

UNITED STATES OF AMERICA  
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
BOARD OF CONTRACT APPEALS  
Washington, D.C.

\_\_\_\_\_ :  
In the Matter of: :

JOAN GALATI, :

Respondent :

: HUDBCA No. 88-3455-D64

: Docket No. 87-1267-DB  
:

\_\_\_\_\_ :  
For the Respondent:

Patrick F. Cleary, Esq.  
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For the Government:

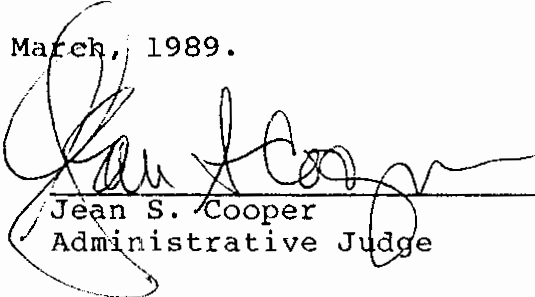
Bruce S. Albright, Esq.  
Office of General Counsel  
Department of Housing and  
Urban Development  
Washington, D. C. 20410

DECISION AND ORDER

The decision rendered from the bench in this case on February 23, 1989, pursuant to 24 C.F.R. §26.24(d), is formally issued as of the date of this Decision and Order. A copy of the decision is enclosed, as edited by the undersigned on March 9, 1989. By that decision, Respondent Joan Galati was debarred from February 23, 1989 until February 23, 1991.

Pursuant to 24 C.F.R. §26.25, either party may request review of this decision by filing a written petition for review with the Secretary within 15 days of receipt of this Decision and Order.

ORDERED this 10th day of March, 1989.

  
\_\_\_\_\_  
Jean S. Cooper  
Administrative Judge

## Decision

1 MR. ALBRIGHT: Thank you. Are you going to  
2 stay here, can we check back --

3 JUDGE COOPER: I'm going to stay here so  
4 check back with me right here. I'm going to be here.

5 MR. ALBRIGHT: Fine.

6 JUDGE COOPER: We'll be off the record.

7 (Whereupon a recess was taken for 45 minutes.)

8 JUDGE COOPER: This decision is rendered  
9 from the bench pursuant to 24 Code of Federal  
10 Regulation, Part 26, upon agreement of the parties.  
11 Statement of the case:

12 By notice dated May 4, 1988, the  
13 Department of Housing and Urban Development proposed  
14 the three year debarment of Joan Galati from  
15 participation in all departmental programs for  
16 violations of 24 Code of Federal Regulation, Sections  
17 24.603, 12 and 13. Ms. Galati made a timely request  
18 for hearing on the proposed debarment.

19 Specifically, Ms. Galati is charged  
20 with having failed to conduct face-to-face interviews  
21 with borrowers applying for mortgages to be insured  
22 by HUD and with having caused or allowed the  
23 submission of false information, false certification  
24 and information concerning mortgagors income,  
25 liabilities and investments for the purpose of

## Decision

1 inducing HUD to insure those mortgages.

2 This decision is based upon the  
3 documentary evidence and oral testimony established  
4 at the hearing in this case. Findings of Fact:

5 ~~Number one~~<sup>4</sup>. Joan Galati has been a ✓ JSC  
6 loan originator and loan officer for at least 17  
7 years. From June 1984 to late March, 1986, she was  
8 a loan officer at the Oak Lawn branch of Lomas and  
9 Nettleton, a HUD approved mortgagee participating in  
10 HUD's direct endorsement program. That is the  
11 mortgagee was a participant.

12 Presently she is employed as a loan  
13 officer at Mortgage Correspondents of Illinois, Inc. ✓ JSC  
14 She is familiar with HUD regulations and procedures  
15 governing proper loan origination processes for HUD  
16 insured mortgages. 2) Galati was the loan officer for ✓ JSC  
17 HUD insured mortgage transactions involving the  
18 refinancing of <sup>a</sup>single family property by [REDACTED] ✓ JSC  
19 Jones, joint purchase of a single family property by  
20 [REDACTED] Love and the purchase of a single  
21 family property by [REDACTED] Jones.

