
AUDIT REPORT



A-PAN-AMERICAN MORTGAGE GROUP
NON-SUPERVISED LOAN CORRESPONDENT

CHICAGO, ILLINOIS

2004-CH-1007

AUGUST 9, 2004

OFFICE OF AUDIT, REGION V
CHICAGO, ILLINOIS



Issue Date	August 9, 2004
Audit Case Number	2004-CH-1007

TO: John C. Weicher, Assistant Secretary for Housing, Federal Housing Commissioner and
Chairman of Mortgagee Review Board, H
Margarita Maisonet, Director of Departmental Enforcement Center, CV

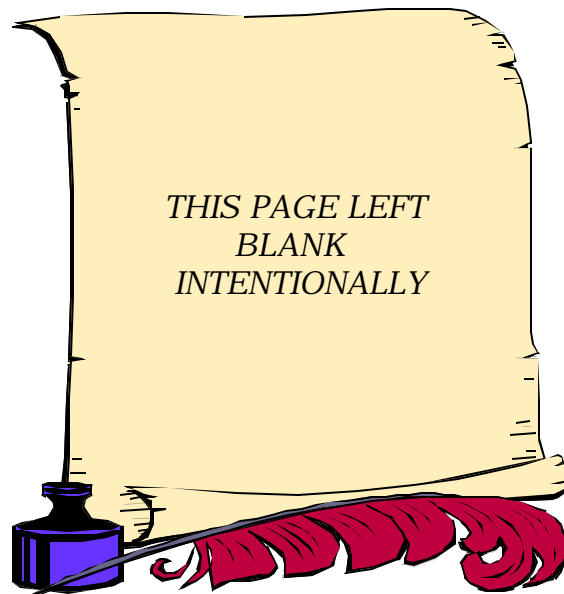

FROM: Heath Wolfe, Regional Inspector General for Audit, 5AGA

SUBJECT: A-Pan-American Mortgage Group
Non-Supervised Loan Correspondent
Chicago, Illinois

We completed an audit of A-Pan-American Mortgage Group, a non-supervised loan correspondent approved to originate FHA Single-Family mortgage loans. We selected A-Pan-American for audit because it had a high loan default and claim rate. Our audit objectives were to determine whether: (1) A-Pan-American's Quality Control Plan, as implemented, met HUD's requirements; and (2) A-Pan-American complied with HUD's regulations, procedures, and instructions in the origination of FHA loans. The audit resulted in two findings.

In accordance with HUD Handbook 2000.06 REV-3, within 60 days please provide us, for each recommendation without management decisions, a status report on: (1) the corrective action taken; (2) the proposed corrective action and the date to be completed; or (3) why action is considered unnecessary. Additional status reports are required at 90 days and 120 days after report issuance for any recommendation without a management decision. Also, please furnish us copies of any correspondence or directives issued because of the audit.

Should you or your staff have any questions, please contact Rose Capalungan, Assistant Regional Inspector General for Audit, at (312) 353-6236 extension 2679 or me at (312) 353-7832.



Executive Summary

We completed an audit of A-Pan-American Mortgage Group, a non-supervised loan correspondent, approved to originate FHA mortgage loans under the Single Family Direct Endorsement Program. The audit was part of the activities set forth in our Fiscal Year 2003 Annual Audit Plan. We selected A-Pan-American for audit because of its high loan default and claim rate. Our audit objectives were to determine whether: (1) A-Pan-American's Quality Control Plan, as implemented, met HUD's requirements, and (2) A-Pan-American complied with HUD's regulations, procedures, and instructions in the origination of FHA loans.

We concluded that A-Pan-American did not comply with HUD's regulations, procedures, and instructions in the origination of FHA-insured loans. It allowed unapproved branches and/or non-employees to originate loans using A-Pan-American's FHA lender identification number. Also, A-Pan-American did not have an adequate Quality Control Plan or any evidence that it implemented the Plan.

A-Pan-American Allowed Prohibited Loan Originations

Contrary to HUD's requirements, A-Pan-American engaged in prohibited loan originations when it allowed unapproved branches and/or non-employees to originate 120 of 125 loans using its FHA lender identification number. This occurred because the President of A-Pan-American disregarded HUD's loan origination requirements in order to generate income from the prohibited use of A-Pan-American's FHA lender identification number.

A-Pan-American Did Not Follow HUD's Quality Control Requirements

A-Pan-American Mortgage Group did not follow HUD's Quality Control requirements. Although A-Pan-American had a Quality Control Plan, it was deficient because it did not contain all the elements as required by HUD. In addition, A-Pan-American provided no evidence it implemented its Quality Control Plan.

