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Description of document: Closing documents for thirty-three (33) Federal Housing Finance Agency (FHFA) Inspector general (OIG) investigations, 2011-2014

Requested date: 24-February-2016

Released date: 01-April-2016

Posted date: 16-May-2016

Source of document: Federal Housing Finance Agency
FOIA Requester Service Center
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Washington, D.C. 20219
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OFFICE OF INSPECTOR GENERAL

Federal Housing Finance Agency

400 7th Street, S.W., Washington DC 20024

April 01, 2016

By Electronic Mail

RE: Freedom of Information Act

This letter responds to your February 24, 2016 request pursuant to the Freedom of Information Act (FOIA)/Privacy Act (PA), 5 U.S.C. §552, which was forwarded by the Federal Housing Finance Agency (FHFA) and received by the Federal Housing Finance Agency's Office of Inspector General (FHFA-OIG) on March 10, 2016 for separate processing and response in accordance with FHFA's FOIA regulations at 12 C.F.R. Part 1202. Your request has been assigned the tracking number 2016-FOIA-00010 and seeks the following information:

- *A copy of the closing memo, final report, referral memo, referral letter and report of investigation (ROI) for the following FHFA OIG closed investigation: 1-11-0014, 1-11-0023, 1-11-0037, 1-11-0039, 1-11-0043, 1-11-0046, 1-11-0056, 1-12-0060, 1-12-0061, 1-12-0070, 1-12-0073, 1-12-0075, 1-12-0105, 1-12-0115, 1-12-0118, 1-12-0120, 1-12-0145, 1-12-0157, 1-12-0161, 1-12-0178, 1-11-0226, 1-13-0239, 1-13-0284, 1-11-0290, 1-13-0303, 1-13-0305, 1-13-0311, 1-14-0336, 1-14-0343, 1-14-0358, 1-14-0382, 1-14-0383, 1-14-0444. You may omit enclosures, attachments, exhibits and appendices.*

FHFA-OIG has conducted a search and has determined that it possesses **101** pages of records responsive to your request. These are attached.

Certain information contained in these records have been exempt and withheld under the following FOIA Exemptions:

- (b)(3) (A), Allows the withholding of information prohibited from disclosure by another federal statute provided that the statute requires that the matters be withheld from the public in such a manner as to leave no discretion on the issue. The following statutes FHFA-OIG is asserting are:
 - o 18 U.S.C. § 3153 (Information regarding pre-trial services);
 - o 31 U.S.C. § 5319 (Bank Secrecy Act) (Reports pertaining to monetary instruments transactions filed under subchapter II of chapter 53 of title 31 and records of those reports);
 - o Fed. R. Crim. P. 6(e), enacted by Act of July 30, 1977, Pub. L. No. 95-78, 91 Stat. 319, (Certain records pertaining to grand jury proceedings);
 - o 31 U.S.C. §§ 3729 and 3730 (qui tam provisions)
- (b)(4), Permits withholding of records related to trade secrets and other confidential business information.
- (b)(5), Permits withholding information under the deliberative process privilege, including the pre-decisional documents, or information that could be withheld under civil discovery, attorney-client, or attorney-work product privileges.

- (b)(7)(A), Permits withholding of records when interference with law enforcement proceedings can be reasonably expected.
- (b)(7)(C), Permits withholding of records when an unwarranted invasion of personal privacy could reasonably be expected.
- (b)(7)(E), Permits withholding of records when techniques and procedures for law enforcement investigations or process would be disclosed or provided such disclosure could reasonably be expected to risk circumvention of law.
- (b)(7)(F), Permits withholding of records when endangering the safety or life of any individual could reasonably be expected.
- (b)(8), Permits withholding of records relating to the examination of banks and other financial institutions by agencies that regulate or supervise them.

This is the final decision on your request. If you believe this decision denies your request in whole or in part, you may appeal it in writing within 30 days, per 12 C.F.R. § 1202.9, by writing directly to the FOIA Appeals Officer via electronic mail, mail, delivery service, or facsimile. Your appeal must cite the applicable tracking number(s) for the request(s) you contend to have been denied. Your appeal must include a copy of the request(s) you contend to have been denied, a copy of the decision letter, and a statement of circumstances, reasons, or arguments you believe support disclosure of the requested record(s). Your appeal must also be clearly marked "FOIA Appeal: FHFA-OIG." The electronic mail address is: foia@fhfa.gov. For mail or delivery service, the mailing address is: FOIA Appeals Officer, Federal Housing Finance Agency, 400 7th Street, SW, Washington, DC 20024. The facsimile number is: (202) 649-1073.

Sincerely,



Katarina Hake
FOIA/Privacy Act Officer



REPORT OF INVESTIGATION



Title (Name and address):

SA (b)(7)(C)

1625 Eye St. NW

Washington, DC 20006

Type of Investigation:

I

Type of Report:

Final

Interim

Supplemental

Period of Investigation: April 28, 2011 through May 17, 2011

BASIS FOR INVESTIGATION

Freddie Mac FIU's Open Investigation Report listed a condo project called Shadow Bend Condos in Phoenix, AZ, where 14:41 loans are in some stage of delinquency, and many of the borrowers purchased multiple units in the development. The FIU conducted additional research and found the property seller of Shadow Bend also developed and sold at least two additional condominium conversion projects in the Phoenix area, where investors were recruited through an affiliate named Red Door Group.

ALLEGATIONS & FOCUS OF INVESTIGATION

Subject Red Door Group allegedly recruited investors with promises of guaranteed rental payments and subsidies for at least a six month period. Freddie Mac FIU alleged undisclosed (not reported on Forms HUD-1) incentives to buyers.

Distribution	No.	Case Number:	Signature of Person Making Report:
Inspector General		I-11-0023	(b)(7)(C)
Assistant U.S. Attorney		Signature of Person Examined:	
		(b)(7)(C)	
Other (Specify):		Title:	Office (City):
		Division Office:	Date of Report:
			7-27-11

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REPORT OF INVESTIGATION

DETAILS OF INVESTIGATION

SA (b)(7)(C) travelled to Phoenix, AZ the week of May 2, 2011, and met with personnel from the FBI mortgage fraud task force. (b)(7)(C) reported she provided preliminary investigation to the Red Door Group and closed the investigation for the following reasons:

1. Difficulty in refuting defendant claims payments to investors were not rent payments

(b)(4)

3. Statute of limitations issues (with much of the relevant conduct taking place in 2003/07).

4. (b)(7)(A)

5. Investors received deeds in lieu of foreclosure on the properties they purchased

6. Red Door Group is defunct as of end of calendar year 2008

(b)(5)

(b)(5)

In addition to the above, investigation disclosed that the developer cut Forms 1099 to investors for rents paid which Freddie Mac FIU believed to have been undisclosed incentives from the developer to prospective buyers. After meeting with task force personnel, SA (b)(7)(C) cancelled document demand to Freddie Mac.

PROSECUTIVE DISPOSITION

Because of the known prosecutive posture in Phoenix, AZ, the task force closed the matter without formal AUSA presentation.

SYSTEMIC IMPLICATIONS

NA

Case Title: Red Door Group

Case Number:
I-11-0023

Page 2

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FEDERAL HOUSING FINANCE AGENCY
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title (Name and Address): Galloway Acres_Property Flipping Scheme

Type of Investigation: Criminal

Type of Report: Final

Period of Investigation: 4/18/2011 – 2/13/2013

Basis for Investigation

This case was initiated based on a series of anonymous complaints that detailed allegations that (b)(7)(C) and others, orchestrated fraudulent mortgage transactions in the above-named South FL development by utilizing entities under their control to profit from property flips. According to the complainant, these transactions enabled the co-conspirators to extract over \$3.6 million in profits, while leaving the mortgage companies (and the GSE's) holding overvalued and non-performing mortgages. The anonymous complainant further alleged that some of the mortgages associated with this investigation were owned by Fannie Mae and Freddie Mac ("the GSEs"). It was later determined that this matter was being investigated by the U.S. Attorney's Office (USAO) for the Southern District of FL (SDFL), Miami, FL, the Federal Bureau of Investigation's (FBI) Miami, FL Field Office, and the Office of the Inspector General (OIG) for the Federal Deposit Insurance Corporation (FDIC).

Allegations and Focus of Investigation

The complainant provided a spreadsheet that indicated at least one of the subject real estate transactions involved a property for which the mortgage was owned by Freddie Mac. It was determined that FHFA OIG SA (b)(7)(C) had received similar anonymous complaints via another source, related to the same allegations. These allegations were analyzed and determined to be virtually identical to those already reviewed. In addition, HUD OIG Miami confirmed receipt of identical allegations. However, HUD OIG officials determined that none of the related property transactions involved Federal Housing Administration insured mortgages.

Prosecutive Disposition

This matter was already accepted for prosecution by the SDFL's Miami, FL office, under the auspices of the Mortgage Fraud Strike Force. FHFA OIG was invited to participate on the continuing investigation involving this fraudulent scheme, assuming that a nexus to FHFA programs could be established.

<i>Distribution:</i>	<i>No.</i>	Case No. I-11-0043	(b)(7)(C)
Inspector General		Signature of Person Making Report	
Ass't U.S. Attorney		Signature of Person Examining Report	
Other (specify below)		Title SAC	
		Div. Office SE Region	
		Office (city) Miami, FL	
		Date of Report 2/18/2013	

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Report of Investigation *continued*

Case Title: Galloway Acres_Property Flipping Scheme

Case Reference No.: I-11-0043

Systemic Implications

The anonymous complainant made specific allegations that mortgages owned by one of the GSEs were involved with the criminal activity in this investigation.

Details of Investigation

The referral material subsequently provided by the anonymous complainant indicated that at least one of the illegal property transactions involved a mortgage owned one of the GSEs.

Requests for case-related documentation were submitted to both GSE's. Fannie Mae had no responsive documents. Freddie Mac also had no responsive documents related to their single family portfolio, despite the fact that the anonymous complaint specifically referenced Freddie Mac involvement. However, due to the size of the transactions (each in excess of \$600,000), there was a possibility that some of these transactions (either individually or as a group) might have been accepted into the Freddie Mac Multi-Family portfolio. However, a separate analysis of Freddie Mac Multi-Family records disclosed no responsive documents.

Additional information uncovered along with the FBI and FDIC OIG indicated that (b)(7)(C) might have conducted a similar transaction related to another Miami-area property he owned. Records indicated that this property might have been sold to another entity utilizing the same closing agent from the suspect transactions. A subsequent document review of Freddie Mac records determined that Freddie Mac still owned the mortgage on this property for which (b)(7)(C). A Fannie Mae Fraud Investigative Unit official advised that if this property had been sold by (b)(7)(C) Fannie Mae was not aware of the transaction, and had not been made whole. This individual further advised that J.P. Morgan Chase Bank ("Chase") was the servicing lender for Freddie Mac on that property. After contacting Chase it was determined that (b)(7)(C) attempted sale of this property was initiated but never closed.

Based on this information no apparent nexus to FHFA programs could be established. This investigation should be closed with no further action warranted.



FEDERAL HOUSING FINANCE AGENCY
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title (Name and Address): (b)(7)(C)

Type of Investigation: Criminal

Type of Report: Final

Period of Investigation: 12/4/2012 – 2/16/2014

Basis for Investigation

This case was referred to this office by SA (b)(7)(C) U.S. Secret Service, Miami, FL Field Office. (b)(7)(C) Southern District of FL's Mortgage Fraud Strike Force. He referred the matter for prosecution to this office as a joint investigation under the Mortgage Fraud Strike Force of the Southern District of FL (SDFL), Miami, FL.

Allegations and Focus of Investigation

The referral material provided by the USSS indicated that (b)(7)(C) (b)(7)(C) engaged in a pattern of falsifying financial information in order to qualify borrowers for mortgages for which they would not have otherwise been qualified. He accomplished this by falsifying loan origination documentation involving buyer income and asset information. There were additional allegations that (b)(7)(C) misrepresented the borrowers' occupancy status on multiple loans.

Prosecutive Disposition

This matter was referred for prosecution to the SDFL's Mortgage Fraud Strike Force by the USSS. However, this Strike Force was discontinued by the SDFL in early 2013. In April 2013, the SDFL paralegal charged with maintaining oversight of the remaining Strike Force cases advised that this investigation was not jacketed for further investigation by the SDFL.

Systemic Implications

This investigation was similar to the overall mortgage fraud occurring in South FL, involving mortgages owned by Fannie Mae and Freddie Mac (GSEs). Information provided by USSS, and additional information later obtained from the GSEs by this office, indicated GSE involvement in the properties associated in this fraud scheme.

Distribution: No.
Inspector General
Ass't U.S. Attorney
Other (specify below)

Case No. I-13-0226
Signature of Person Making Report
Signature of Person Examining Report
Title SAC
Div. Office SE Region

(b)(7)(C)
Office (city) Miami, FL
Date of Report 2/16/2014

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Report of Investigation *continued*

Case Title: (b)(7)(C)
Case Reference No.: I-13-0226

Details of Investigation

This case was referred to this office in June of 2012 by SA (b)(7)(C) U.S. Secret Service, Miami, FL Field Office. (b)(7)(C) Southern District of FL's Mortgage Fraud Strike Force. He referred the matter for prosecution to this office as a joint investigation under the Mortgage Fraud Strike Force. At that time, FHFA OIG was still subject to the moratorium imposed by the management of the SDFL, due to the civil lawsuits filed by FHFA against numerous large loan originators and servicers.

The referral material provided by the USSS indicated that (b)(7)(C) (b)(7)(C) engaged in a pattern of falsifying financial information in order to qualify borrowers for mortgages for which they would not otherwise have been qualified. He accomplished this by falsifying loan origination documentation involving buyer income and asset information. There were additional allegations that the loan documentation associated with these transactions contained misrepresentations of the borrowers' occupancy status on multiple loans.

Database analysis identified (b)(7)(C) who was associated with numerous companies. His most recent employer was listed as (b)(7)(C) (b)(7)(C) Requests for case-related documentation were submitted to both GSEs. It was also determined that FHFA OIG SA (b)(7)(C) had documentation related to this investigation which included buyers in the Denver, CO area (b)(7)(C) provided the documentation to this office for review.

Analysis of response documentation from the GSEs indicated fraudulent misrepresentation of income and asset information. Specifically, Fannie Mae's Fraud unit found fraudulent information on five of the eight reviewed loans on this investigation (there were more than thirty additional loans). However, Fannie Mae made a determination that based on the available information, there was no significant data linking (b)(7)(C) to the false information contained on those loans.

According to the USSS, this matter was referred for prosecution to the SDFL's Mortgage Fraud Strike Force. Based on this information, it was converted to an investigation in December of 2012. The SDFL's Mortgage Fraud Strike Force was disbanded in March of 2013. In April 2013, the SDFL paralegal charged with maintaining oversight of the remaining Strike Force cases advised that this investigation was not jacketed for further investigation by the SDFL. Based on this information, this investigation should be closed with no further action warranted.

(b)(5)



FEDERAL HOUSING FINANCE AGENCY
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title (Name and Address): SDNY-Allied National Bank
Type of Investigation (type one or more: Criminal, Civil, Administrative): CIVIL
Type of Report (type one: Final, Interim, Supplemental): FINAL
Period of Investigation: 02/01/12 until 1/23/2014

Basis for Investigation

Case opened 02/01/2012 based on an initiative started by the United States Attorney's Office for the Southern District of New York focusing on fraudulent mortgage origination practices affecting the United States Department of Housing and Urban Development and the Government Sponsored Enterprises.

Details of Investigation

This case focused on Allied's involvement in origination fraud. It was alleged that Allied fraudulently misrepresented its mortgage lending and underwriting practices in order to participate in a U.S. Department of Housing and Urban Development (HUD) program. Similarly, these same misrepresentations were alleged to have been made during the sale of loans to the Government Sponsored Enterprises. The case is being worked jointly with HUD, Office of Inspector General.

FHFA-OIG obtained loan origination and loan loss information for consideration by the United States Attorney's Office for the Southern District of New York.

Prosecutive Disposition

The investigation [redacted (b)(5)]
[redacted (b)(5)] As that case was finishing it was decided to close the
affiliated cases and [redacted (b)(5)] United States Attorney's office [redacted (b)(5)]
[redacted (b)(5)]

Distribution: No.
Inspector General
Ass't U.S. Attorney
Other (specify below)

Case No. I-12-0060
Signature of Person Making Report
Signature of Person Examining Report
Title **AGI**
Div. Office

[redacted (b)(7)(C)]

Date of Report 01/23/2014

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FEDERAL HOUSING FINANCE AGENCY
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title (Name and Address): Urban Lending Solutions

Type of Investigation (type one or more: Criminal, Civil, Administrative): CIVIL

Type of Report (type one: Final, Interim, Supplemental): FINAL

Period of Investigation: 10/19/2011 - 02/04/2013

Basis for Investigation

This case was opened in 2011, based upon a Qui Tam filed by (b)(7)(C) (b)(7)(C) FHFA-OIG worked with Assistant United States Attorney (AUSA) Richard Hayes, Chief, Civil Fraud Unit, Eastern District of New York (EDNY) and Special Agent (SA) Susan Lynn, Special Inspector General, Troubled Asset Relief Program (SIGTARP).

Allegations and Focus of Investigation

(b)(7)(C) to which Bank of America (BoFA) contracted some of its Home Affordable Modification Program (HAMP) work. Bank of America (BoFA) and its loan servicing subsidiary, BAC Homes Loans Servicing LP, implemented business practices designed to intentionally prevented eligible homeowners from becoming eligible or ascertaining a permanent HAMP modification.

Details of Investigation

The investigation determined that the bank and its agents at Urban Lending, routinely pretended to have lost homeowners' documents, failed to credit payments during trial modifications and intentionally misled homeowners about their eligibility for the program. BoFA allowed just enough HAMP modifications to avert suspicion and allay congressional critics. When borrowers were turned down for a modification, BoFA routinely pushed these distressed consumers into one of their proprietary mortgages, thus continuing to mitigate losses at the borrowers expense.

BoFA and subsidiary BAC Home Loans Servicing LLP (BoFA) violated the terms of the

Distribution:	No.	Case No. I-12-0061	
Inspector General		Signature of Person Making Report /	(b)(7)(C)
Ass't U.S. Attorney		Signature of Person Examining Repo	
Other (specify below)		Title Special Agent in Charge	Office (city) Washington, DC
		Div. Office Mid-Atlantic	Date of Report 05/15/2013

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Report of Investigation *continued*

Case Title: Urban Lending Solutions

Case Reference No. I-12-0061

Servicer Participation Agreement (SPA) with the Department of the Treasury signed on April 17, 2009. The SPA and Program documentation required BofA to use "reasonable efforts" to assist American homeowners in obtaining mortgage modifications under the Home Affordable Modification Program (HAMP).

Treasury's compliance agent for HAMP is Making Home Affordable-Compliance (MHA). In a 4/2011 Performance Report, MHA revealed that BofA required "substantial improvement" in identifying and contacting homeowners, in homeowner evaluation and assistance and program management, reporting and governance. As a result Treasury withheld servicer incentives owed to BofA until they made certain identified improvements. This was memorialized in a Consent Order dated 4/12, 2011 by Order of the Board of Governors of the Federal Reserve System.

Prosecutive Disposition

On 3/12/2012, the Federal Government along with various States filed a complaint alleging BAC et al, violated among other laws, the Unfair and Deceptive Practices Acts and Practices Laws of the Plaintiff States, the False Claims Act, the Financial Institutions Reform, Recovery and Enforcement Act of 1989, the Service Members Civil Relief Act and the Bankruptcy Code and Federal Rules of Bankruptcy Procedures. On 4/4/2012, BAC agreed to enter into a Consent Judgment in an effort to remediate harms resulting from BAC's unlawful conduct. The financial terms of the settlement were broken down into three categories, which total \$6.5 million: Payment Settlement Amount; Payments to Foreclosed Borrowers; Consumer Relief. (b)(7)(C) complaint was subsequently unsealed resulting in an additional payment by the bank amounting of approximately \$1m.



FEDERAL HOUSING FINANCE AGENCY
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title (Name and Address): SDNY-Citi Mortgage
 Type of Investigation (type one or more: Criminal, Civil, Administrative): CIVIL
 Type of Report (type one: Final, Interim, Supplemental): FINAL
 Period of Investigation: 10/26/11 until 01/23/2014

Basis for Investigation

Case opened 10/26/2011 based on an initiative started by the United States Attorney's Office for the Southern District of New York focusing on fraudulent mortgage origination practices affecting the United States Department of Housing and Urban Development and the Government Sponsored Enterprises.

Details of Investigation

This case focused on Citibank's involvement in origination fraud. It was alleged that Citi Mortgage fraudulently misrepresented its mortgage lending and underwriting practices in order to participate in a U.S. Department of Housing and Urban Development (HUD) program. Similarly, these same misrepresentations were alleged to have been made during the sale of loans to the Government Sponsored Enterprises. The case was worked jointly with HUD, Office of Inspector General.

FHFA-OIG obtained loan origination and loan loss information for consideration by the United States Attorney's Office for the Southern District of New York.

