



Billing Code 4210-67

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-5802-N-01]

Mortgagee Review Board: Administrative Actions

AGENCY: Office of the Assistant Secretary for Housing–Federal Housing Commissioner, Department of Housing and Urban Development (“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, 2012, to September 19, 2013.

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

1. Amera Mortgage Corporation, Milford, MI, [Docket No. 12-1648-MR]

Action: On April 23, 2013, the Board entered into a Settlement Agreement with Amera

Mortgage Corporation (“Amera”) that required Amera to pay a civil money penalty in the amount of \$348,300 and indemnify the Department for the life of the loan on twenty-one (21) HUD/FHA insured loans, without admitting fault or liability.

Cause: The Board took this action based on the following violations of HUD/FHA requirements alleged by HUD: Amera violated underwriting requirements in connection with sixty-nine (69) loans when it did not check the eligibility of all of the participants in the transaction, failed to implement quality control of branch origination activities, failed to include the name and Nationwide Mortgage Licensing System (NMLS) identification number of the mortgage loan officer in HUD systems and loan documentation, used the incorrect NMLS identification numbers in loan documentation, falsely represented branch information to HUD, submitted or caused the submission of false loan underwriting approval forms in connection with six (6) loan files involving a debarred individual, employed a debarred individual, and made two (2) false certifications to HUD on Amera’s annual recertification submissions in connection with Amera’s annual renewal of eligibility documentation for its fiscal years ending in 2011 and 2012.

2. *American Southwest Mortgage Corporation, Oklahoma City, OK*

[Docket No. 13-1544-MR]

Action: On November 14, 2013, the Board entered into a Settlement Agreement with American Southwest Mortgage Corporation (“ASMC”) that required ASMC to pay an administrative payment of \$5,000, and \$127,899.18 to settle monies owed to HUD on two (2) outstanding indemnification agreements, without admitting fault or liability.

Cause: The Board took this action based on the following violation of HUD/FHA requirements alleged by HUD: ASMC violated the requirements of two (2) indemnification agreements with HUD by failing to timely remit payments owed to HUD.

3. *AmeriSave Mortgage Corporation, Atlanta, GA [Docket No. 13-1489-MR]*

Action: On July 18, 2013, the Board entered into a Settlement Agreement with AmeriSave Mortgage Corporation (“AmeriSave”) that required AmeriSave to pay civil money penalties in the amount of \$131,500, without admitting fault or liability.

Cause: The Board took this action based on the following violation of HUD/FHA requirements alleged by HUD: During the period from April 1, 2011, to October 24, 2012, AmeriSave failed to enter NMLS identification numbers for five hundred twenty six (526) HUD/FHA insured loans into FHA Connection.

4. *Ark Mortgage, Inc., North Brunswick, NJ [Docket No. 12-1611-MR]*

Action: On October 28, 2013, the Board entered into a Superseding Settlement Agreement with Ark Mortgage, Inc. (“Ark”) that required Ark to pay a civil money penalty of \$50,000, and the President of Ark agreed to personally pay \$125,000 over five (5) years to reimburse HUD for losses that HUD may suffer with respect to mortgages identified in the Notice of Violation dated April 12, 2012. In addition, Ark was allowed to voluntarily withdraw its FHA approval, as of the effective date of the Settlement Agreement. Ark will be permitted to reapply for FHA approval, subject to the following conditions: (a) the President of Ark remaining current on all payments personally due to HUD; (b) Ark is current with respect to all prior indemnification payments due to HUD; (c) Ark pays HUD a lump sum of \$200,000 which shall be

applied to any outstanding indebtedness due by Ark to HUD; (d) Ark provides HUD with a current financial statement prepared in accordance with HUD requirements, which evidences that Ark meets HUD’s net worth requirements after payment of the \$200,000; (e) there are no intervening events independent of this matter that would cause the Board

to take an adverse action against Ark; and (f) Ark otherwise meets all of HUD's approval requirements in effect at that time, as set forth in 24 C.F.R. Part 202.

Cause: The Board took this action based on the following violation of HUD/FHA requirements alleged by HUD: In accordance with HUD requirements, Ark failed to establish and implement a quality control plan; failed to adequately verify the borrower's source of funds to close; and failed to ensure that loan documents were not faxed from an interested third party.

5. *BJV Financial Services, Inc., d/b/a Forum Mortgage Bancorp, Chicago, IL*

[Docket No. 10-1715-MR]

Action: On May 19, 2011, the Board voted to assess civil money penalties in the amount of \$139,000 against BJV Financial Services, Inc. ("BJV"). On June 13, 2013, the Board entered into a Settlement Agreement with BJV that required BJV to pay an administrative payment to HUD in the amount of \$70,000, without admitting fault or liability.