22 ~~Three~~<sup>3</sup>. The duties of a loan officer or ✓ JSC  
23 loan originator at Lomas and Nettleton are primarily  
24 that of a business generator. The loan officer obtains  
25 loan business from real estate officers and other, from

## Decision

1 real estate offices and other sources and is paid by  
2 commission on that business. Once a customer has ~~been~~ *JSC*  
3 obtained, the loan officer takes a preliminary *JSC*  
4 application on a Fannie Mae Form 1003 asking the *JSC*  
5 borrower ~~a well of~~ questions concerning income, assets *JSC*  
6 liabilities and dependents, as well as the use to which  
7 the property will be put. This is what is referred to  
8 in the industry as a face-to-face interview. Face-to-  
9 face interviews are required by HUD in any transaction  
10 in which it will be insuring a mortgage with few *JSC*  
11 narrow exceptions. None of those exceptions applied  
12 in the cases of [REDACTED] Jones, the Loves, or  
13 [REDACTED] Jones.

14 It was Galati's procedure generally to  
15 obtain the signatures of the borrowers and verification  
16 of deposits and verification of employment forms at the  
17 same time she took the preliminary application. She  
18 obtained these signatures on blank verification forms *JSC*  
19 although HUD Handbook 406.1 at Appendix one, page two, *JSC*  
20 clearly states that current lending practice does not  
21 permit the signing of those forms or any form in  
22 blank by borrowers.

23 4. After the preliminary application was  
24 filled out by Ms. Galati as the loan officer and  
25 signed by the borrower, ~~the loan officer~~ and also *JSC*

## Decision

1 signed by the loan officer, the application and all of  
2 the other necessary preliminary documents including  
3 verification forms were given to a clerk at Lomas  
4 and Nettleton to assemble into a file. At that point  
5 a loan processor would send out the verifications to  
6 the appropriate employers' or depository, would request  
7 a credit report and obtain the remaining necessary  
8 documentation. If the mortgage was to be insured  
9 by HUD, the information on the Fannie Mae Form 1003  
10 would be transferred to a HUD Form 9-2900, the  
11 application for mortgage insurance.

12           5. The HUD Form 9-2900 requires all  
13 relevant information concerning income, assets and  
14 liabilities to be recorded and certified by the  
15 mortgagees as well as the borrowers. HUD relies on  
16 this information and certification totally in  
17 determining whether to give a mortgage commitment.  
18 The loan processors who sign the certification on  
19 behalf of Lomas and Nettleton rely in turn upon the  
20 signature of the loan originator on the Fannie Mae 1003  
21 that a face-to-face interview was made and that the  
22 loan originator has otherwise made sure that all of  
23 the information recorded is true, complete and correct  
24 to the best of her knowledge and belief. That  
25 certification also refers to the proper handling of

## Decision

1 verifications as Section 26 states. Those verifica-  
2 tions may not pass through the hands of interested  
3 third parties or the borrower. The certifying loan  
4 processor at Lomas and Nettleton makes that  
5 certification, relying on the fact that the loan  
6 originator did not provide such forms or know of their  
7 handling by interested <sup>6</sup>third parties or the borrower. ✓ JSC

8 ~~Number six.~~ <sup>6</sup> Joan Galati met [REDACTED] ✓ JSC

9 Jones to take a preliminary application from Jones for  
10 refinancing of a home mortgage, on June 16, 1984. She  
11 met Jones at a restaurant. On the preliminary  
12 application as well as the 9-2900, there is no  
13 indication of two loans that [REDACTED] Jones had with  
14 the Federal Credit Union at that time, totalling  
15 almost \$8,000. One of the loans was for a car purchased ✓ JSC  
16 prior to Galati's interview with Jones. The 9-2900  
17 and Fannie Mae 1003 both state that Jones did not own ✓ JSC  
18 a car. Jones signed both forms. Galati signed the  
19 Fannie Mae 1003. Galati also filled out the 1003 for ✓ JSC  
20 Jones' signature, based upon information provided to  
21 Galati by Jones.

