

U. S. Department of Housing and Urban Development

Office of Inspector General for Investigation

Inspections and Evaluations Division



**Evaluation of Home Equity Conversion Mortgage Loan Payments
Made After Death of Borrower**

August 17, 2011

IED-11-004R

Executive Summary

The Office of Inspector General (OIG), Inspections and Evaluations Division, conducts independent, objective examinations of U.S. Department of Housing and Urban Development (HUD) activities, programs, operations, and organizational issues.

A HUD OIG query of the HUD Single Family Data Warehouse (SFDW) disclosed that servicers of home equity conversion mortgages (HECM) were making payments to borrowers after the borrowers' date of death. Therefore, the Inspections and Evaluations Division conducted a review to validate the HECM data and determine whether such payments resulted in a financial loss to HUD.

The HECM program allows elderly homeowners to convert the equity in their homes to cover monthly or unforeseen expenses by means of obtaining scheduled monthly payments, unscheduled loan advances, or unscheduled line of credit advances. While the loan is active, disbursements made by the HECM servicers are added to the outstanding balance, along with interest and other applicable fees, up to the calculated limit based on the borrowers' age and the property value. The borrower does not make payments as in a conventional loan, and certain conditions must occur to make the loan due and payable to the holder of the mortgage, such as the death of the borrower. The loan must be repaid to the lender by sale of the property or other means or to HUD in the case of a loan assignment. When the proceeds from the sale of the property are insufficient to pay off the loan balance, the lender will file a claim for the difference between the proceeds from the sale of the property and the outstanding balance up to the maximum claim amount.

HECM servicers are responsible for recording payments made on HECM loans in HUD's Insurance Accounting Collection System (IACS) and for notifying HUD when the borrower has died. The loan payment data are transferred to HUD's SFDW monthly.

Our review found that scheduled payments were not made after the date of death of the borrower but were incorrectly recorded in HUD IACS by the lenders. Additionally, loan proceeds from the sale of property and claims paid by HUD were not credited to the HECM loan balances in a timely manner, resulting in inaccurate information being reported in SFDW and unreliable financial data being used by HUD. While we noted a few instances in which unscheduled advance payments were made after the death of the borrower, which resulted in overstated claims paid by HUD, we do not believe this is a systemic problem.

During our review, we also noted instances in which HECM loan servicing files contained indications of suspicious or potentially fraudulent transactions; however, there was no evidence that such matters were referred to HUD for further action. Lender officials stated that HUD's guidance in this area was too broad and that specific fraud indicators should be included in any future guidance.

We believe the timely reconciliation of HECM loan payment data by lenders and a more comprehensive policy of detecting and reporting fraud will benefit the HECM program.

We provided a draft copy of the report to the Acting Assistant Secretary of Single Family Housing – Federal Housing Commissioner on June 23, 2011. The Acting Deputy Assistant Secretary for Single Family Housing in a memorandum dated August 11, 2011, concurred with our observations and recommendations. Until such time as the Home Equity Reverse Mortgage Information Technology (HERMIT) system goes into effect in December 2012, the Office of Single Family Housing will provide instructions to servicers related to stopping payments in IACs after a borrower’s death and entering sales proceeds and other payoff transactions in IACs. The recommendations remain open pending verification of corrective actions taken. The complete text of the Office of Single Family Housing response is included in Appendix A to this report.

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Introduction

Legal Authority

The Housing and Community Development Act of 1987 (Public Law 100-242) established a Federal mortgage insurance program, Section 255 of the National Housing Act, to insure home equity conversion mortgages (HECM). Pursuant to the Act of 1987, the U.S. Department of Housing and Urban Development (HUD) was authorized to insure 2,500 HECMs, which were allocated among the 10 HUD regions in proportion to their share of the Nation's elderly homeowners. The regional offices then distributed the loan reservation authority among lenders using a random drawing. The Omnibus Budget Reconciliation Act of 1990 (Public Law 101-58) increased HUD's insurance authority to 25,000 HECMs, and the reservation distribution system was terminated. All Federal Housing Administration (FHA)-approved lenders are now eligible to participate in the HECM program.