Cause: The Board took this action based on the following violations of HUD/FHA requirements alleged by HUD: BJV failed to comply with HUD's Quality Control requirements; failed to disclose affiliated business arrangements; charged unallowable and/or unearned fees; failed to resolve discrepancies and/or conflicting information in loan documents; and submitted a false certification to HUD on February 3, 2009, that BJV had not been involved in any proceeding in 2008 which resulted in sanctions by a state government.

6. *Capital Financial Mortgage Corporation, Folsom, PA [Docket No. 13-1540-MR]*

Action: On August 6, 2013, the Board issued a Notice of Administrative Action immediately suspending the FHA approval of Capital Financial Mortgage Corporation ("CFMC").

Cause: The Board took this action based on the following violation of HUD/FHA requirements alleged by HUD: CFMC failed to notify HUD/FHA that it had been suspended by the Commonwealth of Pennsylvania Department of Banking and Securities, Bureau of Compliance and Licensing; failed to fund four (4) closed loans; failed to notify HUD that it had ceased operations; failed to submit its automated annual certification for the fiscal year ending December 31, 2012; failed to pay the annual recertification fee for the fiscal year ending December 31, 2012; and failed to submit an acceptable audited financial statement for its fiscal year ending December 31, 2012.

7. Capital Financial Mortgage Corporation, Folsom, PA [Docket No. 13-1540-MR]

Action: On November 6, 2013, the Board issued a Notice of Administrative Action permanently withdrawing the FHA approval of Capital Financial Mortgage Corporation (“CFMC”).

Cause: The Board took this action based on the following violation of HUD/FHA requirements alleged by HUD: CFMC failed to notify HUD/FHA that it had been suspended by the Commonwealth of Pennsylvania Department of Banking and Securities, Bureau of Compliance and Licensing; failed to fund four (4) closed loans; failed to notify HUD that it had ceased operations; failed to submit its automated annual certification for the fiscal year ending December 31, 2012; failed to pay the annual recertification fee for the fiscal year ending December 31, 2012; and failed to submit an acceptable audited financial statement for its fiscal year ending December 31, 2012.

8. Crossfire Financial Network, Miami, FL [Docket No. 13-1329-MR]

Action: On May 30, 2013, the Board voted to refer Crossfire Financial Network (CFN) to the Office of Inspector General and the Office of General Counsel for action under the Program Fraud Civil Remedies Act for double damages and a penalty.

Cause: The Board took this action based on the following violation of HUD/FHA requirements alleged by HUD: CFN approved an illegible HUD/FHA cash-out refinance loan.

9. Equity Loans, LLC, Atlanta, GA [Docket No. 12-1667-MR]

Action: On September 18, 2013, the Board entered into a Settlement Agreement with Equity Loans, LLC (“EL”) that required EL, to pay a civil money penalty in the amount of \$73,000, without admitting fault or liability.

Cause: The Board took this action based on the following violation of HUD/FHA requirements alleged by HUD: EL falsely certified on its 2009 and 2010 annual certifications that it was not subject to any adverse action filed by a state regulatory agency, failed to notify HUD/FHA of adverse actions filed by state governmental agencies within ten (10) business days of the sanction, failed to maintain a Quality Control (QC) Plan that contained all of the required elements, failed to ensure the review of all Early Payment Defaults, and failed to ensure that loans were originated in accordance with HUD/FHA guidelines.

10. Equity Source Home Loans, LLC, Morganville, NJ [Docket No. 11-1239-MRT]

Action: On February 4, 2014, the Board entered into a Settlement Agreement with Equity Source Home Loans, LLC (“ESHL”) that required ESHL, to pay a civil money penalty in the amount of \$7,500, and be withdrawn from FHA approval for a period of one (1) year, without admitting fault or liability.

Cause: The Board took this action based on the following violations of HUD/FHA requirements alleged by HUD: ESHL failed to comply with HUD’s annual recertification requirements for its fiscal year ending December 31, 2010, and ESHL failed to timely remit Mortgage Insurance Premiums (MIPs) to FHA on three (3) FHA-

insured loans serviced by ESHL.

11. Fifth Third Bank, Cincinnati, OH [Docket No. 12-1612-MR]

Action: On October 7, 2013, the Board entered into a Settlement Agreement with Fifth Third Bank (“FTB”) that required FTB to pay a civil money penalty in the amount of \$48,000; an administrative payment of \$475,000; and indemnify the Department on one hundred twenty-two (122) FHA loans should they go into default within a period of five (5) years from the date of the agreement, without admitting fault or liability.

