

# FHA's Mortgage Review Board Sanctions 240 Lenders

By: Jann Swanson | Mbn, Aug 1 2011, 10:19 AM

The Federal Housing Administration's (FHA's) Mortgage Review Board (MRB) has posted the results of formal actions taken against 240 lenders for failure to meet FHA requirements. The current notice, posted in [The Federal Register](#), is a summary of MRB actions taken as far back as October 2009.

A total of 26 lenders fell into the category of "Settlement Agreements, Civil Money Penalties, Withdrawals of FHA approval, Suspensions, Probations, Reprimands, and Administrative Payments." Among the areas where MRB can take action are:

- Failure to implement and maintain a Quality Control Plan;
- Source of funds issues regarding the borrower's down payment (e.g., improperly documented gift letters, insufficient funds to close, use of unacceptable source of funds, and improperly documented source of funds);
- Questionable income, assets and liabilities of the borrower (e.g., failure to document discrepancies between the credit report and credit application);
- Problems with appraisals (e.g., poor comparables, unsubstantiated value adjustments, unsupported values based on the information available, unreported physical deficiencies, "flip transactions" involving a recent change in ownership or a different owner than on the sales contract, and the same people involved in numerous transactions);
- False statements and certifications;
- Excessive mortgage payment to income ratios and debt to income ratios;
- Inaccurate HUD-1 Settlement Statements (e.g., charging unallowable fees);
- Failure to properly submit Mortgage Insurance Premiums to HUD;
- Failure to comply with FHA's annual renewal requirements;
- Improper branch operations (e.g., allowing employees to work for other lenders or real estate firms).

Penalties were exacted for a wide range of infractions in the areas above. In some cases approvals were permanently withdrawn, in other cases they were suspended for periods of one to five years and in many cases were permanently withdrawn. Civil penalties ranged from nominal to several hundred thousand dollars.

The largest civil penalty was levied against Alacrity Lending of Southlake Texas which was fined \$237,500 for a litany of abuses including failing to disclose a conflict of interest, violations of QC regulations, improperly approving appraisal findings, loan-to-value ratios, and failing to ensure flood insurance coverage. A fine of \$182,000 was assessed against Cambridge Home Capital of Great Neck, New York for QC violations, and failure to properly document underwriting requirements.

In addition, the Board withdrew HUD/FHA approval from 123 lenders. These lenders failed to meet the requirements for annual HUD/FHA recertification requirements.

The remaining penalties were assessed against 91 lenders which had initially failed to meet the requirements for annual recertification but did ultimately cure the deficiencies. These lenders were given an opportunity to settle with the MRB and were required to pay a civil money penalty of \$1,000 to \$7,500. These lenders are now in compliance with FHA requirements.

"It's never been more important that lenders doing business with FHA apply our standards to each and every loan they originate and underwrite," said Acting FHA Commissioner Carol Galante. "FHA requirements ensure homeowners are put on a path of sustainable homeownership and that ultimately helps stabilize entire neighborhoods and communities."

The MRB is composed of the Federal Housing Commissioner who serves as Chairperson, the President of Ginnie Mae, HUD's General Counsel, HUD's Assistant Secretary for Administration and its Chief Financial Officer and the Assistant Secretary for Fair Housing and Equal Opportunity (who votes only on cases involving Fair Housing and Equal Opportunity issues).

Since 2009, the MRB took more than 2,300 administrative actions against lenders, including a record 1,600 last year alone. Meanwhile, FHA instituted a number of new rules designed to strengthen risk management including increasing net worth requirements of FHA-approved lenders, strengthening lender approval criteria, and making lenders liable for the oversight of mortgage

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