HECM Program

The Servicing and Loss Mitigation Branch within HUD's Office of Single Family Housing provides the oversight of lender servicing of FHA-insured HECM loans. The HECM program insures reverse mortgages and allows elderly homeowners to convert the equity in their home into monthly streams of income, lines of credit or both. Loan proceeds in a HECM are paid out according to a payment plan. Unlike a traditional residential mortgage, a reverse mortgage is repaid in one payment after the death of the borrower or when the borrower sells the home or no longer occupies the property as a principal residence. The HECM is a nonrecourse loan, which means that the borrower or his or her estate will never owe more than the loan balance or the value of the property, whichever is less, and no assets other than the home must be used to repay the debt.

Payment Plans

The borrower may choose from among the following five different payment plans for as long as he or she maintains the property as a principal residence:

No.	Payment plan	Description
1	Tenure	The borrower receives fixed monthly payments from the lender.
2	Term	The borrower receives fixed monthly payments for a term of months selected by the borrower.
3	Line of credit	The borrower makes withdrawals at times and in amounts of the borrower's choosing.
4	Modified tenure	The borrower combines a tenure payment plan with a line of credit. The borrower sets aside a portion of the principal limit as a line of credit from which to draw at times and in amounts of the borrower's choosing and receives the rest in equal monthly payments.
5	Modified term	The borrower combines a term plan with a line of credit. The borrower sets aside a portion of the principal limit as a line of credit from which to draw at times and in amounts of the borrower's choosing and receives the rest in equal monthly payments for a term of months selected by the borrower.

At closing, the borrower elects the method by which he or she will initially receive payments. The borrower may change the method of payment by notifying the lender. Payments may be electronically transferred to a savings or checking account held jointly by all borrowers, except as otherwise provided by joint instructions from all borrowers. Payments may also be made by mailing a check payable to all borrowers named on the mortgage and note or as otherwise provided by joint instructions from all borrowers (a power of attorney may create instructions for either form of payment). The lender is obligated to make monthly payments to the borrower on the first business day of the month. The lender is obligated to make line of credit payments within 5 business days of receiving the request. Payments made via electronic funds transfer must be made on these dates. Payments made through the mail must be postmarked by these dates. The lender must pay a late charge of 10 percent of the amount of the payment due to the borrower if the payment is not made by the due date.

If the lender is unable to make payments to the borrower, HUD will assume responsibility for making payments until the lender is able to resume. If the lender will not be able to make any future payments, HUD will request that the lender assign the mortgage to HUD, which will then make payments for the remainder of the mortgage.

Eligibility

Eligible borrowers are persons 62 years of age or older. Eligible properties are one-unit dwellings, including units in condominiums. Borrowers should own their properties free and clear or have liens not exceeding the principal limit.

The principal limit is the amount that the borrower may receive from a reverse mortgage and is based on the age of the youngest borrower, the expected average mortgage interest rate, and the maximum claim amount.

Scope and Methodology

To understand the Section 255 HECM program, we reviewed the legislative history, public law, and HUD regulations provided in 24 CFR (Code of Federal Regulations) Part 206. We reviewed HECM program requirements outlined in HUD Handbook 4235.1 and HECM servicing requirements included in HUD Handbook 4330.1, REV-5. We also researched applicable mortgagee letters and fraud referral requirements outlined in HUD Handbook 4060.1, REV-2. We interviewed various employees of HUD's Office of Single Family Housing and employees of selected HECM loan servicers to gain a better understanding of the interactions between the servicers and HUD.

HECM payment data are recorded by the lenders in the HUD Insurance Accounting Collection System (IACS). These data are then manually transferred every month by a HUD contractor to the Single Family Data Warehouse (SFDW).

HUD OIG performed a query of SFDW to determine whether payments were made to borrowers after their date of death. The resulting data indicated that for 1,998 HECM loans, 1 or more payments were made to borrowers after their date of death. Of these loans, HUD paid insurance claims in 26 cases. We judgmentally selected 16 of the 26 claims (or 62 percent) to determine whether payments were made after death of the borrower and were included in claims submitted to HUD. One of the loans was dropped from the sample (decreasing the sample size to 15) because data in SFDW did not correctly identify the existence of a living coborrower. We augmented our sample by adding 14 loans with no claims to validate the payment data. These additional loans were chosen based on whether they had large scheduled loan payments or scheduled payments that extended over the longest durations.

Staff from HUD's Servicing and Loss Mitigation Branch assisted us in our review by obtaining loan servicing files from the lenders and the HUD contractor, C&L Service Corporation, which services HECM loans assigned to HUD.

