19, 2015, the Board entered into a settlement agreement with Allied First Bank, SB (“AFB”) that required AFB to pay a civil money penalty in the amount of \$17,000 without admitting fault or liability.

Cause: The Board took this action based on the following violations of HUD/FHA requirements alleged by HUD: AFB (a) improperly used the name of FHA in certain correspondence to imply the correspondence was from and/or endorsed by HUD/FHA; (b) failed to timely notify HUD that AFB has entered into a written agreement with the Federal Reserve Board of Chicago on May 22, 2014 and; (c) failed to timely notify HUD that AFB had entered into a consent order with the Federal Deposit Insurance Corporation and the State of Illinois Department of Financial and Professional Regulation.

2. American Home Free Mortgage, Prosper, TX [Docket No. 14-1682-MR]

Action: On May 21, 2015, the Board voted to withdraw the FHA approval of American Home Free Mortgage (“AHFM”) on a permanent basis. On July 24, 2015, the Board entered into a settlement agreement with AHFM that required AHFM to pay a civil money penalty in the amount of \$169,419, and to abide by the Board’s action concerning the permanent withdrawal of its FHA approval.

Cause: The Board took this action based on the following violations of HUD/FHA requirements alleged by HUD: AHFM (a) submitted false certifications to HUD/FHA in 2010, 2012 and 2013 for the annual recertifications of its FHA approval; (b) failed to ensure that individuals originating FHA insured loans were exclusively employed

by AHFM; (c) failed to implement a Quality Control Plan in compliance with HUD/FHA requirements; (d) failed to conduct Quality Control reviews in accordance with HUD/FHA requirements; (e) participated in a scheme to inflate the amount of fees collected in loan transactions by disguising them as construction fees; (f) submitted loan case binders that falsely identified fees as construction costs or fees; (g) provided false certifications to HUD/FHA regarding conflicts of interests; (h) allowed personnel involved in the day-to-day origination process to conduct Quality Control reviews; (i) allowed the identification number of a terminated employee to be used to access FHA Connection; and (j) failed to require its appraiser to explain the use of a comparable sale that was over 12 months old.

3. *Bogman Inc., Silver Spring, MD [Docket No. 15-1507-MR]*

Action: On August 11, 2015, the Board entered into a settlement agreement with Bogman Inc., (“Bogman”) that required Bogman to pay a civil money penalty in the amount of \$50,000 without admitting fault or liability and to submit, on a quarterly basis during the period of one year, written reports, describing the methodology and findings of quality control reviews performed by an independent third party regarding Bogman’s compliance with applicable HUD Handbooks and Mortgagee Letters, including compliance with servicing and loss mitigation requirements.

Cause: The Board took this action based on the following violations of HUD/FHA requirements alleged by HUD: Bogman (a) failed to properly establish and implement a Quality Control Plan; (b) used the services of a third party servicer that was not an approved HUD/FHA approved mortgagee; (c) failed to properly service defaulted FHA insured loans and failed to ensure its foreclosure management review checklist was in compliance with HUD/FHA requirements; and (d) failed to use the proper loss mitigation techniques with borrowers.

4. *City First Mortgage Services LLC., Bountiful, UT [Docket No. 15-1657-MR]*

Action: On June 30, 2015, the Board issued a letter of reprimand to City First Mortgage Services, LLC., (“CFMS”), and also required CFMS to pay a civil money penalty in the amount of \$40,500.

Cause: The Board took this action based on the following violations of HUD/FHA requirements alleged by HUD: CFMS (a) failed to comply with Generally Accepted Accounting Principles; (b) falsely certified to HUD/FHA that it had complied with all HUD/FHA regulations in its June 25, 2014 annual certification; (c) failed to promptly notify HUD/FHA it had entered into a consent order with the State of Illinois Department of Financial and Professional Regulation, Division of Banking and paid a \$2,500 fine to settle allegations that it allowed an unlicensed office, branch manager and loan originator to conduct business without the proper licenses or sponsorship from CFMS; and (d) failed to timely notify HUD/FHA that it had entered into a settlement agreement with the State of California.

5. *Fifth Third Bank, Cincinnati, OH [Docket No. 16-1634-MR]*

Action: On September 15, 2015, the Board voted to accept a proposed settlement between the United States and Fifth Third Bank (“FTB”). Pursuant to the terms of the Settlement, FTB agreed to: (a) pay a total of \$85 million to resolve potential liability under the False Claims Act in connection with 519 loans that went to claim; (b) indemnify HUD/FHA for the life of the loan on all losses associated with 920 loans; (c) make an administrative payment totaling \$ 2,034,000; and (d) make an administrative payment to HUD/FHA of \$441,000.