Prosecutive Disposition

The investigation (b)(5)
 (b)(5) As that case was finishing it was decided to close the
 affiliated cases and (b)(5) United States Attorney's office (b)(5)
 (b)(5)

Distribution:
 Inspector General
 Ass't U.S. Attorney
 Other (specify below)

No. Case No. 1-12-0070
 Signature of Person Making Report
 Signature of Person Examining Report
 Title *AIGT*
 Div. Office

(b)(7)(C)

Office (city)
 Date of Report 01/23/2014

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REPORT OF INVESTIGATION



Title (Name and address): WORTHINGTON MORTGAGE GROUP, LLC	Type of Investigation: Referral	Type of Report: <input checked="" type="checkbox"/> Final <input type="checkbox"/> Interim <input type="checkbox"/> Supplemental
---------------------------------------------------------------------	-------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------

Period of Investigation: February 7, 2012 to January 22, 2013

BASIS FOR INVESTIGATION

On February 7, 2012, the United States Attorney's Office for the District of Maryland - Northern Division requested the assistance of FHFA-OIG Investigative Counsel (b)(7)(C) in a mortgage fraud investigation. Shortly thereafter, IC (b)(7)(C) enlisted the assistance of FHFA-OIG Special Agent (b)(7)(C)

ALLEGATIONS & FOCUS OF INVESTIGATION

WORTHINGTON MORTGAGE GROUP, LLC (WORTHINGTON) and its associates committed mortgage fraud by creating inflated appraisals for several properties, submitting mortgage loan applications containing falsified and misleading information, creating false bank account statements to accompany mortgage loan applications, and falsely verifying income and employment information on behalf of applicants.

DETAILS OF INVESTIGATION

Between April 2004 and April 2008, WORTHINGTON and (b)(7)(C) committed mortgage fraud by creating inflated appraisals for several properties, submitting mortgage loan applications containing falsified and misleading information, creating false bank account statements to accompany mortgage loan applications, falsely verifying income and employment information on behalf of applicants.

Distribution	No.	Case Number: I-12-0105	Signature of Person Making Report: Special Agent (b)(7)(C)
Inspector General			(b)(7)(C)
Assistant U.S. Attorney		Signature: (b)(7)(C)	Dating Report: DIGI for 7-28-14
Other (Specify):		Title: Asst. Inspector General-Investigations	Office (City): Washington, D.C.
		Division Office: FHFA-OIG, Investigations	Date of Report: 4/8/13

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REPORT OF INVESTIGATION

(b)(7)(C)

From 2004 through 2008, (b)(7)(C) WORTHINGTON, a mortgage brokerage company in Baltimore, Maryland. Beginning in 2004, (b)(7)(C) conspired with others to obtain loans for WORTHINGTON clients, including the co-conspirators, by submitting false and misleading appraisals, false bank account information, fictitious employment information and false monthly income figures. The scheme resulted in multiple loan defaults, foreclosures and loan losses to mortgage companies and financial institutions of more than \$2.5 million.

(b)(7)(C) falsely verified the employment or income information supplied on the loan application, if called upon by the lender. (b)(7)(C) also arranged for another co-conspirator (b)(7)(C) to provide false and misleading appraisals. (b)(7)(C) and his co-conspirators also concealed the true purchase price of properties from the lenders, by falsifying forms HUD-1 and concealing kickbacks. By concealing the true sales price for the properties, the conspirators manipulated the lenders into funding more than 100% of the purchase price, which exposed the lenders to a greater risk of loss than they anticipated.

Around July 28, 2006, (b)(7)(C) arranged for First Magnus Financial Corporation, through Washington Mutual Bank, to transfer by wire \$385,945.32 to Wachovia Bank, N.A., to the title agent to complete the settlement transaction for the refinance of a property at (b)(7)(C) Baltimore, Maryland.

Around August 22, 2006, (b)(7)(C) arranged for First Magnus Financial Corporation, through Washington Mutual Bank, to transfer by wire \$157,900.03 to Wachovia Bank, N.A., to the title agent to complete the settlement transaction for the refinance of a property at (b)(7)(C) Baltimore, Maryland.

Around April 11, 2007, (b)(7)(C) arranged for First Magnus Financial Corporation, through Washington Mutual Bank, to transfer by wire \$325,752.48 to Wachovia Bank, N.A., to the title agent to complete the settlement transaction for the refinance of a property at (b)(7)(C) Baltimore, Maryland.

Around January 30, 2008, (b)(7)(C) arranged for CMG Mortgage, Inc., through Nattymac Capital, LLC, a residential mortgage warehouse lender, to transfer by wire \$206,204.15 to Sandy Spring Bank, to the title agent to complete the settlement transaction for the refinance of a property at (b)(7)(C) (b)(7)(C) Baltimore, Maryland. This loan was acquired by Bank of America.

On January 22, 2013, (b)(7)(C) was indicted by a grand jury sitting in the U.S. District Court for the District of Maryland on charges of conspiracy to commit and committing wire fraud in connection with a mortgage fraud scheme in which fraudulent loans were obtained on at least five properties.

Case Title:
WORTHINGTON MORTGAGE GROUP, LLC

Case Number:
I-12-0105

OFFICIAL USE ONLY

REPORT OF INVESTIGATION

(b)(7)(C)

(b)(7)(C)

Between April 2004 and April 2008 (b)(7)(C)

asked (b)(7)(C) to appraise a number of properties on behalf of purchasers who were seeking financing through WORTHINGTON. (b)(7)(C) prepared at least 17 fraudulent appraisals for \$4,306,950 in loans originated at WORTHINGTON. (b)(7)(C) told (b)(7)(C) the dollar value he wanted (b)(7)(C) to place on the property in question. (b)(7)(C) urged (b)(7)(C) to change his appraisals whenever (b)(7)(C) concluded that the property in question was of a lesser value. Sometimes (b)(7)(C) found inappropriate comparable properties from public record databases and told (b)(7)(C) to use them in his appraisals. (b)(7)(C) falsified the appraisals by: 1) using fake photos and descriptions of the properties; 2) misrepresenting the condition of the properties, often claiming falsely that the properties had been renovated; 3) misrepresenting the physical characteristics of the properties; and 4) using inappropriate comparable properties. The total loss for the 17 loans amounted to \$2,661,366, the majority of which was suffered by Fannie Mae and Freddie Mac.

In March and June 2007 (b)(7)(C) used WORTHINGTON as the mortgage broker to refinance the home that (b)(7)(C) owned. (b)(7)(C) submitted false appraisals that inflated the property's value and caused another appraiser to sign the documents to avoid the obvious conflict of performing an appraisal on his own property. With (b)(7)(C) knowledge, his (b)(7)(C) processed the loan in (b)(7)(C) falsifying her income and employment, as well as the balance in the couple's bank account. The refinance application also failed to state that (b)(7)(C) had defaulted on a federal debt and were subject to federal tax liens. The \$265,000 loan on (b)(7)(C) home was sold to Freddie Mac which sustained a loss of \$139,767 when (b)(7)(C) defaulted and the loan went into foreclosure.

(b)(7)(C)

In 1998 (b)(7)(C) Voicebank, LLC (Voicebank). Voicebank was a technology employee leasing company that ceased doing business by 2001. (b)(7)(C) used Voicebank as a fictitious employer for certain WORTHINGTON loan applicants and falsely verified the employment or income information supplied on the loan application if lenders inquired. The Voicebank phone number activated a voice mail message accessible to both (b)(7)(C) (b)(7)(C) If called upon by the lender, either (b)(7)(C) would verify the employment or income information supplied on the loan application.

(b)(7)(C) also applied for and obtained two mortgages through WORTHINGTON by fraudulently inflating his monthly income. In 2006 (b)(7)(C) prepared a false loan application for (b)(7)(C) (b)(7)(C) signed the application for the refinance of a loan on property located at (b)(7)(C) Street in Baltimore which falsely stated that (b)(7)(C) with Voicebank, when both (b)(7)(C) In 2007, the same false

Case Title:
WORTHINGTON MORTGAGE GROUP, LLC

Case Number:
I-12-0105

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REPORT OF INVESTIGATION

information was submitted on a loan application for the purchase of property located at (b)(7)(C) Street in Baltimore. Both properties went into foreclosure, resulting in losses of more than \$221,000.

From 2004 through 2008 (b)(7)(C) invested in Baltimore residential real estate (b)(7)(C) obtained financing for both the purchase and sale of his properties from WORTHINGTON. Beginning in 2006 (b)(7)(C) conspired with (b)(7)(C) to obtain loans for WORTHINGTON clients under false pretenses.

(b)(7)(C) who was also selling three of his own properties to other co-conspirators, concealed the true purchase prices of the properties from the lenders by signing the Form HUD-1 stating that he had received a substantial down payment from the buyers, when in fact no such payments had occurred. (b)(7)(C) also kicked back a part of the sales proceeds from each loan to the buyers. By their actions, the conspirators manipulated the lenders into funding more than 100% of the purchase price, which exposed the lenders to a greater risk of loss than they anticipated.

In 2007 and 2008 (b)(7)(C) also arranged for another individual to purchase three properties, and for that individual's brother to purchase a fourth property, all located on (b)(7)(C) (b)(7)(C) and (b)(7)(C). In all four cases (b)(7)(C) concealed the true purchase price of the properties from the lenders, by signing the HUD-1 stating that he had received a substantial downpayment from the buyers, when in fact no such payments had occurred. In addition, (b)(7)(C) kicked back part of the sales proceeds from each loan to the buyers, further reducing the sales price of the property. By concealing the true sales price for the properties, the conspirators manipulated the lenders into funding more than 100% of the purchase price. All four properties went into foreclosure, resulting in losses of more than \$686,000.

DISPOSITION

On June 29, 2012 (b)(7)(C) pleaded guilty to conspiracy to commit wire fraud. He was sentenced in the U.S. District Court for the District of Maryland, to 15 months incarceration and 3 years supervised release and ordered to pay \$2,440,804 in restitution and a \$100 assessment. (b)(7)(C) was debarred on July 26, 2013.

On September 14, 2012, (b)(7)(C) pleaded guilty to conspiracy to commit wire fraud. He was sentenced in the U.S. District Court for the District of Maryland, to 18 months incarceration and 2 years supervised release and ordered to pay \$1,007,812 in restitution and a \$100 assessment. (b)(7)(C) was debarred on December 19, 2013.

(b)(7)(C)

Case Title: WORTHINGTON MORTGAGE GROUP, LLC	Case Number: I-12-0105
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FEDERAL HOUSING FINANCE AGENCY
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title (Name and Address): SDNY-Wells Fargo
Type of Investigation (type one or more: Criminal, Civil, Administrative): CIVIL
Type of Report (type one: Final, Interim, Supplemental): FINAL
Period of Investigation: 03/08/12 until 1/23/2014

Basis for Investigation

Case opened 03/08/2012 based on an initiative started by the United States Attorney's Office for the Southern District of New York focusing on fraudulent mortgage origination practices affecting the United States Department of Housing and Urban Development and the Government Sponsored Enterprises.

Details of Investigation

The case initially focused on FHA mortgages and the false representations Wells Fargo made to Federal regulators in order to qualify for a Department of Housing and Urban Development program. The defendants allegedly failed to select quality mortgages to be insured or bought and repeatedly ignored the program requirements, providing false information about the quality of the underwriting operation, through to securitization and consequently passed on the costs of hundreds of millions of dollars of defaults-to the Government.

FHFA-OIG obtained loan origination and loan loss information for consideration by the United States Attorney's Office for the Southern District of New York.

Prosecutive Disposition

The investigation [redacted] (b)(5)
[redacted] (b)(5) As that case was finishing it was decided to close the
affiliated cases and [redacted] (b)(5) United States Attorney's office [redacted] (b)(5)
[redacted] (b)(5)

Distribution:
Inspector General
Ass't U.S. Attorney
Other (specify below)

No. Case No. I-12-0118
Signature of Person Making Report
Signature of Person Examining Report
Title **AIGI**
Div. Office

[redacted] (b)(7)(C)

Office (city)
Date of Report 01/23/2014

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FEDERAL HOUSING FINANCE AGENCY
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title (Name and Address): Deutsche Bank AG; Taunus Corp.; DB Structured Products, Inc.
New York, NY

Type of Investigation: Civil

Type of Report: Final

Time Period That Fraud Occurred: September 28, 2005-June 29, 2007

Basis for Investigation

This matter was opened incident to the filing of a civil complaint by the Federal Housing Finance Agency (FHFA) against Deutsche Bank AG et al, as conservator for Fannie Mae and Freddie Mac (collectively the government sponsored enterprises or GSEs), and concerning the offer and sale of residential mortgage-backed securities (RMBS). FHFA's attorneys (Quinn Emanuel Urquhart and Sullivan, LLP) alleged that Deutsche Bank falsely stated that mortgage loans underlying some \$14.2 billion in RMBS offered by Deutsche Bank and purchased by the GSEs were compliant with underwriting guidelines as described in registrations statements filed by Deutsche with the Securities and Exchange Commission.

Allegations and Focus of Investigation (Note: CIGIE requires a specific statutory citation)

Sections 11, 12(a)(2), and 15 of the Securities Act of 1933, 15, U.S.C. §§ 77k, 77l(a)(2), 77o, Sections 13.1-522(A)(ii) and 13.1-522(C) of the Virginia Code, Sections 31-5606.05(a)(1)(B) and 31-5606.05(c) of the District of Columbia Code

Details of Investigation

In September 2011, the FHFA filed lawsuits against 17 large banks that offered and sold some \$105 billion in RMBS to the GSEs. Deutsche Bank AG was one of the 17 banks named in the lawsuits.

FHFA-OIG

(b)(5),(b)(7)(E)

During case review in February

2013, a decision was made to close this matter,

(b)(5)

Distribution: No.
Inspector General
Ass't U.S. Attorney
Other (specify below)

Case No. I-12-0145
Signature of Person Making Report
Signature of Person Examining Report
Title Deutsche Bank AG
Div. Office Headquarters

(b)(7)(C)

Office (city) Wash., D.C.
Date of Report 11 Sep 2014

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Report of Investigation *continued*

Case Title: Deutsche Bank AG; Taunus Corp.; DB Structured Products, Inc.

Case Reference No.: I-12-0145

Prosecutive Disposition

N.A.

Systemic Implications

N.A.



FEDERAL HOUSING FINANCE AGENCY
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title (Name and Address): (b)(7)(C) EMPLOYEE RETALIATION; VA
Type of Investigation (type one or more: Criminal, Civil, Administrative): Administrative
Type of Report (type one: Final, Interim, Supplemental): FINAL
Period of Investigation: 12/17/13 – 12/20/13

Basis for Investigation

Federal Housing Finance Agency, Office of Inspector General (FHFA-OIG) received an investigative referral from FHFA-OIG Inspections and Evaluations (I&E) related to potential employee retaliation at FHFA. According to I&E (b)(7)(C) (b)(7)(C) told I&E staff that (b)(7)(C) (b)(7)(C) he received adverse treatment by his superiors.

Details of Investigation

(b)(7)(C) was interviewed by FHFA-OIG (b)(7) alleged his superiors retaliated against him for expressing opinions with which they did not agree (b)(7)(C) (b)(7)(C) (b)(7) claimed the retaliation took the form of excluding him from meetings and other work activities.

(b)(7)(C) stated FHFA (b)(7)(C) FHFA-OIG Investigative Evaluator (b)(7)(C) and FHFA Evaluator (b)(7)(C) worked with him on an (b)(7)(C) (b)(7)(C) (b)(7)(C) explained he, "made them look foolish," and that they in turn developed a grudge over that experience and negatively influenced his career. When asked how he made them look foolish (b)(7) explained that he showed them how (b)(7)(C) (b)(7)(C) When asked to provide specific examples (b)(7) demurred.

Distribution: No.
Inspector General
Ass't U.S. Attorney
Other (specify below)

Case No. I-14-0382
Signature of Person Making Report
Signature of Person Examining Report
Title SAC
Div. Office Investigations

(b)(7)(C)
Office Washington, DC
Date of Report 12/20/2013

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Report of Investigation continued

Case Title (b)(7)(C) EMPLOYEE RETALIATION; VA
Case Reference No.: I-14-0382

(b)(7)(C) stated members of Congress sought to speak with him but he could identify what staff or member. He denies speaking with any congressional members or staff.

(b)(7)(C) denied being designated a whistleblower with the Office of Special Counsel (OSC). He denied contacting OSC.

At first (b)(7) claimed he never met or attempted to meet with FHFA-OIG Inspector General Steve Linick (LINICK), FHFA-OIG (b)(7)(C) or FHFA (b)(7)(C) (b)(7)(C) to discuss his concerns.

(b)(7)(C) later claimed he communicated with LINICK and notified him he was being retaliated against in Spring 2012. (b)(7)(C) were also present (b)(7) explained that the retaliation took the form of exclusion from work he desired to conduct. For example, his manager (b)(7)(C) Additionally (b)(7)(C) (b)(7)(C)

(b)(7)(C) explained (b)(7)(C) (b)(7)(C)

(b)(7)(C) agreed that FHFA Director Ed DEMARCO and (b)(7)(C) reviewed the settlements along with other senior staff and that the settlements were not invalid or illegally conducted. (b)(7)(C) further agreed that he is not a direct report to senior FHFA or FHFA-OIG staff and that there is no requirement for either to request his opinion, work or approval of their operations or decisions.

(b)(7)(C) agreed that it is within the purview of his management to assign him work. He admitted (b)(7)(C)

(b)(7)(C) stated he received an "outstanding" performance evaluation rating in 2009 and excellent ratings from 2010 – 2012. 2013 is still pending (b)(7)(C) agreed his ratings were good ratings and not reflective of management seeking retaliation.

(b)(7)(C) was asked for specific examples of exclusionary or retaliatory behavior (b)(7) explained that, "exclusion is the most insidious thing you could do in my world." Further, "If (b)(7)(C) (b)(7)(C) wanted to get back at me, then the best way to do so is to exclude me (b)(7)(C) He did not furnish any specific example other than the above.

Report of Investigation continued

Case Title: EMPLOYEE RETALIATION; VA

Case Reference No.: I-14-0382

Prosecutive Disposition

(b)(7)(C) Case recommended for closure based on lack of substantive proof of any retaliation by his superiors and lack of evidence of any criminal misconduct.

Systemic Implications

None.



FEDERAL HOUSING FINANCE AGENCY
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title (Name and Address): (b)(7)(C) Unauthorized Access Fannie Mae

Type of Investigation (type one or more: Criminal, Civil, Administrative): Criminal

Type of Report (type one: Final, Interim, Supplemental): Final

Time Period That Fraud Occurred: 05/09/2014 – 07/17/2014

Basis for Investigation

FHFA-OIG was notified by (b)(7)(C) Compliance and Ethics, Fannie Mae, that a (b)(7)(C) accessed the Fannie Mae network on multiple occasions after (b)(7)(C)

Allegations and Focus of Investigation (Note: CIGIE requires a specific statutory citation)

(b)(7)(C) ALLEGATIONS: It is alleged that (b)(7)(C) was in violation of U.S. Code Title 18 section 1030 (a)(5)(C), Intentional Access of a protected computer without authorization, and as a result of such conduct, causes damage and loss.

(b)(7)(C) FOCUS OF INVESTIGATION: To determine if (b)(7)(C) accessed the Fannie Mae network after having been (b)(7)(C) Additionally, to determine if, in accessing the network (b)(7)(C) caused any damage to the system or copied any data that may contain personally identifiable information (PII).

Details of Investigation

On May 9, 2014, Special Agent (SA) (b)(7)(C) Federal Housing Agency Office of Inspector General (FHFA-OIG), conducted a telephonic interview with (b)(7)(C) (b)(7)(C) Compliance and Ethics, Fannie Mae.

(b)(7)(C) said that on (b)(7)(C) (b)(7)(C) Fannie Mae project (b)(7)(C) As such, he had a Fannie Mae issued laptop computer and

Distribution: No.
Inspector General
Ass't U.S. Attorney
Other (specify below)

Case No. I-14-0444
Signature of Person Making Report
Signature of Person Examining Report
Title A/AIGI
Div. Office OI

(b)(7)(C)
Office (city) DC
Date of Report 08/11/2014

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Report of Investigation *continued*

Case Title:

Case Reference No.:

credentials which provided him with access to the Fannie Mae network.

(b)(7)(C) said that from April 17, 2014, through April 21, 2014, (b)(7)(C) accessed the Fannie Mae network on five separate occasions. Although (b)(7)(C) accessed the system, there was no evidence to suggest any personally identifiable information (PII) was copied from Fannie Mae systems.

(b)(7)(C) said that on April 21, 2014, (b)(7)(C) accessed seven different individual computers that were attached to the Fannie Mae network. (b)(7)(C) was not certain whether any changes had been made to the accessed computers, nor whether any sensitive data had been copied.

(b)(7)(C) said that, prior to returning the laptop to Fannie Mae, (b)(7)(C) connected a USB device to the laptop and ran a Microsoft Windows Registry edit command. (b)(7)(C) was not able to find any evidence that any changes had been made to the Windows registry.

On May 19, 2014, SAs (b)(7)(C) conducted an interview with (b)(7)(C) at the Columbia Public Library in Columbia, MO.

(b)(7)(C) said that at about 4:30 P.M. on April 17, 2014, (b)(7)(C) received a call from (b)(7)(C) last name unknown, who told him, effective immediately, (b)(7)(C) did not give a specific reason for the contract being (b)(7)(C).

(b)(7)(C) admitted that he did access the Fannie Mae network and that he knew he should not have used his credentials (b)(7)(C) said that he did not download or copy any data from the Fannie Mae system, nor did he try to damage it.

(b)(7)(C) said that, prior to returning the Fannie Mae computer, (b)(7)(C) he logged onto the computer and copied personally owned music files onto a personal drive. Additionally, upon copying his personal files, (b)(7)(C) "scrubbed" the computer, returning it to the exact state that he had received it in.

On May 20, 2014, SA (b)(7)(C) conducted a telephonic conversation with (b)(7)(C) regarding the access of the seven Fannie Mae computers. (b)(7)(C) advised that he received updated information from the Fannie Mae Security Operations Center confirming that the previous report of (b)(7)(C) accessing the computers via the Fannie Mae network was erroneous.