We conducted the evaluation in accordance with the *Quality Standards for Inspections* adopted by the Council of the Inspector General on Integrity and Efficiency.

Observations

Observation 1 - Servicers Did Not Reconcile HECM Payment Records in a Timely Manner

We sampled 29 loans and determined that the servicers did not reconcile loan balances for 20 of the loans to HUD IACS in a timely manner. As a result, loan balances were incorrectly overstated in SFDW, which receives data from IACS monthly. Scheduled payments that were not disbursed to borrowers were recorded in IACS, and credits were not recorded for sales proceeds and HUD claim payments. Had the servicers updated their loan balances to HUD IACS in a timely manner, the current unpaid loan balances in SFDW would not have been overstated. Discussions with HUD program employees indicated that it was common in the industry for servicers not to reconcile their loan balances with HUD IACS in a timely manner. Accurate HECM loan balances are critical because loans with active FHA insurance or those that have been assigned to HUD are tracked by HUD and used to project the HECM loan guarantee liabilities.

Scheduled Loan Advances Continued in HUD IACS After Date of Death

HUD Handbook 4330.1, REV-5, section 13-30, requires that when all of the borrowers on a HECM loan have died, the loan becomes due and payable. Further, section 13-33 provides that the lender must issue a repayment letter and discontinue payments to the borrowers.

Once a scheduled loan advance payment is started in HUD IACS, the system will continuously generate a new monthly payment until a termination code is manually entered to stop it. We noted that for 9 of the 20 loans that were not reconciled, the servicers failed to enter a stop disbursement code into the HUD system when they received notification of the borrower's death. For five of the nine loans, although the servicers did not make disbursements, these payments continued to be reported in HUD IACS for an average of 13 months. The servicers eventually stopped recording the payments in the HUD system and made corrections by reversing the original entries. For the other four loans, scheduled loan advance payments were still being reported in HUD IACS, and no reversals or reconciliations had been made.

FHA case no.	Scheduled monthly payments	Start date of monthly payments	Were payments stopped in IACS?	Number of ¹ unreconciled payments as of 3-01-11	Overstated amount
Loan A	\$ 425.00	6/2/08	Yes	23	\$ 9,775.00
Loan B	8,000.00	3/2/09	Yes	6	48,000.00
Loan C	1,009.44	10/1/09	Yes	17	17,160.48
Loan D	645.00	12/1/08	No ²	28	18,079.04

¹ During some months, payments were stopped and then started again. Totals represent the unreconciled number of months.

² As of March 1, 2011, payments were not being made to the borrower but were still being recorded in HUD IACS.

The default manager for the lender that serviced three of the four loans noted above stated that the lender was unaware that it had to enter a stop disbursement code in HUD IACS to stop a scheduled payment after notification of the death of a borrower.

Credits Decreasing Unpaid Loan Balances Were Not Recorded by Servicers

HECM loan servicers are responsible for recording the receipt of proceeds derived from the sale of a property and claims paid by HUD in HUD IACS. When we compared the loan histories in SFDW (derived from the HUD IACS data) to the servicers’ records for the 20 loans that were not reconciled, we noted that in 11 cases, proceeds from the sale of properties or claims paid by HUD were not recorded. The failure to record credits for these proceeds resulted in an overstatement of more than \$1 million in the unpaid loan balances reported in SFDW, as shown below.

FHA case No.	Overstated amount	FHA insurance status
Loan E	\$ 88,465	Active
Loan F	176,297	Active
Loan G	30,308	Active
Loan H	114,492	Assigned
Loan I	21,443	Active
Loan J	75,817	Assigned
Loan K	214,947	Active
Loan L	38,880	Active
Loan M	83,698	Active
Loan N	91,223	Assigned
Loan O	105,211	Active
Total	\$ 1,040,781	

We spoke with the Portfolio Analysis Director within HUD’s Office of Housing, who stated that without the accurate recording of loan payments in HUD IACS and the timely reconciliation by HECM servicers of the unpaid loan balances, HUD would not have an accurate accounting to forecast HECM loan guarantee liabilities.

Staff at HUD’s National Servicing Center informed us that HUD was working with the HECM lending community to reconcile the HECM unpaid loan balances to HUD IACS before the implementation of a new accounting system called the Home Equity Reverse Mortgage Insurance Technology (HERMIT) system. HERMIT is scheduled to begin operating in September 2011. We were also informed that HUD plans to include information on its Web site explaining the need to enter a stop disbursement code in HUD IACS to stop the system from creating scheduled loan advances after death of the borrower.