Cause: The Board took this action based on (a) FTB’s own self-reporting that it had not fully complied with its obligation to notify HUD/FHA of early payment defaults in loans that contained significant deficiencies, and (b) an investigation by the US

Attorney's Office for the Southern District of New York based on a *Qui Tam* action.

6. *First Liberty Financial Group, Louisville, KY [Docket No. 15-1500-MR]*

Action: On September 11, 2015, the Board entered into a Settlement Agreement with First Liberty Financial Group, ("FLFG") that required FLFG to pay a civil money penalty in the amount of \$66,700 without admitting fault or liability.

Cause: The Board took this action based on the following violations of HUD/FHA requirements alleged by HUD: FLFG (a) failed to establish and implemented a Quality Control Plan in accordance with HUD/FHA requirements; (b) failed to ensure it conducted reviews of loans which went into default within the first six months of repayment; (c) failed to evidence that it had conducted a pre-insurance review for loans insured under the Lender Insurance Program; (d) failed to comply with HUD/FHA rules, regulations and guidelines in originating and underwriting FHA insured loans; (e) failed to sign the certification on page 4 of the final HUD form 92900-A for 26 loans; (f) failed to comply with HUD/FHA documentation requirements for the borrowers' source of funds for one loan; (g) failed to timely remit Mortgage Insurance Premiums as required by HUD/FHA; and (h) failed to notify HUD/FHA of a business change.

7. *Infinity Home Mortgage Company, Inc. Cherry Hill, NJ [Docket No. 14-1641-MR]*

Action: On November 10, 2014, the Board issued a Notice of Administrative Action permanently withdrawing the FHA approval of Infinity Home Mortgage Company, Inc., ("IHMC").

Cause: The Board took this action based on the following violations of HUD/FHA requirements alleged by HUD: IHMC (a) failed to establish and implemented a Quality Control Plan in accordance with HUD/FHA requirements; (b) failed to complete Quality Control reviews timely and respond to Quality Control review

findings reported by HUD/FHA; (c) failed to ensure it conducted early payment default Quality Control reviews in accordance with HUD/FHA requirements; (d) failed to ensure borrowers were eligible for FHA-insured financing; (e) failed to properly document the borrowers' source/adequacy of funds used for down payments and/or closing costs; (f) failed to properly document the income utilized to qualify borrowers; (g) failed to resolve discrepancies and/or conflicting information prior to submitting loans for FHA approval and ensure outstanding judgments were satisfied; (h) failed to ensure the Uniform Residential Appraisal Report supported the final value conclusion and/or failed to ensure the health and safety of the subject property; and (i) failed to comply with HUD/FHA documentation requirements.

8. *Integrity Home Loans of Central Florida, Lake Mary, FL [Docket No. 14-1727-MR]*

Action: On March 19, 2015, the Board voted to withdraw the FHA approval of Integrity Home Loans of Central Florida, ("IHL") for a period of one year. On May 18, 2015, the Board entered into a settlement agreement with IHL that required IHL to pay a civil money penalty in the amount of \$3,000 and abide by the Board's withdrawal of IHL's FHA approval.

Cause: The Board took this action based on the following violation of HUD/FHA requirements alleged by HUD: IHL operated a branch office in violation of HUD/FHA requirements.

9. *MetLife Bank, N.A., Morristown, NJ [Docket No.16-1631 -MR]*

Action: On February 24, 2015, the Board voted to accept the terms of a settlement agreement between the United States of America, ("USA") and MetLife Bank, N.A., ("MLB") that required MLB to pay \$123,500,000 to the USA. As part of the settlement, the Board released MLH from liability for any civil money penalty due to improper origination of FHA-insured loans for which FHA paid a claim for mortgage

insurance through August 25, 2014. The settlement expressly excluded streamline refinances and Home Equity Conversion Mortgage loans from the release.

Cause: The Board took this action in order to resolve allegations that MetLife failed to properly underwrite FHA-insured loans that resulted in claims being submitted to FHA through August 25, 2014.

10. Putnam Bank, Putnam, CT [Docket No. 15-1504-MR]

Action: On June 4, 2015, the Board entered into a settlement agreement with Putnam Bank, (“PB”) that required PB to pay a civil money penalty in the amount of \$5,000.

