

U. S. Department of Housing and Urban Development
Washington, D.C. 20410-8000
April 3, 1997

OFFICE OF THE ASSISTANT SECRETARY
FOR HOUSING-FEDERAL HOUSING COMMISSIONER

TI-447

TO: ALL TITLE I LENDING INSTITUTIONS

SUBJECT: REPORTING NONCOMPLIANCE ACTIVITIES

Lenders are required to promptly report to HUD the discovery of any material misstatements of fact, borrower misuse of loan proceeds, dealer noncompliance or other significant violations in the Title I Program. This letter provides a simple format for reporting program violations and provides guidance for reporting incidents of noncompliance.

Some of the most common noncompliance activities involve the following:

- Misstatements of fact on the credit application and falsified documentation.
- Borrower use of the loan proceeds for debt consolidation, automobiles, downpayment requirements and other personal items.
- Failure of the borrower to permit the required on-site inspection.
- Borrowers, dealers or inspection companies falsely certifying that the improvements are completed.
- Borrower failure to submit an executed Completion Certificate.
- Dealers not complying with their contractual obligations with the borrowers (e.g. failure to complete all work as specified or inferior workmanship).
- Dealers kicking back a portion of the proceeds to the borrower.

In addition, lenders are encouraged to report advertising and marketing by dealers or others that is inaccurate or deceptive.

Attached is a suggested format, that is not mandatory, for lenders to use to send to HUD when program violations are suspected. It is not necessary to submit inspection reports, or other supporting documentation, unless it is requested by HUD. The reporting format

should be prepared on company letterhead, or attached to company letterhead, and addressed as follows:

J. Parker Deal
Director, Quality Assurance Division
Department of Housing and Urban Development
c/o 451 7th Street, S.W., Room B-133/P3214
Washington, D.C. 20410

If you have any questions about this letter, please write to J. Parker Deal, Director, Quality Assurance Division, at the above address or call Mr. Deal at (202) 708-2830, extension 105.

Sincerely,

Nicolas Retsinas
Assistant Secretary for Housing
Federal Housing Commissioner

Attachment

Date:

REPORT OF NONCOMPLIANCE

Name of Borrower: _____ Phone No.: _____

Property Address: _____

Loan Amount: _____ Loan Date: _____ Inspection Date: _____

Lender Loan No.: _____ Loan Officer: _____

Correspondent/Originating Lender Name, Location and Lender Approval Number:

INDIRECT LOAN (Dealer Loan):

Name of Dealer: _____ Phone No.: _____

Dealer Address: _____

Dealer Tax I.D.#: _____

Noncompliance Activities: _____

DIRECT LOAN:

Noncompliance Activities: _____

INSPECTION RESULTS

_____ % of improvements not completed as listed on the application

_____ % of loan amount used for purposes other than eligible improvements.

Ineligible improvements include: _____

The incomplete work consists of: _____

Borrower and/or Dealer reason for incomplete improvements/misuse:

Unable to complete inspection due to _____