22 [REDACTED] Jones' refinancing of her  
23 home mortgage was approved by Lomas and Nettleton, and  
24 HUD insured the refinanced mortgage. Jones defaulted  
25 on the mortgage. Subsequently HUD Office of

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Inspector General auditors interviewed ██████████ Jones  
 about the refinancing process. At that interview,  
 ██████████ Jones apparently told the OIG auditors that  
 she, Jones, told Galati about the two loans with the  
 Federal Credit Union and that Galati indicated it was  
 not necessary to record them on any of the application  
 documents because there was no record of the loans,  
 inasmuch as they were being paid by payroll deductions.  
 ██████████ Jones did not testify at the hearing nor did  
 the auditors who interviewed her. The statement signed  
 by Jones is unsworn. The notes on which the statement  
 are based are sketchy and do not contain much detail.  
 Furthermore, they were presented as hearsay on  
 hearsay evidence. Joan Galati denied under oath,  
 subject to cross examination, that ██████████ Jones told  
 her of the two loans. In fact, she believes Jones  
 must have stated she owned no car because that fact  
 is recorded on the Fannie Mae 1003 and HUD's 9-2900.

The credit report ordered for Jones did  
 not reveal the two loans. The only source of  
 information about the credit union loans at the time  
 of the application would have been ██████████ Jones  
 herself. I find, based upon a preponderance of the  
 evidence, that the Government has failed to carry its  
 burden of proof, that ██████████ Jones told Joan Galati

✓ JSC

✓ JSC

✓ JSC

✓ JSC

## Decision

1 about the two loans with the credit union or that  
2 Galati intentionally failed to list the loans on the  
3 9-2900 to induce HUD to insure the refinanced mortgage.

4 ~~Number seven~~<sup>7</sup>. On or about June 6, 1985, *JSC*  
5 a Fannie Mae 1003 was filled out for a residential loan *JSC*  
6 application for [REDACTED] Love and her mother, [REDACTED] a  
7 Love. The application bears the signatures of both  
8 Loves and that of Joan Galati as interviewer of the  
9 Loves.

10 Subsequently, a 9-2900 was drawn up,  
11 certified and submitted to HUD by Lomas and Nettleton  
12 for insurance of the Loves' mortgage. Joan Galati is  
13 listed as the producer or loan originator of the  
14 mortgage business on the loan funding and set up  
15 record of Lomas and Nettleton. The Loves defaulted on  
16 the mortgage payment.

17 8. It is agreed by Joan Galati, [REDACTED] *JSC*  
18 Love and [REDACTED] Love that they had never met one  
19 another. Joan Galati testified that she had no  
20 recollection of the Loves and does not know how their  
21 loan came to Lomas and Nettleton or was designated as  
22 Galati's business.

23 ~~Number nine~~<sup>9</sup>. The Loves heard that *JSC*  
24 Baranwood Realty could help them find a home to live  
25 in after they were being evicted from their then-home.



## Decision

1 [REDACTED] Love at the time was receiving Social Security  
2 payments of a little over [REDACTED] a month. [REDACTED] Love  
3 was receiving public assistance at that time and still  
4 is. [REDACTED] Love is unemployed. ✓ JSC

5 Steve Lucas, a salesman at ~~the~~ ✓ JSC  
6 Baranwood Realty, told the Loves there would be no  
7 problem for them to become homeowners. They then gave  
8 Lucas a deposit of \$200 for a house located at [REDACTED]  
9 South Honore Street, Chicago, where they presently  
10 reside. Lucas interviewed them and told [REDACTED] Love  
11 that if she had a friend who owned a business who would  
12 state that [REDACTED] Love was employed at a certain  
13 salary, the Loves could qualify to buy the home.