Prosecutive Disposition

On July 17, 2014, this case was submitted to Jim Lynn, Assistant United States Attorney (AUSA), for the Western District of Missouri. AUSA Lynn was advised of the facts concerning the

Report of Investigation *continued*

Case Title: (b)(7)(C) Unauthorized Access Fannie Mae
Case Reference No.: I-14-0444

investigation of (b)(7)(C) Lynn said that, based on there being no proof of damage concerning (b)(7)(C) unauthorized access to Fannie Mae systems, he was declining prosecution.

Systemic Implications

A Systemic Implication report is being drafted to address issues identified in this case.

Report of Investigation (ROI)

Title (Name and Address):

I-11-0056: SKY INVESTMENTS, INC. (b)(7)(C)

270 SW Natura Avenue, Deerfield Beach, FL 33441

Type of Investigation: CRIMINAL

Type of Report: FINAL

Period of Investigation: 8/9/11 – 3/7/13

Basis for Investigation

The Federal Housing Finance Agency – OIG authority to investigate is set forth in the Housing and Economic Recovery Act of 2008 ("HERA"), 12 U.S.C. § 4517(d), and the Inspector General Act of 1978, as amended, 5 U.S.C. App. 3. On September 30, 2010, Fannie Mae reported an operational loss event in which they had been the victim of an external fraud.

Allegations and Focus of Investigation

This case was opened based on information received from Fannie Mae. As a result of a surprise, on-site distressed lender audit conducted on August 23, 2010, Fannie Mae confirmed that SKY INVESTMENTS, INC., (SKY) an independent mortgage banker and Fannie Mae loan seller and servicer, transferred approximately \$2.6 million in Fannie Mae custodial taxes and insurance funds to SKY's operating accounts in order to supplement business operating funds in violation of their seller-servicer agreement with Fannie Mae. SKY's seller/servicer approval was terminated that same day and the servicing was transferred to another, approved servicer. SKY ceased its operations immediately after Fannie Mae's review of their operations in August 2010. (b)(7)(C)

(b)(7)(C) authorized the transfers from Fannie Mae's custodial accounts.

Details of Investigation

Summary

Between October 2009 and August 2010, on numerous occasions, (b)(7)(C) (b)(7)(C) transferred or caused to be transferred tens of thousands of dollars at a time

Distribution:

No.

Inspector General

Ass't U.S. Attorney

Other (specify below)

Case No. I-11-0056

Signature of Person Making Report

Signature of Person Examining Report

Title Asst. Inspector General

Div. Office Investigations

Office (city) Washington, DC

Date of Report 2/27/14

(b)(7)(C)

from the Fannie Mae custodial (b)(4) account at Texas Capital Bank in Texas to SKY's operating account at SunTrust Bank in Florida, from where it was then used to pay SKY operating expenses including salaries, personal expenses of (b)(7)(C) and expenses related to the operation of other companies controlled (b)(7)(C)

In November 2009, it became clear that SKY would be unable to meet Fannie Mae's minimum net worth requirements, and was "voluntarily" suspended from originating any new Fannie Mae mortgages until such time as SKY could raise sufficient capital to increase its net worth. In early January 2010, (b)(7)(C) caused SKY to provide Fannie Mae with bank records and a CPA letter falsely representing that the company had received a capital infusion of \$2 million, enough to meet the minimum net worth requirements. That money was not, in fact, a capital infusion, and shortly after Fannie Mae lifted the suspension. The purported investor who provided the cash withdrew it.

(b)(7)(C) also made and caused to be made false and misleading statements about SKY's financial condition in quarterly reports to Fannie Mae, as well as to SKY's outside accountants during the preparation of the 2009 audited financial statements, which were provided to Fannie Mae in early March 2010. For example (b)(7)(C) provided the accountants with backdated checks and other false information in order to conceal the fact that they had embezzled approximately \$1 million (b)(4) in 2009. (b)(7)(C) also withheld and concealed the material fact that the \$2 million "capital infusion," which secured SKY's reinstatement, was withdrawn in late January 2010.

Fannie terminated SKY as a seller/servicer in late August 2010, after discovering during (b)(4) (b)(4) was short by over \$2.5 million. Because SKY failed to maintain insurance as required by its seller/servicer contract, Fannie Mae had to cover the loss, which was eventually calculated to be approximately \$2.8 million.

Investigation

SKY INVESTMENTS, INC., (SKY) was formed in 1997 with its principal offices located in Deerfield Beach, Florida. In 2004, SKY registered with the State of Florida as a mortgage lender under the name North Star Lending.

(b)(7)(C)
SKY, (b)(7)(C) During the investigation, (b)(7)(C)
Florida, area. (b)(7)(C) During the investigation (b)(7)(C)
but regularly traveled to the U.S.

(b)(7)(C) C.O. Group, Inc. and J.N.R. Group, Inc. C.O. Group, Inc., performed due diligence on residential mortgage loans, and priced loans for acquisition and sale. J.N.R. Group, Inc., purchased and sold distressed properties.

In 2008, SKY contracted with Fannie Mae to become a Seller/Servicer, and subsequently originated and sold loans to Fannie Mae. Initially, SKY did not service the loans it sold to Fannie Mae, rather, it subcontracted the servicing function to a company called Graystone Solutions (Graystone). Due to financial and other problems, Fannie Mae terminated Graystone as a seller/servicer, and SKY took the servicing in-house, in or about July 2009. However, taking servicing in-house meant that SKY would have to meet higher minimum net worth requirements taking effect in 2009 under Fannie Mae servicer guides. By the time SKY filed its Third Quarter 2009 financial report with Fannie Mae in

early November 2009, it was clear that SKY could not meet the higher net worth requirement, so Fannie Mae suspended SKY. Fannie reinstated SKY in January 2010, after SKY provided bank records and a letter from SKY's outside accountants purporting to show a \$2 million cash infusion.

By the end of 2009, Fannie Mae was SKY's largest customer. SKY's 2009 Profit & Loss statement showed that sales of mortgage loans to Fannie Mae made up approximately 98% of SKY's total sales for that year, as measured by Unpaid Principal Balance.

In early August 2010, (b)(7)(C) disclosed to Fannie Mae that SKY would not be able to meet minimum net worth requirements as of the Second Quarter 2010. Shortly thereafter, Fannie Mae terminated SKY as a seller/servicer after (b)(4) SKY's offices, and discovering that over \$2.5 million was missing from the (b)(4) account.

SKY's Seller/Servicer Contract with Fannie Mae

On July 16, 2008, SKY executed a Mortgage Selling and Servicing Contract with Fannie Mae. An Addendum to the contract was executed on November 12, 2008. (b)(7)(C) signed both the Contract and Addendum (b)(7)(C) SKY. The Selling and Servicing Contract between Fannie and SKY incorporated by reference Fannie Mae's *Guides to Lenders (Guides)*, which imposed on SKY various obligations relevant to the proposed charges, including the duty to protect Fannie Mae's collateral, the duty to segregate funds for payment of taxes and insurance, a fiduciary duty with regard to handling mortgage payments, and the maintenance of a specified minimum net worth.

The *Guides* mandated the segregation of funds for the purpose of paying taxes and insurance on mortgaged property. The *Guides* made clear that SKY held a fiduciary position in its handling of mortgage loan payments, and had no authority to use those funds except as expressly permitted. Under no circumstances did SKY have authority to use T&I funds for any purpose other than paying taxes and insurance on the mortgaged properties.

Based on the *Guides*, by December 31, 2009, SKY was required to "have and maintain a net worth of at least \$2.5 million, plus .25% of the outstanding principal balance of [its] total portfolio of mortgage loans serviced for Fannie Mae." By December 31, 2009, SKY's minimum net worth needed to be at least \$3.2 million. SKY did not to meet this requirement for the entire period of the charged fraud scheme, and should not have been reinstated as a seller/servicer.

SKY's Financial Reporting Requirements

"To determine financial adequacy," Fannie Mae requires servicers to submit audited financial statements within 90 days after the servicer's fiscal year-end. *Guides to Lenders*, Part I, Chapter 3, Section 303. Servicers that are also mortgage bankers (like SKY) must also submit a Mortgage Bankers' Financial Reporting Form (MBFRF), following the end of each calendar year quarter. *Guides to Lenders*, Part I, Chapter 3, Section 303.02. The MBFRF calls for detailed information on assets, liabilities and equity, income, and the serviced loan portfolio. It is submitted by computer directly to Fannie Mae.

There are two MBFRF reports that contained false and misleading information about SKY's financial condition – the Fourth Quarter 2009 and First Quarter 2010 reports, both of which falsely portrayed SKY as meeting Fannie Mae's minimum net worth requirements. SKY never filed its Second Quarter 2010 MBFRF.

Fannie Mae Review of SKY and Discovery of Shortage in T&I Custodial Escrow Account

Fannie Mae discovered SKY's embezzlement of (b) money after (b)(4) in August 2010, which began as a regularly scheduled review by Fannie Mae. The Fannie Mae (b)(4)

(b)(4)

In 2010, SKY was put on the (b)(7)(C) regular review schedule. Fannie Mae sent an engagement letter to SKY in February 2010, notifying SKY of a review set for September 14-15, 2010. The (b)(4) from SKY in July 2010. During the month of July, the (b)(4) became increasingly concerned about SKY's financial condition, and, in particular, the condition of the custodial accounts. For example, despite repeated requests from the (b)(4) SKY was not producing bank statements and reconciliations for the custodial escrow accounts.

On August 10, 2010 (b)(7)(C) participated in a telephone call with Fannie Mae personnel to discuss SKY's Second Quarter 2010 MBFRF report, which was long overdue. Fannie Mae set a deadline of August 18, 2010, for SKY to file that MBFRF report, or face suspension (b)(7)(C) told Fannie Mae that he had met with his accountant and they were attempting to meet that deadline, and that he was going to provide Fannie Mae with documentation of a plan for raising capital, as he expected SKY to fall short of meeting the minimum net worth requirement, and that he was operating SKY's business as usual.

The (b)(7)(C) decided to elevate their review to a (b)(4). There were several reasons for this, including SKY's delay and then failure to provide documentation for the custodial accounts, SKY's retention of a criminal defense firm, Lewis Tein, to "assist" in the document production, (b)(7)(C) failure to meet minimum net worth requirements for the Second Quarter of 2010, and the (b)(7)(C) (b)(7)(C) - discussed in detail below. The (b)(4) made the decision to conduct a (b)(4) at SKY's offices in Deerfield Beach on August 23, 2010.

The (b)(4) arrived at SKY's offices at 8:30 a.m., on August 23, 2010. They were then directed to leave until SKY's attorney arrived. The team sat in their cars in the parking lot for several hours, until a Lewis Tein associate arrived and let them back into SKY's offices.

The (b)(4) reviewed the bank statements and related documents for the custodial accounts, which they had requested weeks earlier but had not received, and met with SKY (b)(7)(C) (b)(7)(C) disclosed that he had been directed by (b)(7)(C) to wire money from the (b)(4) to a SKY operating account to be used for other purposes on multiple occasions. The (b)(4) was short by at least \$2.5 million at that point in time.

Earlier in the day, while the (b)(4) members were sitting in their cars in the SKY parking lot, criminal defense attorney (b)(7)(C) sent an e-mail to various Fannie Mae employees professing SKY's full cooperation and offering the following explanation for the missing (b)(4):

As I related on the phone, as a result of a series of what appear to be accounting errors and misunderstandings relating to the rules for managing escrow accounts for taxes and insurance, it appears that SKY borrowed from the escrow account on numerous occasions in an amount

I have not yet finally calculated, but which appears to exceed 1 MM. . . .
From what I have seen thus far, this accounting problem was a result of
mistake and mismanagement, not from any fraud or improper intent.

Immediately after discovering the missing (b)(4) Fannie Mae terminated SKY as a
Seller/Service, took control of the custodial accounts, and transferred the servicing to another
company. Right around this same time, SKY laid off most of its employees and ceased conducting
business, except for helping to transfer the servicing to another company.

Bank Records Analysis

SKY maintained the Fannie Mae (b)(4) account at Texas Capital Bank (Texas Capital),
located in Richardson, Texas, a suburb of Dallas. Texas Capital was SKY's warehouse
lending facility, the funding source for the mortgage loans originated by SKY. SKY
maintained its business operating account at SunTrust Bank (SunTrust), opened at a branch
in Boca Raton. An analysis of both accounts shows numerous wire transfers from the (b)(4)
account at Texas Capital to the SKY operating account at SunTrust from October 2009
through August 2010.

There were also improper transfers from the (b)(4) account directly to third party bank accounts that
were not associated with the payment of taxes and insurance. For example, there were transfers of
principal and interest to the bank account of a SKY investor in South Florida who loaned
approximately \$1.6 million to SKY secured by Fannie Mae servicing rights.

Texas Capital gave SKY access to the (b) account through a computer login and password
procedure, which allowed SKY to initiate its own wire transfers from its offices in Deerfield Beach.
Texas Capital required SKY to designate at least two persons who were authorized to initiate wires,
although Texas Capital has no way to determine which SKY employee actually used the login and
password to initiate the transfers. SKY executed a "Wire Transfer/Payment Order Agreement"
designating (b)(7)(C) as authorized personnel. However, SKY was free
to assign wire transfer authority to other employees.

The wire transfers were initiated in SKY's Deerfield Beach office by electronic communication
through a web-based application to a Texas Capital computer server in Richardson, Texas. Texas
Capital then executed the request by transferring funds through the Fedwire system to SunTrust in
Orlando.

The following table shows the date and amount of each transfer from the account to the SKY (b)(4)
operating account:

DATE	AMOUNT	DATE	AMOUNT	DATE	AMOUNT
10-20-09	\$394,537.56 ¹	3-18-10	\$40,000.00	5-28-10	\$20,000.00
11-23-09	\$412,500.00	3-19-10	\$85,000.00	6-4-10	\$100,000.00
11-30-09	\$25,000.00	3-23-10	\$40,000.00	6-21-10	\$40,000.00
12-4-09	\$75,000.00	3-29-10	\$16,000.00	6-22-10	\$15,000.00
12-24-09	\$125,000.00	3-29-10	\$20,000.00	6-28-10	\$30,000.00
1-15-10	\$1,434.64	4-5-10	\$30,000.00	7-6-10	\$75,000.00
2-9-10	\$150,000.00	4-12-10	\$25,000.00	7-7-10	\$25,000.00
2-18-10	\$120,000.00	4-20-10	\$55,000.00	7-21-10	\$11,397.53
2-23-10	\$20,000.00	4-22-10	\$10,000.00	8-2-10	\$30,000.00
3-1-10	\$1,000,000.00 ²	4-23-10	\$23,000.00	8-2-10	\$100,000.00
3-2-10	\$75,000.00	4-26-10	\$15,000.00	8-2-10	\$200,000.00
3-5-10	\$110,000.00	5-5-10	\$30,000.00	8-6-10	\$73,000.00
3-12-10	\$25,000.00	5-6-10	\$60,000.00		
3-16-10	\$25,000.00	5-25-10	\$15,000.00 ³		

Testimony of Former SKY Employees

We interviewed former SKY [REDACTED] (b)(7)(C) and [REDACTED] (b)(7)(C) and former SKY [REDACTED] (b)(7)(C) [REDACTED] (b)(7)(C) each recounted admissions of [REDACTED] (b)(7)(C) [REDACTED] (b)(7)(C) acknowledging improper use of the Fannie Mae [REDACTED] (b)(4) account.

¹A portion of these funds appears to have been used to pay property taxes for Fannie Mae loans which SKY was servicing. The tax payments were made out of the SKY operating account instead of the [REDACTED] (b)(4) records show that taxes and insurance were typically paid directly from the [REDACTED] (b)(4)

²This withdrawal was the last step in a round trip of funds that began with a \$1 million bogus "capital infusion," as further explained below.

³\$15,000.00 was returned to the [REDACTED] (b)(4) from the SKY SunTrust operating account on May 27, 2010.

(b)(7)(C) explained how (b)(7)(C) (b)(4),(b)(7)(C) and that (b)(7)(C) (b)(7)(C) also recalled an incident from February or March of 2010, in (b)(7)(C) which (b)(7)(C) experienced difficulty and delays in getting (b)(7)(C) to sign escrow refund checks to (C) borrowers. The checks were mailed late, prompting numerous complaint calls.

(b)(7)(C)

We interviewed (b)(7)(C) at the FBI West Palm Beach office on October 4, 2011, in the presence of his counsel (b)(7)(C) counsel placed no conditions on the interview and (b)(7)(C) cooperated fully. He provided the following information:

(b)(7)(C) Almost immediately, he became suspicious of SKY's financial condition, so he requested that (b)(7)(C) permit him access to SKY's financial and accounting records database. It took about two weeks for (b)(7)(C) to give him the login password necessary to review the company's books.

In May 2010, (b)(7)(C) logged on to a SKY computer and reviewed the financial records. He immediately noticed that money was being transferred out of an escrow account and into a SKY operating account. It appeared to (b)(7)(C) that all operating expenses were being paid from the escrow funds, and that once the operating account felt short of anticipated expenses, money would be taken from the escrow account via a wire transfer and deposited into the operating account. (b)(7)(C) also noticed that a \$1 million lump sum was withdrawn from the taxes and insurance escrow account in February or March of 2010. (b)(7)(C) believed that escrow money was also being used to fund (b)(7)(C) other businesses. On or about May 31, 2010, (b)(7)(C) confronted (b)(7)(C) emphasized that borrowers' money could not be taken out of escrow to be used for anything other than its intended purpose, and asked him why \$1 million was taken out of the escrow account. (b)(7)(C) told (b)(7)(C) that he would replace the money immediately, and that the \$1 million (b)(7)(C) for an investment related to the purchase of apartments. (b)(7)(C) if (b)(7)(C) didn't put the money back into the escrow account.

(b)(7)(C) also told (b)(7)(C) that if SKY was ever audited, (b)(7)(C) would find himself in serious trouble. SKY was scheduled for a Fannie Mae audit in September 2010. (b)(7)(C) told (b)(7)(C) that he hoped that Fannie Mae would not look at the escrow accounts before he had an opportunity to replace the money. (b)(7)(C) assured (b)(7)(C) that he would replace the money, and if SKY was terminated from servicing Fannie Mae loans, (b)(7)(C) would accept the decision. After this initial confrontation with (b)(7)(C) also met with (b)(7)(C) to assure him that the funds would be replaced.

In or about early June 2010, in (b)(7)(C) presence (b)(7)(C) telephonically contacted (b)(7)(C) and placed the call on speaker. Both (b)(7)(C) promised (b)(7)(C) that they would never take money from the escrow account again, and assured (b)(7)(C) that the \$1 million was coming back. (b)(7)(C)

Soon after the telephone call (b)(7)(C) asked (b)(7)(C) At this meeting (b)(7)(C) informed (b)(7)(C) of the misappropriation of funds that had taken place involving the escrow account, and of the \$1 million transfer of escrow money. (b)(7)(C)

(b)(4)

On or about July 20, 2010, (b)(7)(C) again reviewed the financial records and noticed that no money was returned to the escrow account. In fact, (b)(7)(C) noticed that additional monies were taken from the escrow account even after (b)(7)(C) confrontation with (b)(7)(C). (b)(7)(C) confronted (b)(7)(C) and advised him (b)(7)(C). (b)(7)(C) (b)(7)(C) appeared shaken and asked (b)(7)(C) if the situation was really that serious. (b)(7)(C) responded that it was serious, and that (b)(7)(C) was (b)(7)(C). (b)(7)(C) also advised (b)(7)(C) that he too should retain an attorney.

(b)(7)(C) told (b)(7)(C) that he would report the discrepancy to Fannie Mae hoping that the only problem he would face would be the loss of the servicing contract. At the end of this conversation, (b)(7)(C) asked (b)(7)(C) would still be willing to accompany (b)(7)(C) (b)(7)(C) to a meeting with a potential investor scheduled for later in the afternoon. (b)(7)(C) declined. On (b)(7)(C) went to the SKY office to (b)(7)(C). (b)(7)(C) recalled that (b)(7)(C).

(b)(7)(C)

We interviewed (b)(7)(C) at the FBI West Palm Beach office on October 4, 2011, and again on June 6, 2012. (b)(7)(C) was not represented by counsel and cooperated freely. The following is a summary of the information (b)(7)(C) provided from both interviews:

(b)(7)(C) SKY in (b)(7)(C). (b)(7)(C) In September 2007, SKY employed four or five sales people, but grew to 22 account executives in six months. (b)(7)(C) eventually was (b)(7)(C). SKY shut down in August 2010, when Fannie Mae terminated the contract.

In November 2008, SKY began selling loans to Fannie Mae. SKY subcontracted the loan servicing to Graystone Solutions (Graystone), located in Massachusetts. SKY paid Graystone a fee of seven basis points to service the loans. Fannie Mae paid SKY 25 basis points as a seller/servicer. In mid-December 2008, interest rates dropped and SKY saw a significant increase in its loan refinance business which continued for the next six months. (b)(7)(C) said SKY staff increased to 35 employees.

In September 2009, Graystone was suspended by Fannie Mae due to financial problems. (b)(7)(C) asked (b)(7)(C) what he wanted to do about getting a new servicer. (b)(7)(C) did not want to pay the large upfront fee required to get a new servicer, so it was decided that SKY would service Fannie Mae loans in-house. (b)(7)(C)

(b)(7)(C) had set up the escrow accounts for taxes and insurance and principal and interest at Texas Capital. The escrow funds were not supposed to be expended for any reason other than servicing Fannie Mae's loan portfolio. (b)(7)(C) understood this.

In late 2009, SKY was suspended by Fannie Mae for failing to meet new, increased minimum net worth requirements. In December 2009, (b)(7)(C) learned that (b)(7)(C) had

(b)(7)(C) attorney contacted AUSA Joan Silverstein on or about August 10, 2010.

located an investor named (b)(7)(C) who was going to provide several million dollars in return for shares of SKY stock. The funds would be used to meet minimum net worth requirements and get reinstated by Fannie Mae (b)(7)(C) recalled (b)(7)(C) but recalled few details of the proposed deal and said he was not privy to the negotiations.