Cause: The Board took this action based on the following violation of HUD/FHA requirements alleged by HUD: PB failed to obtain, prior to closing, documentation of the terms of a \$5,000 loan from the borrower’s father that the borrower used for the down payment.

11. Residential Finance Corporation, Columbus, OH [Docket No. 14-1708-MR]

Action: On April 28, 2015, the Board issued a Notice of Administrative Action to Residential Finance Corporation (“RFC”) withdrawing RFC’s FHA approval for a period of one year.

Cause: The Board took this action based on the following violations of HUD/FHA requirements alleged by HUD: RFC (a) failed to ensure the borrower made the minimum required investment; (b) failed to document a borrower’s funds to close on a loan; (c) failed to resolve questions concerning a borrower’s delinquent federal debt; and (d) failed to properly calculate a borrower’s income used to qualify the borrower.

12. Reverse Mortgage Solutions, Inc., Spring, TX [Docket No. 16-1632-MR]

Action: On May 21, 2015, the Board voted to accept a settlement agreement between Walter Investment Management Corporation and its subsidiary Reverse Mortgage

Solutions, Inc. (“RMSI”) and the United States that required RMSI to pay the United States the amount of \$26,250,000.00. Pursuant to the terms of the settlement, the Board settled potential administrative actions by the Board against RMSI in connection with insurance claims filed from August 13, 2009 to December 15, 2014 for loans insured under the Home Equity Conversion (“HECM”) Program.

Cause: The Board took this action based on a complaint filed under the False Claims Act that alleged that RMSI had failed to self-curtail debenture interest with respect to HECM claims that were filed with HUD, and that a subsidiary of RMSI acted as the real estate agent for the disposition of the HECM properties after foreclosure, which resulted in the payment of commissions in violation of the anti-referral fee prohibitions of the Real Estate Settlement Procedures Act.

13. Sahara Mortgage Corporation, Las Vegas, NV [Docket No. 15-1502-MR]

Action: On March 30, 2015, the Board issued a Notice of Administrative Action withdrawing the FHA approval of Sahara Mortgage Corporation, (“SMC”) for a period of one year.

Cause: The Board took this action based on the following violations of HUD/FHA requirements alleged by HUD: SMC failed to pay HUD in accordance with SMC’s indemnification agreements with HUD/FHA.

14. USLending & Finance, LTD, Downers Grove, IL [Docket No. 15-1505-MR]

Action: On July 1, 2015, the Board entered into an agreement with USLending & Finance, LTD (“USLending”) that required USLending to pay \$18,500 without admitting fault or liability.

Cause: The Board took this action based on the following violations of HUD/FHA requirements alleged by HUD: USLending (a) failed to provide documentation it had implemented a Quality Control Plan in accordance with HUD/FHA requirements;

and (b) failed to ensure its officers and employees were exclusively employed by USLending.

II. Lenders that Failed to Timely Meet Requirements for Annual Recertification of HUD/FHA Approval.

Action: The Board entered into settlement agreements with the lenders listed below, which required the lender to pay a civil money penalty without admitting fault or liability.

Cause: The Board took this action based upon allegations that the lenders listed below failed to comply with the Department's annual recertification requirements in a timely manner.

1. BCB Community Bank, Bayonne, NJ (\$16,000) [*Docket No.15-1666-MRT*]
2. Bondcorp Realty Services, Inc., Newport Beach, CA (\$4250) [*Docket No.15-1859 MRT*]
3. Case Credit Union, Lansing, MI (\$3,500) [*Docket No.15-1608-MRT*]
4. Citizens Trust Bank, Atlanta, GA (\$3500) [*Docket No.15-1760-MRT*]
5. City National of New Jersey, Newark, NJ (\$3,500) [*Docket No.15-1624-MRT*]
6. Darien Rowayton Bank, Darien, CT (\$3500) [*Docket No.15-1603 -MRT*]
7. First Key Mortgage, LLC, Rye Brooke, NY (\$3,500) [*Docket No.14-1706-MRT*]
8. Lone Star National Bank, McAllen, TX (\$3,500) [*Docket No.14-1569-MRT*]
9. Members Cooperative Credit Union, Cloquet, MN (\$3500) [*Docket No.15-1600 - MRT*]
10. Northland Financial, Steele, ND (\$3,500) [*Docket No.15-1614-MRT*]
11. Prairie Bank of Kansas fka Farmers National Bank, Stafford, KS (\$3,500) [*Docket No.14-1661-MRT*]
12. Urban Fulfillment Services, LLC f/k/a Prodovis Mortgage, LLC, Broomfield, CO (\$3,500) [*Docket No.13-1482-MRT*]
13. Progressive Bank, Monroe, LA (\$3,500) [*Docket No.15-1591-MRT*]
14. Teamsters Credit Union, Detroit, MI (\$3,500) [*Docket No.15-1612-MRT*]
15. Valley Exchange Bank of Lennox, Lennox, SD (\$3,500) [*Docket No.15-1606-MRT*]

