



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

September 20, 2013

**MEMORANDUM NO:**  
2013-PH-1805

*Memorandum*

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

FROM: //signed//  
John Buck  
Regional Inspector General for Audit, Philadelphia Region, 3AGA

SUBJECT: Final Civil Action: Civil Money Penalty Imposed on Borrower for Violation of Home Equity Conversion Mortgage Principal Residency Requirement

**INTRODUCTION**

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

**BACKGROUND**

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

The loan is secured by the borrower's equity in the home. The borrower is not required to repay the loan as long as the borrower continues to occupy the home as a principal residence, maintains

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

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

The subject borrower, Robert Winchell, obtained a loan on a property in Reno, NV, in 2004 and certified in writing that the Reno home was his principal residence; however, in 2007 he obtained a second HECM loan on a property located in Cathedral City, CA, and certified in writing that it was his principal residence. His actions violated HUD’s principal residency requirements because he had both properties at the same time.

### **RESULTS**

After receiving a demand letter from HUD’s Office of Program Enforcement, the borrower admitted that he did not reside in the Reno property at any point after applying for and receiving the loan.

On July 16, 2013, the borrower and HUD agreed to settle the violation of HUD requirements with a one-time payment of \$5,000 to HUD, which the borrower has paid.

### **RECOMMENDATION**

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

- 1A. Agree to allow the HUD Office of Inspector General to record the court settlement of \$5,000 in HUD’s Audit Resolution and Corrective Actions Tracking System as funds put to better use.