Recommendations

We recommend that HUD's Assistant Secretary for Housing-Federal Housing Commissioner and Chairman of the Mortgage Review Board: requires A-Pan-American to indemnify/reimburse HUD for the appropriate amounts cited in this report; and withdraws A-Pan-American's approval to participate in HUD's Direct Endorsement Program. We also recommend that HUD's Director of Departmental Enforcement Center: takes appropriate administrative action against A-Pan-American; and seeks Civil Monetary Penalties against A-Pan-American for the deficiencies cited in this report.

We provided our draft audit report to A-Pan-American's President and HUD's staff during the audit. We held an exit conference with A-Pan-American's President on July 28, 2004. We requested written comments from A-Pan-American by July 31, 2004. As of August 8, 2004, A-Pan-American did not provide written comments to our draft audit report.

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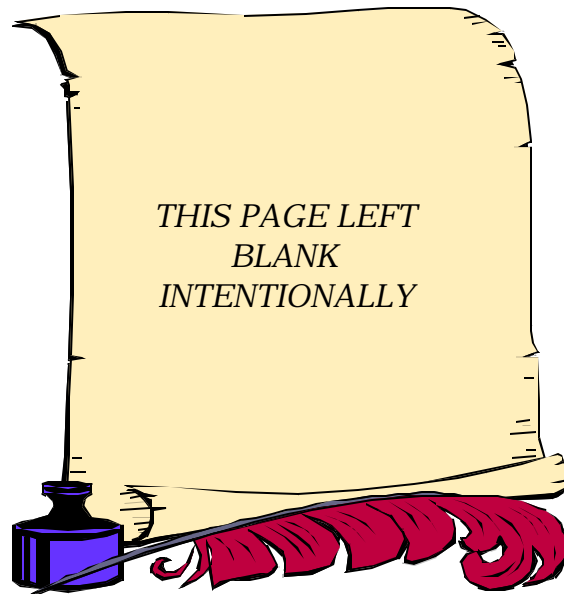
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Introduction

Section 203(b)(1) of the National Housing Act, as amended, authorizes HUD to provide mortgage insurance for single-family homes. HUD must formally approve a lender that originates, purchases, holds, or sells FHA-insured loans. These lenders must follow the statutory and regulatory requirements of the National Housing Act and HUD's regulations and guidelines. Lenders that do not follow these requirements are subject to administrative sanctions.

In April 1998, HUD approved A-Pan-American Mortgage Group as a non-supervised loan correspondent to originate FHA-insured loans. As a condition of its HUD's approval, A-Pan-American is required to develop a Quality Control Plan for the origination of loans. The Quality Control Plan must be a prescribed function of A-Pan-American's operations and assure that it maintains compliance with HUD's requirements and its own policies and procedures.

As a loan correspondent, A-Pan-American must send the FHA loans it originates to a HUD-approved Direct Endorsement sponsor(s) for underwriting approval prior to loan closing and securing an insurance endorsement from HUD. The loan origination process includes taking an initial loan application, initiating the appraisal assignment, and obtaining the credit report, verifications of deposit and employment. Based on the information gathered by the loan correspondent, the sponsor mortgagee underwrites the loan and decides whether the borrower represents an acceptable credit risk for HUD. Since the sponsoring lender bases its underwriting approval, in large part, on information gathered by a loan correspondent, it is critical that the loan correspondent exercises due care and follows HUD's requirements.

In June 1997, A-Pan-American incorporated under the laws of the State of Illinois. Its Office is located at 2815 North Kimball Avenue, Chicago, Illinois. A-Pan-American originated 125 FHA-insured Single-Family loans totaling more than \$18 million from October 2000 through September 2003. The President of A-Pan-American is Jose R. Garcia-Camilo. A-Pan-American had business relationships with three entities: RSPL Marketing, Inc. (4234 North Cicero Avenue, Chicago, Illinois), Outsource Resource (16353 Rowley Lane, Lockport, Illinois), and New Concept Finance (5057 Harlem Avenue, Chicago, Illinois).



Audit Objectives

Our audit objectives were to determine whether: (1) A-Pan-American complied with HUD's regulations, procedures, and instructions in the origination of FHA-insured loans, and (2) A-Pan-American's Quality Control Plan, as implemented, met HUD's requirements.

Audit Scope And Methodology

We conducted the audit at HUD's Chicago Regional Office and A-Pan-American's Office. We performed our audit work from November 2003 through March 2004.