III. Lenders that Failed to Meet Requirements for Annual Recertification of HUD/FHA Approval.

Action: The Board voted to withdraw the FHA approval of each of the lenders listed below for a period of one (1) year.

Cause: The Board took this action based upon allegations that the lenders listed below were not in compliance with the Department's annual recertification requirements.

1. Acadia Federal Savings Bank , Falls Church, VA [*Docket No.15-1754-MRT*]
2. Approved Home Lending, Inc., Miami FL [*Docket No.15-1509-MRT*]
3. Blufi Lending Corporation, San Diego, CA [*Docket No.15-1757-MRT*]
4. Central State Bank., Quincy, IL [*Docket No.15-1759-MRT*]
5. Classic Home Financial, Inc., Houston, TX [*Docket No.15-1762-MRT*]
6. Connecticut River Bank., Charlestown, NH [*Docket No.15-1764-MRT*]
7. Consumers Mortgage Corp, Middletown, NJ [*Docket No.15-1765-MRT*]
8. Denver Mortgage Company, Greenwood Village, CO [*Docket No.15-1766-MRT*]
9. Dominion Residential Mortgage, LLC., Fairfax, VA [*Docket No.15-1767-MRT*]
10. First Mutual Corporation, Cherry Hill, NJ [*Docket No.13-1768-MRT*]
11. Firstrust Mortgage, Inc., Overland Park, KS [*Docket No.15-1627-MRT*]
12. Franklin Credit Management Corporation, Jersey City, NJ [*Docket No.14-1702-MRT*]
13. Funding Source, LLC., Syracuse, NY [*Docket No.15-1771-MRT*]
14. GMS Funding LLC., West Columbia, SC [*Docket No.15-1722-MRT*]
15. Golden Pacific Bank, Sacramento, CA [*Docket No.15-1773-MRT*]
16. Guardian Credit Union, West Allis, WI [*Docket No.15-1634-MRT*]
17. Homefirst Mortgage LLC., Jackson, MS [*Docket No.15-1522-MRT*]
18. Jayco Capital Group, Inc., Irvine, CA [*Docket No.15-1775-MRT*]
19. Landmark Bank NA, Columbia, MO [*Docket No.14-1551-MRT*]
20. Liberty Capital Financial, Damascus, MD [*Docket No.15-1776-MRT*]
21. Merchants & Planters Bank, Boilvar, TN [*Docket No.15-1777-MRT*]

22. Mortgage Bank Of California, Manhattan Beach, CA [*Docket No.15-1778-MRT*]
23. Prime Bank, Edmond, OK [*Docket No.15-1621-MRT*]
24. Retreat Capital Management Inc., Irving, TX [*Docket No.15-1779-MRT*]
25. Rocky Mountain Bank, Jackson, WY [*Docket No.15-1780-MRT*]
26. South Valley Bank and Trust, Klamath Falls, OR [*Docket No.15-1651-MRT*]
27. Spectra Funding Inc., Carlsbad, CA [*Docket No.15-1782-MRT*]
28. StellarOne Bank, Christianburg, VA [*Docket No.15-1783-MRT*]
29. Steward Investments, Inc., Carlsbad, CA [*Docket No.15-1784-MRT*]
30. The Cadle Company, Newton Falls, OH [*Docket No.14-1648-MRT*]
31. The Lending Company Inc., Phoenix, AZ [*Docket No.15-1787-MRT*]
32. Washington Savings Association, Philadelphia, PA [*Docket No.15-1789-MRT*]
33. Workers Credit Union, Fitchburg, MA [*Docket No.15-1510-MRT*]

Date: May 3, 2016

Edward L. Golding
Principal Deputy Assistant Secretary
Chairman, Mortgagee Review Board