Cause: The Board took this action based on the following violations of HUD/FHA requirements alleged by HUD: FTB failed to properly service FHA-insured loans; and/or failed to adequately evaluate or document its evaluation of loss mitigation techniques used to determine which loss mitigation techniques were appropriate; failed to adequately evaluate and/or document its evaluation of the borrower’s financial condition and eligibility for FHA Home Affordable Modification Program (HAMP); failed to adequately evaluate and/or document its evaluation of a borrower for all available HUD/FHA loss mitigation alternatives for one (1) loan; improperly referred a loan to foreclosure while evaluating the borrower for loss mitigation alternatives; failed to properly document the assumption of an FHA-insured loan; failed to appropriately apply HUD’s property preservation and inspection regulations; and failed to properly report and code one hundred thirty-three (133) loans through HUD’s Single Family Default Monitoring System (SFDMS).

12. First Home Mortgage Corporation, Baltimore, MD [Docket No. 12-1685-MR]

Action: On May 10, 2013, the Board entered into a Settlement Agreement with First Home Mortgage Corporation (“FHMC”) that required FHMC to pay a civil money penalty in the amount of \$250,000, without admitting fault or liability.

Cause: The Board took this action based on the following violations of HUD/FHA requirements alleged by HUD: FHMC failed to ensure that no one was employed that was debarred or otherwise not allowed to perform activities involving the processing, origination or underwriting of FHA insured loans; failed to ensure its Quality Control (QC) Plan contained all of the required elements; failed to ensure it conducted QC reviews on loans that went into default within the first six (6) months of repayment; failed to implement its QC plan in accordance with HUD/FHA requirements; failed to ensure that it complied with HUD's requirements for Lender Insured (LI) loans; and made two (2) false certifications to HUD on FHMC's annual recertification submission.

13. Franklin First Financial, LTD, Melville, NY [Docket No. 12-1674-MR]

Action: On July 18, 2013, the Board entered into a Settlement Agreement with Franklin First Financial, LTD ("Franklin") that required Franklin to pay a civil money penalty in the amount of \$66,500, and to indemnify HUD for any loss (past, present or future) on ten (10) FHA loans should they go into default within a period of five (5) years from the date of their endorsement, without admitting fault or liability.

Cause: The Board took this action based on the following violations of HUD/FHA requirements alleged by HUD: Franklin failed to ensure that loan documents were not faxed from an interested third party or to resolve discrepancies with conflicting information; failed to verify and adequately document the borrower's earnest money deposit, source of funds to close and/or to pay consumer debts; failed to adequately document the income and/or stability of income used to qualify the borrowers; failed to downgrade a loan to its proper finding and manually underwrite the loan, which was required due to disputed accounts on the credit report; failed to ensure the borrower was eligible for maximum financing above ninety percent (90%) for a new construction

property; and failed to properly calculate the maximum allowable mortgage for a streamline refinance transaction without an appraisal, which resulted in the approval of an over-insured loan.

14. MLD Mortgage, Inc. DBA The Money Store, Florham Park, NJ

[Docket No. 13-1340-MR]

Action: On September 4, 2013, the Board entered into a Settlement Agreement with MLD Mortgage, Inc. (“MLD”) that required MLD to pay a civil money penalty in the amount of \$60,000; remit \$2,315.19 to HUD/FHA to buy down an over-insured mortgage; and pay \$357,250 to satisfy the past due indebtedness on two (2) FHA loans MLD had previously indemnified; as well as to indemnify HUD for any loss (past, present or future) on six (6) FHA loans should they go into default within a period of five (5) years from the date of their endorsement, without admitting fault or liability.

Cause: The Board took this action based on the following violations of HUD/FHA requirements alleged by HUD: MLD failed to properly document and verify funds used as gifts; exceeded FHA’s maximum mortgage amount, resulting in two (2) over-insured loans; failed to properly analyze liabilities; charged the borrowers a commitment fee without a lock-in agreement guaranteeing, in writing, the interest rate and discount points for at least fifteen (15) days prior to loan closing; and failed to comply with settlement requirements needed to close.

15. MortgageAmerica, Inc, Birmingham, AL [Docket No. 12-1639-MR]

Action: On January 15, 2014, the Board entered into a Settlement Agreement with MortgageAmerica, Inc. (“MortgageAmerica”) that required MortgageAmerica to pay a civil money penalty in the amount of \$3,000, and remit all Mortgage Insurance Premiums

and late fees due to HUD on eighty-two (82) FHA mortgages, without admitting fault or liability.

