REPORT TO THE SUBCOMMITTEE
ON ANTITRUST AND MONOPOLY
COMMITTEE ON THE JUDICIARY
UNITED STATES SENATE

74-0500

Processes For Approving And Monitoring Nonsupervised Mortgage

B-11

Department of Housing and Urban Development

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-114860

The Honorable Philip A. Hart, Chairman
Subcommittee on Antitrust and Monopoly
Committee on the Judiciary
United States Senate

Dear Mr. Chairman:

In accordance with your request of March 17, 1972, and subsequent discussions with your office, this is our report on the processes used by the Department of Housing and Urban Development for approving and monitoring the mortgage origination activities of approved nonsupervised mortgagees.

As requested by your office, we did not obtain written comments from the Department of Housing and Urban Development on the matters discussed in this report. However, during our review we discussed these matters with agency officials and incorporated their views in the report where appropriate.

We do not plan to distribute this report further unless you agree or publicly announce its contents. This report contains recommendations to the Secretary of Housing and Urban Development which are set forth on pages 14, 18, 26, 33, 41, 43, and 49. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions he has taken on our recommendations to the House and Senate Committees on Government Operations not later than 60 days after the date of the report, and the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report. Your release of this report will enable us to send the report to the Secretary and the four committees to set in motion the section 236 requirements.

B-114860

We trust that the information furnished will serve the purpose of your request.

Sincerely yours,

Elmer B. Staats

Comptroller General
of the United States

C o n t e n t s

COMPTROLLER GENERAL'S REPORT TO THE SUBCOMMITTEE ON ANTITRUST AND MONOPOLY COMMITTEE ON THE JUDICIARY UNITED STATES SENATE

PROCESSES FOR APPROVING AND MONITORING NONSUPERVISED MORTGAGEES
Department of Housing and Urban Development B-114860

D I G E S T

WHY THE REVIEW WAS MADE

At the request of the Chairman, Senate Subcommittee on Antitrust and Monopoly, Committee on the Judiciary, and subsequent discussions with his office, GAO reviewed how the Department of Housing and Urban Development (HUD) approved nonsupervised mortgagees and monitored their mortgage origination activities. (See app. I.) Nonsupervised mortgages are those not subject by law to periodic examination by a governmental agency other than HUD.

GAO's review was to provide information on the processes followed by HUD in (1) granting approval status to nonsupervised mortgagees and (2) monitoring the mortgage origination and servicing activities of HUD-approved nonsupervised mortgagees.

FINDINGS AND CONCLUSIONS

The National Housing Act of 1934, as amended, authorizes HUD to insure that mortgage loans on houses for one to four families be paid if home buyers default. As of April 30, 1973, HUD had about $79 billion in mortgage insurance on such loans.

Before mortgagees participate in the insured mortgage programs, HUD must approve them as being responsible and able to properly originate, service, and own mortgages. In August 1972, there were about 32,000 approved mortgagees, of which about 6,000 were nonsupervised. GAO's review was limited to nonsupervised mortgagees. They originated about 65 percent of HUD-insured mortgages.

Approving nonsupervised mortgagees

GAO found that HUD:

--Used inconsistent methods at the field offices for determining applicants' acceptability. (See pp. 8 to 14.)

--Generally accepted information co[n]cerning applicants' financial position without adequate verification. (See pp. 8 to 14.)

Because of its liability in case of foreclosures, HUD has an interest i[n] how approved mortgagees service mor[t]gages. HUD's procedures for approving nonsupervised mortgagees should be improved, and HUD field personne[l] should receive training in their us[e]. (See p. 14.)

Monitoring nonsupervised mortgagees

GAO found that:

--HUD's process for reviewing financial statements to assure it of mortgagees' continued eligibility needed strengthening. In September 1972 the Mortgagee Approval Officer at HUD headquarters said that, because of lack of staff, h[e] had a backlog of about 1,600 financial statements to be analyzed. By August 1, 1973, this backlog had increased to about 2,200.

Review of mortgagee financial statements is important in the monitoring process because it should show noncompliance with HUD's eligibility requirements and could pinpoint potential problems for further in-depth examination.

--HUD did not require mortgagees to show they had maintained HUD's capital requirements for approval status throughout the year. (See pp. 15 to 17.)

--HUD procedures for determining reliability of data furnished by mortgagees on prospective home buyers needed strengthening. HUD reimburses the mortgagee if the buyer defaults and the mortgage is foreclosed.

The possibility that HUD will have to reimburse the mortgagee is increased because HUD approves buyers for mortgage insurance without determining the reliability of the buyer's employment and cash asset data.

This possibility is further increased because of field offices' noncompliance with July 1972 instructions requiring offices to verify reliability of credit reports received on the buyer. (See pp. 18 to 26.)

--HUD needs procedures:

1. For determining whether closing costs are reasonable and customary where the loan transaction takes place.

2. To make sure that closing statements are adequately reviewed before endorsing the mortgage for insurance. (See pp. 27, 28, and 32.)

--HUD needs a closing statement showing the seller's costs and the buyer's costs. (See pp. 29 and 30.)

--HUD needs an effective program for evaluating nonsupervised mortgagees' servicing and reporting practices including:

1. Uniform procedures for resolution of inquiries from buyers who believed a mortgagee was acting improperly.

2. More site audits of mortgagees by HUD's Office of Audit.

Because of the transfer of monitoring responsibility for mortgage servicing to field offices without providing manpower and training, HUD has limited its monitoring capabilities. (See pp. 34 to 43.)

Suspending or terminating approval

GAO found that:

--HUD has inconsistently applied its rules and regulations on suspending and terminating mortgagees' approval status. (See pp. 44 to 49.)

RECOMMENDATIONS

GAO recommends that the Secretary of HUD:

--Establish detailed procedures for field offices for analyzing mortgagees' applications and supporting documents for approval and require that field personnel receive proper training in their use. (See 14.)

--Reexamine staffing priorities to provide sufficient permanent personnel to effectively monitor mortgagees through prompt analysis of financial statements.

--Require approved mortgagees to have their independent public accountants include in opinions on clients' annual financial statements a certification that capital funds have been maintained throughout the year in the amount required for approval status. (See p. 18.)

--Establish requirements for field offices to test reliability of employment and cash asset data on buyers submitted by the mortgagee. (See p. 26.)

--Reemphasize to field offices the necessity of complying with the July 1972 instruction on verification of credit reports, when possible. (See p. 26.)

--Establish procedures to make sure that closing costs are reasonable and customary and closing statements are adequately reviewed before endorsing the mortgage for insurance. (See p. 33.)

--Require that closing statements submitted by mortgagees show charges paid by the seller and buyer. (See p. 33.)

--Establish an effective means of gauging nonsupervised mortgagees' servicing activities by revising HUD's reporting system:

1. To require mortgagees to report to each field office in whose area the mortgagees are servicing HUD-insured mortgages.

2. Require the inclusion of additional mortgagee data, such as identification of mortgagees with high default and foreclosure rates and compilation of nationwide statistics. (See p. 41.)

--Provide necessary manpower and training to field offices so that they can adequately fulfill their monitoring responsibilities for mortgage servicing. (See p. 41.)

--Establish uniform procedures for resolution of inquiries from home buyers who believed a mortgagee was acting improperly. The procedures should also provide a means for HUD to compile data on frequency of inquiries concerning particular mortgagees to identify those mortgagees which should be monitored more closely. (See p. 43.)

--Require HUD's Office of Audit to make more site audits of mortgagees. (See p. 43.)

--Reemphasize to HUD headquarters personnel the importance of consistently enforcing HUD's rules and regulations on the suspending or terminating mortgagees' approval status. (See p. 49.)

AGENCY COMMENTS

As requested by the Subcommittee, GAO did not obtain written comments on this report from HUD. GAO discussed the matters in the report with HUD officials and incorporated their views in the report, when appropriate.

CHAPTER 1

INTRODUCTION

In accordance with a request from the Chairman, Subcommittee on Antitrust and Monopoly, Senate Committee on the Judiciary (see app. I), and subsequent agreement with the Subcommittee staff, we reviewed the processes followed by the Department of Housing and Urban Development (HUD) in (1) granting approval status to nonsupervised mortgagees and (2) monitoring the mortgage origination and servicing activities of nonsupervised mortgagees.

The Subcommittee was concerned because many of the programs administered by HUD were having serious foreclosure problems affecting the inner-city areas and because large numbers of foreclosed mortgages were originated by nonsupervised HUD-approved mortgagees.

As agreed, our review was designed to provide information on the processes followed by HUD in approving and monitoring nonsupervised mortgagees. Also, as agreed, the scope of our audit was not intended to develop the significance and magnitude of weaknesses noted.

As requested by the Subcommittee staff, we did not obtain written comments from HUD on the report. However, during our review we discussed these matters with agency officials and incorporated their views in the report where appropriate.

The National Housing Act, as amended (12 U.S.C. 1701), authorizes HUD to insure mortgages on one- to four-family properties.

Under the insured-mortgage program, a home buyer makes a downpayment and obtains a mortgage loan for the balance of the purchase price. A bank, savings and loan association, insurance company, or other HUD-approved lender (mortgagee) makes the loan and HUD insures it. HUD insurance guarantees the mortgagee that, if the purchaser defaults, HUD will honor the mortgagee's claim after the mortgage is foreclosed and the property conveyed to HUD.