Observation 2 – The HECM Program Would Benefit From Enhanced Fraud Detection Guidance

HECM loan servicing files for 6 of the 29 loans sampled contained indicators of suspicious or potentially fraudulent transactions which were not followed up by the servicer or referred to HUD in compliance with HUD Handbook 4060.1, REV-2, chapter 7. Pursuant to paragraph 7-3(J) of this chapter, findings of fraud or other serious violations must be immediately referred in writing (along with any supporting documentation) to the HUD Quality Assurance Division Director in the corresponding Home Ownership Center jurisdiction. In lieu of submitting a paper report, lenders must use the lender reporting feature in the Neighborhood Watch Early Warning System.

Examples of indicators of suspicious transactions noted in the loan servicing files included requests for unscheduled loan advances made by a power of attorney holder (POA) after the borrowers' death, requests for unscheduled payments containing borrower signatures that were different from earlier loan documents, and payments of unscheduled loan advances requested by an individual other than the authorized borrower.

Unscheduled Payments Were Requested by POAs

For two loans, we found that requests for unscheduled advances were made by POAs after the borrowers' death. In two of these cases, HUD paid claims which included the unscheduled advance payments. We did not find documentation indicating that the servicers followed up on the suspicious activities or referred the matters to HUD.

Loan Number 1

This HECM was closed on November 5, 2007, by the borrower's POA. The borrower died on November 8, 2007. An unscheduled line of credit payment request of \$62,188 was received by the servicer on November 13, 2007. An FHA insurance claim totaling \$3,682 was paid out by HUD to the holder of the loan to make up the shortfall when the property was sold. The claim was overstated since the servicer included in the loan balance the unscheduled line of credit advance made by the servicer after the borrower's death. The current lender was unable to locate the previous servicer's files. Since this unscheduled payment was requested 5 days after the date of death, we believe this suspicious activity should have been referred to HUD.

Loan Number 2

The borrower's POA requested and received a \$5,000 unscheduled line of credit advance in 2008, although the borrower had died 5 months earlier. According to the prior servicer's notes, the POA called on two separate occasions about a month after having received this \$5,000 unscheduled advance, requesting a transfer of the remaining loan balance of approximately \$60,000 from scheduled monthly payments to an unscheduled line of credit. The prior servicer had become aware of the borrower's death and stopped the requested transfer to an unscheduled line of credit. Since the POA requested and received a prior unscheduled advance payment of \$5,000 after the death of the borrower and also attempted to change the method of payment

enabling access to a larger withdrawal of available loan funds, the servicer should have referred the suspicious activities to HUD. We were unable to find documentation in the servicer's records indicating that it followed up on this matter.

Different Signatures Were Used on Loan Documents

For the following three loans, we noted that the borrowers' signatures on requests for HECM loan payments appeared to be different from signatures evident on earlier loan documents.

Loan Number 3

A request for an unscheduled loan advance of \$25,000 was made to the servicer in a letter, dated February 8, 2008. The payment was made by the servicer on February 12, 2008, just 4 days before the borrower's death on February 16, 2008. On March 3, 2008, an unscheduled line of credit advance was requested using the borrower's signature for the remaining loan balance of \$15,000. This request also informed the servicer that the borrower's old checking account was closed and the funds should be deposited into a new account. We noted that the borrower's signature on each of the two requests was different from that on earlier loan and payment documents. The servicer did not pay the \$15,000 because it learned of the borrower's death on March 7, 2008. Due to the suspicious circumstances, the servicer should have referred this matter to HUD.

Loan Number 4

The loan was closed on August 17, 2007. An unscheduled line of credit advance for \$68,494 was requested on September 11, 2007, and paid on September 13, 2007. The borrower's signature on the line of credit request differed from the signature on the mortgage note. The borrower died on September 17, 2007. While the servicer's correspondence log indicated that the borrower seemed confused about the HECM transaction process, there was no evidence in the files that the servicer questioned the transaction or made a referral to HUD.

Loan Number 5

A \$10,000 line of credit payment was requested on June 7, 2007, one day before the borrower's death on June 8, 2007. The borrower's signature on the line of credit request form differed from the signature on the deed of trust document, dated October 23, 2006. There was no evidence in the files that the servicer questioned the transaction or made a referral to HUD.