Cause: The Board took this action based on the following violations of HUD/FHA requirements alleged by HUD: MortgageAmerica failed to either timely remit monthly mortgage insurance premiums to HUD/FHA or to notify HUD/FHA within fifteen (15) calendar days of the termination of the contract of mortgage insurance, the sale of the mortgage, or both on eighty-two (82) FHA loans.

16. Network Capital Funding Corporation, Irvine, CA [Docket No. 13-1542-MR]

Action: On February 4, 2014, the Board entered into a Settlement Agreement with Network Capital Funding Corporation (“NCFC”) that required NCFC to pay a civil money penalty in the amount of \$22,000, without admitting fault or liability.

Cause: The Board took this action based on the following violations of HUD/FHA requirements alleged by HUD: NCFC submitted two (2) false annual certifications to HUD/FHA on March 19, 2012, and February 2, 2013, with respect to whether NCFC had been involved in a proceeding, or investigation, that could have resulted, or did result, in a civil money penalty or other adverse action taken by a federal, state or local government, and relating to NCFC’s failure to timely remit its fiscal year 2010 audited financial statements.

17. Precision Funding Group LLC, Cherry Hill, NJ [Docket No. 12-1651-MR]

Action: On June 27, 2013, the Board issued a Notice of Administrative Action withdrawing the FHA approval of Precision Funding Group LLC (“PFG”).

Cause: The Board took this action based on the following violation of HUD/FHA requirements alleged by HUD: PFG failed to submit an acceptable Audited Financial Statement for the fiscal year ending December 31, 2011, and failed to adequately

document the source of a borrower's closing costs.

18. R.H. Lending, Inc., Colleyville, TX [Docket No. 12-1299-MR]

Action: On June 12, 2013, the Board entered into a Settlement Agreement with R.H. Lending, Inc. ("RHL") that required RHL to pay a civil money penalty in the amount of \$295,000; indemnify HUD for any loss (past, present or future) on two (2) FHA loans should they go into default within a period of five (5) years from the date of the agreement; and be placed on probation for a period of six (6) months, without admitting fault or liability.

Cause: The Board took this action based on the following violations of HUD/FHA requirements alleged by HUD: RHL failed to provide the required construction-permanent mortgage disclosures and obtain required certifications pertaining to liens; failed to obtain construction loan agreements; failed to disburse construction-permanent loan proceeds, in accordance with HUD requirements; failed to fully account for the disbursement of escrowed loan proceeds; failed to obtain written approval from the mortgagor prior to the release of construction draw funds; failed to obtain complete sales agreements; failed to ensure that manufactured home properties were eligible for FHA mortgage insurance; failed to verify and properly document funds for the mortgagor's cash investment in the property; submitted loans for FHA mortgage insurance that exceeded the applicable loan-to-value limits; and charged an excessive and unearned fee.

19. TXL Mortgage Corporation, Houston, TX [Docket No. 12-1660-MR]

Action: On August 7, 2013, the Board entered into a Settlement Agreement with TXL Mortgage Corporation ("TXL") that required TXL to pay a civil money penalty in the amount of \$124,000, without admitting fault or liability.

Cause: The Board took this action based on the following violations of HUD/FHA requirements alleged by HUD: TXL failed to ensure that individuals originating HUD/FHA loans were exclusively employed by TXL in the mortgage lending field; failed to meet branch requirements for participation in the FHA mortgage insurance program; failed to ensure that the correct mortgagee identification number was used when originating FHA-insured mortgage loans; failed to comply with FHA Connection (FHAC) data entry requirements regarding sponsored originators; failed to document that it had performed adequate pre-insurance reviews of loans it approved under the Lender Insurance (LI) program; and failed to ensure that a mortgage loan officer's (MLO) Nationwide Mortgage Licensing System (NMLS) unique MLO identifier was accurately entered into FHAC.

20. U.S. Bank, N.A., Minneapolis, MN [Docket No. 12-1541-MR]

Action: On April 9, 2013, the Board entered into a Settlement Agreement with U.S. Bank, N.A. ("USB") that required USB to pay a civil money penalty in the amount of \$30,000, without admitting fault or liability.

Cause: The Board took this action based on the following violations of HUD/FHA requirements alleged by HUD: USB failed to have FHA multifamily mortgages serviced by an FHA approved mortgagee, and permitted escrow funds to be used for a purpose other than that for which they were received.