14 [REDACTED] Love and Steve Lucas agreed, in the presence  
15 of [REDACTED] Love, to fraudulently state that she was  
16 employed as an accountant making \$ [REDACTED] a month by  
17 a Mr. Akta~~r~~. Akta~~r~~ was a friend of [REDACTED] Love. ✓ JSC  
18 Akta~~r~~ agreed to sign any verification sent to him to ✓ JSC  
19 that effect.

20 At some point, a verification of deposit  
21 form sent to Akta~~r~~ by mail from Lomas and Nettleton ✓ JSC  
22 by loan processor Gail Schultz was hand-carried by  
23 [REDACTED] Love from Akta~~r~~ to Steve Lucas, the real ✓ JSC  
24 estate salesman, in violation of HUD regulations,  
25 loan origination procedures and prudent lending

## Decision

1 practices. Thereafter, the form was sent on to Lomas  
 2 and Nettleton, presumably by Lucas, and was included  
 3 in the loan package for insurance by HUD. There is no  
 4 evidence in the record that Joan Galati knew that  
 5 Lucas or Love had handled the verification. Galati  
 6 did not improperly give the form for handling to  
 7 anyone other than the authorized Lomas and Nettleton  
 8 loan processor.

9 I find that Galati did not allow or  
 10 know that the verification of employment form signed  
 11 by Mr. Akter had been mishandled. Indeed, the  
 12 information on the form and the reverification of the  
 13 information from Akter by subsequent HUD auditors was  
 14 false, ~~was false~~. There is no evidence that Joan  
 15 Galati knew that income data from [REDACTED] Love was  
 16 false.

17 ~~Number ten.~~ <sup>10</sup> [REDACTED] and [REDACTED] Love  
 18 met with Steve Lucas a number of times to sign forms  
 19 required for the mortgage application. Joan Galati  
 20 was never present at any of these meetings. She never  
 21 met or interviewed the Loves at any other place or  
 22 time, nor did anyone else from Lomas and Nettleton  
 23 prior to the closing.

24 The Loves were interviewed by Steve  
 25 Lucas. Lucas wrote up the information on the Fannie Mae

✓ JSC

✓ JSC

✓ JSC

✓ JSC

✓ JSC

## Decision

1 1003 based on that interview, including the false  
2 employment history for [REDACTED] Love, obtained the  
3 Loves' signatures on all necessary documents and then  
4 at some point returned those papers to Lomas and  
5 Nettleton for processing.

6 Joan Galati's signature appears on the  
7 Fannie Mae 1003 as interviewer, but I find that she did *vjsc*  
8 not interview the Loves or fill out the Fannie Mae 1003. *vjsc*  
9 However, I find that she signed the form, knowing that  
10 she did not interview the Loves. It is immaterial  
11 whether she signed the 1003 in blank or after Lucas  
12 had filled it out. I base my conclusion on the  
13 testimony of Galati herself, ~~and the testimony~~ that *vjsc*  
14 the signature on the 1003 appears to be hers,  
15 Virginia Connelly's identification of Galati's  
16 signature, and the totality of the events surrounding  
17 the loan, including Lomas and Nettleton's identification  
18 of the Loan as Galati's business.

19 I find that Galati caused the  
20 certification by the Lomas and Nettleton loan  
21 processor on the 9-2900 because of the loan processor's  
22 reliance on Galati's signature on the 1003 for the  
23 Loves, which interview, of course, I find Galati did  
24 not perform nor did she verify at that interview any  
25 of the information provided by the Loves on which the

## Decision

1 loan application was approved and insured by HUD.

2 ~~Number~~ 11. Some time in the spring of JSC  
3 1985, [REDACTED] Ethridge came to Steve Lucas at  
4 Baranwood Realty in response to an advertisement placed  
5 in the newspaper referring to buying homes for \$200  
6 downpayment and no closing costs. Ethridge found a  
7 property he liked at [REDACTED] East 117th Place, Chicago, and  
8 gave Lucas \$200 as a downpayment for purchase of the  
9 house. He also gave Lucas financial information about  
10 himself.