On December 30, 2009, SKY received \$2 million from (b)(7)(C) That same day (b)(7)(C) e-mailed Fannie Mae employees to provide documentary proof of the receipt of the \$2 million, including a bank statement and a letter from SKY's accountants. In early January 2010, Fannie reinstated SKY.

(b)(7)(C)
Accounting could not verify that the payments had been made.

(b)(7)(C)

In June 2010 (b)(7)(C) contacted (b)(7)(C) (b)(7)(C) (b)(7)(C) and told (b)(7)(C) that he had learned that (b)(7)(C) were stealing escrow money (b)(7)(C) told (b)(7)(C) had taken about \$2 million of the escrow money (b)(7)(C) also told (b)(7)(C) that he had seen \$1 million taken from the escrow account in a single transaction (b)(7)(C) said he told (b)(7)(C) to replace the money by July 2010 or (b)(7)(C) (b)(7)(C)

(b)(7)(C)

(b)(7)(C)

In early (b)(7)(C) (b)(7)(C) said he called (b)(7)(C) SKY's financial problems.

(b)(7)(C)

FBI agents interviewed (b)(7)(C) on February 10, 2012. (b)(7)(C) acknowledged SKY's misuse of (b) money, and made statements consistent with what he told the Fannie Mae (b)(4) SKY offices on August 23, 2010 – that (b) money was improperly used for other purposes at the direction (b)(7)(C). After the FBI interview, (b)(7) retained attorney (b)(7)(C) to represent him. We interviewed (b)(7) a second time on May 10, 2012, pursuant to the USAO-SDFL standard proffer letter. The following is a summary of information provided by (b)(7) taken from both interviews:

(b)(7)(C) SKY and another company owned by (b)(7)(C) named C.O. Group, Inc. (b)(7)(C) (b)(7)(C) (b)(7)(C) was not involved in loan servicing, and was not privy to management decisions about loan servicing.

Intercompany wire transfers involving (b)(4)

According to (b)(7)(C) (b)(7)(C) (b)(7)(C) (b)(7) explained that either (b)(7)(C)

Most of the intercompany wire transfers began happening by the Fall of 2009 around the time Gravstone stopped servicing the loans. During this time, (b)(7)(C) (b)(7)(C) that they could not move money from SKY's (b)(4) account to pay operating expenses. Both (b)(7)(C) that they would take his concerns under advisement. (b)(7)(C) (b)(7)(C) (b)(7) recalled that (b)(4) money was used several times to pay telephone bills, credit card bills, and to meet payroll, among other expenses.

(b)(7)(C) understood that C.O. Group, Inc., was the parent company that controlled other companies (b)(7)(C). The operating expenses for these companies were sometimes covered by money that was transferred from SKY's operating and (b)(4) accounts. (b)(7) was concerned that (b)(7)(C) were using money they should not be using, but they always seemed to find a way to raise money when needed to replenish either the operating or (b)(4) accounts.



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(b)(4) However, by the beginning of 2010, SKY's [redacted] account did not have the balance necessary to cover future property taxes and insurance payments for their clients. ((b)(7)) remembered a situation when they had to pay the taxes for the loans they were servicing, but did not have enough funds in the [redacted] account to cover the property taxes and insurance. ((b)(7)(C))

(b)(7)(C) [redacted]
(b)(7)(C)

DRAFT

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Report of Investigation continued

Case Title: SKY Investments, Inc.

Case Reference No.: I-11-0056

\$2 million "capital infusion"

(b)(7)(C) was aware that Fannie Mae imposed upon its servicers a minimum net worth requirement, but was unaware that SKY had been suspended for failing to meet those requirements. In about December 2009 (b)(7)(C) recalled being told by (b)(7)(C) (b)(7)(C) that they were providing \$2 million to SKY and that it was to be accounted for as paid-in capital from them. (b)(7)(C) late December when the \$2 million was deposited (b)(7)(C) knew that this money was necessary to meet Fannie Mae's minimum net worth requirement.

Subsequently (b)(7)(C) learned that the \$2 million had been deposited into a new account at SunTrust rather than the SKY operating account at SunTrust, which seemed unusual (b)(7)(C) A few weeks later (b)(7)(C) learned that the \$2 million had been withdrawn from the SunTrust account, which upset (b)(7)(C) (b)(7)(C) about the withdrawal, but did not receive an explanation.

\$1 million "capital infusion"

(b)(7)(C) that the (b)(4) account was \$1 million short, and expressed his concerns that this would create a correspondent liability on SKY's 2009 audited financial statements, which would be provided to Fannie Mae.

On February 11, 2010, a \$1 million check dated 12-30-09 from USA Telecom Communications was deposited into SKY's operating account at SunTrust (b)(7)(C) cannot recall the details but remembers that (b)(7)(C) treat the deposit as a capital contribution to the company from (b)(7)(C) effective in 2009. Soon after the initial deposit, (b)(7)(C) (b)(7)(C) SKY's T&I account at Texas Capital. This check was backdated to December 30, 2009 (b)(7)(C) was unsure as to the reason for the backdating, but would have assumed or was told by (b)(7)(C) that they had a capital commitment of \$1 million in December 2009. (b)(7)(C) understood that the purpose of this money was to replenish the \$1 million taken from the (b)(4) account in 2009.

After a brief period, (b)(7)(C) the \$1 million out of the (b)(4) account because they needed to use it for another company. On March 1, 2010, \$1 million was wired out of the T&I account to the SKY operating account, and from there to a Bank of America account in the name of Newman Investments (b)(7)(C) realized that the \$1 million was not really a capital contribution, and was disappointed that there was a deficiency in the (b)(4) account once again. (b)(7)(C) about this withdrawal, and the importance of replacing it. (b)(7)(C) needed the money but that they would replace it.

Fannie Mae (b)(4)

(b)(7)(C) recalled when Fannie Mae auditors (b)(4) in August 2010. At that time, (b)(7)(C) were all aware that SKY owed Fannie Mae approximately \$2 million (b)(7)(C) explained that he would often show financial statements to (b)(7)(C) circling on the statements the exact amount of money that was

Report of Investigation continued

Case Title: Sky Investments, Inc.

Case Reference No.: I-11-0056

supposed to be in the various accounts, including the (b)(4) account, (b)(7)(C) and the T&I account deficiency.

After the Fannie Mae auditors left, many employees of SKY were laid off without comment by either (b)(7)(C). Around this time, (b)(7)(C)

Purported SKY (b)(7)(C)

(b)(7)(C)
(b)(7)(C) (b)(7)(C)
(b)(7)(C) The FBI interviewed (b)(7)(C) and his (b)(7)(C) several times about (b)(7)(C) role in providing that money.

We issued a grand jury subpoena to (b)(7)(C) and (b)(3):(A),(b)(3):Fed. R. Crim. P. 6(e), enacted by Act of July 30, 1977, Pub. L. No. 95-78, 91 Stat. 319,(b)(7)(C)

(b)(7)(C) said he had no idea that SKY had been suspended by Fannie Mae, or that (b)(7)(C)

(b)(7)(C)

(b)(7)(C) said (b)(7)(C) November or December 2009. (b)(7)(C) was looking for an investor in one of his businesses that purchased distressed properties. (b)(7)(C) (b)(7)(C) (b)(7)(C) SKY (b)(7)(C) (b)(7)(C)

(b)(7)(C) While due diligence was purportedly being conducted, (b)(7)(C) instructed (b)(7)(C) SKY money market investment account at SunTrust Bank (b)(7)(C) (b)(7)(C)

SunTrust was unable to locate any signature cards for this account. The FBI interviewed (b)(7)(C) the SunTrust employee (b)(7)(C)

⁵The quoted terms were taken (b)(7)(C) (b)(7)(C)

Report of Investigation continued

Case Title: SKY Investments, Inc.

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(b)(7)(C) recalled that he only dealt with (b)(7)(C) in opening the account, verifying the balance, and eventually withdrawing the money from the account.

(b)(7)(C) (b)(7)(C)
(b)(7)(C) SKY account. (b)(7) told the FBI that he advised (b)(7)(C) and described the transaction as becoming, in effect, a short term loan.

\$1 million "capital infusion"

In early (b)(7)(C)
(b)(7)(C)
(b)(7)(C) but said he could not remember why.

When we interviewed (b)(7) he had no recollection of any attempt to use Fannie Mae (b)(7)(C) was (b)(7)(C) (b)(7)(C) SKY and (b)(7)(C) (b)(7)(C) which took months to close, and required Fannie Mae's pre-approval. (b)(7) said (b)(7)(C) (b)(7)(C) and believes there was no such transaction. We showed (b)(7) a signature page from the documents provided (b)(7)(C) that appeared to contain (b)(7)(C) signature, but (b)(7)(C) There is no evidence that Fannie Mae (b)(7)(C)

(b)(7)(C) declined.

Ribotsky Levine Audit of SKY's 2009 Financial Statements

We interviewed (b)(7)(C) of Ribotsky Levine, SKY's (b)(7)(C) (b)(7)(C) which were submitted to Fannie Mae. (b)(7)(C) explained how SKY represented the \$2 million as a capital infusion on its internal books and records, and recounted statements of (b)(7)(C) explaining the \$1 million backdated checks. Equally as important is (b)(7)(C) were not told about SKY's financial condition, facts that the (b)(7)(C) would have disclosed in the audited financial statements provided to Fannie Mae.

On June 20, 2012, we interviewed (b)(7)(C) at the offices of Ribotsky Levine in the presence of Ribotsky Levine (b)(7)(C) Ribotsky Levine (b)(7)(C) and (b)(7)(C) were also present.

⁶The quoted terms were taken from the (b)(7)(C)

Report of Investigation continued

Case Title: Sky Investments, Inc.

Case Reference No.: I-11-0056

(b)(7)(C) SKY (b)(7)(C) SKY's (b)(7)(C) primary contact at SKY was (b)(7)(C) but he also had conversations with (b)(7)(C) knew of Fannie Mae's minimum net worth requirements for SKY effective in 2009, but was unaware that Fannie Mae had suspended SKY in 2009, and was also unaware of SKY's correspondence with Fannie Mae providing evidence of a \$2 million cash deposit in order to become reinstated. If (b)(7)(C) had known that SKY had been suspended, and was having difficulties meeting Fannie Mae's net worth requirement, he would have considered those facts as part of a "going concern" analysis to be possibly included in the audited financial statements.

\$2 million "capital infusion"

During the audit (b)(7)(C) told (b)(7)(C) that \$2 million had been provided by (b)(7)(C) (b)(7)(C) and SKY's internal books and records reflected the cash as a capital contribution from them. (b)(7)(C) spoke with (b)(7)(C) who confirmed that the \$2 million should be posted as a capital contribution to the company. (b)(7)(C) described (b)(7)(C) as intelligent, financially savvy individuals who understood what a capital contribution meant.

(b)(7)(C) explained that if an investor were to become part owner of SKY, they would have to see an agreement or some form of a contract showing ownership. As the (b)(7)(C) SKY were to properly prepare the financial statements and tax returns. Neither (b)(7)(C) ever saw a stock purchase agreement regarding the \$2 million capital contribution. During the audit, they were led to believe that the \$2 million posted as paid in capital was money provided by (b)(7)(C) as reflected in the company's internal accounting records.

(b)(7)(C) calculated SKY's net worth using Fannie Mae's guidelines and found that, as of the end of 2009, the company had exceeded the minimum by about \$500,000 when including the \$2 million reported capital infusion. However, if the \$2 million were subtracted, SKY would have been far below the Fannie Mae minimum net worth requirement.

(b)(7)(C) recalled there came a time, after the audit was complete, that he found out that the \$2 million had been removed from the SunTrust account, but he could not remember how or when he became aware of this fact. He was never told by (b)(7)(C) that their purported capital contribution was removed while the audit was in progress.

(b)(7)(C) who (b)(7)(C) audit work, advised that had he known the \$2 million had been withdrawn during the course of the audit, he would have sought legal counsel, and would not have issued a financial statement for SKY. (b)(7)(C) also said he would have withdrawn (b)(7)(C) from the SKY audit engagement. Both (b)(7)(C) (b)(7)(C) stated that the removal of paid in capital before completion of the audit would have definitely required disclosure within the audited financial statements.

\$1 million "capital infusion"

(b)(7)(C) recalled a \$1 million deposit into the SKY operating account at SunTrust Bank on February 11, 2010. (b)(7)(C) remembered that, although the deposit was made in February 2010, (b)(7)(C) possession since December 2009. (b)(7)(C) provided (b)(7)(C) a vague explanation that the \$1 million

Report of Investigation continued

Case Title: SKY Investments, Inc.

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check came (b)(7)(C) and that the check had sat in (b)(7)(C) desk since January. Although (b)(7)(C) was concerned about (b)(7)(C) explanation, he nevertheless considered the funds "in transit" and allowed the money to be booked as cash credited to SKY as of December 31, 2009.

(b)(7)(C) also saw another \$1 million check written from the SKY SunTrust operating account and deposited into the Texas Capital (b)(4) account on February 12, 2010. He did not know why the \$1 million was deposited into the (b)(4) account. However, if he had noticed that the (b)(4) account was deficient by \$1 million while conducting the audit, he would have posted a payable due to Fannie Mae for that amount.

(b)(7)(C) identified a form entitled "Engagement Team Discussion," dated January 25, 2010, which (b)(7)(C) (b)(7)(C) He remembered speaking with (b)(7)(C) (b)(7)(C) SKY's financial statements. (b)(7)(C) told (b)(7)(C) that (b)(7)(C)

Client Representation Letter

(b)(7)(C) signed a letter to Ribotsky Levine, dated March 3, 2010, representing among other things, that "[n]o events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to, or require additional disclosure in, the financial statements." (b)(7)(C) said that the withdrawal of \$2 million of paid-in capital during the audit was a material event that should have been disclosed by (b)(7)(C)

Former SKY (b)(7)(C)

The FBI interviewed (b)(7)(C) on December 9, 2011. We re-interviewed (b)(7)(C) on July 17, 2012. (b)(7)(C)

(b)(7)(C) (b)(7)(C) (b)(7)(C) (b)(7)(C) SKY's (b)(7)(C)

(b)(7)(C)
(b)(7)(C)
(b)(7)(C)

(b)(7)(C)

(b)(7)(C) recalled an incident in February or March 2010 when escrow refund checks were due to be mailed to borrowers (b)(7)(C) said it took over a month for (b)(7)(C) to sign the refund

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Case Title: Sky Investments, Inc.

Case Reference No.: I-11-0056

checks, and even then, the checks still were not mailed promptly.⁷ (b)(7)(C) (b)(7)(C) (b)(7)(C) and (b) became concerned (b)(7)(C) (b)(7)(C) (b)(7)(C) expressed (b) concerns to (b)(7)(C) who told (b) that they would relay (b) concerns to (b)(7)(C) (b)(7)(C) recalled (b)(7)(C) telling (b) that he wanted to know (b)(7)(C) (b)(7)(C) was told that the checks had been mailed but knew that wasn't true since (b)(7)(C)

(b)(7)(C) SKY's accounting records or bank statements. The first time (b) reviewed escrow account bank statements was during the surprise Fannie Mae audit, when (b) saw that the (b)(4) account held only about \$300,000, when it should have held about \$2.5 million according to (b) servicing records.

(b)(7)(E)

The (b)(7)(E) (b)(7)(C),(b)(7)(E) (b)(7)(E) A (b)(7)(E),(b)(7)(F) (b)(7)(C) (b)(7)(E) (b)(7)(E) (b)(7)(C),(b)(7)(E)

First, (b)(7)(C) (b)(7)(E)

Wire Fraud

Initiation of Wire Transfers, and Subsequent Transfers of Funds

Wire transfers of funds from the (b)(4) account to other bank accounts were initiated in SKY's Deerfield Beach office by an electronic communication to a Texas Capital server in Richardson, Texas. Texas Capital executed SKY's wire transfer orders by sending an electronic communication from its server in Richardson to the Dallas Federal Reserve Bank's server directing a transfer of funds through the Fedwire system to the specified beneficiary bank account. Routing information in the wire transfer documentation shows the SKY operating account at SunTrust Bank to be located in Orlando, Florida.

Unfortunately, Texas Capital maintained for only a limited time the records of SKY's initiations of the wire transfers. We received records only for the months of July and August 2010. According to Texas Capital employees we interviewed, it would be possible to log into

⁷We prepared a spreadsheet of the T&I account which corroborates (b)(7)(C) memory of this event. Numerous escrow refund checks, which should have been mailed in March, and would have been cashed promptly, did not clear the T&I account until May 2010.

Report of Investigation *continued*

Case Title: SKY Investments, Inc.

Case Reference No.: I-11-0056

Texas Capital's treasury management system from locations other than SKY's offices to initiate a wire. We have no evidence that wires were initiated from any location other than SKY offices.

The FBI interviewed former SKY (b)(7)(C) who recalled three computers in SKY's offices used for access to bank accounts – one in (b)(7)(C) office, one in the accounting department, and one in (b)(7)(C) office. (b)(7)(C) described (b)(7)(C) as exercising tight control over wire transfers, either by conducting them himself or personally authorizing other employees to wire transfer money. (b)(7)(C) usually worked from his office and used his computer for SKY business. (b)(7)(C) was not aware of (b)(7)(C) using a computer elsewhere to conduct SKY business.

(b)(7)(C) said that employees could access SKY computers from outside the office, but would have to go through SKY servers to transact business. SKY's servers were located at a host company in Boca Raton. We subpoenaed the host company and received records reflecting that SKY's servers were located in Boca Raton.

Electronic Transfers of Financial Reports from SKY to Fannie Mae

The seller/servicer contract required SKY to file quarterly MBFRF reports. The MBFRF provides a common format for mortgage bankers to report financial information that Fannie Mae, Freddie Mac, and Ginnie Mae use to evaluate the creditworthiness and financial stability of individual lenders with whom they do business. To submit the report, a SKY employee logged into a database and entered financial data according to prompts.⁸ Fannie Mae typically receives the report the day after it's filed. Every day Fannie Mae runs an (b)(4) which lists all the seller/servicers that, for example, failed to meet the Fannie Mae minimum net worth requirement. This is how Fannie Mae learned that SKY failed to meet minimum net worth for the Third Quarter of 2009.

SKY submitted its Fourth Quarter MBFRF report on April 23, 2010. That report misrepresented SKY's assets, liabilities and net worth in that it contained the bogus \$2 million cash "infusion" and also failed to disclose, as a liability, the \$1 million that SKY had withdrawn from the taxes and insurance escrow account and used for other purposes.

SKY submitted its First Quarter 2010 MBFRF report on July 1, 2010. That report also misrepresented SKY's assets, liabilities, and net worth, and contained the bogus \$2 million cash "infusion," even though the cash had been withdrawn at the end of January 2010.

E-Mails from SKY to Fannie Mae

In December 2009, SKY was trying to get Fannie Mae to lift the suspension by demonstrating that SKY could meet Fannie Mae's minimum net worth requirements. On

(b)(7)(C) SKY's offices (b)(7)(C) Fannie Mae
(b)(7)(C) The e-mail stated: (b)(7)(C)
(b)(7)(C)

⁸ (b)(7)(C) told us he completed and submitted the MBFRF forms to Fannie Mae based on financials from (b)(7)(C)

Report of Investigation *continued*

Case Title: Sky Investments, Inc.

Case Reference No.: I-11-0056

(b)(7)(C) The attachment was a printout of a SunTrust Bank account statement reflecting a balance of \$2,000,054.79 as of December 31, 2009, signed by a bank employee.

Two aspects of this e-mail were materially false and misleading. First, the cash in the account was not a capital contribution to SKY, but, in reality, either a short term loan (b)(7)(C) (b)(7)(C). Second, the account was not a SKY operating account, and was not even under SKY's sole control. (b)(7)(C)

(b)(7)(C)

In a further attempt to convince Fannie Mae of SKY's financial health, and get the suspension lifted, on (b)(7)(C) sent a follow-up e-mail from SKY's offices to several Fannie Mae (b)(7)(C) stating: (b)(7)(C)

(b)(7)(C)

This follow-up e-mail also contained materially false and misleading information. First, SKY's Q4 interim financials falsely reflect the \$2 million (b)(7)(C). Second, (b)(7)(C) repeated the assertion that the documentation of the \$2 million deposit reflected SKY's cash, when, in reality, the cash was either a short term loan or a refundable deposit.

Prosecutive Disposition

On January 30, 2013, (b)(7)(C) each pleaded guilty to one count of Conspiracy to Commit Wire Fraud in violation of 18 U.S.C. § 371. On March 7, 2013 (b)(7)(C) were each sentenced to 10 months incarceration and 3 years' supervised release.

Systemic Implications

Fannie Mae (b)(5)

(b)(5)



FEDERAL HOUSING FINANCE AGENCY
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title (Name and Address): SDNY- Deutsche Bank MortgageIT
Type of Investigation (type one or more: Criminal, Civil, Administrative): CIVIL
Type of Report (type one: Final, Interim, Supplemental): FINAL
Period of Investigation: 6/22/11 until 12/14/2012

Basis for Investigation

Case opened 6/22/2011 based on an case development initiative started by the United States Attorney's Office for the Southern District of New York focusing on fraudulent mortgage origination practices affecting the United States Department of Housing and Urban Development and the Government Sponsored Enterprises.

Details of Investigation

The case initially focused on FHA mortgages and the false representations MortgageIT and National City Mortgage made to Federal regulators in order to qualify for a Department of Housing and Urban Development program. The defendants allegedly failed to select quality mortgages to be insured, repeatedly ignored the program requirements, providing false information about the quality of the underwriting operation, and consequently passed on the costs of hundreds of millions of dollars of defaults-to the Government.

