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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR–4209–N–02]

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) of the National Housing Act, notice is hereby given of the cause and description of administrative actions taken by HUD's Mortgagee Review Board against HUD-approved mortgagees.

FOR FURTHER INFORMATION CONTACT: Morris E. Carter, Director, Office of Lender Activities and Program Compliance, 451 Seventh Street, S.W., Washington, DC 20410, telephone: (202) 708–1515. (This is not a toll-free number). A Telecommunications Device for Hearing and Speech-Impaired Individuals (TTY) is available at l–800–877–8339 (Federal Information Relay Service).

SUPPLEMENTARY INFORMATION: Section 202(c)(5) of the National Housing Act (added by Section 142 of the Department of Housing and Urban Development Reform Act of 1989, Pub. L. 101–235), approved December 15, 1989, 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. In compliance with the requirements of Section 202(c)(5), notice is hereby given of administrative actions that have been taken by the Mortgagee Review Board from January 1, 1997 through April 11, 1997.

1. Barrons Mortgage Corporation, Brea, California

Action: Settlement Agreement that includes: indemnification to the Department for claim losses in connection with seven improperly originated property improvement loans under the HUD–FHA Title I property improvement loan program; payment to the Department of a civil money penalty in the amount of $2,000; and corrective action to assure compliance with HUD–FHA requirements.

Cause: A HUD monitoring review that disclosed violations of HUD–FHA Title I program requirements that included: use of alleged false tax returns to qualify borrowers for loans; accepting verifications of employment and W–2 forms containing inconsistent information to qualify borrowers; permitting non-approved brokers to originate loans; accepting insufficient cost estimates; and use of misleading advertising.

2. Comstock Mortgage, Sacramento, California

Action: Settlement Agreement that includes: payment to the Department of a civil money penalty in the amount of $4,000; and corrective action to assure compliance with HUD–FHA requirements.

Cause: A HUD monitoring review that cited violations of HUD–FHA requirements that included: failure to comply with reporting requirements under the Home Mortgage Disclosure Act (HMDA); and failure to maintain an adequate Quality Control Plan for the origination of HUD–FHA insured mortgages.

3. Associate Trust Financial Services, Inc., Camp Springs, Maryland

Action: Withdrawal of HUD–FHA mortgagee approval.

Cause: Submission of false credit reports to HUD–FHA in connection with the origination of HUD–FHA insured mortgages; and failure to notify HUD–FHA of program violations.

4. Eastwood Mortgage Bankers, Ltd., Jericho, New York

Action: Withdrawal of HUD–FHA mortgagee approval and a proposed civil money penalty of $75,000.

Cause: A HUD monitoring review that disclosed violations of HUD–FHA requirements that included: using alleged fraudulent W–2 forms to verify mortgagors' employment; failure to ensure that mortgagors met their minimum required investment; failure to verify the source and/or adequacy of mortgagors' funds to close; failing to conduct face-to-face interviews with mortgagors; failing to conduct timely quality control reviews; using ''strawbuyers'' to qualify for FHA insured mortgages; closing loans that were not in accordance with the sales contract; permitting improper third party loan originations by a mortgage broker and paying ''kickbacks'' to such broker for referrals; submitting HUD–l Settlement Statements that are not an accurate reflection of the transaction; charging mortgagors unallowable fees; and using incomplete gift letters.

5. Continental Capital Corp., Huntington Station, New York

Action: Proposed Settlement Agreement that would include indemnification to the Department for any claim losses in connection with 14 improperly originated HUD–FHA insured mortgages; corrective action to assure compliance with HUD–FHA requirements; and payment to the Department of a civil money penalty in the amount of $40,000.

