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
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 ____________________________

HUD-56005