



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

September 30, 2019

MEMORANDUM NO:
2019-CF-1805

Memorandum

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

//Signed//

FROM: Christeen Thomas
Director, Joint Civil Fraud Division, GAW

SUBJECT: Final Civil Action: Quicken Loans, Inc., 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), assisted the U.S. Department of Justice (DOJ), Washington, DC, in the civil investigation of Quicken Loans, Inc. The investigation was of Quicken's origination, underwriting, endorsement, and related certifications of Federal Housing Administration (FHA)-insured mortgage loans between September 1, 2007, and December 31, 2011. Quicken has its principal place of business in Detroit, MI.

BACKGROUND

FHA is a component of HUD. It 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.

Quicken began participating in the direct endorsement lender program in August 1994. HUD's direct endorsement lender program authorizes private-sector mortgage lenders to approve mortgage loans for FHA insurance. Through the direct endorsement lender program, approved lenders such as Quicken are authorized to originate, underwrite, and approve mortgage loans to be insured by FHA without prior HUD review or approval. Lenders approved for the program must follow various FHA requirements, including providing annual and per loan certifications that the lender complied with these requirements when underwriting and approving loans for

FHA insurance. The lender that holds the mortgage note may submit a claim for insurance benefits to FHA to cover losses if the borrower defaults on or is unable to repay the mortgage.

RESULTS OF INVESTIGATION

On June 3, 2019, Quicken entered into a settlement agreement with the Federal Government to pay \$32.5 million. The United States contends that Quicken knowingly approved loans that violated FHA rules while falsely certifying compliance with those rules. Between 2007 and 2011, Quicken allegedly submitted claims for hundreds of improperly underwritten FHA-insured loans. The settlement was reached through mediation. The settlement was neither an admission of liability by Quicken nor a concession by the United States that its claims were not well founded.

RECOMMENDATION

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

- 1A. Acknowledge that \$32,500,000 in the attached settlement agreement represents an amount due HUD, less DOJ's civil debt collection fees.¹

The settlement amount due HUD was paid in full on June 14, 2019. Therefore, no further action is required by the Office of General Counsel. At issuance of this memorandum, HUD OIG will enter a management decision into HUD's Audit Resolution and Corrective Action Tracking System, along with the supporting payment information to show that final action was completed.

¹ DOJ's 1994 Appropriation Act (Public Law 103-121) authorized DOJ to retain up to 3 percent of all amounts collected as the result of its civil debt collection litigation activities.