



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

March 23, 2018

MEMORANDUM NO:
2018-CF-1801

Memorandum

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

//signed//

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

SUBJECT: Final Civil Action: MetLife Home Loans, LLC, and a Borrower's Son Settled Allegations of Failing To Comply With HUD's Federal Housing Administration HECM Loan Requirements

INTRODUCTION

The U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG), conducted a review of a Federal Housing Administration (FHA) home equity conversion mortgage (HECM) underwritten by MetLife Home Loans, LLC. MetLife is an FHA-approved mortgage lender with its principal place of business located in Irving, TX.

BACKGROUND

The Housing and Community Development Act of 1987 (Public Law 100-242, February 5, 1988) established a Federal mortgage insurance program, Section 255 of the National Housing Act, to insure HECMs (also known as reverse mortgages). The program is administered by HUD. The HECM program is a mortgage insurance program that allows borrowers to convert equity in their homes into a monthly stream of income. All HECM borrowers must be at least 62 years of age, occupy the property as a principal residence, have financial resources to continue to make timely payment of ongoing property charges, and have participated in a consumer information session given by an FHA-approved HECM counselor. Reverse mortgages can provide a valuable financing alternative for qualified homeowners.

The mortgage loan application may be executed on behalf of a borrower by an “agent” or “attorney in fact” holding a durable power of attorney, specifically designed to survive incapacity and avoid the need for court proceedings. Powers of attorney (durable or otherwise) may be used in closing documents. Any power of attorney must comply with State law and allow for the note to be legally enforced in that jurisdiction.

RESULTS OF INVESTIGATION

On June 9, 2017, HUD notified MetLife and the borrower’s son of their potential liability under the Program Fraud Civil Remedies Act of 1986, 38 U.S.C. (United States Code) 3801-3812,¹ for causing a false claim to be made regarding the eligibility of an FHA HECM loan. MetLife underwrote the loan and failed to ensure that the signatories to the loan had the legal authority to execute it. Specifically, the power of attorney through which the borrower’s son executed the loan required his sister’s signature as well as his own.

On November 3, 2017, MetLife entered into a settlement agreement to pay HUD \$4,000 upon execution of the agreement. In addition, MetLife will indemnify and hold HUD harmless for any and all losses HUD incurs or has incurred in connection with the loan.² On August 15, 2017, the borrower’s son entered into a settlement agreement to pay HUD \$1,500. The settlements do not constitute an admission of liability or fault by any of the parties.

RECOMMENDATION

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

- 1A. Acknowledge that the attached settlement agreement for \$4,000 represents an amount due HUD from MetLife.

As of November 3, 2017, the settlement amount due HUD of \$4,000 had been paid in full. 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.

- 1B. Enforce the indemnification agreement in the attached settlement agreement to prevent an estimated \$95,769³ loss to HUD. This represents an amount due HUD from MetLife for indemnifying and holding HUD harmless for any and all losses HUD incurs or has incurred in connection with FHA loan number 137-4740973.

¹ The Program Fraud Civil Remedies Act establishes remedies for false statements and false claims valued at \$150,000 or less that are submitted to the Federal Government or intermediaries of the Government.

² MetLife will pay HUD the amount of HUD’s investment minus HUD’s recovery. HUD’s investment is the total amount of all insurance claims paid (currently \$195,446) plus all expenses incurred by HUD in conjunction with possession and disposition. HUD’s recovery is the net proceeds HUD receives upon sale of the assigned mortgage or upon sale of the real property acquired through foreclosure of the assigned mortgage.

³ We applied FHA’s average loss experience as of September 30, 2017, that was provided by HUD. We calculated the savings value at \$95,769, which is 49 percent of the total claim paid by HUD of \$195,446.

- 1C. Acknowledge that the attached settlement agreement for \$1,500 represents an amount due HUD from the borrower's son.

As of August 15, 2017, the settlement agreement of \$1,500 had been reached, and it represents an amount due HUD. Included in the settlement agreement is a repayment agreement that provides for an initial payment of \$500 and 10 monthly payments of \$100. The final payment is expected by June 1, 2018. In accordance with HUD Handbook 2000.06, REV-4, the final action target date will be set at July 1, 2018 (30 days from the final date on which payment is expected). At issuance of this memorandum, HUD OIG will enter a management decision into HUD's Audit Resolution and Corrective Action Tracking System, along with any supporting payment information received to date.