HUD generally classifies mortgagees as either supervised or nonsupervised. (See app. II.) Supervised mortgagees are those organizations or institutions which, by law, are subject to periodic examinations by governmental agencies other than HUD. Supervised mortgagees include national banks, Federal savings and loan associations, State-chartered banks, building and loan associations, and insurance companies. Nonsupervised mortgagees are such legal entities as mortgage companies or mortgage bankers which originate and service mortgage loans and are subject only to HUD supervision.

Generally, HUD automatically approves supervised mortgagees on the basis that they are supervised by other governmental agencies, whereas nonsupervised mortgagees must show proof before HUD approval that they are responsible and able to originate, service, and own mortgages.

As of August 1972, HUD had approved about 32,000 mortgagees[1] to originate and service HUD-insured mortgages. Of these about 6,000 were nonsupervised mortgagees of which about 1,400 had been approved after August 1970.

Although there were more supervised than nonsupervised mortgagees, about 65 percent of HUD-insured mortgages were originated by nonsupervised mortgagees. Nonsupervised mortgagees usually originate mortgage loans not for their own permanent investment but, within a few months after the origination, sell the mortgages to a permanent investor, such as a bank or insurance company, or to the Federal National Mortgage Association. Generally, these permanent investors pay the nonsupervised mortgagees to continue servicing the mortgages after their sale.

As of April 30, 1973, HUD had about $79 billion in mortgage insurance in force. HUD does not compile information showing the foreclosure rates experienced by each supervised and nonsupervised mortgagee. The results of our analysis of the mortgages insured from 1968 through 1971 shown below disclosed that the foreclosure rate for nonsupervised mortgagees was greater than that for supervised mortgagees.

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[1]These consist of 11,593 supervised mortgagees' main offices and 14,775 related branches and 1,587 nonsupervised mortgagees' main offices and 4,348 related branches.

Year originated	Number of mortgages originated		Number of mortgages foreclosed as of December 31, 1971		Foreclosure rate	
	Supervised	Non-supervised	Supervised	Non-supervised	Supervised	Non-supervised
					(percent)	
1968	173,954	250,001	5,773	11,582	3.32	4.63
1969	150,796	299,041	3,712	14,825	2.46	4.96
1970	152,459	323,583	2,240	9,731	1.47	3.01
1971	185,010	376,069	218	906	0.12	0.24
	662,219	1,248,694	11,943	37,044		

As of December 31, 1971, HUD's foreclosure losses for the mortgages originated by supervised mortgagees were estimated at about $62 million and for the mortgages originated by nonsupervised mortgagees at about $192 million.

SCOPE OF REVIEW

We made our review at HUD headquarters in Washington, D.C.; and at the HUD field offices in Los Angeles and Santa Ana, California; Wilmington, Delaware; Camden, New Jersey; Philadelphia; Dallas and Lubbock, Texas; and Milwaukee, Wisconsin. The Los Angeles and Milwaukee offices were selected by the Subcommittee staff. We selected the other offices because the Subcommittee requested that our review consider HUD's procedures in varied areas of the Nation to provide information representing wide geographical dispersion.

We interviewed HUD officials at the headquarters and field office levels, evaluated the review and monitoring activities by these offices, and reviewed and used information from pertinent reports issued by the HUD Office of Audit. We also interviewed officials from the mortgage banking industry about certain aspects of mortgage processing and servicing.

CHAPTER 2

APPROVING MORTGAGEES

The degree to which HUD should monitor the activities of mortgagees depends on the quality of individuals and institutions approved to originate HUD-insured mortgages. Therefore, before approving a nonsupervised mortgagee's application, HUD should carefully review and appraise the applicant's asset quality, capital adequacy, and its ability to administer its mortgage operations. Our review showed that the mortgagee approval process followed by HUD field offices was inconsistent with HUD procedures and did not include an adequate verification of the above three factors.

Both the field and the headquarters offices are involved in HUD's mortgagee approval process. Although the field offices are responsible for gathering and evaluating certain information about applicants, headquarters determines whether an applicant for approval status is acceptable.

HUD requires that nonsupervised mortgagees applying for approval:

--Have sound capital funds of a value not less than $100,000 in assets acceptable to HUD.

--Have experience in originating and servicing mortgages.

--Have principals with reputations acceptable to the director of the HUD field office having jurisdiction.

--Show evidence of credit lines with banks or other sources to properly finance their proposed mortgage originations.

--Be chartered institutions or other permanent organizations.

--Have as their principal activities the lending, or investing in mortgages, of funds under their control.

--Agree to submit to HUD an annual detailed audit of their books by a certified public accountant or other accountant satisfactory to HUD, within 75 days after the close of their fiscal year.

- --Agree to segregate and deposit escrow funds in a special account[1] in a banking institution whose accounts are insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC).

- --Agree to use escrow funds only for the purposes for which they were received.

FIELD OFFICE APPROVAL PROCEDURES

Mortgagees are required to initially file applications for HUD approval with the director of the local HUD field office. The director is to review and analyze mortgagees' applications in accordance with the general instructions shown below before submitting them to the Mortgagee Approval Officer in HUD headquarters through the respective regional office. The director is required to

- --hold preapplication conferences with an applicant to apprise him of HUD regulations, the responsibilities of an approved mortgagee, and the manner in which the application and accompanying exhibits should be prepared;

- --acquaint himself with the individuals involved in the application;

- --review an applicant's financial statements to determine the acceptability of assets and otherwise screen the application for completeness;

- --order credit reports on the principals and commercial credit reports on the institutions listed on the application when such reports will be helpful in reaching a conclusion regarding recommendation for approval; and

- --forward the application, a statement that the file has been reviewed, and any appropriate comments or

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[1]HUD regulations provide that mortgagees may deposit escrow funds collected on HUD, Veterans Administration (VA), or conventional mortgages in the same bank account provided they have prior written approval from HUD.

recommendations to the Mortgagee Approval Officer through the respective HUD regional administrator.

At five local field offices we visited, the HUD procedures for determining applicants' acceptability were not consistently followed. In appraising the information in the applications, the offices made no attempt to verify the applicants' asset quality and capital adequacy. HUD headquarters had not issued detailed guidelines for use by field offices in verifying such information.

Following are the practices the various field offices followed in determining and endorsing applicants' acceptability.

Camden

An official of this area office told us that HUD had not issued guidelines for reviewing and analyzing information contained in applications for mortgagee approval. He said that this area office

--held preapplication conferences with applicants, instructed them on their responsibilities as HUD-approved mortgagees, inspected their physical plants, and reviewed their applications for completeness;

--made only a cursory review of the applicants' financial statements because it did not have the required expertise to adequately analyze the statements;

--depended on the Mortgagee Approval Officer to analyze the financial statements in detail and to determine the assets' acceptability.

Dallas

An official of this area office told us that the office reviewed prospective mortgagees' applications only for completeness.

Chicago

An official of this area office told us that the office only screened mortgagee approval applications because HUD headquarters analyzed them. In screening, the office:

1. Reviewed applications to make sure all the necessary exhibits were attached.

2. Made a cursory review to determine whether the stated assets were acceptable.

3. Checked the names of directors, officers, and major stockholders listed on the applications against HUD's consolidated list of all persons and firms that have been debarred, suspended, or declared ineligible to participate in programs where HUD is the insurer.

4. Reviewed letters establishing or confirming credit lines to make sure they were from reputable institutions.

5. Reviewed the resumes to make sure the applicants had adequate experience in the mortgage lending business. However, the office did not verify the data shown in the resumes.

The area office official said the office based its recommendations for approval more on its review of the mortgagees' experience than on any other exhibits, including the financial statements.

After the office reviewed the applications, it forwarded them to the Regional Administrator, together with a recommendation for his comments. An official of the Chicago regional office said the office made a cursory review of the financial statements and the application to see if all exhibits were included. The application, with exhibits, and appropriate comments or recommendations were then forwarded to the Mortgagee Approval Officer.

Wilmington

An official of this insuring office said the review process for mortgagee approval consisted of:

1. Holding preapplication conferences if applicants were new to the area or if they presented themselves at the insuring office. However, if the field office believed on the basis of its knowledge of the applicant that a preapplication conference was unnecessary, a conference might not be held.

2. Reviewing applicants' financial statements. This office had no specific guidelines for determining the acceptability of assets and relied on the Mortgagee Approval Officer to make this determination.

3. Examining applications and required exhibits for completeness. If incomplete, they were returned to the applicant for more information.

4. Inspecting applicants' business facilities to make sure that they were separate and distinct from applicants' other business ventures and that they were large enough to originate and service HUD-insured mortgages.

After the office completed its review, it forwarded the application, exhibits, and recommendations to the Mortgagee Approval Officer through the Regional Administrator.

Philadelphia

An official at this area office told us that, in processing an application for mortgagee approval, he made a cursory examination of the application and exhibits for completeness and then forwarded them to the Mortgagee Approval Officer, together with a recommendation for approval or disapproval.

An official of the Philadelphia regional office told us that, because the local field offices were responsible for reviewing the applications and making recommendations for approval, the regional office reviewed the documents for completeness and then forwarded them to the Mortgagee Approval Officer at HUD headquarters.

HUD HEADQUARTERS' APPROVAL PROCEDURES

The Mortgagee Approval Officer is responsible for determining whether a mortgagee has shown with its application and accompanying documents the ability and financial means to effectively originate, service, and own HUD-insured mortgages. In making his determinations, the Mortgagee Approval Officer:

1. Compares the names of officers and major stockholders of the company to HUD's consolidated list of all

persons that have been debarred, suspended, or declared ineligible to participate in programs where HUD is the insurer.