Cause: A HUD monitoring review that cited violations of HUD–FHA home mortgage insurance program requirements that included: use of alleged falsified documentation or conflicting information to approve HUD–FHA mortgagors; failure to properly verify the source and/or adequacy of mortgagors' funds used for the downpayment and/or closing costs; closing loans that exceeded HUD–FHA maximum mortgage amounts; submitting loans for insurance endorsement that are in default; failure to adequately verify mortgagor's income; failure to require necessary flood insurance; charging incorrect fees to mortgagors; failure to maintain a Quality Control Plan and perform timely quality control reviews; failure to properly analyze and evaluate mortgagors' credit history; and permitting mortgagors to sign documents in blank.

6. Consumer Home Mortgage, Inc., Melville, New York

Action: Proposed Settlement Agreement that would include: indemnification to the Department for claim losses in connection with 27 improperly originated HUD–FHA insured mortgages; corrective action to assure compliance with HUD–FHA requirements; and payment to the Department of a civil money penalty in the amount of $75,000.

Cause: A HUD monitoring review that cited violations of HUD–FHA home mortgage insurance program violations that included: using alleged false information in originating HUD–FHA mortgage insurance; failure to ensure that mortgagors met their minimum required investment; failure to verify the source of funds for mortgagors' downpayment and/or closing costs; permitting mortgagors to sign documents in blank; adding non-occupant co-mortgagors to loans for the purpose of qualifying the mortgagors.

7. Madison Home Equities, Inc., Lake Success, New York

Action: Proposed Settlement Agreement that would include: indemnification to the Department for claim losses in connection with 31 improperly originated HUD–FHA insured mortgages; corrective action to assure compliance with HUD–FHA requirements; and payment to the

Department of a civil money penalty in the amount of $51,000.

Cause: A HUD monitoring review that cited violations of HUD–FHA requirements that included: failure to properly verify and document the source of mortgagors' funds used for downpayment and closing costs; using unsubstantiated credit given to mortgagors in determining the mortgagors' investment; using alleged false information to originate HUD–FHA insured mortgages; submitting an alleged false property inspection report; miscalculating a mortgagor's required investment; failure to accurately reflect disbursements on HUD–l Settlement Statements; and failure to establish, maintain, and implement a Quality Control Plan in compliance with HUD–FHA requirements.

8. Mortgagees and Title I Lenders That Failed To Comply With HUD–FHA Requirements for the Submission of an Audited Annual Financial Statement and/or Payment of the Annual Recertification Fee

Action: Withdrawal of HUD–FHA mortgagee approval and Title I lender approval.

Cause: Failure to submit to the Department the required annual audited financial statement and/or remit the required annual recertification fee.

Mortgagees Withdrawn

Salida Building and Loan Assn, Salida, CO; Lomas Mortgage New York Inc, Dallas, TX; United Bank of Griffin FSB, Griffin, GA; First United Savings Bank, FSB, Greencastle, IN; Macomb Savings and Loan Assn, Saint Clair Shores, MI; D M Bullard Mortgage Bankers, Kalamazoo, MI; Community Preservation Corp, New York, NY; Crusader Bank, Rosemont, PA; Chester Valley Bancorp, Downingtown, PA; Heritage Federal Bank FSB, Kingsport, TN; Lomas Financial Corporation, Dallas, TX; Lomas Mortgage USA, Inc, Dallas, TX; Midamerica Bank Hudson, Hudson, WI; First Washington Mortgage Corp, Herndon, VA; American Trust Mortgage Inc, San Jose, CA; Humboldt Mortgage Company, Eureka, CA; Dothan Federal Savings Bank, Dothan, AL; Unlimited Mortgage Services, Worthington, OH; Franklin Bank NA, Southfield, MI; Northside Mortgage Company, Chattanooga, TN; Farmers and Merchants Bank, Milford, NE; First Republic Savings Bank FSB, Roanoke Rapids, NC; CPC Resources Inc, New York, NY; First Fidelity Funding Corp, Fort Lauderdale, FL; Teico Financial Services Inc, Manalapan, NJ; Richmond Mortgage Corporation, Athens, GA; Glendale Federal Bank, Glendale, CA; Access Mortgage Incorporated, Milpitas, CA; Diversified Residential Funding, Altamonte Springs, FL; Delta Home Mortgage Incorporated, Sheridan, AR; First American Lending, Coral Gables, FL.