21. Webster Bank, N.A., Cheshire, CT [Docket No. 12-1645-MR]

Action: On March 11, 2013, the Board entered into a Settlement Agreement with Webster Bank, N.A. ("Webster") that required Webster to pay an administrative payment in the amount of \$66,500; remit a total \$705.66 to the current holder of two (2) FHA

mortgages to buy-down over-insured mortgages; and indemnify HUD for any loss (past, present or future) on two (2) FHA loans should they go into default within a period of five (5) years from the date of their respective endorsement dates, without admitting fault or liability.

Cause: The Board took this action based on the following violation of HUD/FHA requirements alleged by HUD: Webster permitted a non-approved lender to obtain and process loan applications, and failed to ensure borrowers made the minimum required investment.

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 either a \$3,500 or \$7,500 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. Coast 2 Coast Funding Group, Inc., Lake Forest, CA (\$3,500) [*Docket No. 13-1520-MRT*]
2. Coral Mortgage Bankers Corporation, Englewood, NJ (\$3,500) [*Docket No. 13-1530-MRT*]
3. First National Bank at Paris, Paris, AR (\$7,500) [*Docket No. 13-1520-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, or permanently.

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. 1st Step Mortgage Group, Inc., Rockford, IL (One Year Withdrawal), [*Docket No. 13-1498-MRT*]
2. Acceptance Capital Mortgage Corp., Spokane, WA (One Year Withdrawal), [*Docket No. 13-1468-MRT*]
3. Affiliated Financial Group, LLC, Greenwood Village, CO (One Year Withdrawal), [*Docket No. 14-1664-MRT*]
4. Bank of Erath, Abbeville, LA (One Year Withdrawal), [*Docket No. 13-1475-MRT*]
5. Best Mortgage, Inc., Kansas City, MO (One Year Withdrawal), [*Docket No. 14-1665-MRT*]
6. Capital Mortgage Funding, Southfield, MI (One Year Withdrawal), [*Docket No. 14-1666-MRT*]
7. Fairway Independent Mortgage Corp. DBA Residential Mortgage Corp., Montgomery, AL (One Year Withdrawal), [*Docket No. 13-1490-MRT*]
8. Financial Mortgage, Inc., Fairfax, VA (One Year Withdrawal), [*Docket No. 14-1667-MRT*]
9. First Mortgage Capital, Inc., Bayamon, PR (One Year Withdrawal), [*Docket No. 13-1470-MRT*]
10. First Republic Bank, Las Vegas, NV (One Year Withdrawal), [*Docket No. 14-1668-MRT*]
11. Funding, Incorporated, Houston, TX (One Year Withdrawal), [*Docket No. 13-1469-MRT*]
12. HSOA Mortgage Company, Seal Beach, CA (One Year Withdrawal), [*Docket No. 14-1669-MRT*]
13. Ironwood Mortgage Servicing, LLC, Huntington Beach, CA (One Year Withdrawal), [*Docket No. 14-1670-MRT*]

14. Just Mortgage, Inc., Rancho Cucamonga, CA (One Year Withdrawal), [*Docket No. 14-1671-MRT*]
15. Lehman Brothers Holdings, Inc., New York, NY (Permanent Withdrawal), [*Docket No. 14-1672-MRT*]
16. Nationwide Mortgage and Associates, In., Ft. Lauderdale, FL (One Year Withdrawal), [*Docket No. 14-1673-MRT*]
17. Pleasant Valley Home Mortgage Corp., Moorestown, NJ (One Year Withdrawal), [*Docket No. 14-1674-MRT*]
18. TotalBank, Miami, FL (One Year Withdrawal), [*Docket No.13-1476-MRT*]
19. Secured Residential Funding, Inc., San Juan Capistrano, CA (One Year Withdrawal), [*Docket No. 14-1678-MRT*]
20. Uniwest Mortgage Corporation, San Diego, CA (One Year Withdrawal), [*Docket No. 14-1675-MRT*]
21. Westlend Financing, Inc., Dana Point, CA (One Year Withdrawal), [*Docket No. 14-1676-MRT*]
22. Wilmington Trust Company, Wilmington, DE (One Year Withdrawal), [*Docket No. 14-1677-MRT*]

Dated: July 10, 2014.

Carol Galante, Assistant Secretary for
Housing–Federal Housing Commissioner.

[FR-5802-N-01]

[FR Doc. 2014-16722 Filed 07/15/2014 at 8:45 am; Publication Date: 07/16/2014]