2. Reviews the application for completeness and, if omissions and erroneous statements are noted, asks the applicant to submit the required information or explanation.

3. Analyzes the financial statements to make sure the applicant has sound capital funds of a value not less than $100,000 in assets acceptable to HUD.

4. Determines whether the applicant has sufficient lines of credit.

5. Reviews both the resume of the applicant's experience in the mortgage business and the backgrounds of the applicant's executive personnel to determine whether they are acceptable to HUD.

6. Reviews the opinion on the applicant expressed by the director of the local HUD field office. The Mortgagee Approval Officer informed us that he relies heavily on this opinion because he assumes that the field office personnel have evaluated and verified the quality of the facilities and the integrity and experience of the applicant's personnel.

Because of the large volume of work, the Mortgagee Approval Officer generally relies on the information in the application; however, if he questions any of this information, he makes a further investigation.

After applying these procedures, the Mortgagee Approval Officer forwards the applications, with his recommendations, to one of four HUD officials[1] for final action.

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[1]As of January 19, 1973, these officials were the Director and Executive Officer, Office of Administration; the Director, Management Staff; and the Director, Single Family and Land Development Division. Before this, only the Director, Single Family and Land Development Division, had this responsibility.

Before November 1971, the Mortgagee Approval Officer had a staff of four professional and four clerical employees. This staff was gradually reduced so that, by March 31, 1973, he had only two clerical employees. The officer said that, with his reduced staff, the quality of his review of a mortgagee's application had not changed but that a mortgagee now must wait longer for approval consideration. The application review is but one of his responsibilities. He also

--monitors mortgagees' activities (analyzes financial statements, processes mortgagee changes, reviews audit reports, and may be asked to render an opinion on mortgagee suspension or termination) and

--communicates with mortgagees on various administrative matters.

CONCLUSIONS

HUD's careful review and appraisal of its three basic requirements for prospective mortgagees--asset quality, capital adequacy, and the ability of the applicants to administer a mortgage operation--are of paramount importance.

Although HUD field offices were not consistently verifying these requirements, the Mortgagee Approval Officer was basing his recommendation for approving or disapproving a prospective mortgagee's application on an assumption that the offices had verified the requirements. The field offices failed because HUD headquarters had not issued detailed procedures specifying how the offices were to verify the information supplied by mortgagees applying for approval status.

RECOMMENDATIONS

We recommend that the Secretary of HUD (1) establish detailed procedures for use by HUD field offices in reviewing and analyzing mortgagees' applications and supporting documents for approval and (2) require that field personnel receive proper training in the use of such procedures.

CHAPTER 3

MONITORING APPROVED NONSUPERVISED MORTGAGEES

Inherent in HUD's right to approve mortgagees before their dealing in HUD-insured mortgages is the obligation to monitor the mortgagees' activities as they relate to insured mortgages. Also, as the insurer of mortgages, HUD must reimburse a mortgagee in the event that a home buyer defaults and the mortgage is subsequently foreclosed. Therefore, HUD has an interest in the lending and servicing activities of approved mortgagees.

HUD's procedures for monitoring the activities of approved nonsupervised mortgagees include making sure that mortgagees (1) continue to meet eligibility requirements, (2) are furnishing reliable data on prospective home buyers, (3) are charging reasonable and customary closing costs, and (4) are properly servicing the mortgages.

HUD has (1) decentralized to its field offices certain of its responsibliities for monitoring the mortgage activities of HUD-approved mortgagees and (2) disseminated detailed guidelines for verifying the reliability of information submitted to field offices on a prospective home buyer by HUD-approved mortgagees. However, the lack of adequate staff; the inability of some field office to implement the detailed guidelines; and the lack of detailed guidelines in certain areas (for example, there are no requirements or guidelines for verifying the reliability of the reported employment or cash assets data on a prospective home buyer) indicated to us that HUD's monitoring of approved mortgagees needs strengthening.

MONITORING PROCEDURES TO MAKE SURE OF CONTINUED ELIGIBILITY

HUD regulations provide that, for mortgagees to keep their approval status, they must continue to meet the eligibility criteria initially required to become a HUD-approved mortgagee.

HUD headquarters

To retain their approval status, all HUD-approved nonsupervised mortgagees are required--within 75 days after the close of their fiscal year--to submit certified financial statements to HUD. The Mortgagee Approval Officer is supposed to review these statements to determine whether the mortgagees are (1) maintaining the required capital funds, (2) maintaining escrow funds in accordance with HUD, FDIC, and FSLIC regulations, and (3) submitting the certified financial statements as required. If the Mortgagee Approval Officer finds discrepancies, he calls or writes the mortgagee to try to resolve them. When discrepancies cannot be resolved by direct contact, the HUD Office of Audit is requested to make a site audit of the mortgagee's activities.

Nonsupervised mortgagees' certified financial statements show the capital position as of a particular date. Such statements, however, do not provide assurance that the required capital funds of at least a $100,000 for approval status had been maintained throughout the entire year. Further, HUD does not require the independent accountants that review the mortgagees' financial records to certify that the required capital amounts were consistently maintained.

Because of a reduction in the Mortgagee Approval Officer's staff (see p. 14), about 90 percent of the financial statements submitted by nonsupervised mortgagees at the time of our review had not been reviewed as required; however, the Mortgagee Approval Officer does assure himself that all nonsupervised mortgagees are submitting financial statements as required.

The Mortgagee Approval Officer told us that he had a backlog of financial statements waiting to be analyzed and that backlog had increased from 1,600 on September 19, 1972, to about 2,200 on August 1, 1973.

The Director, Management Staff, advised us that:

"In FY 1973, the FHA Management Staff requested authorization for 20 positions to perform what it considered the quality of work needed to fulfill our mortgagee surveillance responsibilities. The need for additional positions was recognized by the Department and 10 additional positions were planned for FY 1974. However, in the final budgetary action curtailing the department staff, the positions had to be deleted. The Staff has detailed three additional positions from other activities until more permanent arrangements can be made.

"Further consideration will be given to this matter in the FY 1974, 1975 Budget Cycle."

A headquarters official told us in August 1973 that the three additional staff members were assigned to assist the Mortgagee Approval Officer.

HUD field offices

The field offices do not generally become involved in the monitoring process to make sure of the mortgagees' continued eligibility.

CONCLUSIONS

The Mortgagee Approval Officer's review of nonsupervised mortgagees' annual financial statements is an important part of the monitoring process because it should disclose noncompliance with eligibility requirements and could pinpoint potential problems for further in-depth examination. Unless there is adequate qualified staff available to do this review, HUD cannot be assured that the mortgagees are continuing to meet HUD's eligibility criteria to be an approved mortgagee.

In addition to the annual certification of financial statements, it would be desirable for HUD to require the approved nonsupervised mortgagees' independent accountants to certify that their clients have maintained throughout the year capital funds in the amount required by HUD for approval status. Such a requirement would help HUD make sure that all approved nonsupervised mortgagees had maintained their fiscal responsibility not only at the time they received their approval status but also during the entire year that they operated as HUD-approved mortgagees.

RECOMMENDATIONS

We recommend that the Secretary of HUD reexamine staffing priorities to provide sufficient permanent personnel to effectively monitor mortgagees.

We also recommend that the Secretary require the approved nonsupervised mortgagees to have their independent public accountants include in their opinion on their clients' annual financial statements a certification that capital funds have been maintained throughout the year in the amount required for approval status.

MONITORING PROCEDURES TO MAKE SURE THAT MORTGAGEES ARE FURNISHING RELIABLE DATA ON HOME BUYERS

A home buyer must have an acceptable credit record, the cash needed to close the mortgage agreement, enough income to make the monthly payments without difficulty, and the income required for bills and other family needs.

The buyer can make a loan application to any mortgagee that HUD has approved to make insured mortgage loans. If the mortgagee is willing to make the loan, it provides the proper HUD forms and helps the buyer complete them. The mortgagee forwards these papers for review and approval to the HUD field office serving the area where the property is located.

HUD first appraises the property to determine (1) whether it meets HUD's minimum property standards for existing properties and (2) the amount of mortgage loan it will insure. HUD then issues a conditional commitment to inform the mortgagee of its decision.

Subsequently HUD reviews the buyer's credit history to judge whether the mortgage loan would be a reasonable debt for him to assume. If HUD approves the application, the mortgagee arranges with the buyer to make the loan. The buyer deals directly with the mortgagee who handles the transaction with HUD.

The HUD field offices are responsible for analyzing mortgagors' credit eligibility, determining risk acceptability, and issuing firm commitments for mortgage insurance.

HUD usually has no personal contact with the mortgagor and generally must rely on the data furnished by the mortgagee to pass judgment on the mortgagor's ability to finance and maintain the loan. Exhibits that must support the mortgage application are (1) credit reports, (2) a form showing verification of employment and salary, (3) a form showing verification of bank deposits, and (4) other documents which may demonstrate the applicant's ability to carry the mortgage debt.

Credit reports

Because HUD uses so many credit analyses in mortgage underwriting, generally it cannot use methods commonly used by credit institutions to verify a mortgage applicant's eligibility. For example, HUD seldom has the benefit of personal interviews with mortgage applicants to determine their qualifications. Therefore, HUD must depend on credit reports on the applicants. These reports must, for HUD's purposes, be reliable and adequate to permit HUD to form an opinion on the applicant's stability and credit reputation. To meet its needs, HUD awards annual competitive contracts to qualified credit-reporting agencies.