Title I Lenders Withdrawn

Heritage Pullman Bk Trust Co, Chicago, IL; Devon Bank, Chicago, IL; Laurel Federal Savings and Loan, Laurel, MS; Lehigh Savings Bank SLA, Union, NJ; Lending Source, Folsom, CA; First Continental Mortgage Corp, Jonesboro, AR; Orange Coast Mortgage Inc, Irvine, CA; S and S Financial Inc, Woodland Hills, CA; Delta Acceptance Corp, Gonzales, LA.

Dated: May 1, 1997.

Nicolas P. Retinas,

Assistant Secretary for Housing-Federal Housing Commissioner.

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR4221–D–01]

AGENCY: Office of the Secretary, HUD.

ACTION: Delegation of authority.

SUMMARY: In this notice, the Secretary of the Department of Housing and Urban Development delegates all power and authority to administer the Portfolio Reengineering Demonstration Programs to the Assistant Secretary for Housing-Federal Housing Commissioner.

EFFECTIVE DATE: March 28, 1997.

FOR FURTHER INFORMATION CONTACT: George C. Dipman, Demonstration Program Coordinator, Office of Multifamily Housing, Department of Housing and Urban Development, 451 Seventh Street, SW., Room 6106, Washington, DC 20410–4000; Telephone (202) 708–3321. (This is not a toll-free number.) Hearing or speech-impaired individuals may call 1–800–877–8399 (Federal Information Relay Service TTY).

SUPPLEMENTARY INFORMATION: Over 800,000 housing units in approximately 8,500 projects are currently financed with FHA-insured loans and supported by project-based Section 8 housing assistance payment (''HAP'') contracts. In many cases, these HAP contracts currently provide for rents which substantially exceed the rents received by comparable unassisted units in the local market. Starting in Fiscal Year (''FY'') 1996, those Section 8 contracts began to expire, and Congress and the Administration provided one-year extensions of expiring contracts at a cost of over $200 million. While annual HAP contract extensions for these projects maintain an important housing resource, they come at great expense. Every year more contracts expire, compounding the cost of annual extensions. In ten years, the annual cost of renewing Section 8 contracts is projected to rise to approximately $7 billion, about one-third of HUD's current budget. If, however, the Section 8 assistance is reduced or eliminated, there is an increased likelihood that these projects will be unable to continue to meet their financial obligations including operating expenses, debt service payments, and current and future capital needs.

In seeking a solution to this serious problem, Congress enacted Section 210 of Departments of Veteran Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1996 (110 Stat. 1321) (''HUD's FY 1996 Appropriations Act''), authorizing HUD to conduct a demonstration program designed to explore various approaches for restructuring the financing of projects that have FHA-insured mortgages and that receive Section 8 rental assistance, and taking other related action in order to reduce the risk to the FHA insurance fund and lower subsidy costs while preserving housing affordability and availability.

Sections 211 and 212 of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1997 (Pub. L. No. 104–204, 110 Stat. 2874, approved September 26, 1996) (''HUD's FY 1997 Appropriations Act'') respectively, grant Section 8 Contract Renewal Authority, repeal the Portfolio Reengineering Demonstration Program authorized by Section 210 of HUD's FY 1996 Appropriations Act, and authorize the conduct of a new Portfolio Reengineering Demonstration Program, modelled in large part after the FY 1996 Portfolio Reengineering Demonstration Program.

Although Section 212 of HUD's FY 1997 Appropriations Act repealed the Portfolio Reengineering Demonstration Program authorized under Section 210 of HUD's 1996 Appropriations Act, funds made available under Section 210 remain available through FY 1997, and the FY 1997 Portfolio Reengineering Demonstration Program does not nullify any agreements or proposals that have been submitted under the FY 1996 Portfolio Reengineering Demonstration Program. Proposals submitted under the FY 1996 Portfolio Reengineering Demonstration Program which were received by the Department prior to September 25, 1996 will continue to be