FHFA-OIG obtained loan origination and loan loss information for consideration by the United States Attorney's Office for the Southern District of New York.

Prosecutive Disposition

The investigation was closed as the SDNY focused on FHA loans on this particular case. The case was originally flagged in CMS as completed and then closed and the required ROI was not completed at the time.

<i>Distribution:</i> Inspector General Ass't U.S. Attorney Other (specify below)	<i>No.</i> 	Case No. I-11-0037 Signature of Person Making Report _____ Signature of Person Examining Report _____ Title _____ Div. Office _____	(b)(7)(C)	Office (city) _____ Date of Report 05/21/2014
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FEDERAL HOUSING FINANCE AGENCY
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title (Name and Address): Marshal Homes, (b)(7)(C)
Tucson, AZ

Type of Investigation (type one or more: Criminal, Civil, Administrative): Criminal

Type of Report (type one: Final, Interim, Supplemental): Final

Period of Investigation: 6-17-2011 through 12-8-2013

Basis for Investigation

On June 17, 2011, (b)(7)(C) Fannie Mae, forwarded a complaint regarding (b)(7)(C) Independent Rights Party ("IRP"). This information was provided to (b)(7)(C) (b)(7)(C)

Allegations and Focus of Investigation

The complaint stated (b)(7)(C) incorporated himself as Fannie Mae. Allegedly (b)(7)(C) signed approximately 18 deeds of Fannie Mae Real Estate Owned (REO) properties in the Phoenix metro area as a representative of Fannie Mae. The 18 properties were conveyed to the IRP, and (b)(7)(C) changed the locks on the doors preventing the real estate agents, hired by Fannie Mae, back into the properties. It was alleged that (b)(7)(C) (b)(7)(C)

Details of Investigation

FHFA-OIG contacted the Phoenix Division, FBI and determined the matter was also being addressed with the United States Attorneys's office. On June 28th, 2011, a criminal complaint was filed against (b)(7)(C) for two counts of false claims (Title 18, United States Code, Section 152(4)) regarding bankruptcy fraud.

On July 1st, 2011, FHFA-OIG participated in search and arrest warrants with the FBI, Tucson

Distribution: No. Case No. I-11-0039
Inspector General Signature of Person Making Report (b)(7)(C)
Ass't U.S. Attorney Signature of Person Examining Report
Other (specify below) Title SAC Office (city) Washington, DC
Div. Office Washington, DC Date of Report 12/13/13

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Report of Investigation *continued*

Case Title:

Case Reference No.:

Office. During the arrest warrants, (b)(7)(C) while (b)(7)(C) was arrested for probation violation at her residence. At (b)(7)(C) detention hearing, it was recommended by the Government that both remain detained.

The search warrants were executed at three locations: (b)(7)(C) Tucson, AZ (Residence); (b)(7)(C) Tucson (Residence), AZ; (b)(7)(C) Tucson, AZ (IRP business building).

(b)(7)(C) were subsequently indicted on one count of 18 USC 1343, wire fraud. (b)(7)(C) was charged with 18 USC 152(4), fraudulently presenting false claims in bankruptcy. (b)(7)(C) was arrested by the FBI and FHFA-OIG, and (b)(7)(C) were later arrested by the FBI.

Prosecutive Disposition

After (b)(7)(C) his charges were dismissed by the United States Attorney's, District of Arizona. Charges against (b)(7)(C) were dismissed by the United States Attorney's, District of Arizona. The wire charge and an additional counterfeit charge were brought forward on (b)(7)(C) however, the charge was unrelated to mortgage fraud. While in prison awaiting trial, (b)(7)(C)

Due to the dismissed charges and lack of nexus on (b)(7)(C) further investigation is not warranted on this case.



FEDERAL HOUSING FINANCE AGENCY
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title (Name and Address):

Michigan Mortgage Fraud Task Force FY2014

Type of Investigation (type one or more: Criminal, Civil, Administrative): Criminal

Type of Report (type one: Final, Interim, Supplemental): Final

Time Period That Fraud Occurred: October 8, 2013 to September 30, 2014

Basis for Investigation

This investigation was initiated to support the Michigan Mortgage Fraud Taskforce. This case file will be used as a repository for vetting complaints received by various taskforce participants for nexus to the GSE's. Upon verifying the nexus for further FHFA OIG investigative activities separate substantive investigations will be initiated.

Allegations and Focus of Investigation (Note: CIGIE requires a specific statutory citation)

FALSE STATEMENTS (18 USC 1001)

MAILWIRE FRAUD (18 USC 1341)

BANK FRAUD (18 USC 1344)

VIOLATIONS STATE LAW:

- 1) FALSE PRETENSES (MCL 750.218)
- 2) RESIDENTIAL MORTGAGE FRAUD (MCL 750.219D)
- 3) CONSPIRACY (MCL 750.157A)
- 4) USE OF COMPUTER TO COMMIT CRIME (MCL 752.796)

Details of Investigation

During FY 2014 a total of forty-three (43) Demand for Document Production requests were submitted to the Fannie Mae and Freddie Mac by the Detroit Office of FHFA OIG. Of those forty-three document demands, twenty-two (22) were submitted to Fannie Mae and twenty-one (21) were submitted to Freddie Mac. As of September 30, 2014, four investigations were opened based upon the allegations and information provided by Fannie Mae and Freddie Mac. Those investigations are: I-14-0387, (b)(7)(A)

Distribution:	No.	Case No. I-14-0336	(b)(7)(C)
Inspector General		Signature of Person Making Report	
Ass't U.S. Attorney		Signature of Person Examining Report	
Other (specify below)		Title Special Agent in Charge	
		Div. Office Midwest Region-Detroit	Office (city) Detroit
			Date of Report 10/02/2014

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Report of Investigation *continued*

Case Title: Michigan Mortgage Fraud Taskforce FY 2014

Case Reference No.: I-14-0336

Prosecutive Disposition

The four investigations resulting from this proactive case have all been accepted for prosecution.

Investigation I-14-0387 (b)(5),(b)(7)(A) USAMIE Civil Division.

Investigation (b)(7)(A) is ongoing and with prosecution by USAOHN. Investigation (b)(7)(A)

ongoing with prosecution by the Wayne County (MI) Prosecutor's Office. Investigation (b)(7)(A)

is ongoing with prosecution by the USAMIE.

Systemic Implications

None reported to date.



FEDERAL HOUSING FINANCE AGENCY
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title (*Name and Address*): FY2014 Chicago Mortgage Fraud Task Force

Type of Investigation (*type one or more: Criminal, Civil, Administrative*): Administrative

Type of Report (*type one: Final, Interim, Supplemental*): Final

Period of Investigation: October 2013 to September 2014

Basis for Investigation

This is a proactive case designed to allow the Chicago Field Office to document their support and achievement Chicago Mortgage Fraud Task Force and determine the potential or necessity for further investigative steps.

Allegations and Focus of Investigation

Information was provided from various law enforcement agencies. Each allegation or report was handled on a case by case basis for investigative merits.

Details of Investigation

The FHFA-OIG opened this administrative action in October 2013 to track FHFA-OIG's support and achievement associated to the Chicago Mortgage Fraud Task Force. During FY2014, two referrals initiated the opening of an active criminal investigation. FHFA-OIG supported approximately thirteen Chicago Mortgage Fraud Task Force initiatives.

Prosecutive Disposition

Two criminal investigations were a direct result of FHFA-OIG's involvement with the Chicago Mortgage Fraud Task Force.

Systemic Implications

None

Distribution: No.
Inspector General
Ass't U.S. Attorney
Other (*specify below*)

Case No. I-14-0343

Signature of Person Making Report _____

Signature of Person Examining Report _____ *[Signature]* _____

Title Special Agent in Charge Office (*city*) Chicago

Div. Office Date of Report 10/20/2014

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FEDERAL HOUSING FINANCE AGENCY
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title: Allied Home Mortgage Corporation, (b)(7)(C)

Type of Investigation: Criminal

Type of Report: Final

Period of Investigation: November 16, 2011 through April 15, 2014

Basis for Investigation

The Federal Housing Finance Agency – OIG (FHFA-OIG) authority to investigate is set forth in the Housing and Economic Recovery Act of 2008 (“HERA”), 12 U.S.C. 4517(d), and the Inspector General Act of 1978, as amended, 5 U.S.C. App.3.

Allegations and Focus of Investigation

This investigation was opened on November 21, 2011, after the Civil Division for the U.S. Attorney’s Office for the Southern District of New York (SDNY) and HUD filed civil fraud charges against (b)(7)(C) Allied, alleging that Allied had profited for years as one of the nation’s largest FHA lenders by engaging in reckless mortgage lending, flouting the requirements of the FHA mortgage insurance program, and repeatedly lying about its compliance. The complaint alleged that in the past decade, Allied has originated loans out of hundreds of branches it never disclosed to HUD, submitted knowingly false statements to HUD concerning its branch operations and accumulating sanctions, and lied to conceal its dysfunctional operations from HUD. The misconduct has resulted in tens of thousands of defaulted loans.

Details of Investigation

At the request of the Criminal Division of the SDNY, investigation was initiated to determine viability of a parallel criminal case based upon the allegations in the civil complaint. Reporting Agent (RA) met with AUSA’s from both the Criminal (Bonnie Joans, Daniel Levy) and Civil Divisions (Jamie Nawaday) (b)(7)(E)

Interviews were conducted in Houston (b)(7)(E)

(b)(7)(E)

<i>Distribution:</i>	<i>No.</i>	Case No. I-12-0075	
Inspector General		Signature of Person Making Report	(b)(7)(C)
Ass’t U.S. Attorney		Signature of Person Examining Report	
Other (<i>specify below</i>)		Title Special Agent	Office (<i>city</i>) Newark, New Jersey
		Div. Office Northeast Region	Date of Report May 23, 2014

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Report of Investigation *continued*

Case Title: Allied Home Mortgage

Case Reference No.: I-12-0075

It was learned that Allied had a representative office in Rockland County, NY. However, after speaking [redacted] (b)(7)(C) very little business occurred there and the office was eventually shuttered.

A review of the Allied loans held by HUD showed only 51 which were originated on NY properties; of those, 19 were in the SDNY and none were in default. RA then contacted Fannie Mae to determine their exposure to Allied-originated FHA loans. Fannie Mae reported that between 2006 and 2011, Allied delivered only 13 loans nationwide for a total UPB of approximately \$1,232,000.

On April 5, 2012, the SDNY issued FIRREA subpoenas to Citibank, JPMorgan Chase and Wells Fargo regarding their respective purchase or funding of loans originated by Allied. On April 30, 2012, AUSA Dan Levy [redacted]

[redacted] (b)(5),(b)(7)(E)

A major setback to the civil matter occurred when the defendants won a change of venue motion to the SDTX, as Allied was headquartered in Houston.

With the loss of venue in the civil matter and the lack of venue for a criminal matter, the SDNY contacted the Criminal Division of the SDTX to determine their interest in the matter. RA

participated in a call with [redacted] (b)(7)(C) SDTX Criminal Division. [redacted] (b)(7)(C)

[redacted] (b)(5)

It was explained to [redacted] (b)(7)(C) that,

[redacted] (b)(5)

A request to assign an AUSA was not granted. In February 2013, RA had a separate conversation with AUSA Sharad S. Khandelwal, who again asked to open the matter but he received the same response from [redacted] (b)(7)(C)

On February 10, 2014, RA contacted the WDNC [redacted] (b)(5)

[redacted] (b)(5)

[redacted] (b)(5)

RA provided the civil complaint to AUSA Mark Odulio and explained the concerns that that the SDNY had, given the civil litigation. The WDNC declined to open the matter, given the legal issues and the concern that the SDTX would raise a claim to any criminal matter.

Prosecutive Disposition

This matter was declined for prosecution by the SDNY and the WDNC. The SDTX has formally refused to open the matter [redacted] (b)(5)

Report of Investigation *continued*

Case Title: Allied Home Mortgage
Case Reference No.: I-12-0075

Systemic Implications

There were no systemic implications identified during the course of this investigation.



FEDERAL HOUSING FINANCE AGENCY
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title: (b)(3):() (I-12-0120)

Type of Investigation: Civil and Criminal

Type of Report: Final

Period of Investigation: November 30, 2011 through March 11, 2014

Basis for Investigation

The Federal Housing Finance Agency – OIG (FHFA-OIG) authority to investigate is set forth in the Housing and Economic Recovery Act of 2008 (“HERA”), 12 U.S.C. 4517(d), and the Inspector General Act of 1978, as amended, 5 U.S.C. App.3.

Allegations and Focus of Investigation

(b)(3):(A),(b)(3):31 U.S.C. §§ 3729 and 3730

Distribution: No.
Inspector General
Ass't U.S. Attorney
Other (*specify below*)

Case No. I-12-0120
Signature of Person Making Report
Signature of Person Examining Report
Title Special Agent
Div. Office Northeast Region

(b)(7)(C)

Office (*city*) Newark, New Jersey
Date of Report May 23, 2014

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Report of Investigation *continued*

Case Title: (b)(3):(A),

Case Reference No.: I-12-0120

Details of Investigation

(b)(3):(A),(b)(3):31 U.S.C. §§ 3729 and 3730

The EDPA and the DOJ discontinued their investigation (b)(3):(A),(b)(3):31 U.S.C. §§ 3729 and 3730

months ago. The SEC (b)(3):(A),(b)(3):31 U.S.C. §§ 3729 and 3730,(b)(7)(A)

(b)(3):(A),(b)(3):31 U.S.C. §§ 3729 and 3730,(b)(7)(A) The SDNY has also closed its investigation (b)(5)

Prosecutive Disposition

Report of Investigation *continued*

Case Title:

(b)(3):(A),(b)(3):31
U.S.C. §§ 3729 and
3730

Case Reference No.: I-12-0120

The civil matters were both closed by the EDPA and DOJ. The SDNY subsequently closed its criminal matter and declined prosecution.

Systemic Implications

There were no systemic implications identified during the course of this investigation.



REPORT OF INVESTIGATION



Title (Name and address): EMC MORTGAGE LLC (F/K/A EMC MORTGAGE CORPORATION); BEAR STEARNS & CO., INC.; STRUCTURED ASSET MORTGAGE INVESTMENTS II INC.; BEAR STEARNS ASSET BACKED SECURITIES I LLC; (b)(7)(C)	Type of Investigation: <input type="checkbox"/> Criminal <input checked="" type="checkbox"/> Civil <input type="checkbox"/> Administrative	Type of Report: <input checked="" type="checkbox"/> Final <input type="checkbox"/> Interim <input type="checkbox"/> Supplemental
Period of Investigation: June 11, 2012 – January 24, 2014		

BASIS FOR INVESTIGATION

The instant investigation was initiated on June 11, 2012, based on information via court documents in which FHFA is the plaintiff on behalf of the Government Sponsored Enterprises (“GSEs”). This case was worked jointly with the New York State Attorney General’s Office (“NYS-AG”).

ALLEGATIONS & FOCUS OF INVESTIGATION

This case arose out of the Defendants’ actionable conduct in connection with the offer and sale of certain Mortgage-Backed Securities (“RMBS”) to Fannie Mae and Freddie Mac (hereinafter “GSEs”). These Securities were sold pursuant to registration statements, including prospectuses and prospectus supplements that formed part of those registration statements, which contained materially false or misleading statements and omissions. Defendants falsely represented that the underlying mortgage loans complied with certain underwriting guidelines and standards, including representations that significantly overstated the ability of the borrowers to repay their mortgage loans. These representations were material to the GSEs, as reasonable investors, and their falsity violated various New York State Securities laws.

DETAILS OF INVESTIGATION

FHFA-OIG agents, along with Assistant Attorney Generals, conducted numerous witness interviews some of which included (b)(7)(C) as well as (b)(7)(C) (b)(7)(C)

Distribution	No.	Case Number:	Signature of Person Making Report:
Inspector General		I-12-0157	(b)(7)(C)
Assistant U.S. Attorney		Signature of Person Examining Report:	
		(b)(7)(C)	
Other (Specify):		Title: Special Agent in Charge	Office (City): Northeast Region
		Division Office:	Date of Report:

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REPORT OF INVESTIGATION

On October 1, 2012, NYS AG's Office filed a civil complaint against the following defendants: J.P. MORGAN SECURITIES LLC, (f/k/a "Bear, Stearns & Co. Inc."), JPMORGAN CHASE BANK, N.A., EMC MORTGAGE LLC (f/k/a "EMC Mortgage Corporation").

On November 19, 2013, JPMorgan reached a \$13 billion settlement with U.S. Department of Justice, from which \$1 billion was to settle the above mentioned NYS AG's Office complaint against JPMorgan and Bear Stearns. JPMorgan's \$13 billion settlement with the Justice Department was related to the bank's role in marketing RMBS that did not comply with underwriting guidelines and weren't fit for sale.

PROSECUTIVE DISPOSITION

The instant investigation is being closed based on the \$1 billion civil settlement from JPMorgan. Pursuant to this settlement, the NYS AG's Office filed a Stipulation to Dismiss the October 1, 2012, complaint against JPMorgan/Bear Stearns/EMC Mortgage.

SYSTEMIC IMPLICATIONS

None to report.

Case Title:

EMC MORTGAGE LLC (F/K/A EMC MORTGAGE CORPORATION); BEAR STEARNS & CO., INC.; STRUCTURED ASSET MORTGAGE INVESTMENTS II INC.; BEAR STEARNS ASSET BACKED SECURITIES I LLC; MATTHEW E. PERKINS; JOSEPH T.

Case Number:

I-12-0157

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FEDERAL HOUSING FINANCE AGENCY
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title: (b)(3):(A),(b)(3):31 U.S.C. §§ 3729 and 3730 QUI TAM.
(b)(3):(A),(b)(3):31 U.S.C. §§ 3729

Type of Investigation: Civil

Type of Report: Final

Period of Investigation: February 25, 2013 – July 23, 2014

Basis for Investigation

(b)(3):(A),(b)(3):31 U.S.C. §§ 3729 and 3730 Qui Tam
(b)(3):(A),(b)(3):31 U.S.C. §§ 3729 and 3730

Allegations and Focus of Investigation

(b)(3):(A),(b)(3):31 U.S.C. §§ 3729 and 3730

Details of Investigation

(b)(3):(A),(b)(3):31 U.S.C. §§ 3729 and 3730

Distribution:
Inspector General
Ass't U.S. Attorney
Other (specify below)

No.

Case No. I-13-0284

Signature of Person Making Report

Signature of Person Examining Report

Title SAC

Div. Office

(b)(3):(A),(b)(3):31 U.S.C.
§§ 3729 and 3730

Office (city)

Date of Report 07/23/2014

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Report of Investigation *continued*

Case Title:

Case Reference No.:

(b)(3):(A),(b)(3):31 U.S.C. §§ 3729 and 3730

Prosecutive Disposition

(b)(3):(A),(b)(3):31 U.S.C. §§ 3729 and 3730

Systemic Implications

None.



FEDERAL HOUSING FINANCE AGENCY
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title: SUN TRUST BANK
 Type of Investigation: CRIMINAL
 Type of Report: FINAL
 Period of Investigation: March 1, 2009 through July 3, 2014

Basis for Investigation

This investigation was initiated based on a referral from the office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP). SIGTARP agents have been investigating allegations that Sun Trust Bank (Sun Trust) knowingly foreclosed on consumers that were eligible for the U.S. Treasury Department's Home Affordable Modification Program (HAMP). It was alleged that Sun Trust was inadequately staffed to administer the HAMP program on behalf of the Government Sponsored Entities (GSEs). As a result, Sun Trust may have foreclosed on consumers that were eligible for the HAMP program.

In addition, investigative activity by SIGTARP indicated that Sun Trust employees in the loss mitigation department were directed by a supervisor to falsely submit HAMP trial modifications as permanent HAMP modifications to clear out a backlog.

Details of Investigation

FHFA-OIG and SIGTARP confirmed that there were numerous deficiencies in Sun Trust's administration of the HAMP program from March 2009 through at least 2011. Statements made by Sun Trust to its customers were not accurate and thousands of homeowners who applied for HAMP modifications with Sun Trust suffered harms that included damage to their credit scores, excessive capitalized interest, and the deprivation of the borrower's ability to make an informed choice about how to save or dispose of their home.

<i>Distribution:</i>	<i>No.</i>	Case No. I-11-0046
Inspector General		Signature of Person Making Report _____
Ass't U.S. Attorney		Signature of Person Examining Report (b)(7)(C)
Other (<i>specify below</i>)		Title Special Agent in Charge Office (<i>city</i>) DC
		Div. Office OI Date of Report 08/15/2014

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Case Title: Sun Trust Bank
Case Reference No.: I-11-0046

Sun Trust's Administration of HAMP:

Sun Trust ran the day-to-day operations of its HAMP program through the Loss Mitigation Division of its Default Department. HAMP was administered through three primary personnel functions: (1) call team members who answer the phones when homeowners call to apply or have questions about HAMP; (2) negotiators who actually work the homeowners' files to determine if the homeowners qualify, send the homeowners the requisite paperwork, and communicate the ultimate decision to the homeowners; and (3) fulfillment, who processes the homeowners' trial payments, informs the negotiators when the homeowner makes the last of the required trial period payments, and manages the suspense accounts.

Sun Trust initially implemented HAMP in April 2009 using the verified-income approach. Starting in August 2009, U.S. Treasury's Office of Financial Stability began publicly publishing the number of HAMP modifications processed by all servicers through a monthly "Making Home Affordable Program Servicer Report." At that point, Sun Trust had approximately 3,000 borrowers who had applied for HAMP but who were waiting for Sun Trust to decide if they qualified; Sun Trust had placed only 690 borrowers into a trial period plan; and Sun Trust had not awarded any permanent HAMP modifications.