HUD policy requires that its field offices obtain complete credit information on each mortgagor's application. HUD requires that credit reports show the amount of the mortgagor's debts and past payment history. Most deficiencies reported by HUD field offices to HUD headquarters involved a lack of information on these matters.

HUD requires that field office directors determine the reliability of information supplied by credit-reporting agencies. In July 1972 HUD issued an instruction containing detailed procedures for the systematic verification of credit reports. The Director, Management and Operations Assistance Division, HUD headquarters, told us that these procedures were established in response to (1) congressional interest in credit-reporting activities and (2) the results of HUD's investigation at its Hempstead, New York, insuring office, which showed improprieties in the credit-reporting activities.

The offices were instructed to obtain backup credit reports for mortgagors on a continuing sample basis, from a credit-reporting agency other than the one supplying the original report and to cross-check the data shown in the two reports. The following procedures were to be followed.

--When an agency of unknown reliability sends a credit report, a followup report is to be obtained from an agency under contract to HUD before the loan commitment is made.

--When credit reports are received from an agency not under contract to HUD locally but whose reliability has been proven, a 10-percent spot check will be made. This spot check may be done after the loan commitment is made.

--A cross-check between agencies under contract to HUD locally will be made by obtaining backup reports from another credit agency which is also under contract to HUD. This cross-check is required to be done after the loan commitment is made.

Our review of existing practices at the eight HUD offices we visited showed the following.

Dallas

At the time of our review in September and October 1972, the Dallas area office had not implemented the July 1972 procedures. After we brought this to its attention in November 1972, it began to implement the instructions.

Dallas has two major credit-reporting agencies. The HUD officials consider the agency under contract with HUD as the most reliable source. Ninety percent of the businesses in Dallas are subscribers of the agency having the contract, and normally this agency does not supply information to the other major agency.

Before our review, Dallas personnel had discussed deficient credit reports with the noncontract agency that had prepared them. At that time, officials of this agency agreed to upgrade their reports; however, a HUD official informed us that subsequent reports had not substantially improved. Our analysis of 69 loans processed by this area office during

2 days of operations showed that 39, or 56 percent, involved credit reports prepared by the less reliable credit-reporting agency and backup credit reports were obtained on only 2 of the 39 loans. Local HUD officials informed us that HUD had no authority to designate which agencies the mortgagees should use.

Lubbock

The Lubbock insuring office could not implement the July 1972 procedures because only one credit-reporting agency was within its jurisdiction. This agency is under contract with HUD and is used by all lenders.

Los Angeles and Santa Ana

These offices implemented HUD's July 1972 procedures and their statistics show that, of the 362 credit reports which the offices verified, 98 (27 percent) were deficient in some way. Listed below are examples of some of the more serious deficiencies pertaining to the original credit reports.

Original credit report	Backup credit report
No credit established.	Four short-term debts outstanding and $200 per month child-support payments due.
One short-term debt being paid as agreed. Two dependents.	One short-term debt being paid as agreed. Also 3 long-term debts amounting to $454 per month with 10 late charges. Four dependents.
No credit established.	Three short-term debts owed. Two long-term debts amounting to $89 per month.

Final loan commitments were not issued on the above examples, but we noted that, in 18 of the 98 cases involving deficient credit reports, these offices issued final commitments. Local HUD officials advised us that, if the backup credit reports had been received before the time the final commitment was issued, these 18 cases would not have been approved.

Local HUD officials said that, in accordance with the July 1972 procedures, mortgage applications continued to be processed even though a backup credit report had been requested.

The Director for Administration, Housing Production and Mortgage Credit, informed us that the July 1972 procedures concerning the systematic verification of credit reports did not supersede HUD requirements which preclude the issuance of mortgage insurance based on information received from an unreliable credit-reporting agency.

Milwaukee

At the time of our fieldwork in November 1972, HUD had two credit-reporting agencies under contract. Local officials informed us that it had not been an area office practice to independently verify credit reports received in support of applications for home buyers' credit approval. They also said that the office was implementing a practice of verifying 10 percent of the credit reports supporting applications for credit approval. In our view, this office was only partially implementing the July 1972 procedures.

Philadelphia

This area office implemented the July 1972 procedures with the exception that it was unable to verify credit reports received from the credit-reporting agency under contract with HUD because only one agency was under contract with HUD. Although Philadelphia has several major sources of credit information, only one met HUD's requirements for a qualified contract credit source.

When this office received a credit report on a prospective home buyer from a noncontract credit-reporting agency, it obtained a backup report from the agency under contract with HUD.

A HUD official said an additional contract credit source was obtained, effective July 1, 1973, for this area.

Camden

The Camden area office implemented the July 1972 procedures with the exception that it was unable to verify credit reports received from the credit-reporting agency under contract with HUD because only one agency was under contract with HUD.

When mortgagees submitted a credit report on a prospective home buyer from any other agency, the field office requested a backup report from the agency under contract with HUD.

A HUD official said an additional contract credit source was obtained, effective July 1, 1973, for this area.

Wilmington

This insuring office accepts credit reports from three agencies it considers reliable, one of which is under contract to HUD. This office, however, orders backup reports for about 20 percent of the reports it receives from the two agencies not under contract.

The field office was unable to order backup reports for credit reports received from the credit-reporting agency under contract with HUD (contract source) because only one contract source is in this area.

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Besides monitoring credit reports, the field offices in July 1972 were required to tell HUD headquarters about deficiencies noted in credit reports from a contract source so that appropriate remedial action could be taken. By November 30, 1972, the field offices had submitted 13 reports on deficiencies noted. The following table shows the field offices which reported deficiencies and the number of individual credit reports involved.

Field office	Number of reports sent to headquarters	Number of deficiency reports
Birmingham, Ala.	3	13
Los Angeles, Calif.	1	36
Providence, R.I.	2	7
San Francisco, Calif.	1	2
Santa Ana, Calif.	2	33
Coral Gables, Fla.	2	2
Louisville, Ky.	1	2
Newark, N.J.	1	5
Total	13	100

On December 12, 1972, the Director, Appraisal and Mortgage Risk Division, informed the Director, Management and Operations Assistance Division, that his review of the reports had disclosed the following information.

--Ten credit-reporting agencies lacked adequate trade reference experience, and for 9 of these 10 an inadequate public records search had been made.

--One of the above 10 agencies refused to certify that it had checked a subject's credit report on paying bills and other debts.

--Information on three agencies was inconclusive; however, there was indication that the same agencies that prepared the original reports prepared the backup report.

The Director, Appraisal and Mortgage Risk Division, recommended that the July 1972 instruction be amended to guarantee an orderly review of future reports.

We asked about the actions to correct these deficiencies; the Director, Management and Operations Assistance Division, told us on March 15, 1973, that his division was planning a handbook which would change the present requirements. As of July 1973, the handbook had not been completed. A HUD official said the handbook instructions would not contain significant revisions but would restate those instructions already in circular form. He did not know when the handbook would be completed.

On July 18, 1973, a HUD official informed us that in March 1973 HUD terminated its contracts with two credit-reporting agencies in the Los Angeles and Santa Ana areas for submitting deficiency reports. He said the contract credit source that had consistently refused to certify that it had checked a subject's payment of bills and other debts is now complying with HUD certifying requirments.

Employment and cash asset data

Two documents, in addition to the credit report on the prospective home buyer, are normally required to be submitted with the buyer's application for mortgage insurance. These two documents are (1) the employment verification form and (2) the cash asset data verification form.

HUD requires that the analysis of the prospective home buyer's ability to make future payments on a mortgage include a reasonably accurate estimate of the amount and stability of his income. This estimate cannot be made without reliable information on the buyer's (1) basic salary, (2) overtime earnings, and (3) prospects for continued employment. This information is obtained from the buyer's employer on the employment verification form. HUD also requires that a confirmation be obtained which shows the amount and source of all cash which the prospective buyer has. From the cash asset data verification form, HUD determines whether the home buyer has sufficient cash to undertake the mortgage loan without the use of secondary financing which is ineligible under HUD regulations.

None of the eight field offices we visited were testing the reliability of the employment and cash asset data received from mortgagees on prospective buyers. Although HUD does not require the offices to do this, the offices should be testing the reliability of the employment and cash asset data received from the mortgagee on a prospective buyer because, as was brought out in testimony before the Senate Subcommittee on Antitrust and Monopoly in 1972, HUD's reliance on inaccurate data submitted by mortgagees on prospective buyers could result in substantial losses to the Government. In addition, HUD requires that reliable information be obtained regarding the buyer's income and assets, not only in the interest of HUD and mortgagees but also to protect the home buyers against overextending themselves in assuming long-term mortgages.

CONCLUSIONS

HUD assumes the risk of reimbursing the mortgagee if the home buyer defaults and the mortgage is foreclosed. HUD increases this risk because it approves buyers for mortgage insurance without determining the reliability of the employment and cash asset data received on the buyer. The risk is further increased by field offices' noncompliance with the July 1972 instructions which required those offices to verify the reliability of credit reports submitted by mortgagees.

RECOMMENDATIONS

We recommend that the Secretary of HUD establish requirements for field offices to test the reliability of employment and cash asset data concerning a buyer submitted by the mortgagee. We recommend also that the Secretary reemphasize to HUD field offices the necessity to comply with the July 1972 instructions on verification of credit reports, when possible.