To accomplish our audit objectives, we interviewed: HUD's staff; and A-Pan-American's employees and a contractor. We reviewed HUD's loan origination, Quality Control Plan, and Quality Control Review requirements. We also reviewed A-Pan-American's Quality Control Plan for adequacy and consistency with HUD's requirements.

We analyzed all 125 FHA-insured loans originated under A-Pan-American's FHA lender identification number from October 1, 2000 to September 30, 2003. We tested the loan files to determine whether they were originated in accordance with HUD's requirements.

We also analyzed 24 of the 125 FHA-insured loans to determine whether A-Pan-American implemented its written Quality Control Plan. Our selection criteria included defaulted loans, loans terminated with claims, and loans with invalid social security numbers. Of the 24 loans, 7 were defaulted loans, 3 were loans terminated with claims, and 17 were loans for borrowers with invalid social security numbers.

The audit covered the period from October 2000 through September 2003. The period was adjusted as necessary. We conducted the audit in accordance with Generally Accepted Government Auditing Standards.

We provided a copy of this report to A-Pan-American's President.

A-Pan-American Engaged In Prohibited Loan Originations

Contrary to HUD's requirements, A-Pan-American engaged in prohibited loan originations when it allowed unapproved branches and/or non-employees to originate 120 of 125 loans using its FHA lender identification number. This occurred because the President of A-Pan-American disregarded HUD's loan origination requirements in order to generate income from the prohibited use of A-Pan-American's FHA lender identification number. A-Pan-American's unacceptable loan origination practices contributed to its high loan default and claim rate, putting at risk more than \$6.8 million in FHA-insured loans.

HUD's Requirements

Paragraph 1-2 of HUD Handbook 4060.1 REV-1 states that lenders (including loan correspondents) must be approved by HUD to originate, purchase, hold, or sell FHA-insured mortgages. Each branch office to which mortgagees intend to submit mortgages must be registered with HUD. Further, paragraph 2-14 states that all employees of the mortgagee except receptionists, whether full time or part time, must be employed exclusively by the mortgagee at all times.

Mortgagee Letter 00-15 states HUD prohibits approved mortgagees from engaging in the practice of taking on an existing, separate mortgage company or broker as a branch, and allowing that separate entity to originate insured mortgages under the approved mortgagee's HUD mortgagee number. This prohibited loan origination is called a "net branch".

FHA-Insured Loans Reviewed

We reviewed all 125 of the FHA-insured loans (100 percent) originated under A-Pan-American's mortgagee name and FHA lender identification number between October 2000 and September 2003. The 125 loans had a total value of \$18,106,689. Of the 125 loans, unapproved branches and/or non-employees originated 120 loans valued at \$17,284,080.

A-Pan-American Engaged
In Prohibited Loan
Originations With Non-
Employees And/Or Entities
That Were Not FHA-
Approved

Paragraph 1-2 of HUD Handbook 4060.1 REV-1 requires lenders (including loan correspondents) to be FHA-approved to originate FHA-insured mortgages. Additionally, when loans are originated from a branch, the branch must be registered with HUD. In all cases, however, Mortgagee Letter 95-36 requires staff performing customary loan officer functions, either at a branch or main office, to be an employee of the approved mortgagee.

Contrary to paragraph 1-2 of HUD Handbook 4060.1 REV-1 and Mortgagee Letter 95-36, A-Pan-American allowed unapproved entities and/or non-employees to submit 120 loans totaling \$17,284,080 using A-Pan-American's FHA lender identification number. This type of loan origination engagement is prohibited under Mortgagee Letter 00-15 because A-Pan-American took on existing and separate non-FHA approved entities as branches to originate insured mortgages using A-Pan-American's FHA lender identification number.

Verification with HUD's Office of Lender Approval and Recertification disclosed that the three entities and their respective offices for RSPL Marketing Inc. (4234 North Cicero Avenue Chicago, Illinois), Outsource Resource (16353 Rowley Lane Lockport, Illinois), and New Concept Finance (5057 Harlem Avenue Chicago, Illinois) were not FHA-approved or HUD-registered branch offices of A-Pan-American Mortgage Group. All three entities were separate mortgage companies or brokers from A-Pan-American.

In addition, we determined that 11 personnel who performed customary loan officer functions on 120 of the 125 loans were non-employees of A-Pan-American. The 11 personnel performed customary loan officer functions of interviewing clients; reviewing, processing and following-up on all of the loan-related documents (credit report, appraisal, gift letters, disclosures, certifications, etc.) necessary to complete the clients' loan origination packages; and interacting with the sponsors to close the loan applications. The 11 personnel who performed customary loan officer functions were not listed as current or former employees on the employee list provided by A-Pan-American to our Office.

