



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

March 27, 2015

MEMORANDUM NO:
2015-CF-1803

Memorandum

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

//signed//

FROM: Kimberly Randall
Director, Joint Civil Fraud Division, GAW

SUBJECT: Final Civil Action: MetLife Home Loans, LLC, 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, Washington, DC, and the U.S. Attorney's Office, District of Colorado, in the civil investigation of MetLife Bank, N.A. MetLife had its principal place of business in Convent Station, NJ.¹

BACKGROUND

The Federal Housing Administration (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.

HUD's direct endorsement program authorizes private-sector mortgage lenders to approve mortgage loans for FHA insurance. Lenders approved for the program must follow various FHA

¹As of August 30, 2013, MetLife Bank, N.A., merged into MetLife Home Loans, LLC, with MetLife Home Loans, LLC, as the surviving entity. MetLife Home Loans, LLC, has its principal place of business in Irving, TX, and is a wholly owned subsidiary of MetLife, Inc., a holding company headquartered in New York, NY.

requirements, including providing annual and per loan certifications that the lender complied with these requirements when underwriting and approving loans for FHA insurance.

MetLife became an FHA-approved direct endorsement lender on April 5, 2007. As a direct endorsement lender, MetLife was authorized by HUD to originate and underwrite mortgage loans on HUD's behalf, including determining a borrower's creditworthiness and whether the proposed loan met all applicable requirements. When a borrower defaults on an FHA-insured loan underwritten and endorsed by a direct endorsement lender, such as MetLife, the lender (or its representative) has the option of submitting a claim to HUD to compensate the lender for any loss sustained as a result of the default. Therefore, once a mortgage loan is endorsed for FHA insurance, HUD insures the risk of the borrower defaulting on that mortgage, which is realized if an insurance claim is submitted.

RESULTS OF INVESTIGATION

On February 25, 2015, MetLife entered into a settlement agreement with the Federal Government to pay \$123.5 million to avoid the delay, uncertainty, inconvenience, and expense of lengthy litigation of certain civil claims the Government contended that it had against MetLife. As part of the settlement, MetLife agreed that it engaged in certain conduct in connection with its origination; underwriting; quality control; self-reporting of loans with unacceptable risk, fraud, or other serious violations; certification of compliance with program requirements; and endorsement of certain single-family residential mortgage loans insured by FHA.²

As a result of MetLife's conduct, HUD insured hundreds of loans approved by MetLife that were not eligible for FHA mortgage insurance under the direct endorsement program and that HUD-FHA would not otherwise have insured. HUD incurred substantial losses when it paid insurance claims on the loans covered by the settlement agreement.

Of the total settlement, FHA will receive about \$60.3 million, and other Federal entities will receive the remaining \$63.2 million.

RECOMMENDATION

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

- 1A. Allow HUD OIG to record the \$60,258,955 settlement portion in HUD's Audit Resolution and Corrective Action Tracking System as an ineligible cost.

² Loans covered in the settlement agreement included loans insured by FHA between September 1, 2008, and March 31, 2012, that resulted in claims submitted to HUD on or before August 25, 2014, excluding home equity conversion mortgages under 12 U.S.C. (United States Code) 1715z-20 and streamline refinances under 12 U.S.C. 1715n(a)(7).