



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

September 28, 2015

MEMORANDUM NO:
2015-CF-1807

Memorandum

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

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

SUBJECT: Final Civil Action: Mason-McDuffie Mortgage Corporation Settled
Allegations of Failing To Comply With HUD's Federal Housing
Administration Loan Requirements

INTRODUCTION

The U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG), conducted an investigation of Mason-McDuffie Mortgage Corporation to determine whether it violated HUD requirements when underwriting loans insured by the Federal Housing Administration (FHA). Mason-McDuffie was approved on September 1, 2005, as an FHA mortgage lender, and its principal place of business is located in San Ramon, CA.

BACKGROUND

FHA is a component of HUD. The program provides mortgage insurance for a person to purchase or refinance a principal residence. The mortgage loan is funded by a lending institution, such as a mortgage company or bank, and the mortgage is insured by FHA.

HUD's direct endorsement 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.

RESULTS OF INVESTIGATION

Based in part on OIG's review, HUD filed a complaint against Mason-McDuffie on July 28, 2015, under the Program Fraud Civil Remedies Act of 1986, 31 U.S.C. (United States Code) 3801-3812,¹ as implemented by 24 CFR (Code of Federal Regulations) Part 28. HUD alleged that Mason-McDuffie falsely certified that certain loans it underwrote were eligible for FHA mortgage insurance. As a result, HUD unnecessarily paid claims and incurred losses because these loans should not have been insured.

On August 13, 2015, Mason-McDuffie entered into a settlement agreement with HUD related to six FHA loans that it had submitted for mortgage insurance. It agreed to pay \$465,981 to HUD, with an initial payment of \$50,000 at settlement and the balance to be paid by February 2017. However, Mason-McDuffie denied that it violated HUD regulations or the Program Fraud Civil Remedies Act. The parties entered into the settlement agreement to avoid expense and administrative proceedings and to reach a satisfactory resolution of the matter. HUD and Mason-McDuffie also agreed that the settlement was not an admission of liability or fault on the part of any party.

RECOMMENDATION

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

- 1A. Ensure that HUD records the \$465,981 settlement due and the \$50,000 payment received at settlement to recognize funds due as return of an ineligible cost.

¹ The Program Fraud Civil Remedies Act establishes remedies for false statements and false claims valued at \$150,000 or less that are submitted to the Federal Government or to intermediaries of the Government.