11 Lucas then told Ethridge that he did not  
12 earn enough money to qualify for a mortgage. Lucas  
13 suggested to Ethridge to find a co-signer for the  
14 mortgage loan. [REDACTED] Jones agreed to co-sign the  
15 loan for Ethridge. Lomas and Nettleton would be the  
16 lender.

17 12. At some point it was decided that  
18 [REDACTED] Jones would be listed as the purchaser of the  
19 property and no reference would be made to [REDACTED]  
20 Ethridge. Jones and Ethridge deny knowing of this  
21 decision prior to the closing. Lucas wanted [REDACTED]  
22 Jones to come in to sign loan papers but Jones did not  
23 do so because of her work hours. Lucas then obtained  
24 Jones' permission by telephone for Ethridge to sign  
25 Jones' name on certain loan documents. I base this on

## Decision

1 the testimony of both Ms. Jones and Mr. Ethridge.

2 13. Ethridge met Galati at Baranwood  
3 Realty to sign necessary loan papers. Lucas was not  
4 present. Galati did not interview Ethridge. It is  
5 Ethridge's testimony she merely directed him to sign  
6 the loan papers. The loan papers are drawn up in the  
7 name of [REDACTED] Jones. <sup>14</sup> I find that [REDACTED] Ethridge <sup>✓ JOC</sup>  
8 signed [REDACTED] Jones' name to the preliminary application.  
9 and the verification of employment form for Jones, <sup>and JOC</sup>  
10 release for a credit report and the HUD <sup>Form</sup> 9-2900. <sup>JOC</sup>

11 I base that conclusion on the similarities between each  
12 of those documents' signatures and the signature given  
13 by Ethridge of Jones' name in court at the hearing.

14 Although Ethridge gave somewhat confusing and  
15 contradictory evidence at the hearing concerning which  
16 documents he signed with Jones' name, I credit the  
17 signature comparisons made by me and the statement  
18 given by Ethridge to HUD OIG auditors which corroborates  
19 this finding.

20 I make this finding despite small  
21 differences in the signature given by Ethridge at the  
22 hearing, those differences being the loop at the bottom  
23 of the capital letter J and the tail he added on the  
24 capital letter R. However, overall, I find the  
25 signatures of [REDACTED] Jones on the loan documents

## Decision

1 obtained prior to closing are sufficiently similar in  
 2 all critical respects to that given by Ethridge that I  
 3 conclude they were all made by Ethridge. I conclude  
 4 they were not made by [REDACTED] Jones, whose handwriting  
 5 is completely different.

6 I further find, and this is the impor-  
 7 tant part, that Ethridge made those signatures in  
 8 Joan Galati's presence. ~~Galati~~ ✓ JSC

9 ~~Number~~ 15. Joan Galati testified that ✓ JSC  
 10 the individual<sup>Q</sup> she interviewed ~~was~~ for the Fannie Mae ✓ JSC  
 11 1003 claimed to be Ethridge and [REDACTED] Jones, but were  
 12 not the individuals who appeared as Ethridge and Jones  
 13 at this hearing and gave sworn testimony. I do not  
 14 credit Galati's testimony on this point. Ethridge  
 15 identified <sup>her</sup> ~~it~~ in the courtroom. He was the only ✓ JSC  
 16 purchaser to be able to do so. His identification was  
 17 immediate and unequivocal.

18 Inasmuch as I find that it was the  
 19 [REDACTED] Ethridge appearing before me that met  
 20 Joan Galati, I also conclude that it was he who signed  
 21 [REDACTED] Jones' name on documents relied on by HUD and  
 22 that those signatures were obtained in Ms. Galati's  
 23 presence. The Fannie Mae 1003 for [REDACTED] Jones, the ✓ JSC  
 24 initial application, is in Joan Galati's handwriting  
 25 and is signed by Joan Galati. I find that she took

## Decision

1 the information, including information about [REDACTED]  
2 Jones' income, from a paystub given by [REDACTED] Jones to  
3 Ethridge for the application and given in turn by  
4 Ethridge to Galati.