NEED TO MAKE SURE THAT CLOSING COSTS ARE REASONABLE AND CUSTOMARY

HUD has established maximum costs which a mortgagee may charge a buyer for completing a HUD-insured mortgage transaction. The maximum charges are in two categories:

- --Those applicable for all HUD jurisdictions, such as the $40 fee for the mortgage insurance application which is paid to HUD and 1 percent of the loan amount as an origination fee which is paid to the mortgagee.

- --Those which local HUD directors determine to be reasonable and customary in the geographic area for which they are responsible. HUD considers the origination fee and mortgage interest to normally compensate the mortgagee fully for originating and closing the mortgage. Any other charges should simply reimburse the mortgagee for actual costs incurred.

Except for infrequent onsite audits by the HUD Office of Audit, HUD reviews mortgage closing statements to determine whether buyers are being overcharged for services rendered.

We found that:

- --The field offices did not determine the reasonableness of closing charges; they usually accepted what was customary in the area.

- --HUD personnel did not adequately review closing statements to make sure that the maximum allowable charges were not exceeded.

- --Closing statements accepted by the Milwaukee field office did not separate charges made to the buyer and seller. Thus, HUD could not identify overcharges to the buyer.

- --Closing statements accepted by the Dallas, Lubbock, Los Angeles, and Santa Ana field offices listed charges paid by the buyer but not the seller.

- --HUD did not limit charges to the seller.

--HUD's maximum allowable closing charges differed from those established by VA in the same geographical areas.

--The mortgagee charged the home buyer more than his cost for closing services.

These matters are discussed below.

Reasonableness of closing charges

HUD considers the origination fee and mortgage interest to normally compensate the mortgagee fully for originating and closing the mortgage. However, sometimes the mortgagee provides or arranges for unusual special services, for which it may be compensated separately. HUD has no specified dollar limits on the amounts which the mortgagee may charge for these services. Rather, any charge which is reasonable and customary in the area in which the transaction takes place may be made with the exception that these regulations require that the mortgagee only charge the home buyer the actual cost of such services as the preparation of credit reports. In addition, HUD gives field office directors wide discretion in determining what closing charges are reasonable and customary in their geographical areas. These regulations, however, do not provide guidelines on how a director is to determine when a closing charge is reasonable and customary.

HUD personnel told us that maximum allowable closing charges were usually established by determining the fees customarily charged in an area. The usual fees then became the maximum allowable fees. This method does not completely meet HUD's requirement to determine what is reasonable and customary because, as our review indicated, what was customary was not necessarily reasonable. For example, the Philadelphia area office allowed all home buyers to be charged $20 for a credit report although, according to a headquarters official, HUD has contracts with credit-reporting agencies throughout the Nation which supply credit reports to field offices at an average cost of $10 each. Any HUD-approved mortgagee wishing to use these contractors as a source for reports may do so for the same price.

Inadequate review of closing statements

HUD regulations provide that HUD's endorsement shall constitute approval of the listed charges, fees, or discounts paid by a home buyer to a mortgagee when a home buyer undertakes a mortgage. Therefore, it is incumbent on field office personnel to exercise particular care in their review of the transaction to make sure that a home buyer does not pay more for any service performed by or arranged by the mortgagee than is reasonable and customary in the area where the transaction takes place.

HUD field offices that we visited had schedules of maximum allowable mortgage closing charges, except for the Milwaukee area office which prepared a schedule during our review. However, not all these offices which had schedules used them to determine whether maximum charges had been exceeded.

The Philadelphia and Camden area offices checked only a few of the charges to see that the maximums were not exceeded. The Milwaukee area office, before establishing a schedule of maximum allowable charges, made no formal review of closing charges but rather relied on the individual reviewer's judgment as to what was reasonable and customary.

Inadequate closing statements

HUD requires its field offices to determine that a home buyer pays no more to a mortgagee for services rendered than what is reasonably and customarily charged for such services in the same geographical area. Although HUD is not charged with the responsibility to protect the seller's interest with regard to closing charges, HUD needs to protect the unsophisticated seller who may be unfamiliar with the complex details of transferring real estate title. This matter has also been an area of recent congressional concern.

For HUD to protect the home buyer and seller, mortgage loan documents should separate charges to the buyer from those applicable to the seller. Our review at eight HUD field offices showed that the Milwaukee field office accepted closing statements that did not identify who paid these charges; and the Dallas, Lubbock, Los Angeles, and Santa Ana field offices accepted closing statements that listed charges paid by the buyer but not the seller.

HUD regulations provide that the mortgage-closing statement shall be in a form satisfactory to HUD, and in July 1972 HUD proposed the use of a standard closing statement that would be used on HUD-insured or VA-guaranteed mortgage loans. This statement would require that all charges to the seller and the buyer in the mortgage transaction be separately itemized. As of August 30, 1973, however, the use of such a standard statement had not been adopted.

No limit on charges to the seller

HUD does not limit charges made to the seller on HUD-insured mortgage transactions. These charges could conceivably be reflected in the sale price of the home thus affecting the insured amount and obligating HUD to a higher payment in the event of foreclosure. HUD, in a news release dated July 5, 1973, stated that when a seller has to pay discount points he compensates by including this cost in the selling price of his property.

The following table summarizing 15 loans closed in the Philadelphia area in 1972 shows that the loan discount points charged to the seller varied considerably even though the mortgagee's risk of loss was minimized since HUD insured the mortgage.

Mortgage amount	Discount points (percent)	Discount amount
$10,000	5.5	$550
9,400	5.5	517
8,900	3.5	311
14,175	5.8	825
7,950	7.0	556
13,300	5.5	731
5,900	9.0	531
8,350	5.5	459
9,400	5.5	517
12,400	5.5	682
6,950	9.0	625
15,800	5.5	869
17,800	4.0	712
12,350	5.5	679
13,400	5.5	737

HUD does not permit the mortgagee to charge the home buyer for the statement required by the Truth in Lending Act[1] because preparing this statement is a part of the mortgagee's work in originating and closing the mortgage. Therefore, the mortgagee's compensation for preparing the statement would be included in the basic origination fee. Mortgagees in the Philadelphia area, however, charged the home seller about $20 for complying with the provisions of the Truth in Lending Act.

VA and HUD maximum charges differed

The maximum allowable closing charges VA and HUD established differed considerably in some of the same areas. Nationwide, both VA and HUD allow the mortgagee to charge the home buyer 1 percent of the mortgage amount as a mortgage origination fee. However, VA considers the origination fee adequate compensation for charges that HUD allows in addition to the origination fee. For example:

--In the Philadelphia area, HUD allowed charges of $50 for conveyancing, $20 for credit reports, $1 for an amortization schedule, and $5 for a lender's inspection fee. VA considered these services to be compensated for by the origination fee.

--In the Los Angeles area, HUD allowed a $65 escrow fee which VA considered to be compensated for by the origination fee.

--In the Dallas and Lubbock areas, HUD allowed charges for escrow fees, photographs, title examination, and attorney fees. VA locally considered these services to be compensated for by the origination fee.

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[1]The Truth in Lending Act (15 U.S.C. 1601) requires that certain information be disclosed to persons to whom credit is extended. This information is provided in a statement and generally includes (1) the number, amount, and due dates of payments scheduled to repay the indebtedness, (2) the interest charge expressed as an annual percentage rate, and (3) a description of any security interest held by the creditor.

HUD audits disclosed overcharges to home buyers

Our review of 98 HUD Office of Audit reports on approved nonsupervised mortgagee's operations showed that 15 audits disclosed overcharges to the buyer by the mortgagee at loan closings. However, the buyers were not reimbursed for the overcharges because HUD regulations provide that, once HUD endorses the mortgage for insurance, all closing charges are considered to be acceptable.

Examples of these overcharges are presented below.

--One report on a mortgagee in New Jersey disclosed that, for 25 insured loans, one or more fee charges exceeded the fees established by the local HUD insuring office. The overcharges, which ranged from $2.50 to $211.50, were for services, such as title insurance, property surveys, and credit reports.

--A HUD audit of a mortgagee in Washington, D.C., disclosed overcharges to buyers for services, such as recording, property surveys, and title examinations.

--A HUD audit of a mortgagee in Pennsylvania disclosed cases where the mortgagee charged $20 over the maximum 1-percent origination fee HUD allowed.

CONCLUSIONS

Although HUD field office directors are responsible for determining whether closing costs are reasonable and customary in the area where the mortgage loan transaction takes place, HUD has not established procedures for use in determining whether the costs are reasonable and customary. In addition, HUD has not established procedures to make sure that closing statements are adequately reviewed before HUD endorses the mortgage for insurance.

Because closing costs are an important part of a mortgage loan transaction that affect the (1) buyer, (2) seller, and (3) mortgagee and that may affect the amount of the HUD-insured mortgage, HUD should require that the closing statements clearly show the charges paid by the seller and buyer.

RECOMMENDATIONS

We recommend that the Secretary of HUD establish procedures to make sure that (1) closing costs are reasonable and customary and (2) closing statements submitted by mortgagees are adequately reviewed before endorsing the mortgage for insurance. We also recommend that the Secretary require that closing statements submitted by mortgagees show the charges paid by the seller and buyer.