HUD's Requirements Were Disregarded

This condition occurred because the President of A-Pan-American disregarded HUD's loan origination requirements. When A-Pan-American received its FHA license in 1998, we concluded that the President intended to use its FHA lender identification number to generate income by charging third parties branch fees without having to participate in any of their loan origination activities.

Our conclusion is based on our review of A-Pan-American's loan origination files, and receipt and payment transactions. Our review disclosed that the President of A-Pan-American earned at least \$118,298 in passive income for 12 months by charging branch fees to third parties for the use of A-Pan-American's HUD-approved mortgagee name and FHA lender identification number. The President did this without: (1) participating in the management and operations of the branch offices; (2) providing any supervision or control over the branch employees; or (3) performing Quality Control Reviews (see Finding 2).

A-Pan-American President's only participation in the business activities of its unapproved branches and non-employees was collecting the fees for the use of its FHA lender identification number, as well as retaining the loan origination files after closing each loan. A-Pan-American's receipt and check payment transactions revealed that a majority of the checks written to A-Pan-American Mortgage Group were related to branch fees. At least three checks payable to A-Pan-American had a memo written on the face of the checks stating that these branch fees were for the use of A-Pan-American's license.

A-Pan-American's Practices Posed Significant Risks To The FHA Insurance Fund

A-Pan-American's unacceptable loan origination practices contributed to its high loan default and claim rate of 12 percent, putting at risk more than \$6.8 million in FHA-insured loans.

If A-Pan-American's FHA lender identification number to originate loans was terminated, we estimate that approximately \$102,519 (average of 42 loans per year for the last three years times A-Pan-American's current claim rate of 3.17 percent times HUD's current average loss of \$25,667 per home) in FHA funds would be put to better use. This represents potential savings to the FHA Insurance Fund in terms of reduced risk.

Although we found issues on 120 of the 125 FHA-insured loans originated by prohibited branches and/or non-employees using A-Pan-American's mortgagee name and FHA lender identification number, we are only requesting reimbursement/indemnification on 54 of the 120 loans. The remaining 66 loans are no longer considered a risk to the FHA Insurance Fund since these loans were paid in full by the borrowers. As of June 29, 2004, the insurance status for the 54 loans and their corresponding reimbursement/indemnification amounts are shown in the following table. See Appendix B of this report for more details.

<i>Insurance Status</i>	<i>Count</i>	<i>Amount</i>
Active	49	\$6,541,291
Claim, Resold with Loss	4	145,056
Claim, Not Resold	<u>1</u>	<u>128,296</u>
Totals	<u>54</u>	<u>\$6,814,643</u>

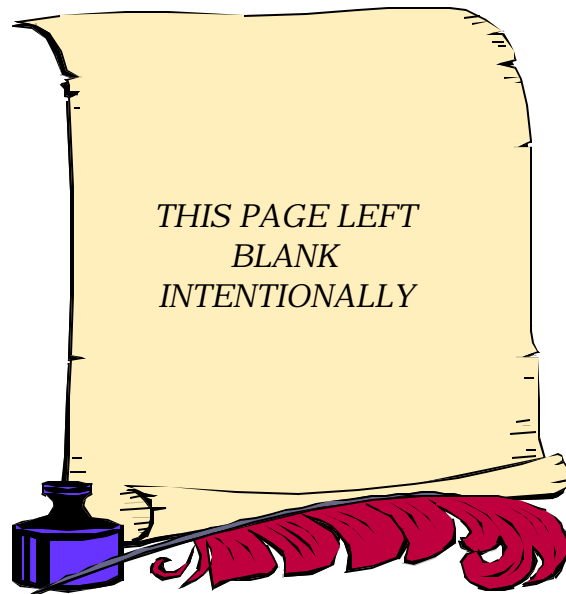
Recommendations

We recommend that HUD's Assistant Secretary for Housing-Federal Housing Commissioner and Chairman of the Mortgagee Review Board:

- 1A. Requires A-Pan-American to indemnify HUD \$6,541,291 against future losses on the 49 active loans originated in violation of HUD's requirements.
- 1B. Reimburses HUD \$145,056 for the actual losses incurred on the four terminated loans with a claim originated in violation of HUD's requirements.
- 1C. Reimburses HUD the appropriate amount of \$128,296 for the future loss on one terminated loan with a claim originated in violation of HUD's requirements once the property is resold.
- 1D. Withdraws A-Pan-American's approval to participate in HUD's Single Family Mortgage Insurance Program based on the deficiencies cited in this report. HUD's withdrawal should help ensure that \$102,519 in HUD fund is used appropriately.