Unscheduled Payments Were Requested by Other Than the Borrower

In another case, an individual other than the borrower requested unscheduled line of credit advances after the borrower's death.

Loan Number 6

The borrower died on February 6, 2008. An unscheduled line of credit request for \$9,900 was received by the servicer on February 7, 2008, and an additional request for \$9,900 was received on February 14, 2008. Since the borrower could not have made the requests, the servicer should have followed up on this matter or made a referral to HUD.

Based on the number of instances of suspicious activity noted in our small sample of HECM loans, we followed up with the Office of Single Family Housing to obtain a report showing the volume of HECM referrals made by lenders. The report indicated that over the last 2 years, only 11 instances of HECM fraud were referred by lenders using the Neighborhood Watch Early Warning System.

Executives from two of the lenders that serviced the majority of the loans reported in this observation stated that the fraud referral guidance in HUD Handbook 4060.1, REV-2, was too broad in scope. The lack of specific guidance might offer one explanation as to why there had been so few lender HECM fraud referrals.

Recommendations

The timely reconciliation of HECM loan payment data by lenders and a comprehensive policy of detecting and reporting fraud will benefit the HECM program.

In this regard, we recommend that the Office of Single Family Housing

1. Communicate to HECM servicers that they must manually enter a stop disbursement code into HUD IACS to stop the system from creating scheduled loan advances after the death of the borrower and ensure that loan balances are reconciled to HUD IACS in a timely manner.
2. Provide detailed guidance for servicers to assist in the detection and reporting of suspected HECM fraud. This detailed guidance should, at a minimum, include
 - a. Verifying that the borrower is still alive when a POA requests a change of payment method from scheduled to unscheduled line of credit advances and reporting all instances of unscheduled payment requests made by POAs after death of the borrower to HUD in compliance with HUD Handbook 4060.1, REV-2.
 - b. Matching the borrower's signature on written requests for unscheduled loan payments to prior loan documents signed by the borrower. In cases in which the discrepancies are not resolved with the borrower or borrower's representative, the servicer should refer the suspicious activity to HUD.
 - c. Verifying that any request for an unscheduled payment is not dated after a borrower's death and later included in the claim submitted to HUD.

Comments and OIG Response

We provided a draft copy of the report to the Acting Assistant Secretary of Single Family Housing – Federal Housing Commissioner on June 23, 2011. The Acting Deputy Assistant Secretary for Single Family Housing in a memorandum dated August 11, 2011, concurred with our observations and recommendations (Appendix A). Until such time as the Home Equity Reverse Mortgage Information Technology (HERMIT) system goes into effect in December 2012, the Office of Single Family Housing will provide instructions (via a Mortgagee letter) to servicers related to stopping payments in IACs after a borrower's death and entering sales proceeds and other payoff transactions in IACs. The recommendations remain open pending verification of corrective actions taken. OIG will follow-up with the Office of Single Family Housing to determine the status of the corrective actions taken.

Appendix A – HUD’s Office of Single Family Housing’s Comments



ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

AUG 11 2011

MEMORANDUM FOR: James B. Ward, Director of Inspections and Evaluations Division,
Office of Investigation, GIH

FROM: *Brenda M. Laroche*
Brenda M. Laroche, Acting Deputy Assistant Secretary for
Single Family Housing, HU

SUBJECT: Discussion Draft-Evaluation Report
Evaluation of Home Equity Conversion Mortgage (HECM) Loan
Payments Made After Death of Borrower
File: IED-11-004R
Issue Date: June 23, 2011

The Office of Investigation performed the subject evaluation of loan payments made after death of the borrower on Federal Housing Administration (FHA)-insured Home Equity Conversion Mortgages (HECM). The evaluation objective was to validate data from the HUD Single Family Data Warehouse (SFDW) indicating payments made on HECM accounts after borrower’s deaths and to determine whether such payments resulted in financial loss to HUD. During the course of the evaluation, OIG concluded that scheduled payments were not actually made after the date of the borrower’s death, but were incorrectly recorded in the HUD’s Insurance Accounting Collection System (IACS) by loan servicers. OIG also noted instances where HECM loan servicing files contained indication of suspicious or potential fraudulent transactions that were not referred to HUD for further action.

