



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

March 27, 2015

MEMORANDUM NO:
2015-CF-1802

Memorandum

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

FROM: *//signed//*
Kimberly Randall
Director, Joint Civil Fraud Division, GAW

SUBJECT: Final Civil Action: Golden First Mortgage Corporation and Its Owner Settled
Alleged Violations of Failing To Comply With Federal Housing Administration
Underwriting Requirements (FHA ID #34475)

INTRODUCTION

The U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG), assisted in an investigation into alleged violations of Federal Housing Administration (FHA) regulations applicable to the direct endorsement program by Golden First Mortgage Corporation and its owner. OIG's participation in the investigation began due to a request for assistance from the U.S. Attorney's Office of the Southern District of New York. Golden First is a former FHA-approved mortgage lender, with its principal place of business located in Great Neck, NY.

BACKGROUND

Golden First participated in the direct endorsement program¹ from 1989 until 2010. As a direct endorsement lender, Golden First had the authority to approve mortgage loans for FHA insurance. Golden First ceased operations in 2010 and has not approved mortgage loans for FHA insurance since that time.

¹ The program authorizes private-sector mortgage lenders to approve mortgage loans for insurance by FHA. Lenders approved for the program must follow various FHA requirements and provide annual and per loan certifications that the lender complied with these requirements when underwriting and approving loans for FHA insurance.

On April 4, 2013, the U.S. Attorney's Office of the Southern District of New York filed a complaint against Golden First and its owner for not complying with FHA requirements. The complaint was amended on August 13, 2013, alleging that from 2002 to 2010 (the covered period), Golden First and its owner submitted false certifications to FHA and HUD concerning compliance with program rules and endorsed loans in violation of these rules. As a result, the Government incurred substantial losses in connection with loans that Golden First underwriters, including the owner, endorsed for FHA insurance during the covered period. The Government's complaint further alleged that Golden First and its owner were liable under the False Claims Act, 31 U.S.C. (United States Code) 3729 *et seq.*

RESULTS OF INVESTIGATION

On December 31, 2014, the U.S. District Judge approved the settlement, in which Golden First and its owner admitted, acknowledged, and accepted responsibility for the following:

- Failing to maintain a quality control program that complied with HUD-FHA requirements, contrary to representations in annual certifications submitted by Golden First. In these certifications, the lender certified to compliance with HUD-FHA regulations as a requirement to remain an FHA-approved lender.
- Endorsing for FHA mortgage insurance loans that did not meet HUD underwriting requirements and, therefore, were not eligible for FHA insurance under the direct endorsement program. As a result, Golden First submitted to HUD-FHA certifications stating that loans were eligible for FHA mortgage insurance when they were not, and HUD incurred losses when the borrowers on those loans defaulted.

To settle the matter, Golden First and its owner agreed to a judgment of \$36 million against Golden First and a \$300,000 payment from the owner. Additionally, the owner is permanently debarred from conducting any business with the Federal Government.

RECOMMENDATION

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

- 1A. Allow HUD OIG to post \$300,000 to HUD's Audit Resolution and Corrective Actions Tracking System as ineligible costs.