We also recommend that HUD's Director of Departmental Enforcement Center:

- 1E. Takes appropriate administrative action against the owner of A-Pan-American Mortgage Group.
- 1F. Seeks Civil Monetary Penalties against A-Pan-American for the deficiencies cited in this report.



A-Pan-American Did Not Follow HUD's Quality Control Requirements

A-Pan-American Mortgage Group did not follow HUD's Quality Control requirements. Although A-Pan-American had a Quality Control Plan, it was deficient because it did not contain all the elements as required by HUD. In addition, A-Pan-American provided no evidence it implemented its Quality Control Plan. The deficiencies existed because of A-Pan-American's disregard for HUD's Quality Control requirements and its inability, as stated by its President, to access HUD's Neighborhood Watch system. As a result, HUD lacked assurance of the accuracy, validity, and completeness of A-Pan-American's loan origination operations.

HUD's Requirements

HUD Handbook 4060.1 REV-1 includes the requirements for a mortgagee's Quality Control Plan for the origination of FHA-insured mortgages. Chapter 6 of the Handbook provides the general requirements along with lender specific requirements for Quality Control Plans. The Handbook requires mortgagees to:

- Establish a Quality Control Plan that is sufficient in scope to enable the lender to evaluate the accuracy, validity, and completeness of its loan origination operations;
- Enable the lender to initiate immediate corrective actions when discrepancies are found;
- Assure records of Quality Control findings and actions taken were kept;
- Analyze loans that go into default within 6 months after closing;
- Indicate which of the two methods (for example 10 percent of all loans closed on a monthly basis or 95 percent confidence level with 2 percent precision) will be used when sampling loans to be reviewed;
- Retain the results of Quality Control Reviews for a period of 1 year, whether performed by the mortgagee or an outside firm; and
- Perform Quality Control Reviews within 90 days of closing of the loan.

Quality Control Plan Was Deficient

A-Pan-American had a Quality Control Plan, but it was deficient. Although the Plan identified the requirements of HUD

Handbook 4060.1 REV-1, it did not contain all of the elements required. The Plan lacked procedures to ensure the accuracy, validity, and completeness of A-Pan-American’s loan origination operations. For instance, the Quality Control Plan did not have:

- Review procedures for ensuring all loans that defaulted within the first 6 months were analyzed;
- Review procedures for ensuring loans that closed within 90 days were reviewed; and
- Selection sampling plan that identifies the sampling method to be used and procedures to be followed when selecting the samples.

The President of A-Pan-American copied HUD’s Quality Control Plan checklist directly into the company’s business letterhead, which was later, submitted to HUD as A-Pan-American’s Quality Control Plan.

No Evidence Of Plan Implementation

The President of A-Pan-American claimed that A-Pan-American performed Quality Control Reviews. However, when asked to provide evidence, he was unable to provide a written report of Quality Control Reviews which would provide: (1) information on how loans were selected for review; (2) a listing of actual loans analyzed or reviewed; or (3) documentation on the procedures or analyses actually performed.

Moreover, our review disclosed that A-Pan-American did not conduct Quality Control Reviews for the four early payment default loans as shown in the following table.

FHA Loan Number 137-	Mortgage Amount	Date First Payment Due	Date Last Payment Made	Total Number Of Payments Made	Included In HUD’s Review
0843838	\$352,265	05/01/01	10/01/01	6	
1174619	\$109,589	09/01/01	02/01/02	6	X
1457432	\$170,012	01/01/02	04/01/02	4	X
1524050	<u>\$131,087</u>	12/31/01	02/01/02	5	<u>X</u>
Totals	<u>\$762,953</u>	4	4		<u>3</u>

Three of four early default loans in the table above were included in HUD's July 2003 Quality Assurance Review.

Causes Of Deficiencies

The Quality Control deficiencies occurred because A-Pan-American disregarded HUD's Quality Control requirements. A-Pan-American's President said A-Pan-American did not have access to HUD's Neighborhood Watch system and consequently, did not know the loans were in default.

In 1998, the President of A-Pan-American said he drafted a Quality Control Plan based on a sponsor's expert advice. This was supplemented by a kit containing HUD's Quality Control Plan checklist that a sponsor (Aegis) provided. Later, we found that A-Pan-American submitted a Quality Control Plan to HUD containing information copied from HUD's Quality Control Plan checklist.