5 16. I find that Galati knew that  
6 Ethridge was to live in the house, not [REDACTED] Jones.  
7 The note in Galati's handwriting, at Government Exhibit  
8 No. 50, is a note to Steve Lucas to call Ethridge  
9 because Ethridge told Galati he wanted to speak to  
10 Lucas. That's what the note indicates. Further, I  
11 find that the note notifies Lucas, not Ethridge, that  
12 the preliminary application was taken by Galati. The  
13 reference to calling Ethridge is a separate reference,  
14 not refering to the taking of the application. I  
15 construe the note in this manner because to do other-  
16 wise would be inconsistent with ~~the~~ reason and the ✓ JSC  
17 facts I have otherwise found. I cannot reconcile  
18 them in any other way.

19 ~~No.~~ 17. I need not reconcile ✓ JSC  
20 discrepancies in the dates of the sales contract and  
21 preliminary application because the issue before me  
22 concerns lack of a face-to-face interview and  
23 knowingly providing false information to HUD, not  
24 underwriting irregularities. Likewise, resolution of  
25 the outstanding judgments in [REDACTED] Jones' name are the

## Decision

1 task of the loan processor and underwriter, although  
 2 the ~~writer~~ <sup>originator</sup> should have directed that those judgments  
 3 appearing on the credit report for Jones be explained  
 4 in the file or otherwise documented as satisfied.  
 5 Nonetheless, it was not her primary duty; those are  
 6 underwriting duties.

7 ~~Ms.~~ 18. All of the events in question  
 8 took place four and a half to five years ago. Prior  
 9 to Ms. Galati's employment at Lomas and Nettleton,  
 10 she had been dismissed for allowing an individual to  
 11 sign another's name on a loan document with that  
 12 person's permission, not unlike the situation with  
 13 Ethridge signing for [REDACTED] Jones.

14 At Lomas and Nettleton, other employees,  
 15 including Galati's loan processor for a few months  
 16 and the underwriter at Lomas and Nettleton, had found  
 17 that buyers' handwriting sometimes were different in  
 18 their files, ~~and that~~ Those were loans Galati had  
 19 received from Baranwood Realty. (19) Since leaving Lomas  
 20 and Nettleton in 1986, Ms. Galati has apparently  
 21 severed her business relationship with Baranwood  
 22 Realty and presented in evidence an affidavit of the  
 23 underwriter <sup>with</sup> her present employer, citing to the  
 24 present excellence of her loan originations.

25 Discussion: Debarment is a sanction

Heritage Reporting Corporation



## Decision

1 to be used to protect the public interest. It is not  
 2 to be punitive, but it is to be taken in the best  
 3 interests of the Government and the public fisc. The  
 4 test for the need for debarment is present  
 5 responsibility. However, a finding of lack of  
 6 present responsibility may be based on past acts.  
 7 Responsibility is a term of art in government contract  
 8 law, denoting integrity and honesty as well as ~~honesty~~ <sup>ability</sup>  
 9 to perform a contract. I find that Joan Galati is a  
 10 participant in HUD programs as defined in 24 Code of  
 11 Federal Regulation, Section 24.4(U) because she does  
 12 business directly and indirectly with HUD through  
 13 HUD approved mortgagees. She is therefore subject to  
 14 debarment.

15 The charges against Joan Galati  
 16 represent serious violations of loan origination  
 17 procedures required by HUD and also violations of  
 18 prudent lending practices. Indeed, in each  
 19 transaction, others did set up for ~~frauds~~ <sup>frauds</sup> large and small.  
 20 However, the HUD approved lender is to be the eyes and  
 21 ears of HUD, to make sure that frauds are detected  
 22 whenever possible by following conscientious and  
 23 prudent lending practices.