Sun Trust wanted to increase the number of borrowers applying for HAMP so that it would not be criticized for the small number of borrowers it had in the HAMP program compared to other servicers. Sun Trust switched from using a verified income approach for admitting borrowers into the HAMP program to using a stated income approach. Sun Trust also began sending mass solicitations to tens of thousands of borrowers inviting them to apply for HAMP. Sun Trust mailed these solicitations between 2009 and 2012.

These mass solicitations consisted of a cover letter and several attachments, as well as a trial period plan contract (collectively "The HAMP Package"). The contract gave the borrower an estimated modified mortgage payment and a three- or four-month trial plan schedule with due dates for making the new mortgage payments. The HAMP Packages touted why Sun Trust customers should apply for HAMP and encouraged them to do so as quickly as possible.

Sun Trust's Representations to its Customers:

In the HAMP Packages given to customers by Sun Trust the following representations were made:

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1. Sun Trust would review the borrower's HAMP application within 20 days of receipt.
2. Borrowers would be put on trial periods lasting only three (or in certain cases four) months.
3. Borrowers would be notified during the first month of the trial period if they qualified for HAMP.
4. If a borrower qualified for HAMP and made all three trial payments, they would receive a HAMP modification.
5. If a borrower was denied a HAMP modification, Sun Trust would work with the borrower on alternative options for saving their home before commencing foreclosure proceedings.
6. Borrowers who were current at the time of application and made their trial payments on time would be reported to the credit bureaus as current during the trial period.

Sun Trust Under-Resourced and Under-Funded Its HAMP Program:

Sun Trust did not have enough personnel, infrastructure, and technological resources to process the paperwork, render decisions, and communicate with and about borrowers as they had represented.

Upon sending the mass solicitations, Sun Trust received upwards of 100,000 calls per month from borrowers interested in a loan modification, but Sun Trust did not hire enough call center employees to answer the phones. As a result, Sun Trust required its negotiators (those employees who were supposed to review and decide borrowers' HAMP applications) to spend the vast majority of their time answering phones instead of working on applications. When Sun Trust managers requested that Sun Trust upper management hire additional call center employees and negotiators, or otherwise provide alternative solutions, those requests were not fulfilled.

In addition, the staff that did exist was not sufficiently trained. The few negotiators that worked on HAMP applications received no formal training on how to comply with the HAMP guidelines or appropriately communicate with the borrowers.

Moreover, Sun Trust had no effective document management system in place to process and retain the borrowers' applications and supporting documentation. When the HAMP applications poured in, Sun Trust put them in stacks on the floor without any organization. At one point, the stacks of unopened and unprocessed HAMP applications were so voluminous that their weight buckled the office floor. Without a system to process,

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organize, and retain applications, borrowers' paperwork were routinely lost and had to be resubmitted causing further delays.

All of these deficiencies resulted in the immediate formation of a significant backlog of borrowers who were waiting on a decision from Sun Trust as to whether they qualified for HAMP. Month after month, Sun Trust had a backlog of tens of thousands of borrowers waiting to apply for HAMP, waiting for Sun Trust to send a trial period contract, or waiting to hear whether they qualified for their much-needed mortgage relief. For example, under the Government Sponsored Entity (GSE) guidelines, negotiators were supposed to have only 250 loan modification applications in each of their queues, but in the spring of 2010, Sun Trust negotiators had upwards of 3,000 files in each of their queues.

Sun Trust's Statements to its Customers Were False:

Far from reviewing applications within 20 days and rendering a decision within the three-month trial period that was promised in the HAMP Packages, Sun Trust failed to give the borrowers a decision for months and months, without any explanation or update. As a result, virtually all of the customers who applied for HAMP were stuck on extended trial periods that lasted on average close to a year, and some borrowers were on extended trial periods for two years or more.

Sun Trust's deficiencies in administering HAMP went beyond the extended trial periods. With inadequate staffing, training, and processes in place, Sun Trust failed to fulfill several other Statements it made in the HAMP Packages. Sun Trust reported current borrowers as delinquent to the credit bureaus. It also mishandled the borrower's trial period payments, leaving them in custodial suspense accounts and not posting the payments to the mortgage loan, thus making the borrower appear more delinquent than he actually was. Sun Trust also improperly sent collection letters to, and in some cases even commenced foreclosure proceedings against, borrowers who were on extended HAMP trials. In certain instances, Sun Trust automatically denied borrowers from HAMP without reviewing their application. Sun Trust also gave some borrowers who should have received a HAMP modification an alternative modification that was less favorable to the borrower.

Sun Trust HAMP Applicants Were Harmed:

Approximately 27,000 borrowers applied for a HAMP modification with Sun Trust. As a result of the way Sun Trust administered the HAMP program, many borrowers were harmed. The stress of the HAMP application process was acute and damaging for many

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borrowers. In addition to that emotional toll, many borrowers also suffered, among others, the following financial harms:

- Borrowers suffered extended trial periods that resulted in the loss of other options for disposing or saving their home.
- Sun Trust improperly reported borrowers as delinquent to credit bureaus.
- Sun Trust capitalized improper amounts of interest on to borrowers' unpaid principal balances.
- Sun Trust improperly denied borrowers from HAMP.
- Sun Trust improperly commenced foreclosure activity on HAMP applicants.
- Borrowers who were transferred from Sun Trust to another servicer while on an active HAMP trial were penalized.

Prosecutive Disposition

As a result of the investigation, on July 3, 2014, Sun Trust entered into a Restitution and Remediation Agreement with the U.S. Department of Justice (DOJ) in U.S. District Court for the Western District of Virginia to avoid criminal prosecution. The settlement detailed that Sun Trust will pay \$10 million restitution to the GSEs. In addition, SunTrust will pay \$179 million in restitution to compensate affected borrowers and another \$95 million will be put into a general reserve in the event it is required at some future date. Sun Trust also agreed to provide \$20 million to the Housing Grant Fund and forfeit \$16 million to the United States Treasury. Furthermore, Sun Trust agreed to a corporate remediation plan.

Systemic Implications

Through this investigation, FHFA-OIG determined that in numerous instances the Sun Trust held HAMP trial payments in suspense accounts despite funds accumulating in excess of one full monthly contractual principle, interest, tax and insurance payment. Thus, Sun Trust held the funds without posting them to the borrowers' mortgage loan until they determined whether the borrower was eligible for a permanent HAMP modification.

Report of Investigation *continued*

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Interviews of servicer employees indicated the average HAMP trial period could last between 6 months and 2 years. In many instances, if a borrower was determined to be ineligible for a permanent HAMP modification, the servicer sent a refund check of funds held in suspense to the borrower, less the servicer's outstanding fees. The funds held in suspense represent funds that should have been remitted to Fannie Mae.

Coordination with Fannie Mae representatives throughout this investigation/

(b)(4)

(b)(4),(b)(5)

(b)(5)

Report of Investigation *continued*

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(b)(5)



REPORT OF INVESTIGATION



Title (Name and address): <div style="border: 1px solid black; padding: 10px; text-align: center;">(b)(7)(C)</div>	Type of Investigation: <input checked="" type="checkbox"/> Criminal <input type="checkbox"/> Civil <input type="checkbox"/> Administrative	Type of Report: <input checked="" type="checkbox"/> Final <input type="checkbox"/> Interim <input type="checkbox"/> Supplemental
Period of Investigation: November 2011 to December 2012		

BASIS FOR INVESTIGATION

The Federal Housing Finance Agency – OIG authority to investigate is set forth in the Housing and Economic Recovery Act of 2008 (“HERA”), 12 U.S.C. § 4517(d), and the Inspector General Act of 1978, as amended, 5 U.S.C. App. 3.

ALLEGATIONS & FOCUS OF INVESTIGATION

The Daytona FBI advised various individuals associated with (b)(7)(C) entered into various schemes to market, sell and finance real estate in several Florida residential communities. The investigation was initiated by FBI Daytona Beach Office in the Middle District of Florida.

(b)(7)(E)

(b)(7)(C)

DETAILS OF INVESTIGATION

In March 2012, this case was transferred to Special Agent (SA) (b)(7)(C). A review of the referred documentation was completed by the reporting agent.

SA (b)(7)(C) met with SA (b)(7)(C) Daytona Beach FBI Office to discuss the investigation. (b)(7)(C) advised (b)(7)(C), (b)(7)(E)

According to (b)(7)(C), (b)(7)(E)

Distribution	No.	Case Number:	Signature of Person Making Report:
Inspector General		I-12-0073	(b)(7)(C)
Assistant U.S. Attorney		Signature of Person Examining Report:	
Other (Specify):		(b)(7)(C)	
		Title: SAC	Office(City): SE Region
		Division Office: Tampa, Florida	Date of Report: 1/14/2012

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REPORT OF INVESTIGATION

(b)(7)(C),(b)(7)(E)

Special Agent (b)(7)(C) stated based on the

(b)(7)(C),(b)(7)(E)

A review of Documentation received from Fannie Mae revealed the majority of loan transactions reviewed occurred in 2005, 2006 and 2007. The transactions are already outside the 5 year statute of limitations and investigative efforts to conduct a full investigation into this matter would be lengthy with no guarantee of successful results. The schemes appear to be similar with inflated appraisals, higher marketing fees and possibly other undisclosed incentives.

Due to ongoing priority investigations and the lack of investigative resources, it is recommended this file be closed.

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(b)(7)(C),(b)(7)(E)

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REPORT OF INVESTIGATION



Title (Name and address): <div style="border: 1px solid black; padding: 5px; text-align: center;">(b)(7)(C)</div> T-13-0303	Type of Investigation: <input checked="" type="checkbox"/> Criminal <input type="checkbox"/> Civil <input type="checkbox"/> Administrative	Type of Report: <input checked="" type="checkbox"/> Final <input type="checkbox"/> Interim <input type="checkbox"/> Supplemental
Period of Investigation: September 2012 to November 2013		

BASIS FOR INVESTIGATION

The Federal Housing Finance Agency-Office of Inspector General (FHFA-OIG) authority to investigate is set forth in the Housing and Economic Recovery Act of 2008 ("HERA"), 12 U.S.C. § 4517(d), and the Inspector General Act of 1978, as amended, 5 U.S.C. App. 3.

ALLEGATIONS & FOCUS OF INVESTIGATION

This complaint was initiated pursuant to a referral from the Department of Housing and Urban Development, Office of Inspector General (HUD OIG), relaying information about (b)(7)(C) (b)(7)(C). According to the referral, (b)(7)(C) had submitted false and fictitious Quit Claim Deeds to the Shelby County (TN) Clerk of Court, thereby falsely claiming ownership of certain bank and government real estate owned (REO) properties, including a property belonging to the Federal National Mortgage Association (Fannie Mae). The matter was opened with the Shelby County District Attorney General's Office, and investigated jointly with the Shelby County Sheriff's Office.

The subsequent investigation confirmed that Between January 10, 2011, and April 29, 2013, (b)(7)(C) (b)(7)(C) submitted a false and fictitious Quit Claim Deed to the

Distribution Inspector General	No.	Case Number: I-13-0303	Signature of Person Making Report:
Assistant U.S. Attorney		Signature of Person Examining Report: <div style="border: 1px solid black; padding: 10px; text-align: center;">(b)(7)(C)</div>	
Other (Specify):		Title: Special Agent in Charge Division Office: Southeast	Office(City): Tampa Date of Report: 10/08/2014

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Shelby County (TN) Clerk of Court, thereby falsely claiming ownership of a Fannie Mae Real Estate Owned (REO) property. (b)(7)(C) thereafter occupied the Fannie Mae REO property, located at (b)(7)(C) Memphis, TN, without permission or legal authority to do so.

PROSECUTIVE DISPOSITION

On August 26, 2014, in the Criminal Court of Shelby County, Tennessee, (b)(7)(C) pleaded guilty to a criminal Information charging *Theft of Property*. On October 3, 2014, (b)(7)(C) was sentenced to 8 years in prison.

DETAILS OF INVESTIGATION

On April 25, 2013, FHFA OIG initiated a criminal investigation into alleged adverse possession/theft of property by (b)(7)(C). (b)(7)(C) The investigation was initiated pursuant to a referral made by HUD OIG, which had previously investigated (b)(7)(C) related to similar alleged offenses involving HUD owned properties. SA (b)(7)(C) spoke to Byron Winsett, Chief Prosecutor, Public Corruption and Economic Crimes Section, Shelby County District Attorney General's Office. (b)(7)(C) advised that (b)(7)(C) had recently been convicted of falsely claiming ownership of certain properties and, upon his release from custody, continued to occupy a house which he falsely claimed ownership. The property, located at (b)(7)(C) was in fact owned by Fannie Mae.

SA (b)(7)(C) subsequently contacted Fannie Mae representatives to determine the status of the property. Fannie Mae advised that on or about April 28, 2008, a deed of trust was recorded with the Shelby County Register of Deeds Office, referencing an individual named (b)(7)(C) purchase of (b)(7)(C). Fannie Mae advised that they had interest in the mortgage loan associated with (b)(7)(C) purchase. (b)(7)(C) later defaulted on the mortgage loan, and the property was ultimately foreclosed upon and became Fannie Mae REO property via a deed recorded on April 30, 2010. Once the property became Fannie Mae REO, management was assigned to Fannie Mae REO management company EXECUTIVE ASSET MANAGEMENT (EAM), which subsequently hired real estate agent (b)(7)(C) to manage the property.

On May 1, 2013, SA Mosakowski telephonically interviewed licensed real estate agent (b)(7)(C) (Attachment 1) (b)(7)(C) was the original listing agent of (b)(7)(C) Memphis, TN. (b)(7)(C) advised that the original listing assignment was May 4, 2010, at which time the property was considered occupied. (b)(7)(C) believed that some women had previously

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lived in the property because he recalled there were many pairs of women's shoes present in the house. (b)(7)(C) recalled that prior to listing the property, Fannie Mae paid for certain repairs, which he believed included new carpets and interior paint. (b)(7)(C) provided the contact information of TITAN PROPERTIES, which at the time was a Fannie Mae vendor that did some of the repairs. After the repair work was done (b)(7)(C) listed the property, which by now had become vacant. He recalled showing the property only once. He recalled that it was to a couple, which he described as "working class." (b)(7)(C) recalled that the man claimed to work as an electrician. After showing the property, (b)(7)(C) tried to follow up with the couple but they never returned his calls. The property was transferred from his inventory to (b)(7)(C) shortly thereafter and (b)(7)(C) went to the house to retrieve his for sale sign and his key box. When he arrived, his key box was missing but the Fannie Mae master key still worked so he entered the house. While inside, it appeared that someone had moved into the property (b)(7)(C) subsequently notified (b)(7)(C) that the property had become occupied. (b)(7)(C) stated that at the time he listed the property it was vacant.

On May 1, 2013, SA (b)(7)(C) interviewed licensed real estate agent (b)(7)(C) (b)(7)(C) (Attachment 2). (b)(7)(C) stated that Fannie Mae contracts nine different companies in the Memphis, TN area to list and sell Fannie Mae real estate owned properties (REO) on their behalf. (b)(7)(C) has sold Fannie Mae properties in such a capacity for several years. She was originally assigned the property located at (b)(7)(C) on February 1, 2011. (b)(7)(C) was notified of the new property assignment through an automated email that was sent on behalf of (now former) Fannie Mae contractor EXECUTIVE ASSET MANAGEMENT (EAM). (b)(7)(C) stated that at the time, EAM (b)(4) which contained information on the properties which she was assigned. (b)(7)(C) stated that the property had been previously listed by Memphis real estate agent (b)(7)(C) explained that Fannie Mae typically rotated the property assignments when a designated number of days had passed. (b)(7)(C) utilized her access to the Multiple Listing Service online database (MLS) and stated that it reflected an original listing date by (b)(7)(C) of November 10, 2010. (b)(7)(C) stated that the property must have been vacant at the time because Fannie Mae did not list occupied properties. Additionally, (b)(7)(C) noted that the original listing included interior photos of the property which indicated it was vacant.

(b)(7)(C) related that the first step upon assignment of any bank or government owned property is for her to go to the residence and determine occupancy status. On Fannie Mae properties, within the first 48 hours of

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assignment, the agent is responsible for posting a "Know Your Options" notice, which provides her contact information along with the phone number to Fannie Mae's Resource Center. (b)(7)(C) stated that she often posts the "Know Your Options" notice on multiple occasions, and was positive that August 10, 2011 was not the first time she posted one. She stated that in certain circumstances, Fannie Mae allowed for existing tenants to enter into a new lease with Fannie Mae. Additional purchase options were available as well. In the event that an existing tenant enters into a lease agreement with Fannie Mae, the property is transferred out of the listing agent's inventory and is assigned to a property management company. In the past, (b)(4) would have sent an automated email if such a transfer occurred.

(b)(7)(C) recalled that on the (b)(7)(C) she sent a field inspector to the property to enter the property and take photos. She recalled that there was no lock box on the door but the master Fannie Mae key worked. While there, the inspector took several photos of both the exterior and interior of the house, which (b)(7)(C) maintained on her computer and showed to SA (b)(7)(C) subsequently contacted EAM and told them that the property was occupied and sent them the photos reflecting such. (b)(7)(C) later learned from county records available online that (b)(7)(C) had filed a Quitclaim Deed on the property in an apparent attempt to transfer ownership of the property to himself.

On May 1, 2013, SA (b)(7)(C) telephonically interviewed (b)(7)(C) of TITAN PROPERTIES, a contractor of Fannie Mae (Attachment 3). (b)(7)(C) reviewed notes related to the Fannie Mae property located at (b)(7)(C) Lane in Memphis. She stated that her company performed an eviction and "lockout" (which included a rekeying of the property) on July 15, 2010.

(b)(7)(C) further stated that on September 24, 2010, TITAN PROPERTIES repaired the property. The company had originally identified approximately \$16,000 in repair work, but Fannie Mae only authorized \$6,000.

On May 23, 2013, SA (b)(7)(C) interviewed (b)(7)(C) REO/Foreclosure Manager, Fannie Mae. (b)(7)(C) stated that she had prepared a timeline of events related to the subject property address (b)(7)(C) Memphis, TN). (b)(7)(C) stated that the events were based upon information entered into FNMA'S REO database. The entries were made by various FNMA personnel and/or contract representatives (Attachment 4).

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On June 14, 2013, SA (b)(7)(C) interviewed (b)(7)(C) (Attachment 5). (b)(7)(C) Memphis, TN (b)(7)(C)

(b)(7)(C) (b)(7)(C) After that time, (b)(7)(C) continued to live in the house (b)(7)(C) and occasionally (b)(7)(C)

(b)(7)(C) owned the property while (b)(7)(C) did not make any mortgage payments. On an unknown date shortly before (b)(7)(C)

moved out of the house, a realtor named (b)(7)(C) came to the door and told her that the house was in foreclosure. (b)(7)(C) told (b)(7)(C) that she intended to move out shortly but did not provide a specific date. By that point, (b)(7)(C) had already discussed moving with (b)(7)(C)

(b)(7)(C) came a short time after and assisted the family in moving to (b)(7)(C)

(b)(7)(C) had never heard of (b)(7)(C) She denied ever giving permission for anyone to live at (b)(7)(C) after she left.

On June 14, 2013, SA (b)(7)(C) interviewed (b)(7)(C) (Attachment 6) who stated that (b)(7)(C) lived at (b)(7)(C)

(b)(7)(C) Memphis, TN (b)(7)(C) until approximately July 2010, at which time (b)(7)(C)

(b)(7)(C) stated that the family initially thought that (b)(7)(C) for a short period of time, but when it became clear that she was not going to be released within a short time, (b)(7)(C) decided to move the (b)(7)(C) out of the house in Memphis. (b)(7)(C) stated that she paid for a POD to move the items within the house, including a refrigerator, furniture, etc. (b)(7)(C) left several items behind including large amounts of women's shoes. When (b)(7)(C) left the property, she locked the doors and made sure the house was secure. She advised the POD record indicated the move took place on or about July 2, 2010 (Attachment 7).

Records obtained during the investigation indicate that (b)(7)(C) filed a quit claim deed with the Shelby County Register of Deeds Office, dated January 12, 2011 (Attachment 8). This date is after the house was determined to be vacant by EAM and (b)(7)(C) and after Fannie Mae paid for various repair work to be performed by TITAN PROPERTIES and BRYAN'S CARPET (Attachment 9).

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REPORT OF INVESTIGATION

On August 26, 2014, in the Criminal Court of Shelby County, Tennessee, (b)(7)(C) pleaded guilty to a criminal Information charging *Theft of Property* (**Attachment 10**). On October 3, 2014 (b)(7)(C) was sentenced to 8 years in prison (**Attachment 11**).

ATTACHMENTS

- 1) Memorandum of Activity (MOA), re: 5/1/13 interview of (b)(7)(C) .
- 2) MOA, re: 5/1/13 interview of (b)(7)(C)
- 3) MOA, re: 5/1/13 interview of (b)(7)(C)
- 4) FNMA Timeline of activity re: (b)(7)(C)
- 5) MOA, re: 6/14/13 interview of (b)(7)(C)
- 6) MOA, re: 6/14/13 interview of (b)(7)(C)
- 7) POD records re: rental unit of (b)(7)(C)
- 8) Quit Claim Deed, re: (b)(7)(C)
- 9) Invoice of work, BRYAN'S CARPET CO.
- 10) Criminal Information, Waiver of Indictment, & Order on Guilty Plea, dated 8/26/14
- 11) Judgment, dated 10/3/14

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Title (Name and address): <div style="border: 1px solid black; padding: 5px; text-align: center;">(b)(7)(C)</div>	Type of Investigation: <input checked="" type="checkbox"/> Criminal <input type="checkbox"/> Civil <input type="checkbox"/> Administrative	Type of Report: <input checked="" type="checkbox"/> Final <input type="checkbox"/> Interim <input type="checkbox"/> Supplemental
Period of Investigation: August 13, 2010 to January 18, 2012		

BASIS FOR INVESTIGATION

On August 13, 2010, the Federal Housing Finance Agency, Office of Inspector General (OIG), received a request from Roger F. Wicker, United States Senator, Mississippi, to investigate why Fannie Mae did not have an effective means to enforce the owner-occupant provision of homes purchased under the First Look Program. (b)(7)(C) a constituent of Senator Wicker, had reported that (b)(7)(C) fraudulently purchased property located at (b)(7)(C) from Fannie Mae on or about October 30, 2009.