The President said he was unaware of HUD's Neighborhood Watch system and did not learn about the early payment defaults until HUD's Quality Assurance Division staff informed him.

We do not believe the above reasons relieved A-Pan-American of its responsibility to maintain a Quality Control Plan that meets HUD's requirements, as well as ensure that Quality Control Reviews were conducted according to the Plan. In the absence of maintaining and implementing an effective Quality Control Plan, HUD lacked assurance of the accuracy, validity and completeness of A-Pan-American's loan origination operations.

Recommendations

We recommend that HUD's Assistant Secretary for Housing-Federal Housing Commissioner and Chairman of the Mortgagee Review Board:

- 2A. Requires A-Pan-American to fully establish and implement an adequate Quality Control Plan and related reviews, if HUD allows A-Pan-American to continue to originate FHA-insured loans.

- 2B. Reviews A-Pan-American's implementation of Recommendation 2A and ensure its Quality Control process conforms to HUD's requirements.

Management Controls

Management Controls include the plan of organization, methods, and procedures adopted by management to ensure that its goals are being met. Management controls include the processes for planning, organizing, directing, and controlling program operations. They include systems for measuring, reporting, and monitoring program performance.

Relevant Management Controls

We determined that the following management controls were relevant to our audit objectives:

- Program Operations – Policies and procedures that management has implemented to reasonably ensure that the loan origination process is in compliance with HUD/FHA requirements, and the objectives of the programs are met.
- Validity and Reliability of Data – Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.
- Compliance with Laws and Regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.
- Safeguarding of Resources – Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss and misuse.

We assessed all the relevant controls identified above during our audit of A-Pan-American's Quality Control and loan origination processes.

It is a significant weakness if management controls do not give reasonable assurance that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss and misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports.

Significant Weaknesses

Based on our review, we believe the items on the following page are significant weaknesses:

- Program Operations

A-Pan-American did not operate its loan origination program in accordance with HUD's requirements. A-Pan-American allowed unapproved branches and non-employees to originate FHA-insured loans contrary to HUD's requirements. In addition, A-Pan-American did not establish an adequate Quality Control Plan and implement it accordingly (see Findings 1 and 2).

- Validity and Reliability of Data

A-Pan-American did not perform Quality Control Reviews on its loans for ensuring accuracy, validity and completeness of loan origination operations (see Finding 2).

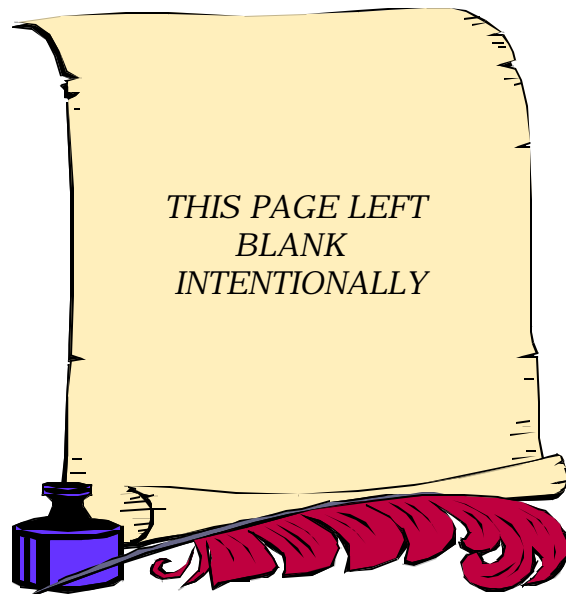
- Safeguarding Resources

A-Pan-American engaged in prohibited loan originations when it allowed unapproved branches and/or non-employees to originate loans using its FHA lender identification number. A-Pan-American's unacceptable loan origination practices contributed to its high loan default and claim rate, putting at risk more than \$6.8 million in FHA-insured loans (see Finding 1).

Follow Up On Prior Audits

This is the first audit of A-Pan-American Mortgage Group by HUD's Office of Inspector General.

In July 2003, HUD's Quality Assurance Division conducted a Title II origination review of A-Pan-American. The review resulted in eight findings that included deficient Quality Control procedures, non-compliance with HUD's reporting requirements, violation of HUD's loan origination requirements by allowing unregistered branch office or non-employees to originate loans, and insufficient loan origination documentation. As of June 29, 2004, all findings were not yet resolved.