MONITORING PROCEDURES TO MAKE SURE THAT MORTGAGEES ARE PROPERLY SERVICING THE MORTGAGES

HUD regulations require that all approved mortgagees provide mortgage servicing in keeping with the practices of prudent lending institutions. The regulations provide that (1) counsel and advice be readily available to mortgagors concerning the mortgage requirements, application of funds remitted, and account status, (2) prompt and diligent effort be made to obtain payment in accordance with the mortgage terms, and (3) particular emphasis be placed on correcting defaults to avoid acquisitions and exposure to excessive risk of loss through unjustified leniency. To gauge performance and provide essential operating statistical data, mortgagees are required to give notice to HUD of default, reinstatement, and foreclosure in accordance with HUD regulations.

Because adequate servicing is the direct responsibility of the mortgagee, HUD participates only to the extent of (1) reviewing the mortgagee's servicing and reporting activities to bring to his attention any failure to comply with the expected standards and (2) providing cooperative assistance, upon request by the mortgagee, in cases of serious default involving potential acquisitions and those presenting unusual questions.

Responsibility for monitoring mortgagees' servicing activities is divided between HUD headquarters and the field offices.

HUD headquarters

The Single Family Housing Division, Office of Loan Management, is responsible for:

- --Developing policy, procedures, and requirements and administering the servicing of home properties under insured mortgage programs.

- --Establishing requirements for reporting mortgage defaults.

--Reviewing and evaluating mortgage insurance default experience and developing corrective measures.

--Making periodic reviews to evaluate the status of single-family mortgages and to identify and correct problems.

--Monitoring foreclosure actions to make sure that the foreclosure is proper and unavoidable.

HUD headquarters has several sources of information concerning mortgagees' servicing activities: (1) a report entitled "Status of FHA [Federal Housing Administration] Insured Home Mortgages in Default," (2) the "Report on Current Home Mortgage Status," (3) onsite evaluations, and (4) the foreclosure alert system.

Home mortgages in default report

This report (FHA form 2068-D), prepared quarterly by the field offices and forwarded to the Division of Research and Statistics, shows the total defaulted home mortgages (by sections of the act) as of the last day of each quarter for properties within the area of the reporting field offices.

Although the report alerts HUD headquarters to defaulted mortgage trends in a particular field office area, it does not identify the mortgagees involved. If the mortgagees involved were identified, HUD headquarters would be in a better position to identify the total number of defaults by mortgagee; it could thereby increase the effectiveness of its monitoring of the mortgagees' activities and possibly develop corrective measures by selecting mortgagees that have high default rates for extensive monitoring.

Home mortgage status report

This report (FHA form 2068-S) shows the current status of all HUD-insured mortgages in a mortgagee's portfolio at a given date. The mortgagee prepares the report and submits it to the field office having jurisdiction over the area in which the mortgagee's office is located. However, if a mortgagee operates through branch offices, he may prepare a separate report for each branch office and submit it to the field office having jurisdiction over the area in which the branch office is located.

According to HUD officials, since January 1971 HUD headquarters, with few exceptions, has done nothing with these reports but collect and store them. The information reported on form 2068-S, if properly correlated, would identify those mortgagees having high default and foreclosure rates and could indicate mortgagees with possible mortgage-servicing problems.

Onsite evaluations

Before March 1972 HUD headquarters was responsible for monitoring mortgagees' servicing activities. Field offices became involved only when requested. These requests were generally from home buyers asking HUD's assistance in resolving complaints against particular mortgagees.

HUD headquarters' monitoring functions were carried out by a three-man staff whose primary responsibility was to evaluate the mortgage-servicing activities of HUD field offices as they related to Secretary-held[1] mortgages. As a secondary responsibility they would, if time permitted, review the mortgage-servicing practices of a few HUD-approved mortgagees that were operating in the same area as the field office they were visiting. As discussed on page 42, the HUD Office of Audit also makes onsite evaluations of mortgagees.

Our analysis of reports issued by the 3-man staff on visits to 30 mortgagees and 98 reports issued by the Office of Audit showed many examples of mortgagees' failing to comply with HUD regulations concerning mortgage servicing. Following are examples of the types of servicing deficiencies reported.

--One mortgagee did not attempt to cure defaults but simply foreclosed on the property and collected the insurance proceeds from HUD.

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[1] A Secretary-held mortgage is one in which HUD accepts the assignment of a mortgage in default, provided the default is caused by circumstances beyond the mortgagor's control. HUD believes that its servicing of the mortgage will enable the mortgagor to pay his debt in full.

HUD regulations require that approved mortgagees service their HUD-insured mortgage accounts in accordance with the accepted practices of prudent lending institutions. In addition, HUD requirements provide that there should be few instances in which the mortgagee is unable to grant the needed relief to a deserving home buyer when it is reasonable to believe that with proper servicing the buyer will be able to achieve debt-free home ownership.

--Sixteen mortgagees did not properly notify HUD of the status of defaults and foreclosures.

HUD requires all approved mortgagees that service 250 or more HUD-insured mortgages, as of the first of each month, to submit a report (FHA form 2068-S) showing the status of the mortgages they service.

--Eleven mortgagees returned late mortgage payments because the payments did not include late charges.

HUD regulations provide for the collection by the mortgagee of a late charge from the buyer to cover the extra expense involved in handling delinquent payments. Late payments are not to be returned; however, HUD regulations require that a late charge be separately charged to, and collected from, the home buyer.

--HUD rules on fees charged for late mortgage payments and change of ownership were not always followed.

HUD regulations provide that the mortgagee may collect a late charge not to exceed 2 cents for each dollar of each payment more than 15 days in arrears to cover the extra expense involved in handling delinquent payments. HUD requirements concerning a change of ownership of property insured by HUD provide that the fee which a mortgagee is permitted to collect for processing a change should be directly related to the work which the mortgagee performs.

--Many mortgagees did not adequately review buyers' escrow accounts to determine whether the funds were sufficient to meet anticipated needs or exceeded anticipated needs and should have been returned to the buyer.

HUD requires that the mortgagee (1) must analyze at least once a year each buyer's escrow account and (2) furnish to the buyer a statement summarizing the funds paid out from his account during the past year.

Since March 1972, the three-man staff has been disbanded and, in July 1972 a HUD official stated that "the HUD supervisory capability in mortgage servicing, both at the central office level and the regional office, has become practically nonexistent."

Foreclosure alert system

The foreclosure alert system is an automatic data processing system expected to detect properties in default which have a high probability of foreclosure. This system is also expected to detect these properties in sufficient time so that action can be taken by the mortgagee, a local counseling agency, or HUD, if necessary, to preclude foreclosure actions. At the time of our review, this system was still in the developmental stage and could not be evaluated. A HUD official told us on July 16, 1973, that this system was scheduled to be tested in September 1973.

HUD field offices

During November 1971 and July 1972, HUD headquarters revised the organization of the field offices to more clearly define their functions, including their responsibilities for monitoring mortgage servicing.

--In the area offices, the Loan Management and Property Disposition Branch is responsible for monitoring mortgagees' servicing practices, providing advice and assistance to both mortgagees and buyers, and enforcing HUD regulations on defaults and foreclosures.

--At the insuring offices, the Management and Mortgage Servicing Sections are responsible for maintaining contacts with mortgagees concerning the establishment, development, and improvement of methods for servicing mortgages; advising and assisting mortgagees and buyers in preventing and curing delinquencies and avoiding defaults; and enforcing HUD regulations on defaults, foreclosures, and tender of properties.

Although HUD headquarters transferred the responsibilities for monitoring mortgagees' mortgage-servicing activities to the field offices, it did not develop the required procedures or provide the necessary manpower and training to fulfill these responsibilities at the field office level.

Our visits to eight field offices showed that five offices monitored mortgagees' servicing practices by responding to buyers' complaints. Officials of these offices said the reason for the limited monitoring was a lack of personnel. The remaining three offices, in addition to responding to buyers' complaints, made self-initiated reviews of the mortgagees.

The field offices can gauge mortgagees' servicing activities and correlate statistical data on mortgagees' servicing operations by using two reports which the mortgagees must submit to the field offices: "Home Mortgage Default Notice" and "Report on Current Home Mortgage Status."

Default notice report

This report (FHA form 2068) is used by all approved mortgagees to report, to the applicable HUD field office, insured mortgages in default. This form is HUD's only source of information on individual defaulted loans. The mortgagees are required to notify the applicable field office that a loan is in default no later than the date on which the third installment is in default.

Only two of the eight field offices were using the information in FHA form 2068 to monitor mortgagees' servicing activities. HUD officials at these two offices advised us that the form was used to

--notify the mortgagors of default and, when foreclosures had started, to attempt to cure defaults and avoid foreclosures;

--determine potential foreclosures during the month;

--determine properties not conveyed;

--determine monthly trends in market conditions; and

--prepare FHA quarterly reports (see p. 35) of insured home mortgages in default.

The remaining six offices used the information only to prepare FHA quarterly reports of insured mortgages in default or special requested reports; they were not using the information on the form to judge the adequacy of mortgagees' servicing activities.

Status report

As indicated on page 37, mortgagees servicing 250 or more HUD-insured loans must submit monthly a "Report on Current Home Mortgages Status" (FHA form 2068-S). This report shows the total number of mortgaged properties, regardless of location; mortgagee's portfolio; the number of delinquencies; foreclosures in process; and foreclosures completed.

This monthly summary report has become less useful as a management tool since HUD gave the field offices responsibility for monitoring mortgagees' servicing because compilations of portfolio statistics on a nationwide basis are no longer prepared. Each mortgagee has to prepare only one report for its entire nationwide portfolio and submit the report to the field office where the mortgagee's office is located. Also, because there are 77 field offices nationwide and the mortgagee has to report to only 1, the other 76 offices do not receive the report even though the mortgagee may service many mortgages in their areas. Therefore, the other offices do not have the data available to adequately monitor mortgagees' servicing activities.

