



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

September 12, 2016

MEMORANDUM NO:
2016-DE-1802

Memorandum

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

//signed//

FROM: Ronald J. Hosking
Regional Inspector General for Audit, Denver Region, 8AGA

SUBJECT: Final Civil Action: RANlife, Inc., Settled Allegations That It Violated the False Claims Act When Originating, Underwriting, and Endorsing Certain Loans With Federal Housing Administration Insurance

INTRODUCTION

We investigated alleged violations of Federal Housing Administration (FHA) regulations by RANlife, Inc. We reviewed the single-family FHA loan files processed by RANlife to determine whether RANlife complied with U.S. Department of Housing and Urban Development (HUD) rules and regulations in originating, underwriting, and endorsing the loans for FHA insurance.

BACKGROUND

RANlife is a residential mortgage lender incorporated in Salt Lake City, UT. It originates and underwrites residential mortgage loans that are insured by HUD FHA. Between January 1, 2007, and March 31, 2012, RANlife originated, underwrote, and endorsed 96 mortgage loans for FHA insurance. As a result of the review, the government contends that 29 loans went into default within the first 2 years of the loan and ultimately resulted in FHA insurance claims being paid by HUD. FHA insurance protects lenders, such as RANlife, against losses due to defaults on FHA-insured mortgage loans. If the borrower of an FHA-insured mortgage loan defaults, the holder of the mortgage may submit a claim to HUD for any loss from the default. In return, lenders are required to comply with HUD rules and regulations in originating and underwriting FHA-insured mortgage loans to ensure that the borrowers and loans are creditworthy of FHA insurance.

RESULTS OF REVIEW

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Based in part on our review, the United States contended that for certain loans, RANlife failed to comply with HUD rules and regulations in originating, underwriting, and endorsing the loans for FHA insurance.

On November, 23, 2015, RANlife entered into a settlement agreement with the United States. To avoid the delay, uncertainty, inconvenience, and expense of lengthy litigation of the claims made to HUD on certain defaulted loans and in consideration of the mutual promises and obligations of the settlement agreement, RANlife agreed to pay FHA more than \$1 million. The settlement agreement was neither an admission of liability by RANlife 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 for Program Enforcement,

- 1A. Acknowledge that the attached settlement agreement for \$1,032,715 represents an amount due HUD.

As of November 23, 2015, the settlement agreement of \$1,032,715 was reached, and it represents an amount due HUD. Included in the settlement agreement is a repayment agreement explaining that RANlife would pay \$173,853 and \$258,862 within 5 business days after the effective date of the agreement and make two additional payments of \$300,000 (\$600,000 total) 1 year and 2 years from the effective date, with final payment expected by November 23, 2017. In accordance with HUD Handbook 2000.6, REV-4, the final action target date will be set at December 23, 2017 (30 days from the final date on which payment is expected). At issuance of this memorandum, HUD's Office of Inspector General will enter a management decision into HUD's Audit Resolution and Corrective Action Tracking System, along with any supporting payment information received to date.