Schedule Of Questioned Costs And Recommendations For Funds To Be Put To Better Use

Recommendation Number	Type of Questioned Costs		Funds To Be Put To Better Use <u>3/</u>
	<u>Ineligible Costs 1/</u>	<u>Unsupported Costs 2/</u>	
1A			\$6,541,291
1B	<u>\$145,056</u>		
1C		<u>\$128,296</u>	
1E			<u>\$102,519</u>
Totals	<u>\$145,056</u>	<u>\$128,296</u>	<u>\$6,643,810</u>

1/ Ineligible costs are costs charged to a HUD-financed or insured program or activity that the auditor believes are not allowable by law, contract, or Federal, State, or local policies or regulations.

2/ Unsupported costs are costs charged to a HUD-financed or insured program or activity and eligibility cannot be determined at the time of the audit. The costs are not supported by adequate documentation or there is a need for a legal or administrative determination on the eligibility of the cost. Unsupported costs require a future decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of Departmental policies and procedures.

3/ Funds To Be Put To Better Use are quantifiable savings that are anticipated to occur if an OIG recommendation is implemented, resulting in a reduced expenditure in subsequent periods for the activity in question. This includes an implemented OIG recommendation that causes a non-HUD entity not to expend Federal funds for a specific purpose. These funds could be reprogrammed by the entity and not returned to HUD.



Schedule Of Discrepancies – Finding 1

	FHA Case Number	Insured Amount	Closing Date	Insurance Status As of 06/29/04	Loans Originated By Unapproved Branch Offices			Originated By Non-Employees
					RSPL	New Concept	Outsource Resource	
1	137-0646776@	\$80,056	10/25/2000	T				X
2	137-0677977@	137,864	10/27/2000	T				X
3	137-0713076	153,265	2/22/2001	T	X			
4	137-0766243@	201,734	2/7/2001	A				X
5	137-0788212	112,636	1/31/2001	T	X			
6	137-0814139	188,790	2/13/2001	T				X
7	137-0822969	197,925	2/22/2001	T				X
8	137-0824930	151,133	4/24/2001	A	X			
9	137-0827263	143,673	2/23/2001	T				X
10	137-0838380	81,301	3/12/2001	T				X
11	137-0838401	143,277	4/30/2001	A	X			
12	137-0840316	148,631	3/20/2001	T				X
13	137-0859033	164,443	3/28/2001	A				X
14	137-0864079	160,877	3/30/2001	A				X
15	137-0874307	167,357	3/20/2001	T				X
16	137-0879175	184,373	3/20/2001	T				X
17	137-0890707	204,367	3/30/2001	T				X
18	137-0900118	190,849	3/29/2001	T				X
19	137-0915605	100,738	5/25/2001	T	X			
20	137-0944624	186,898	4/25/2001	A	X			
21	137-0950528	141,328	4/23/2001	A	X			
22	137-0970420	193,216	4/20/2001	T	X			
23	137-0972082	104,951	5/25/2001	T				X
24	137-0972099	211,807	4/30/2001	T	X			
25	137-0982146*	164,018	4/30/2001	T	X			
26	137-0983447	113,527	4/24/2001	A				X
27	137-0983634	110,127	4/24/2001	A				X
28	137-0986335*	138,678	6/20/2001	T	X			
29	137-0991081	159,892	6/22/2001	A	X			
30	137-1035354*	168,000	5/2/2001	T	X			
31	137-1035485	128,550	5/16/2001	A	X			
32	137-1035654	55,723	5/23/2001	T	X			
33	137-1043236	102,604	5/1/2001	A	X			
34	137-1045295	135,198	5/22/2001	A	X			
35	137-1067906	205,669	5/29/2001	T	X			
36	137-1076482	84,397	6/4/2001	T	X			
37	137-1076517	101,560	5/24/2001	T	X			
38	137-1083497	98,962	5/25/2001	T				X
39	137-1084197@	192,971	5/14/2001	A				X
40	137-1104505@	177,493	6/1/2001	T				
41	137-1104522	209,496	6/5/2001	T	X			
42	137-1104942	124,686	6/15/2001	T	X			
43	137-1110852	176,274	6/26/2001	T	X			
44	137-1111155	150,220	6/1/2001	T	X			
45	137-1137639	148,900	7/6/2001	T				

Legend: @ = The loans are purchases, all others are refinances; * = The loans are covered by Section 234C of the National Housing Act, all others are 203B; A= active; T = terminated without claim; C = terminated with claim.