For example, as of December 31, 1970, the HUD area office in Hartford, Connecticut, had about 43,000 mortgages in force in its area and the mortgagees reporting to the Hartford office had a total portfolio of about 139,000 mortgages. Therefore, most of the information being submitted to the Hartford office did not pertain to properties in its area.

An example of the other extreme is the HUD area office in Camden where about 66,000 mortgages were in force as of December 31, 1970, and mortgagees reporting to the Camden office had a portfolio of only 28,000 mortgages. Therefore, the Camden office is also not being furnished the data necessary to monitor the mortgage servicing.

CONCLUSIONS

HUD has not developed an effective program for monitoring and evaluating mortgagees' servicing and reporting practices. The lack of periodic onsite evaluations of mortgagees and the transfer of the monitoring responsibility for mortgage servicing to the field offices without providing sufficient manpower, management information, and training have severly limited HUD's monitoring capabilities.

RECOMMENDATIONS

We recommend that the Secretary of HUD establish an effective means of gauging nonsupervised mortgagees' servicing activities by revising HUD's reporting system to require (1) mortgagees to report to each field office in whose area the mortgagees are servicing HUD-insured mortgages and (2) the inclusion of additional mortgagee data, such as the identification of mortgagees with high default and foreclosure rates and the compilation of statistics on a nationwide basis.

We recommend also that the Secretary of HUD provide the necessary manpower and training to field offices so they can adequately fulfill their respective monitoring responsibilities for mortgage servicing.

OTHER SOURCES AVAILABLE TO HUD FOR MONITORING MORTGAGEES

HUD can use two other important sources to identify deficiencies in mortgagees' activities: inquiries from interested parties and site audits of mortgagees made by the Office of Audit.

Inquiries received from interested parties

HUD had no procedures for handling inquiries from home buyers who believed a mortgagee was acting improperly. Also, no one activity in HUD coordinates the resolution of these inquiries, and HUD officials were unable to furnish us with detailed records showing actions taken on such inquiries. Therefore, we were unable to determine the extent of HUD's followup activities.

A HUD official responsible for establishing mortgage-servicing policies and procedures advised us that field offices are responsible for resolving home buyer complaints. Except for those complaints that cast doubt on the mortgagees' servicing practices, all home buyer complaints are sent to the field offices. In addition, this official informed us that headquarters has not developed procedures to insure that the field offices resolved such complaints.

Site audits of mortgagees

Site audits by the HUD Office of Audit are generally initiated as a result of requests by other HUD groups. These audits are of two types: (1) a comprehensive audit consisting of a complete review of a mortgagee's operation to determine whether the mortgagee is operating within its charter and (2) a limited audit consisting of an examination of selected aspects of a mortgagee's operation. Most typical of the latter type is the review of section 235 mortgages to determine whether the mortgagee is complying with HUD regulations.

Although statistics on the number of comprehensive audits and limited audits were not readily available, the HUD Office of Audit records showed that this office made a total of 556 audits of HUD-approved mortgagees from fiscal year 1968 through 1973.

Responsibility for following up on the deficiencies noted is vested in field office directors. Accordingly, the Office of Audit does not generally make followup audits on mortgagees' actions to correct noted deficiencies. The field offices generally attempt to resolve deficiencies by corresponding with the mortgagee and do not make onsite verification of the mortgagees' corrective actions.

To date HUD Office of Audit reviews of mortgagees have been generally made pursuant to requests from other HUD divisions. The Assistant Inspector General for Audit told us that, compared with other audits, he considered audits of mortgagees low-priority work. The Inspector General told us that he felt a program for systematic audits of mortgagees would duplicate the work now performed by the independent public accountants (IPAs) during their annual audits of mortgagees. (See 16.)

On the adequacy of the work by IPAs, the HUD Office of Audit commented in a March 1973 report on "IPA Services Related to Programs Under Office of Housing Management" that:

> "HUD instructions to borrowers and IPA's do not require presentation of sufficient meaningful information in IPA reports to enable HUD to make quick and useful determinations of either the financial solvency of the project or the borrower grantee compliance with the financial provisions and social obligations of the regulating directives."

The Assistant Inspector General for Audit told us that his office was recommending that audits of mortgagees by IPAs follow an audit program with more depth and direction toward compliance, such as that now used by IPAs in other HUD programs, including the Low-Rent Public Housing, Comprehensive Planning Grants, and Public Facility Loans Programs.

CONCLUSIONS

As the insurer of mortgages which totaled $79 billion as of April 30, 1973, HUD has a vested interest in the quality of mortgagees' lending operations because of its liability in case of foreclosures. Home foreclosure losses for calendar years 1968 through 1971 were estimated at about $254 million. Consequently, effective monitoring of lenders' operations is essential to protect HUD's interest. To insure that its monitoring is effective, HUD should use all means available in monitoring mortgagees' activities, including inquiries from home buyers and self-initiated audits of mortgagees.

RECOMMENDATIONS

We recommend that the Secretary of HUD establish uniform procedures for resolving inquiries from home buyers who believe a mortgagee is acting improperly. The procedures should also provide a means for HUD to compile data on the frequency of inquiries concerning particular mortgagees to identify those mortgagees which should be monitored more closely. We recommend also that the Secretary require the HUD Office of Audit to make more site audits of mortgagees.

CHAPTER 4

SUSPENDING OR TERMINATING

APPROVAL OF NONSUPERVISED MORTGAGEES

In addition to the authority to approve mortgagees, HUD also has the authority to withdraw a mortgagee's approval status for not following HUD's rules and regulations. We found indications that HUD exercised this authority inconsistently.

As part of the monitoring process, the Mortgagee Approval Officer is responsible for rendering an opinion on whether a mortgagee's approval status should be withdrawn. Although the Mortgagee Approval Officer cannot withdraw a mortgagee's approval status, his analyses and recommendations are important influencing factors in withdrawing the status. Depending on the nature of the findings, he can recommend either suspending or terminating a mortgagee's approval status to any one of the four HUD officials that have the authority to approve mortgagees (See p. 13).

The Director, Single Family and Land Development Division, told us that, because of the number of nonsupervised mortgagees, the Mortgagee Approval Officer cannot become involved in each case and that disciplinary action may be taken against a nonsupervised mortgagee without the Mortgagee Approval Officer rendering an opinion. Suspending approval precludes a mortgagee from originating any new mortgages until it has corrected the deficiency for which it was suspended. Termination of approval precludes the mortgagee from conducting any transactions with HUD.

HUD regulations provide that a mortgagee's approval status may be withdrawn at any time for any reason which the Secretary of HUD determines to be justified. These regulations also provide that a mortgagee's approval status may be withdrawn if

- --a mortgagee permanently transfers an insured mortgage to a mortgagee not approved by the Secretary;
- --a nonsupervised mortgagee fails to segregate escrow funds and deposit them in a special account with a banking institution whose accounts are insured by

--failure to submit required annual certified financial statements,

--net worth deficits,

--failures to pay mortgage insurance premiums, and

--operation of unauthorized or nonapproved branch offices.

A HUD official advised us that HUD generally threatened mortgagees with suspension or termination but very seldom actually suspended or terminated them. HUD's philosophy was to use the threat rather than suspension or termination to enforce compliance.

MORTGAGEES' APPROVAL NOT SUSPENDED OR TERMINATED

HUD did not suspend or terminate the other 13 mortgagees. These mortgagees, according to HUD, had violated HUD rules and regulations by either selling HUD-insured mortgages to nonapproved institutions or by commingling escrow funds without HUD's permission.

Instead, HUD requested those mortgagees selling HUD-insured mortgages to nonapproved institutions to repurchase the mortgages and transfer them to an approved mortgagee or have the purchasers obtain approval as HUD-approved mortgagees. HUD advised the mortgagees which were commingling escrow funds that in the future they should prepare letters requesting permission to commingle these funds.

The mortgagee collects escrow moneys from the borrower to pay real estate taxes and hazard insurance premiums on mortgaged property. HUD requires the IPA certifying the mortgagee's financial statements to attest that escrow moneys have been maintained in accordance with HUD and FDIC regulations.

Besides the mortgagees included in this sample, we reviewed 98 HUD Office of Audit reports which showed that 43 other mortgagees which were either mishandling escrow moneys or not complying with HUD and FDIC regulations. In some cases, the mortgagees had (1) used the home buyers' escrow moneys for purposes other than that for which they were collected and (2) mishandled escrow accounts in such a manner as to nullify the FDIC insurance on the home buyers' escrow moneys. Examples from the HUD Office of Audit reports follow.

--HUD audited a mortgagee in Ohio after a home buyer complained that unusually large amounts of money were being held in the home buyer's escrow account. The audit report disclosed that the mortgagee's handling of escrow accounts jeopardized the FDIC insurance on home buyers' escrow accounts because the mortgagee failed to designate the funds as being owned by home buyers. Also, the mortgagee was holding $100,000 in a dormant escrow account. This practice is in conflict with HUD regulations, but HUD did not suspend or terminate the company. We noted that the president and chief executive officer of the company advised HUD 4 months later of the steps they had taken and were planning to take to rectify their escrow problem. HUD closed the case 6 months later.