24 The face-to-face interview can weed out  
 25 a lot of those problems, although not all of them. If

## Decision

1 a fraud is well rehearsed, a face-to-face interview  
2 will not discover it. Neither will verification, even  
3 properly handled, discover frauds, if a fix is in.  
4 The verification of [REDACTED] Love's fictitious employment  
5 is an illustration of this. However, a face-to-face  
6 interview, even if it does not detect irregularities  
7 or hidden information, is critical to prudent lending  
8 practices, a fact recognized by Joan Galati in her  
9 testimony.

10 Indeed, I find that Joan Galati abused  
11 the face-to-face interview process in the case of the  
12 [REDACTED] Jones <sup>loan</sup> by allowing [REDACTED] Ethridge to ✓ JSC  
13 substitute [REDACTED] Jones as a straw buyer for him,  
14 although Ethridge and Jones claim they did not know  
15 a straw buyer set-up was to be used until closing.  
16 Certainly Galati knew or should have known of this.  
17 She could have stopped this loan from being approved.  
18 Rather, she became part of the problem.

19 The failure to interview the Loves may  
20 not have revealed the fraud already in place. In fact, ✓ JSC  
21 it most likely would not have revealed it. But Joan  
22 Galati's signing of the loan application without meeting ✓ JSC  
23 the Loves certainly insured that the fraud could go  
24 merrily along undetected. She failed in her duty in  
25 the Love case as a prudent lender. Worse, in both the

## Decision

1 Love and Ramona Jones transactions, Galati's signature  
 2 on the Fannie Mae 1003 set in motion a chain of events *✓ jsc*  
 3 resulting in an unreliable certification to HUD on  
 4 which it agreed to assure those loans. I find that  
 5 such conduct is grounds for debarment pursuant to *✓ jsc*  
 6 24 Code of Federal Regulations, Section 24.603, 12 and 13. *✓ jsc*  
 7 The evidence in mitigation is the apparently good  
 8 performance of lending practices by Galati since 1985  
 9 and her termination of her relationship with Baranwood  
 10 Realty, her greatest source of business and also the  
 11 source of questionable loans, frauds and false  
 12 information.

13 Galati became an important cog in  
 14 Baranwood's practices ~~by~~ failing to follow prudent *✓ jsc*  
 15 lending practices and actually assisting Baranwood in  
 16 its activities by leaving Fannie Mae 1003s to be filled *✓ jsc*  
 17 out by Lucas, although signed before or after by Galati.  
 18 I am relieved to know that she has ceased her connection  
 19 with this company and that these type of incidents are  
 20 no longer occurring. I am very concerned, however, that  
 21 Galati was less than forthright and totally honest in  
 22 her testimony.

23 Although the passage of time since the  
 24 events would indeed dim memory, the fabrication of  
 25 phantom Hiawathas and Ramonas stretches credulity and

Decision

1 is contradicted by the other evidence in this case.  
 2 I was saddened to compare Galati's testimony to  
 3 documentary evidence and the context of oral testimony  
 4 of other witnesses and find that it did not bear up  
 5 under scrutiny. This is not responsible conduct.

6 I find that debarment is warranted because Joan Galati is not presently a responsible  
 7 participant in HUD programs. She is still trying to  
 8 explain away and dodge from serious irregularities in  
 9 her conduct in 1984 and 1985. It is not the quantity  
 10 of transactions so flawed, but the nature of the acts and the recognition of them.

13 Ms. Galati pays lip service to the  
 14 prudence of lending practices but when in a crunch and  
 15 very busy, apparently follows them in the breach. It  
 16 is no defense that everyone did it back then.

17 Balancing the passage of time, the acts in question and  
 18 the need for public protection, I find that the debarment  
 19 of two years is necessary and warranted. Joan Galati  
 20 shall therefore be debarred from the State until  
 21 February 23, 1991.

22 Administrative Judge, Jean S. Cooper,  
 23 HUD Board of Contract Appeals.

24 The parties have a right of appeal which  
 25 is to apply to the Secretary to have an appeal be

Edited and corrected  
 on March 9, 1989, by  
 Jean S. Cooper, presiding  
 Administrative Judge.

✓ JSC  
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