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## Part 2 How to advocate for your Forced Mortgage Payoff filing your mismanagement report to HUD OIG



# CDBG-DR Program

## Part 2 - Forced Mortgage Payoff Report Abuse, Mismanagement

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In Part 1 your task was to bring the issue up with state and contractor legal departments. Typically they will take their time and will not reply to you. Your next step is to report their mismanagement to HUD OIG. Get on the routine agenda audits.

Part 2 is about filing your report with HUD OIG.

Your goal is to have your issue added to HUD's routine audits of the management practices of your state. This isn't anything more than telling HR that you have a management problem and HR will address management in their own way. Replace HR with HUD OIG and it might be easier for you.

In this part (2) we have the Forced Mortgage Payoff policy that is not following HUD policy on a HUD program. It's FEMA's policy being mixed in by management into a HUD program. This would be fine if HUD was listed second in the Sequence of Disaster Delivery Assistance. But we all know Second spot goes to SBA. Now you know why FEMA policy reads to offer you SBA loans if you can not get a letter of forced mortgage payoff.

HUD Only requires you to prove you did not have control over your NFIP funds. Management in the state of Louisiana Office of Community Development - Disaster Recovery Unit continues to mix policies of FEMA with HUD and it's always at the benefit of the states agenda and not the homeowners.

Because the HUD CDBG-DR program is forces 80% or more on homeowners and renters you have a major say in what management does and how they act to your complaints. By now you have complained for at least 2 years

maybe longer. Now it's time to go one level up.

HUD OIG: "OIG focuses on reports of fraud or serious mismanagement with high dollar losses or significant community impact. We try to identify and combine individual reports where possible. For the types of schemes we investigate, see Common Fraud Schemes. We try to identify and combine individual reports where possible."

When you read what HUD OIG takes reports on we don't want to complain about anything other than what might impact a homeowner based on HUD's national objectives.

What is High Dollar Losses? HUD OIG doesn't give a numeric value but let's say your lost flood insurance was to assist you in rebuilding your home. Without that money you are homeless, that is one of the National Objectives HUD focuses on. The second is the additional costs after the disaster if you do not receive the assistance for unmet needs. Housing costs sometimes increase over 30% which could lead to homelessness. But the number one issue as of now is the fact you do not have enough money to rebuild your home unless you cover the money taken by your mortgage holder.

Read the [HUD OIG FREQUENTLY ASKED QUESTIONS](#) at the top of the report fraud page.

Of all typical topics we'll be more focused on:

- Violations of federal laws, rules, and regulations pertaining to the U.S. Department of Housing and Urban Development (HUD) programs and funding

We have rules, the program holds you to following rules. These same rules may have come from HUD Washington D.C. directly and need to be honored by our state OCD-DRU. If HUD makes rules and the state ignores them the state is banking on a ignorant population. It is known that an educated public is governments worst nightmare. We don't need to go that far but if HUD on June 20, 2019 told the state how to handle Mortgage Payoffs and then the state asked again in APA 12 which HUD did not approve in whole. This is the mismanagement of our program and I'll explain it to you.

When Management from our state asks HUD to allow them to do things HUD reviews the requests and answers them. Our state speaks to HUD twice each week and has done so since July 2019 about the subject matter in APA 12. The state fails to address the issues publicly by simply telling the public "We are working on it."

What are they working on? SBA? Mortgage Assistance? Forced Mortgage Payoff? The state doesn't publish it's meeting agenda's but based on research your Mortgage Assistance is not part of their weekly discussion. They simply tell you to get your mortgage holder to present a forced mortgage payoff letter and you are good to go.

But HUD Guidance instructed the state to allow homeowners to provide proof they were not in control of the funds when the mortgage was paid off.

Let's get to the reporting of mismanagement and not following simple rules.

1. Go to the [HUD OIG Report Fraud Hotline page](#).
2. Scroll down to "OIG HOTLINE CONTACT INFORMATION"
3. Click the big red button labeled "REPORT FRAUD, WASTE, OR ABUSE"
4. Read the "Confidentiality and anonymity are not requested" paragraph. Keep in mind you are the open and transparent operator in this action.
5. From the first drop down menu select "Confidentiality and anonymity are not requested"
6. Complete all the following fields.
  1. Your First name
  2. Your Last Name
  3. Your Address 1 (Street Address)
  4. Your City
  5. Your State
  6. Your Zip
  7. Your Phone Number

8. Your email (I suggest the same as the one you use for the state.)

WHO ARE YOU REPORTING?

*(Technically you are reporting policy makers which is mostly the legal team at the OCD-DRU so we will be only naming the director and his lead legal adviser in this report.)*

Complete the following form fields.

1. Select Program Office
2. Dan
3. Rees
4. Baton Rouge
5. LA
6. (225) 219-9600

ADD ANOTHER SUBJECT? \*YES

1. Click button to add more fields
2. Select Program Office
3. Patrick
4. Forbes
5. Baton Rouge
6. LA
7. 70802
8. (225) 219-9600

Additional individuals involved in the alleged misconduct:

(In this box copy and paste the following)

Because this is policy created by the State of Louisiana Office of Community Development - Disaster Recovery Unit and policy legal executive counsel for Office of Community Development, Disaster Recovery Unit (OCD-DRU) Dan Rees has a staff of policy makers to include lower state management any number of these individuals could be aware of the rules and HUD Guidance issues which this report addresses.

Provide all known details about the Fraud, Waste, or Abuse:

(Copy / Paste)

The State of Louisiana OCD-DRU has required homeowners to produce "Forced Mortgage Payoff" letters on mortgage holders letter head to be allowed a waiver when the mortgage lender applies NFIP Flood insurance funds to the unpaid balance of a mortgage after the home has been condemned or found to be substantially damaged.

The state has used a FEAM policy that requires a lender to present a letter detailing that the lender forced the homeowner to permit NFIP funds to payoff the mortgage. The state issued this information in Action Plan Amendment 12 even after being notified via HUD Guidance of June 20, 2019 that homeowners have to provide proof they were not in control of the NFIP funds.

Current policy which is from FEMA policy (2011) states: "Exception: Insurance proceeds taken by a mortgage company as a forced mortgage payoff will not be counted as a duplication of benefits as long as documentation from the mortgage company evidences the payoff was involuntary. The applicant will need to provide a letter from the lender on company letterhead stating that the mortgage payment was force paid or involuntarily paid directly from the insurance company to the lender." The state of Louisiana has been aware of the fact for several years that many banks will not produce the required letter and / or they will not make a statement over the phone that implies that the payoff was forced. Additionally there seems to be no federal banking requirement to provide such a letter. The information supplied by federal banking rules apply to assist the lender in protecting their investment. Some rules state to apply insurance funds if the property is at risk of ownership change. The banks are not using the same terms as FEMA did in 2011. Also, during the 2016 HUD training the discussion for processing a forced payoff was not covered by CFI and no HUD updates were applied until June 20, 2019 with HUD Guidance

published in the Federal Register FR-6169-N-02. According to the document and Guidance it appears HUD is not asking homeowners to provide letters from the lender but only to provide proof that the lender was not going to return the NFIP funds and was not willing to allow the homeowner to apply the NFIP funds to reconstruction of the condemned or substantially damaged home.

When did this occur?

- 8/14/2019

Where did this occur?

- Louisiana

Tap or Click the "I'm not a robot" wait for it to give you a check mark.

Click the Submit Form button.

You are done with your Part 2 Task assignment.

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