According to (b)(7)(C) the property was to be offered to owner-occupants, public entities or their designated partners during the first 15 days a property is offered for sale. It was alleged that (b)(7)(C) (b)(7)(C) circumvented the First Look Program by directing (b)(7)(C) (b)(7)(C)

ALLEGATIONS & FOCUS OF INVESTIGATION

It was alleged that (b)(7)(C) as investors, and (b)(7)(C) (b)(7)(C) circumvented Fannie Mae's First Look Program initiative by using a (b)(7)(C) Under the First Look Program, properties sold by Fannie Mae are offered to potential owner occupants and public entities during the first 15 days it is on the market. Offers are closed to investors until the first 15 days have passed. On October 28, 2009, (b)(7)(C) for the amount of (b)(7)(C) On January 6, 2010, (b)(7)(C) After purchasing the property (b)(7)(C) made improvements and rented it to a tenant

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Inspector General		I-11-0014	(b)(7)(C)
Assistant U.S. Attorney		Signature of Person Examining Report:	
		(b)(7)(C)	
Other (Specify):		Title: Deputy Inspector General for Investigations	Office(City): Washington DC
		Division Office: Investigations	Date of Report: June 5, 2012

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REPORT OF INVESTIGATION

On April 23, 2010, (b)(7)(C) for Fannie Mae, responded to Senator Wicker's inquiry and advised that the property was sold to (b)(7)(C) who represented herself to be an owner-occupant (b)(7)(C) reply also noted that Fannie Mae (b)(4)

(b)(4)

The investigation focused on the potential fraud perpetrated by (b)(7)(C) to circumvent the First Look Program guidelines as well as Fannie Mae's ability to take action when violations of the program are identified.

DETAILS OF INVESTIGATION

(b)(7)(C) was interviewed and stated that he had been monitoring the (b)(7)(C) (b)(7)(C) On August 17, 2009, a realtor sign was posted on the property and (b)(7)(C) Prudential 1st Real Estate Agent, to purchase the property as investment property. (b)(7)(C) stated they made an offer that same day. (b)(7)(C) recalled that (b)(7)(C) contacted the (b)(7)(C) (b)(7)(C) At that time (b)(7)(C) advised (b)(7)(C) that she already had an offer on the property. (b)(7)(C) pointed out that Fannie Mae takes multiple offers and usually sells to the highest bidder. (b)(7)(C) submitted a contract on behalf of (b)(7)(C) A week or so later, (b)(7)(C) heard from (b)(7)(C) that Fannie Mae had accepted someone else's contract on the property. (b)(7)(C) said on (b)(7)(C) (b)(7)(C) (b)(7)(C) told him that (b)(7)(C) had purchased the property to fix up for rent or sale.

(b)(7)(C) the resident at the subject property was interviewed and advised that she signed a rental agreement in (b)(7)(C)

(b)(7)(C) was interviewed and stated that (b)(7)(C) (b)(7)(C) She claimed that while the term owner/occupant was used in her presence, no one ever explained to her that she had to live in the home to qualify as a buyer. She said she never contacted the realtor (b)(7)(C) was never shown the property by (b)(7)(C) and did not know where it was located. (b)(7)(C) said (b)(7)(C) called her on two occasions to sign addendums and delay the closing on the subject property.

(b)(7)(C) was interviewed and explained that he saw a "For Sale" sign in the yard of the subject property and called the realtor's office, however, he was told they were not taking bids. (b)(7)(C) called (b)(7)(C) and asked (b)(7)(C) to speak with (b)(7)(C) said (b)(7)(C) told (b)(7)(C) how to go about purchasing the residence. He remembered that (b)(7)(C) first question when (b)(7)(C)

(b)(7)(C)

Case Title: (b)(7)(C) Case Number: I-11-0014

REPORT OF INVESTIGATION

(b)(7)(C) was interviewed and stated that he received a call from (b)(7)(C) about property for sale.
(b)(7)(C)

(b)(7)(C) said (b)(7)(C) told him how to purchase the property. (b)(7)(C) told him that he needed to get someone else to buy it in their name as owner/occupant, sign a promissory note for owner financing, and then take the house over prior to foreclosure from the purchaser. (b)(7)(C) also said that it needed to be done quickly. (b)(7)(C) then went back into his business and (b)(7)(C)
(b)(7)(C)

(b)(7)(C) provided a letter addressed to (b)(7)(C) Fannie Mae. (b)(7)(C) demanding information regarding the questionable sale of the subject property. He also stated (b)(7)(C) response by letter to (b)(7)(C)
(b)(7)(C)
(b)(7)(C)
(b)(7)(C) (b)(7)(C)

(b)(7)(C) He never mentioned the letter to (b)(7)(C) nor did he tell her that he had responded to Fannie Mae. (b)(7)(C) that all of the information he provided Fannie Mae in the letter was false.

(b)(3):(A),(b)(3):Fed. R. Crim. P. 6(e), enacted by Act of July 30, 1977, Pub. L. No. 95-78, 91 Stat. 319

On April 18, 2011, Fannie Mae produced the letter from (b)(7)(C) Fannie Mae dated (b)(7)(C) (b)(7)(C) stated in the letter that (b)(7)(C)

Fannie Mae also produced contract related documents for the purchase of (b)(7)(C) by (b)(7)(C) Included was a copy of an Official Check, dated August 19, 2009 in the sum of (b)(7)(C) and a letter from (b)(7)(C)
(b)(7)(C) A Real Estate Purchase Addendum wired to Fannie Mae noted with a check mark that (b)(7)(C) would occupy the property.

Case Title: (b)(7)(C) Case Number: I-11-0014

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REPORT OF INVESTIGATION

PROSECUTIVE DISPOSITION

(b)(3):(A),(b)(3):18 U.S.C. § 3153

SYSTEMIC IMPLICATIONS

Fannie Mae – Corrective Action

On April 14, 2011, (b)(7)(C) Fannie Mae was interviewed and explained that Fannie Mae had received a letter from Senator Wicker of Mississippi that involved a complainant alleging that an investor circumvented the First Look Program guidelines by having an employee purchase a property as an owner occupant and then deeding it back to the investor after the sale. (b)(7)(C) was not involved with the matter at the time the letter was received, but (b)(7)(C) (b)(7)(C) provided a written response to Senator Wicker, dated April 25, 2010, stating that Fannie Mae had no post-closing remedy. (b)(7)(C) explained that in May 2010, after the response was forwarded to Senator Wicker, (b)(7)(C) (b)(7)(C) First Look Program. (b)(7)(C) (b)(7)(C) the purchaser of a property under the First Look Program was required to sign an Owner Occupant Agreement, but there was no mention in the agreement of a damage payment if the purchaser violated the terms. (b)(7)(C) including language in the Owner Occupant Agreements that the purchaser would be required to pay \$5,000, which they later increased to \$10,000, if the purchaser violated the terms of the agreement. (b)(7)(C) also began sending out demand for information letters to buyers who allegedly violated the program guidelines. If Fannie Mae receives an allegation involving a violation of the First Look Program, (b)(7)(C) will review the case and send a demand letter to the purchaser advising them to explain the circumstances of the alleged violation. (b)(7)(C) noted at that time (b)(7)(C) approximately ten violations of the First Look Program.



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FEDERAL HOUSING FINANCE AGENCY
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title (Name and Address): (b)(7)(A)

Type of Investigation (type one or more: Criminal, Civil, Administrative): Criminal

Type of Report (type one: Final, Interim, Supplemental): Final

Time Period That Fraud Occurred: April 2008 – December 2012

Basis for Investigation

(b)(7)(A),(b)(7)(C)

Allegations and Focus of Investigation (Note: CIGIE requires a specific statutory citation)

The FHFA-OIG focus in this investigation was (b)(7)(A),(b)(7)(C)

Details of Investigation

(b)(5),(b)(7)(A),(b)(7)(C)

Distribution: No.
Inspector General
Ass't U.S. Attorney
Other (specify below)

Case No. I-13-0290
Signature of Person Making Report _____
Signature of Person Examining Report (b)(7)(C)
Title Special Agent in Charge Office (city) Detroit, MI
Div. Office Detroit Field Office Date of Report November 3, 2014

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Report of Investigation *continued*

Case Title: (b)(7)(A)
Case Reference No.: I-13-0290

(b)(7)(A)

(b)(7)(A)

The FLHB of Indianapolis did

(b)(7)(A)

Furthermore this investigation involves

(b)(7)(A),(b)(7)(E)

Prosecutive Disposition

This investigation has been (b)(7)(A),(b)(7)(E) U.S. Attorney's Office,
Eastern District of Michigan (b)(7)(A),(b)(7)(E) Based on the focus of this investigation and
the exposure to the FLHB of Indianapolis of less than \$500,000 with no identifiable loss this
investigation warrants no further FHFA-OIG investigative activity at this time. The U.S. Attorney's
Office (b)(7)(A),(b)(7)(E)

Systemic Implications

There were no systemic implications identified during the course of this investigation.



FEDERAL HOUSING FINANCE AGENCY
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title (*Name and Address*): Coastal States Mortgage, 600 Corporate Drive, Ft. Lauderdale, FL

Type of Investigation (*type one or more: Criminal, Civil, Administrative*): Criminal

Type of Report (*type one: Final, Interim, Supplemental*): Final

Period of Investigation: 2007 – February 2012

Basis for Investigation

In February 2012, both Freddie Mac and Fannie Mae conducted onsite inspections at Coastal States Mortgage's (CSM) office located at 600 Corporate Drive, Ft. Lauderdale, Florida. The onsite inspections were conducted after Freddie Mac discovered that multiple loans in their portfolio for the same property were being serviced by CSM. The GSE's were allowed to share portfolio data and determined that CSM was servicing multiple loans on the same property in each of the GSE's portfolio. Freddie Mac referred the case to FHFA-OIG and a grand jury case was immediately opened by the USAO in Ft. Lauderdale, Florida.

Allegations and Focus of Investigation

Based on GSE's review, they determined that CSM was withholding the proceeds of loan payoff's and were falsifying the servicing reports submitted to the GSE's on a monthly basis indicating these particular loans as current performing loans. Based on the servicing contracts with the GSE's, CSM was required to turn over proceeds from loan payoffs within 48 hours.

The focus of the FHFA-OIG investigation was as follows:

(b)(7)(E)

Distribution: No.
Inspector General
Ass't U.S. Attorney
Other (*specify below*)

Case No. I-12-0115

Signature of Person Making Report

Signature of Person Examining Report

Title

Div. Office

Office (*city*)

Date of Report

(b)(7)(C)

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Report of Investigation *continued*

Case Title: Coastal States Mortgage
Case Reference No.: I-12-0115

Prosecutive Disposition

In June 2013, FHFA-OIG recommended the prosecution of (b)(7)(C) (b)(7)(C) to the USAO in Ft. Lauderdale, Florida for violations of Title 18 U.S.C. § 1343 and Title 18 U.S.C. § 1349. Prior to this recommendation, (b)(7)(C) (b)(7)(C)

Early on in the investigation, both (b)(7)(C) (b)(7)(C) obtained defense counsel (b)(5) (b)(5) USAO. On July 11, 2013, the USAO filed an Information charging (b)(7)(C) with a violation of Title 18 U.S.C. § 371.

On August 5, 2013 (b)(7)(C) plead guilty to the Information. (b)(7)(C) was sentenced on October 15, 2013 to 60 months in prison.

Although evidence was obtained to support the participation of (b)(7)(C) in the twilight of the conspiracy with (b)(7)(C) when attempts were made to cover up the scheme from Freddie Mac, the USAO declined to prosecute (b)(7)(C)

Based on all evidence reviewed and information obtained from (b)(7)(C) no other CSM employee was found to be actively involved in the conspiracy.

Systemic Implications

The GSE's suffered significant losses as a result of their inability to share information as to their portfolio inventory. CSM, a mortgage loan servicer being utilized by both GSE's was able to continue a fraud scheme for over 5 years, withstand independent audits and utilized over 274 million of the GSE's money for their own financial gain. (b)(5)

Details of Investigation

The United States Attorney's Office and FHFA-OIG began a criminal investigation in February 2012 regarding the alleged fraudulent practices being conducted by CSM. Grand jury subpoenas

(b)(3):(A),(b)(3):Fed. R. Crim. P. 6(e), enacted by Act of July 30, 1977, Pub. L. No. 95-78, 91 Stat. 319

Report of Investigation *continued*

Case Title: Coastal States Mortgage

Case Reference No.:I-12-0115

(b)(3):(A),(b)(3):Fed. R. Crim. P. 6(e), enacted by Act of July 30, 1977,
Pub. L. No. 95-78, 91 Stat. 319



FEDERAL HOUSING FINANCE AGENCY
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title: (b)(7)(C) Et. Al.
St. Louis, MO
Type of Investigation: Criminal
Type of Report: Final
Period of Investigation: August, 2012 to February, 2013

Basis for Investigation

This investigation was opened on August 15, 2012 as a joint investigation with the Federal Bureau of Investigation (FBI), the United States Postal Inspection Service (USPIS), Special Inspector General for Trouble Asset Relief Program (SIGTARP), and the United States Secret Service (USSS).

The joint investigation was into subjects (b)(7)(C) for defrauding multiple Federal Home Loan Bank Members (FHLB – Members) and hard money lenders in order to continue their real estate business.

Loss was estimated at approximately \$10 million with 455 know properties involving twenty (20) FHLB – Members.

Allegations and Focus of Investigation

Bank Fraud/Wire Fraud/False Statements

Details of Investigation

The subject's model was to purchase and rehabilitate properties using short-term loans from hard money investors. They would repay the short term loans by receiving conventional financing from local financial institutions. The subject's would pay off those local institutions by renting the properties and within fifteen (15) years own the properties.

(b)(3):(A),(b)(3):Fed. R. Crim. P. 6(e), enacted by Act of July 30, 1977,
Pub. L. No. 95-78, 91 Stat. 319

<i>Distribution:</i> Inspector General Ass't U.S. Attorney Other (<i>specify below</i>)	<i>No.</i> 	Case No. I-12-0178 Signature of Person Making Report (b)(7)(C) Signature of Person Examining Report _____ Title Special Agent Div. Office Northeast Region	Office (<i>city</i>) St. Louis, MO Date of Report May 21, 2014
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Report of Investigation continued

Case Title: (b)(7)(C) Et. Al.

Case Reference No.: I-12-0178

(b)(3)(A), (b)(3): Fed. R. Crim. P. 6
(e), enacted by Act of July 30, 197

Prosecutive Disposition

This case was originally opened prior to learning being a FHLB – Member is not a nexus. Upon learning this, document demands were sent to both GSE's. FHFA-OIG's inquiry disclosed no loss to the GSE's. This is because Freddie Mac (b)(4) and none of the loans were sold to Fannie Mae as they were business loans and kept on the local financial institutions books.

Systemic Implications

None



FEDERAL HOUSING FINANCE AGENCY
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title: (b)(7)(C)
Saint Louis, MO

Type of Investigation: Criminal

Type of Report: Final

Period of Investigation: 2013 - 2014

Basis for Investigation

This investigation was initiated after the U.S. Postal Inspection Service contacted FHFA-OIG and asked if (b)(7)(C) was an employee or authorized representative of Fannie Mae. At the time, (b)(7)(C) was representing that she was selling a Fannie Mae "REO" property and she accepted \$50,000 from an individual as a down payment on the property. The individual did not receive the property as promised.

Allegations and Focus of Investigation

Fannie Mae – False representation and using Fannie Mae’s name in contracts in order to engage in a Ponzi scheme and commit wire fraud.

Details of Investigation

This investigation revealed that (b)(7)(C) (b)(7)(C) (b)(7)(C) and other various business and bank names.

The investigation revealed that (b)(7)(C) was not an employee or authorized representative of Fannie Mae. The investigation also revealed that (b)(7)(C) was committing fraud on a larger scale. (b)(7)(C) represented to real estate investors in Missouri and California that she was authorized to sell packages of foreclosed properties for Fannie Mae and other banking institutions. She informed investors they were required to make an earnest payment in order to submit a bid on the packages of investment properties.

(b)(3):(A),(b)(3):Fed. R. Crim. P. 6(e), enacted by Act of July 30, 1977, Pub. L. No. 95 -78, 91 Stat. 319,(b)(7)(C)

<i>Distribution:</i>	<i>No.</i>	Case No. I-13-0239
Inspector General		Signature of Person Making Report _____
		Signature of Person Examining Report _____ (b)(7)(C)
		Title (b)(7)(C) Office St. Louis, MO
		Div. OI Date of Report August 21, 2014

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Report of Investigation *continued*

Case Title: (b)(7)(C)
Case Reference No.: I-13-0239

Prosecutive Disposition

On March 13, 2013, (b)(7)(C) was indicted by a grand jury sitting in U.S. District Court in the Eastern District of Missouri, alleging six counts of wire fraud and one forfeiture count. On September 26, 2013, (b)(7)(C) pled guilty to all six counts of wire fraud and one forfeiture count.

In the plea agreement, (b)(7)(C) admitted that from 2010 to 2012, she engaged in a scheme to defraud individuals by falsely purporting to have contracts with Fannie Mae and banking institutions to sell packages of REO properties as well as individual foreclosed properties on behalf of the banks and Fannie Mae. (b)(7)(C) required individuals to wire earnest money for individual and bundled Fannie Mae and other foreclosed properties. (b)(7)(C) presented fictitious documents purporting to be Fannie Mae documents as well as other legitimate businesses. (b)(7)(C) obtained large down payments (hundreds of thousands of dollars) from investors/victims who thought they were paying for bundled packages of various foreclosed properties. (b)(7)(C) failed to deliver the properties to the investors and admitted she had no connection with the properties. After realizing they had been defrauded, investors and home buyers requested their money back. (b)(7)(C) made partial payments to previous investors with money she received from newly defrauded investors. Since 2011, (b)(7)(C) received over \$4 million from her real estate Ponzi scheme and caused losses of over \$2.4 million.

On August 19, 2014, (b)(7)(C) was sentenced to 78 months in prison and ordered to pay \$2,499,988 restitution and a fine of \$5000 in U.S. District Court in the Eastern District of Missouri. (b)(7)(C) was ordered to forfeit money and assets purchased as a result of the illegal activity to include two Mercedes Benz vehicles previously seized, and her \$50,000 bond.



FEDERAL HOUSING FINANCE AGENCY
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title (Name and Address): First Look Program, Detroit Lakes, MN
Type of Investigation (type one or more: Criminal, Civil, Administrative): Criminal
Type of Report (type one: Final, Interim, Supplemental): Final
Time Period That Fraud Occurred: May 2012

Basis for Investigation

This investigation was initiated based on a referral received from the Federal Home Loan Mortgage Corporation (FHLMC), Financial Fraud Investigation Unit, which alleged both borrower and buyer misrepresentations, which led to a violation of FHLMC's First Look Initiative ("First Look") and the subsequent sale of an Real Estate Owned (REO) property at a \$136,700 loss.

FHLMC provided a Law Enforcement Referral Report that alleged (b)(7)(C) who purchased the REO property, and (b)(7)(C) the FHLMC borrower misled FHLMC through the REO proceedings. (b)(7)(C) (b)(7)(C) mortgage went into default, and the REO property was later purchased by (b)(7)(C) through FHLMC First Look REO program. The report also alleged that the real estate agent representing FHLMC (b)(7)(C) and did not disclose this Non-Arm's length transaction.

Allegations and Focus of Investigation (Note: CIGIE requires a specific statutory citation)

18 U.S. Code § 1344: Whoever knowingly executes, or attempts to execute, a scheme or artifice—

- (1) To defraud a financial institution; or
- (2) To obtain any of the moneys, funds, credits, assets, securities, or other property owned by, or under the custody or control of, a financial institution, by means of false or fraudulent pretenses, representations, or promises.

<i>Distribution:</i>	<i>No.</i>	Case No. I-13-0305
Inspector General		Signature of Person Making Report _____
Ass't U.S. Attorney		Signature of Person Examining Report _____ (b)(7)(C) _____
Other (specify below)		Title _____ Office (city) Chicago, IL
		Div. Office Midwest _____ Date of Report 10/20/2014

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Report of Investigation *continued*

Case Title: First Look Program, Detroit Lakes, MN

Case Reference No.: I-13-0305

Details of Investigation

Records from Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Bank of America ^{(b)(3)(A),(b)(3)(F) Fed. R. Crim. P. 6(e), enac}, CornerStone Bank, First Security Bank, Lake Region Electric Cooperation, and The Title Company were acquired and reviewed. The documents substantiated the allegation that **(b)(7)(C)** violated the Federal Home Loan Mortgage Corporation's First Look Program, and that materially false statements were made to trick the FHLMC into authorizing the sale of the REO property to **(b)(7)(C)** who was **(b)(7)(C)** **(b)(7)(C)** to the seller. However, the United States Attorney's Office for the District of Minnesota, declined to prosecute this investigation because there was no apparent pattern of continual fraud or misrepresentations. It appeared to be a single incident.

Prosecutive Disposition

Declined by Assistant United States Attorney, Nick Chase, United States Attorney's Office for the District of Minnesota.

Systemic Implications

None



FEDERAL HOUSING FINANCE AGENCY
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title: (b)(7)(C) Et. Al.
Cape Girardeau, MO
Type of Investigation: Criminal
Type of Report: Final
Period of Investigation: August, 2013 to April, 2014

Basis for Investigation

Allegations were made (b)(7)(C) misrepresented income and employment in order to secure a \$417,000 mortgage loan.