--A HUD audit report involving a mortgagee in Virginia disclosed that about $1.3 million in home buyers' escrow moneys were in dormant accounts in eight different banks throughout the country. The reasons for these dormant accounts were shown in corporate correspondence as follows.

1. The parent company requested a transfer of $750,000 to aid it in borrowing for a subsidiary.

2. A $10,000 dormant account had been maintained in a bank for about 4 years for the personal benefit of a former corporate officer.

3. The parent company requested that $100,000 in escrow moneys be maintained in a bank as compensating balances for the benefit of the parent company.

The Mortgagee Approval Officer told us that this company was subsequently acquired and wholly absorbed by another HUD-approved nonsupervised mortgagee. The case was therefore closed because HUD knew that this

FDIC or FSLIC, except with prior written approval (see p. 9);

--a mortgagee uses escrow funds for any purposes other than those for which they were collected;

--a nonsupervised mortgagee fails to conduct its business in accordance with the plan indicated on its application for approval;

--a mortgagee fails to conduct its business in accordance with good business practices and accepted standards of conduct;

--a nonsupervised investing mortgagee fails to submit the annual audit report within 75 days of the close of its fiscal year; and

--a mortgagee pays a kickback in an insured mortgage transaction.

Withdrawing approval does not affect the insurance on mortgages held in the mortgagee's portfolio or firm commitments outstanding in the name of the mortgagee at the time of withdrawal.

Correspondence in the Mortgagee Approval Officer's files for the 5 months ended July 1972 showed 53 instances where HUD had determined that mortgagees were not complying with HUD rules and regulations. We found indications that HUD had suspended or terminated the approval status of 22 of the 53 mortgagees for noncompliance.

MORTGAGEES' APPROVAL SUSPENDED OR TERMINATED

Some of the reasons HUD cited for suspending or terminating the approval status of the 22 mortgagees include

--failure to submit the required annual certified financial statements;

--inactivity in the mortagage business;

--absorption of the mortgagee by a nonapproved mortgagee;

- --failure to pay mortgage insurance premiums;
- --improper handling of escrow funds;
- --questionable business practices;
- --loan packaging (the mortgagee allows a broker or other person, to accept verifications of employment and assets rather than doing this itself); and
- --misrepresentations in sales transactions.

Although HUD's internal audits and investigations pointed out irregularities in the operations of two of these mortgagees, HUD did not suspend them on the basis of these findings. Rather, it appeared that HUD acted on information presented by outside parties, as follows.

- --The HUD Office of Audit reported that one mortgagee in Wisconsin, contrary to HUD regulations, was misusing escrow moneys by depositing them with its operating funds. After 8 months HUD suspended the mortgagee on the basis of an audit finding developed by the Wisconsin Real Estate Examining Board, which showed that the mortgagee was misusing escrow moneys by including them in its operating funds.
- --Although HUD officials became aware that a mortgagee in Missouri was not complying with HUD regulations on closing loans with title flaws, was delaying disbursement of loan proceeds, and was charging the home buyer improper interest, HUD did not suspend the mortgagee until a year later. The suspension, however, was based on the Missouri Real Estate Commission findings concerning the mortgagees' misrepresentation in a sales transaction.

MORTGAGEES THREATENED WITH SUSPENSION OR TERMINATION OF APPROVAL

HUD threatened 18 of the remaining 31 mortgagees with suspension or termination. We did not determine whether the mortgagees had corrected the noted deficiencies or whether HUD actually suspended or terminated them. Some of the deficiencies HUD cited for the threatened suspension or termination included mortgagee was a leading mortgage-servicing company which had corrected the problems of other companies it had acquired in the past.

--A HUD audit report involving a mortgagee in Ohio, disclosed that $195,000 in home buyers' escrow moneys had been invested in 6-month saving certificates at 5-1/4-percent interest with the interest income accruing to the mortgagee, not the home buyers. When advised by HUD to credit the interest income to the home buyers and discontinue investing escrow moneys, the mortgagee argued that there was no way to equitably distribute the earned interest to home buyers and that the practice of investing escrow moneys in an interest-bearing account was of less benefit than if the corporation had used the escrow moneys as compensating balances for obtaining lines of credit from banks. The executive vice president of the mortgagee advised HUD 5 months later of his corporation's intention to cease investing escrow moneys and to administer them in accordance with FHA regulations. HUD closed the case later that month.

CONCLUSION

HUD should have been more forceful and consistent in exercising its authority for suspending or terminating the approval status of HUD-approved mortgagees for noncompliance with HUD rules and regulations.

RECOMMENDATION

We recommend that the Secretary of HUD reemphasize the importance and necessity of consistently enforcing HUD's rules and regulations on suspending or terminating mortgagees' approval status for noncompliance.

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United States Senate
COMMITTEE ON THE JUDICIARY
SUBCOMMITTEE ON ANTITRUST AND MONOPOLY
(PURSUANT TO SEC. 4, S. RES. 32, 92D CONGRESS)
WASHINGTON, D.C. 20510

March 17, 1972

Honorable Elmer B. Staats
Comptroller General of the United States
General Accounting Office
General Accounting Office Building
441 G Street, N. W.
Washington, D. C. 20548

Dear Mr. Staats:

The Antitrust and Monopoly Subcommittee has been examining problems of competition in the supply of mortgage money. The inquiry has focused in part on the activities of companies which originate federally insured and guaranteed mortgages.

In the course of the inquiry it has become apparent that many of the programs administered by the Department of Housing and Urban Development are having serious foreclosure problems, and that large numbers of the foreclosed mortgages were originated by non-supervised federally approved mortgagees.

Because of the large number of foreclosures and the effect they are having on the innercity areas, it is requested that the General Accounting Office undertake an audit of the process used by the Department of Housing and Urban Development to approve and monitor the origination activities of non-supervised approved mortgagees.

The audit should evaluate the effectiveness of the Department's procedures in protecting the Federal Government against loss and in preventing a dishonest lender from taking advantage of federal programs to enrich himself at the expense of innocent homebuyers.

Your cooperation is appreciated.

Sincerely,

Philip A. Hart
Chairman

CATEGORIES OF INSTITUTIONS DESIRING HUD APPROVAL AS MORTGAGEES

The Federal National Mortgage Association, the Government National Mortgage Association, Federal Reserve banks, Federal home loan banks, and all other Federal, State, or municipal government agencies empowered by law to hold insured mortgages are approved as mortgagees.

Chartered institutions and permanent institutions having succession or trust may be approved as mortgagees on application to the local HUD field office. An approved mortgagee must have sound capital funds (used synonymously with "acceptable net worth") properly proportioned to its liabilities and to the character and extent of its operation. Following are the groups of mortgagees which may be approved by HUD.

Group 1

This group consists of members of the Federal Reserve System and institutions whose deposits are insured by the Federal Savings and Loan Insurance Corporation or FDIC.

Group 2, supervised institutions

A mortgagee in this group is subject to the supervision of a governmental agency which is required by law to make regular examinations of the mortgagees' books and accounts.

Group 3, nonsupervised institutions

Mortgagees in this group are subject to supervision by HUD but not by any other governmental agency. A mortgagee in this group must have as its principal activity the lending or investing of funds under its own control in real estate mortgages.

Group 4, loan correspondents

Approval of loan correspondents must be requested by an approved mortgagee in group 1 or 2, above. The sponsoring mortgagee must be investing in insured mortgages for its own portfolio in a volume sufficient to enable the correspondent to operate successfully. The loan correspondent is limited to originating or purchasing insured mortgages for its sponsor.

Group 5, charitable or nonprofit institutions, pension funds, trusts

A mortgagee in this group must have investment experience and ability. It may invest in insured mortgages but may not originate or service them.

Group 6, investing mortgagees

These mortgagees must have experience in investing in real estate mortgages. They cannot originate or service insured mortgages but may purchase them from other approved mortgagees and hold them as investments.

The following two groups may also originate and service HUD-insured mortgages.

Authorized agents

Any corporate entity, partnership, firm, or individual may be appointed by an approved mortgagee in group 1 or 2 to act in its name in originating and servicing insured mortgages. Two copies of the resolution by which the principal grants this authority must be forwarded to the local HUD field office, with a letter from the principal requesting approval of the agent. The resolution must describe the nature and scope of the agent's authority. Authorized agents are not approved as mortgagees.

Branch offices

Any approved mortgagee in group 3 may request HUD approval to establish branch offices through which it originates and services insured mortgages.

PRINCIPAL OFFICIALS OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT RESPONSIBLE FOR THE ADMINISTRATION OF ACTIVITIES DISCUSSED IN THIS REPORT

	Tenure of office	
	From	To
SECRETARY OF HOUSING AND URBAN DEVELOPMENT:		
George W. Romney	Jan. 1969	Jan. 1973
James T. Lynn	Feb. 1973	Present
ASSISTANT SECRETARY FOR HOUSING PRODUCTION AND MORTGAGE CREDIT AND FEDERAL HOUSING COMMISSIONER:		
Eugene A. Gulledge	Oct. 1969	Jan. 1973
Woodward Kingman (acting)	Feb. 1973	June 1973
Sheldon B. Lubar	July 1973	Present
ASSISTANT SECRETARY FOR HOUSING MANAGEMENT:		
Norman V. Watson	July 1970	Jan. 1973
Abner D. Silverman (acting)	Feb. 1973	Mar. 1973
H. R. Crawford	Apr. 1973	Present
INSPECTOR GENERAL:		
Charles G. Haynes	Jan. 1972	Present

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