



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

September 16, 2015

**MEMORANDUM NO:**  
2015-PH-1807

## *Memorandum*

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

FROM: *//signed//*  
David E. Kasperowicz  
Regional Inspector General for Audit, Philadelphia Region, 3AGA

SUBJECT: Final Civil Action  
Borrower Settled Alleged Violations of Home Equity Conversion Mortgage Program

### **INTRODUCTION**

We audited the U.S. Department of Housing and Urban Development's (HUD) oversight of its Home Equity Conversion Mortgage (HECM) program and found that 33 borrowers had more than 1 loan under the program.<sup>1</sup> Having multiple loans violated program requirements because HUD requires borrowers to reside in the mortgaged residence as their principal residence and borrowers may not have more than one principal residence at a time. We referred the violations to HUD's Office of Program Enforcement for action under the Program Fraud Civil Remedies Act.

### **BACKGROUND**

HUD provides reverse mortgage insurance through its HECM program. The purpose of the program is to enable elderly homeowners to convert the equity in their homes to monthly streams of income or credit lines. To be eligible for a HECM loan, the borrower must be 62 years of age or older, own the property outright or have a small mortgage balance, occupy the property as a principal residence, not be delinquent on any Federal debt, and participate in a consumer information session given by a HUD-approved program counselor.

The loan is secured by the borrower's equity in the home. The borrower is not required to repay the loan as long as the borrower continues to occupy the home as a principal residence, maintains

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<sup>1</sup> HUD Office of Inspector General audit report number 2012-PH-0004, issued February 9, 2012

the property, and pays the property taxes and the mortgage insurance premiums. The loan agreement defines “principal residence” as the dwelling where the borrower maintains his or her permanent place of abode and typically spends the majority of the calendar year. A person may have only one principal residence at a time. The borrower must certify to principal residency initially at closing and annually thereafter.

In December 2007, one borrower obtained a HECM loan on a property that she owned in Capitol Heights, MD, and certified in writing that the home was her principal residence. However, in April 2008, she obtained a second HECM loan on a property that she owned in Laurel, MD, and certified in writing that it was her principal residence. Her actions violated HUD’s principal residency requirements because she owned both properties at the same time.

### **RESULTS OF REVIEW**

On March 26, 2014, HUD’s Office of Program Enforcement notified the borrower of its intent to file an action under the Program Fraud Civil Remedies Act. After negotiations with HUD, the borrower agreed to pay \$2,500 to settle the matter. The agreement did not constitute an admission of liability or fault by any party. The borrower made the settlement payment on July 11, 2015.

### **RECOMMENDATION**

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

- 1A. Ensure that HUD records the settlement of \$2,500 as funds put to better use.