OIG’s Determination:

Servicers did not reconcile HECM payment records with the HUD IACS in a timely manner. As a result, loan balances were incorrectly overstated in the SFDW which receives data from IACS monthly. Scheduled payments were recorded in IACS that were not actually disbursed to borrowers and credits were not recorded for sales proceeds and HUD claim payments. If servicers had updated their loan balances via IACS in a timely manner, the current unpaid loan balances in SFDW would not have been overstated. Accurate HECM loan balances are critical because loans with active FHA insurance or those that have been assigned to HUD are tracked by the Department and used to project HECM loan guarantee liabilities.

HECM loan servicing files for six of the twenty-eight loans sampled contained indicators of suspicious or potentially fraudulent transactions which were not followed up by the servicer and/or referred to the HUD’s Quality Assurance Division Director in the jurisdictional Home Ownership Center or reported in the Neighborhood Watch Early Warning System. Some examples of indicators or suspicious transactions noted in the loan servicing files included requests for

unscheduled loan advances made by a power of attorney subsequent to a borrower's death, requests for unscheduled payments containing borrower signatures that were different from earlier loan documents, and payments of unscheduled loan advances requested by an individual other than the authorized borrower.

The Office of Single Family Housing revised its comments to the subject report and the following reflects those revisions:

Single Family Housing's Response:

The Office of Single Family Housing recognizes that servicers use their own servicing systems for loan level functions and subsequently update IACS with data from those systems. While much data is transferred to HUD by daily file uploads, not all loan activity is captured by IACS. HUD has contracted with a Business Service Provider to develop a servicing platform to replace IACS. This servicing platform will be FHA's Home Equity Reverse Mortgage Information Technology (HERMIT). HERMIT will capture data critical to HUD's business functions through Business to Government interfaces between HUD and its HECM servicers. Loan status changes in HERMIT will be based on the servicer entering a date of death for the last surviving borrower that will automatically prevent any further disbursements from occurring. Since servicers will be required to immediately record sales proceeds in HERMIT and this technology will be used to process claims, FHA will be able to ensure that a claim payment associated with a HECM is accurate. The Office of Single Family Housing anticipates that HERMIT will replace IACS in December of 2012. However, until this occurs, servicers will be instructed to update IACS upon stopping payments after a borrower's death. Servicers will also be instructed to enter payoff transactions in IACS and to change the loan status to "terminated" after the claim has been paid so that the Department has reliable financial data on active loans available for forecasting HECM loan guarantee liabilities.

The Office of Single Family Housing will also provide further instructions to servicers about how to detect and report suspected HECM fraud, including verifying that a borrower is still living when unscheduled advance requests are received and confirming that all requests are made by authorized parties.

The Office of Single Family Housing will implement the OIG's recommendations as follows:

Recommendation 1:

Communicate to HECM servicers that they must manually input a stop disbursement code into the HUD IACS in order to prevent the system from creating scheduled loan advances after the death of a borrower, and ensure that loan balances are reconciled to HUD's IACS in a timely manner.

Description of Planned Actions:

The Office of Single Family Housing will provide servicers with instructions relative to stopping payments in IACS after a borrower's death and entering sales proceeds in IACS. These instructions will be communicated via a Mortgagee Letter. Once HERMIT replaces IACS, the requirement for servicers to enter a last surviving borrower's date of death in HERMIT will automatically prevent

improper disbursements. In addition, sales proceeds recorded in HERMIT will provide the Department with accurate loan balances for claim payments and reliable financial data for forecasting HECM loan guarantee liabilities.

Recommendation 2:

Provide detailed guidance for servicers to assist in the detection and reporting of suspected HECM fraud. This detailed guidance should, at a minimum, include:

- a. Verifying that the borrower is still alive when a power of attorney requests a change of payment method from scheduled to unscheduled line of credit advances, and reporting to HUD all instances of unscheduled payment requests made by powers of attorney after a borrower's death, in order to be in compliance with HUD Handbook 4060.1 Rev 2.
- b. Matching the borrower's signature on written requests for unscheduled loan payments to prior loan documents signed by the borrower. In cases where the discrepancies are not resolved with the borrower or borrower's representative, refer the suspicious activity to HUD.
- c. Verifying that any request for an unscheduled payment is not dated subsequent to a borrower's date of death and ultimately included in the claim submitted to HUD.

Description of Planned Actions:

The Office of Single Family Housing will ensure that servicers are aware of the guidance for referring suspicious activity and potential fraud to HUD's Quality Assurance Division.