Allegations and Focus of Investigation

Freddie Mac – Bank Fraud/Wire Fraud/False Statements

Details of Investigation

1) Time Line

On (b)(7)(C) for \$1.5 Million which consisted of a \$1 Million loan from CIT Small Business Lending Group; \$160,000.00 cash injection from (b)(7)(C) and a \$425,000 seller's carry back note.

(b)(7)(C)
(b)(7)(C) On (b)(7)(C) closed on a property located at (b)(7)(C) Cape Girardeau, MO for \$417,000.

On January 18, 2008, the loan was purchased by Freddie Mac.

(b)(3):(A),(b)(3):31 U.S.C. § 5319 (Bank Secrecy Act),(b)(7)(C)

On October 11, 2011, the property was foreclosed upon.

On February 16, 2012 the Circuit Court of Cape Girardeau entered a Judgment stating the (b)(7)(C) unlawfully detained the premises at (b)(7)(C) Cape Girardeau, MO.

<i>Distribution:</i>	<i>No.</i>	Case No. I-13-0311
Inspector General		Signature of Person Making Report (b)(7)(C)
Ass't U.S. Attorney		Signature of Person Examining Report (b)(7)(C)
Other (specify below)		Title Special Agent in Charge
		Office (city) St. Louis, MO
		Div. Office NE Region
		Date of Report April 15, 2014

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Report of Investigation *continued*

Case Title: (b)(7)(C) Et. Al
Case Reference No.: I-13-0311

On June 29, 2012, a REO Sale closed on the property in which Freddie Mac sustained a \$89,385.08 loss (\$56,249.22 in lost interest and \$33,135.86 on the loan).

2) Review of Documents & Interviews

On his loan application, (b)(7)(C) did not mark self-employed, stated he made \$15,166.67 a month, did not list the \$1 Million dollar loan from CIT Small Business Lending Group or the \$425,000 seller's carry back note from the purchase (b)(7)(C)

(b)(3):(A),(b)(3):Fed. R. Crim. P. 6(e), enacted by Act of July 30, 1977, Pub. L. No. 95-78, 91 Stat. 319,(b)(7)(C)

(b)(7)(C) provided two documents in the mortgage application signed by (b)(7)(C). The first was a Verification of Employment (VOE) in which it is represented (b)(7)(C). The second is a letter explaining the \$9,000 check was a quarterly bonus payment. On January 21, 2014, (b)(7)(C) was interviewed and stated he had never seen or signed the documents provided by (b)(7)(C) in the loan application.

(b)(3):(A),(b)(3):Fed. R. Crim. P. 6(e), enacted by Act of July 30, 1977, Pub. L. No. 95-78, 91 Stat. 319,(b)(7)(C)

I recommend this case be closed as it has been declined by the United States Attorney's office for the Eastern District of Missouri and the statute of limitations has passed for local prosecution.

Prosecutive Disposition

On August 23, 2013 the case was accepted by AUSA White Collar Supervisor Reginald Harris and assigned to AUSA Charles Birmingham. The case was declined on April 10, 2014 by AUSA Birmingham as prosecution would not serve a substantial federal interest.

Systemic Implications

None



FEDERAL HOUSING FINANCE AGENCY
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title: FAIRFAX COUNTY PUBLIC INTEGRITY INVESTIGATION
 Type of Investigation: CRIMINAL
 Type of Report: FINAL
 Period of Investigation: April 16, 2012 through June 18, 2014

Basis for Investigation

FHFA-OIG received a request from the Federal Bureau of Investigation (FBI), Northern Virginia Resident Agency to join a public integrity investigation involving Fairfax County Police Department (FCPD) police officer (b)(7)(C). FBI received an anonymous letter alleging (b)(7)(C) FHA loan (b)(7)(C) (b)(7)(C) (b)(7)(C) (b)(7)(C) resulting in an unnecessary loss to Fannie Mae on April 16, 2012.

Details of Investigation

Loss to the GSEs:

Fannie Mae suffered a loss of \$43,311 as a direct result of the (b)(7)(C)

Analysis of Records:

(b)(3):(A),(b)(3):Fed. R. Crim. P. 6(e), enacted by Act of July 30, 1977, Pub. L. No. 95-78, 91 Stat. 319,(b)(7)(C)

Distribution: No.
 Inspector General
 Ass't U.S. Attorney
 Other (specify below)

Case No. I-14-0358
 Signature of Person Making Report (b)(7)(C)
 Signature of Person Examining Report
 Title Special Agent in Charge Office (city) Washington DC
 Div. Office Office of Investigations Date of Report 08/05/2014

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Report of Investigation *continued*

Case Title: Fairfax County Public Integrity Investigation

Case Reference No.: I-14-0358

(b)(3):(A),(b)(3):Fed. R. Crim. P. 6(e), enacted by Act of July 30, 1977,
Pub. L. No. 95-78, 91 Stat. 319,(b)(7)(C)

(b)(3):(A),(b)(3):Fed. R. Crim. P. 6(e), enacted by Act of July 30, 1977,
Pub. L. No. 95-78, 91 Stat. 319,(b)(7)(C)

Interviews:

FCPD (b)(7)(C) informed the FBI that (b)(7)(C) (b)(7)(C). In addition (b)(7)(C) explained that it was not mandatory that (b)(7)(C) move closer to his duty station.

Seterus, the servicer for the mortgage on (b)(7)(C) conducted a financial review of (b)(7)(C). A representative from Seterus was interviewed and told investigators that (b)(7)(C) had no relationship with him obtaining approval for his short sale. In addition, the agents were informed that (b)(7)(C) was not required to disclose (b)(7)(C) in his application for a short sale because (b)(7)(C). Seterus also stated that (b)(7)(C) should have disclosed his mortgage debt on the (b)(7)(C) (b)(7)(C). If (b)(7)(C) had disclosed that these debts were jointly held, his debt to income ratio may have decreased possibly influencing the approval of his requested short sale.

Representatives from Fannie Mae involved in the approval of (b)(7)(C) short sale were interviewed and told investigators that (b)(7)(C) short sale was not part of the Making Home's Affordable (MHA) program. Rather, it was deemed a, "traditional short sale." Fannie Mae evaluated (b)(7)(C) and concluded that he would not be able to make his mortgage payments for the (b)(7)(C). Fannie Mae did not require (b)(7)(C) to be included in his short sale application.

Fannie Mae relied on a credit report for (b)(7)(C) that did not show (b)(7)(C). (b)(7)(C) Fannie Mae's decision to approve the short sale may have changed if they had known that the mortgage debt on the (b)(7)(C) (b)(7)(C).

Report of Investigation *continued*

Case Title: **Fairfax County Public Integrity Investigation**

Case Reference No.: I-14-0358

(b)(3):(A),(b)(7)(C)

Fannie Mae reviewed the short sale offer against what they believed the (b)(7)(C) (b)(7)(C) was worth and what the market performance at that time for that particular area. Fannie Mae also compared the offer of this purchase to some internal numbers and because realtor's commission and closing costs were reasonable they approved this short sale.

(b)(7)(C) was (b)(7)(C) for both the purchase of the (b)(7)(C) (b)(7)(C). (b)(7)(C) told (b)(7)(C) (b)(7)(C) (b)(7)(C) Based on (b)(7)(C) notes, (b)(7)(C) first asked her assistance in doing a short sale (b)(7)(C) told investigators that (b)(7)(C) (b)(7)(C)

(b)(7)(C) submitted a form to Seterus titled "Third Party Web Authorization Confirmation" on (b)(7)(C) permission to discuss his loan on the (b)(7)(C) with the servicer. (b)(7)(C) denied that (b)(7)(C) had intended to (b)(7)(C) (b)(7)(C)

FHFA-OIG and the FBI attempted to interview (b)(7)(C) He made no statements and requested legal representation.

Prosecutive Disposition

Case was declined on June 18, 2014 by Assistant United States Attorney (AUSA) Matthew Burke, United States Attorney's Office for the Eastern District of Virginia (EDVA).

Systemic Implications

None.

Report of Investigation *continued*

Case Title: **Fairfax County Public Integrity Investigation**

Case Reference No.: **I-14-0358**



FEDERAL HOUSING FINANCE AGENCY
OFFICE OF INSPECTOR GENERAL



(b)(3):(A),(b)(3):31 U.S.C. § 5319
(Bank Secrecy Act),(b)(8)

Report of Investigation (ROI)

Title: FY2014 [redacted] REVIEW: NORTHEAST REGION

Type of Investigation: [redacted] Review

Type of Report: Final

Period of Investigation: March 24, 2014 through September 30, 2014

Basis for Investigation

The Federal Housing Finance Agency – OIG (FHFA-OIG) authority to investigate is set forth in the Housing and Economic Recovery Act of 2008 (“HERA”), 12 U.S.C. 4517(d), and the Inspector General Act of 1978, as amended, 5 U.S.C. App.3.

Allegations and Focus of Investigation

On [redacted]
(b)(3):(A),(b)(3):31 U.S.C. § 5319 (Bank Secrecy Act),(b)(8)

Details of Investigation

[redacted]
(b)(3):(A),(b)(3):31 U.S.C. § 5319 (Bank Secrecy Act),(b)(8)

Beginning in April 2014, the analyst support team provided the Northeast Region with Fraud Reports relating to the Region. The reporting agent and Special Agent in Charge Steven Perez (SAC Perez) reviewed these reports. After this review was completed,

[redacted]
(b)(7)(E)
SAC Perez assigned an agent to complete this further review. Information for this further review was provided to the agent assigned by the reporting agent.

<i>Distribution:</i>	<i>No.</i>	Case No. I-14-0383	[redacted] (b)(7)(C)
Inspector General		Signature of Person Making Report	
Ass't U.S. Attorney		Signature of Person Examining Report	
Other (<i>specify below</i>)		Title Special Agent in Charge	Office (<i>city</i>) Newark, NJ
		Div. Office Northeast Region	Date of Report October 14, 2014

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Report of Investigation continued

(b)(3):(A),(b)(3):31 U.S.C. § 5319 (Bank Sec Case Title: FY2014 [redacted] REVIEW: NE REGION Case Reference No.: I-14-0383

(b)(3):(A),(b)(3):31 U.S.C. § 5319 (Bank Sec By approximately the fifth of each month beginning in June of 2014, the analyst support team provided the reporting agent a listing of [redacted] and/or Fraud Reports for the Northeast Region and a spreadsheet to be completed and forwarded to the analyst support team regarding the disposition of the Northeast Regional review of the (b)(3):(A),(b)(3) and Fraud Reports.

In July of 2014, the Mid-West Region was formulated. A separate proactive case was opened by the reporting agent titled FY2014 (b)(3):(A),(b)(3):31 U.S.C. § 5319 (Bank Secrecy Act) REVIEW: MID-WEST REGION, I-14-0431.

The monthly (b)(3):(A),(b)(3) Fraud Reports received from June through September 2014; were reviewed by the reporting agent and SAC Steven Perez. After this review was completed, [redacted]

[redacted] (b)(3):(A),(b)(3):31 U.S.C. § 5319 (Bank Secrecy Act),(b)(7)(E),(b)(8)

[redacted] SAC Perez assigned an agent to complete this further review. This process was documented in the monthly Northeast spreadsheets submitted to FHFA OIG headquarters through the analyst support team.

[redacted] (b)(7)(E)

[redacted] No separate investigations were opened relating to the Northeast FY2014 [redacted] Fraud Report reviews conducted. (b)(3):(A),(b)(3):31 U.S.C. § 5319 (Bank Sec

Further inquiries by assigned agents regarding Northeast FY2014 (b)(3):(A),(b)(3) Fraud Report reviews were documented in this case file. One review determined that subjects of the (b)(3):(A),(b)(3) Fraud Report were subjects in FHFA OIG investigation I-12-0065. At the closing of this case, two reviews of (b)(3) Fraud reports were still in the process [redacted] (b)(7)(A) The two outstanding reviews will be completed under the new (b)(3):(A),(b)(3) Fraud Report case FY2015 (b)(3):(A),(b)(3):31 U.S.C. § 5319 (Bank Secrecy Act),(b)(3) REVIEW: NORTHEAST REGION case or documented in a separate case management system complaint or investigative case file as determined.

Prosecutive Disposition

This case was opened only to document the review of (b)(3):(A),(b)(3) and Fraud Reports from the GSE's and FHLB's therefore prosecutive disposition was not applicable.

Systemic Implications

There were no systemic implications identified during the course of this case being active.



FEDERAL HOUSING FINANCE AGENCY
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title: Citi RMBS
Type of Investigation: Civil
Type of Report: Final
Period of Investigation: June 19, 2012 – October 24, 2014

Basis for Investigation

The instant investigation was initiated on June 19, 2012, in collaboration with United States Attorney's Office, Eastern District of New York, as part of the Presidentially mandated Residential Mortgage Backed Securities (RMBS) working group, to investigate Citibank's (Citi) practices relative to their creation and sale of RMBS and collateralized debt obligations (CDO).

Allegations and Focus of Investigation

In 2006 and 2007, Citi securitized and sold RMBS, (b) (4)
[Redacted]

In various RMBS offerings, Citi told investors that the loans it securitized were as follows (b) (4)
[Redacted]

The focus of this immediate investigation was on Citi's securitization process and types of loans which comprised Citi securitized pools. Citi purported to engage in arms-length and independent transactions from its Due Diligence vendors. The investigation determined that

<i>Distribution</i>	<i>No</i>	Case No. I-12-0161	(b) (7)(C)
Inspector General		Signature of Person Making Report	(b) (7)(C)
Ass't U.S. Attorney		Signature of Person Examining Report	(b) (7)(C)
Other (specify below)		Title (b) (7)(C)	Office (city) Newark, NJ
		Div. Office New York Region	Date of Report 10/24/2014

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Report of Investigation *continued*

Case Title: CITI MORTGAGE RESIDENTIAL MORTGAGE BACKED SECURITIES
Case Reference No.: I-12-0161

Citi manipulated the due diligence process. For example, former employees of Citi formed one of the due diligence vendors that performed due diligence work for Citi. Citi employees were present on-site during due diligence underwriting reviews of various originators from which Citi had purchased pools of loans. Citi caused due diligence providers to manipulate its due diligence results. When Due Diligence providers provided Citi with its due diligence results reflecting loans were not securitizable (e.g, loans graded EV-3), Citi waived those loans into securitizations without any compensating factors.

Citi also used a due diligence process to assess the reported values of the properties that served as collateral for the mortgage loans. [REDACTED] (b) (4)

[REDACTED] In certain instances, Citi securitized loans that its vendors had reported exceeded Citi's valuation tolerances or where the vendor's valuation determination exceeded the reported or appraised value.

Citi [REDACTED] (b) (4)

[REDACTED] (b) (5)

Regardless, Citi securitized these deals anyway.

As an example, in three CMLTI RMBS deals issued and underwritten by Citi in 2006, Citi's due diligence vendors reported to Citi their findings that loans in the samples had not been originated in compliance with underwriting guidelines and with applicable federal law and regulations. Certain of these loans were missing documentation, such as HUD-1 documents that Citi had told the vendor were necessary. There were also issues on these deals with a high percentage (29%) of the sampled loans had been graded EV3, which was a grade designated for loans that did not meet underwriting guidelines. However, Citi securitized the loans from these pools that had not been rejected at the end of the due diligence process in the three RMBS.

The Government Sponsored Enterprises (GSE's), namely, Federal National Mortgage Association (Fannie Mae), The Federal Home Loan Mortgage Corporation (Freddie Mac), and the 12 Federal Home Loan Banks, were victim investors as they invested millions of dollars in multiple Citi RMBS deals, which ultimately declined significantly in value by 2008.

Details of Investigation

The examination of millions of records, including email communications, etc., showed a significant percentage of Citi loans failed to meet underwriters' guidelines or compliance with lending laws. The analysis of Citi records were primarily conducted by FHFA-OIG contract Attorneys.

Report of Investigation *continued*

Case Title CITI MORTGAGE RESIDENTIAL MORTGAGE BACKED SECURITIES
Case Reference No. I-12-0161

There were numerous interviews conducted by FHFA-OIG Special Agent (b) (7)(C) of Whistleblowers, and witnesses, including but not limited to former and current employees of Citi, in addition to employees of Citi's due diligence vendors. Furthermore, interviews were conducted by the RMBS working group, including State Attorneys General prosecutors, of due diligence vendor employees from (b) (4), and other providers that provided services for Citi.

As part of the investigation, (b) (7)(E)

On June 19, 2012, FHFA-OIG identified Citi RMBS tranches in relation to investments made by the GSE's.

Additionally, through deal-level analysis, the investigative team established evidence against Citi, allegedly showing that Citi was liable when Citi acted as the lead underwriter on 116 RMBS deals worth a total of approximately \$30 billion. In terms of a civil complaint, there was a collective decision to prepare a civil complaint against Citi on a total of around 50 deals worth approximately tens of billions of dollars (See attached Appendix 1 to Statement of Facts).

Numerous conference calls and meetings were conducted to discuss the investigation and investigative strategy. These conference calls and meetings occurred at various times throughout this investigation with FHFA OIG Special Agents (SA) (b) (7)(C), SA (b) (7)(C), and the following investigative representatives: Eastern District of New York USAO, Assistant United States Attorneys (AUSA) (b) (7)(C); Colorado USAO, AUSA's (b) (7)(C); FHFA OIG Senior Policy Advisors/Attorneys David Seide and Robert Hinkley; and FHFA contract Attorneys.

On June 19, 2012, the investigative team identified Citi RMBS tranches for further analysis. Also on June 19, 2012, (b) (7)(E)

On September 26, 2012, (b) (7)(C) was telephonically interviewed. (b) (7)(C) was interviewed regarding the structure of Citi as it related to the process of underwriting and mortgages.

On November 26, 2012, (b) (7)(C) was interviewed regarding Citi's underwriting practices.

On November 28, 2012, (b) (7)(C) was interviewed regarding Citi's Credit Policy during the time of securitizations.

Report of Investigation *continued*

Case Title CITI MORTGAGE RESIDENTIAL MORTGAGE BACKED SECURITIES
Case Reference No. I-12-0161

On July 18, 2013, a subpoena was served on MDMC, a company that provided RMBS related services to Citi, for production of its records.

On July 10, 2013, case agent (b) (7)(C) met with (b) (7)(C) regarding expected witness and investor interviews. AUSAs provided case agent with a list of Citi investors throughout EDNY to be identified and interviewed.

On August 12 and 13, 2013, (b) (7)(C) was interviewed at USAO-EDNY regarding underwriting practices at Citi.

On September 7 and 9, 2013, (b) (7)(C) was interviewed regarding (b) (7)(C) and the structure of Citi's mortgage business flow, and securitization.

On September 11, 2013, (b) (7)(C) was interviewed regarding Citi RMBS investment decisions.

On September 18 and 19, 2013, (b) (7)(C) was telephonically interviewed regarding various Citi RMBS deals.

On September 24, 2013, (b) (7)(C) was telephonically interviewed regarding Quality Assurance (QA) at Citi.

On October 9 and 17, 2013, (b) (7)(C) was telephonically interviewed. On October 30, 2013, a follow up interview was conducted with (b) (7)(C) at the USAO, Civil Division, Washington, DC. (b) (7)(C) was interviewed regarding Citi RMBS investment decisions.

On November 19, 2013, a Civil Demand meeting was held at EDNY along with, among others, Citi's (b) (7)(C), FHFA-OIG Acting Inspector General Michael Stephens, FHFA-OIG Deputy Inspector General for Investigations Peter Emerzian, Assistant Deputy Inspector General for Investigations Rene Febles, (b) (7)(C). AUSA (b) (7)(C) made a powerpoint presentation and highlighted Citi RMBS losses at approximately \$30 billion.

Beginning in December 2013, (b) (7)(C) started reviewing evidence on Citi to probe any violations of criminal statutes.

On April 25, 2014, (b) (5)

On May 2, 2014, (b) (5)

Report of Investigation *continued*

Case Title: CITI MORTGAGE RESIDENTIAL MORTGAGE BACKED SECURITIES
Case Reference No. I-12-0161

On May 28, 2014, Citi [REDACTED] (b) (5)

On June 11, 2014, [REDACTED] (b) (5)

On July 14, 2014, Attorney General Holder, along with Deputy Attorney General Tony and FHFA-OIG Acting Inspector General Michael Stephens, announced at a DOJ press conference, a \$7 billion settlement by Citibank in connection with its creation and sale of RMBS. This settlement is comprised of \$4 billion in cash penalty to DOJ; \$2.5 billion in consumer relief (See attached Annex 2); and \$500 million to state attorneys general, and FDIC (See attached Settlement). Citi also provided a Statement of Facts (See attached Statement of Facts) as part of its settlement. This settlement is in lieu of DOJ filing a civil lawsuit against Citibank.

On August 1, 2014, the reporting agent gave a PowerPoint presentation on Citi RMBS to the Bank Fraud Working Group (BFWG) at FDIC, Arlington, VA. There were a total of approximately 50 attendees from FHFA-OIG, SIGTARP, FDIC, OCC, FBI, and USAO/DOJ.

Prosecutive Disposition

Pursuant to protracted negotiations between counsel for Citi and the United States Department of Justice (USDOJ), respectively, and in lieu of the filing of a civil complaint in US District Court seeking to hold Citi liable for the sale of tens of billions of dollars of faulty RMBS, a settlement was reached on July 14, 2014. The settlement reached entailed Citi to pay \$7 billion, which is comprised of a \$4 billion cash penalty to DOJ; \$2.5 billion in consumer relief; and \$500 million to state attorneys general, and the FDIC. This settlement resolved all allegations related to the instant investigation.

Systemic Implications

None