Appendix B

	FHA Case Number	Insured Amount	Closing Date	Insurance Status As of 06/29/04	Loans Originated By Unapproved Branch Offices			Originated By Non-Employees
					RSPL	New Concept	Outsource Resource	
46	137-1147557	77,454	6/25/2001	A	X			
47	137-1147852	100,028	6/22/2001	A	X			
48	137-1151248	88,355	6/30/2001	T	X			
49	137-1151312	85,970	6/25/2001	A	X			
50	137-1182933*	75,370	7/18/2001	T	X			
51	137-1191856	156,685	7/24/2001	T	X			
52	137-1191879*	118,800	7/23/2001	T	X			
53	137-1236468	134,487	7/31/2001	A	X			
54	137-1250274	157,500	9/28/2001	T	X			
55	137-1250869	108,527	8/16/2001	A	X			
56	137-1254411	145,145	8/18/2001	T	X			
57	137-1275043	131,848	8/23/2001	T	X			
58	137-1275089*	113,700	9/4/2001	T	X			
59	137-1275230	74,907	8/22/2001	A	X			
60	137-1276531	137,385	8/29/2001	A	X			
61	137-1279731	141,135	8/31/2001	A	X			
62	137-1283220*	120,250	9/25/2001	A	X			
63	137-1283237	152,757	8/27/2001	A	X			
64	137-1286857	113,680	8/27/2001	T	X			
65	137-1286863	126,113	9/25/2001	A	X			
66	137-1303302@	116,176	9/24/2001	A				X
67	137-1305621	116,539	10/1/2001	A	X			
68	137-1328044	138,183	10/31/2001	T	X			
69	137-1333181	124,352	9/28/2001	A				X
70	137-1356646	114,261	9/25/2001	A	X			
71	137-1408687	120,379	11/1/2001	T	X			
72	137-1410493	132,914	10/29/2001	T	X			
73	137-1410608	182,040	10/27/2001	T	X			
74	137-1417462	129,313	10/29/2001	T	X			
75	137-1417479	150,746	10/31/2001	T	X			
76	137-1444518	182,826	11/26/2001	T	X			
77	137-1445174	234,119	11/21/2001	T	X			
78	137-1446633*	149,600	11/21/2001	T	X			
79	137-1457432	170,012	11/26/2001	T	X			
80	137-1457449	176,813	11/30/2001	T	X			
81	137-1457455	123,221	11/27/2001	A	X			
82	137-1471218@	129,174	11/30/2001	T				X
83	137-1492927	134,741	2/19/2002	T	X			
84	137-1493793	127,890	12/19/2001	A	X			
85	137-1523712	165,713	12/24/2001	T	X			
86	137-1524067	122,464	1/16/2002	A	X			
87	137-1567401	190,718	2/15/2002	T	X			
88	137-1570026	119,770	3/22/2002	A	X			
89	137-1577893	138,050	1/17/2002	T			v	
90	137-1588765	139,409	2/21/2002	A				

Legend: @ = The loans are purchases, all others are refinances; * = The loans are covered by Section 234C of the National Housing Act, all others are 203B; A= active; T = terminated without claim; C = terminated with claim.

	FHA Case Number	Insured Amount	Closing Date	Insurance Status As of 06/29/04	Loans Originated By Unapproved Branch Offices			Originated By Non- Employees
					RSPL	New Concept	Outsource Resource	
91	137-1600691	113,375	2/25/2002	T				X
92	137-1615317	177,371	2/22/2002	T	X			
93	137-1646287	112,563	3/22/2002	A	X			
94	137-1669382	150,017	3/25/2002	A	X			
95	137-1722856@	148,190	5/6/2002	T				X
96	137-1722912@	207,962	5/3/2002	T		X		
97	137-1846433	182,403	7/26/2002	T				
98	137-1870376@	118,146	7/25/2002	A				
99	137-2111326	114,325	12/9/2002	A				X
100	137-2159504	158,780	2/28/2003	T				
101	137-2307924	185,787	4/4/2003	A				
102	137-0843838	356,265	3/13/2001	C				X
103	137-0874067	201,354	4/1/2001	A	X			
104	137-0971093	178,770	4/23/2001	T	X			
105	137-0983628	135,553	4/30/2001	T	X			
106	137-1010092@	125,037	4/13/2001	A				X
107	137-1035739	114,187	5/21/2001	A	X			
108	137-1035745	142,709	5/17/2001	C	X			
109	137-1035751	161,283	5/21/2001	C	X			
110	137-1053907	87,290	6/19/2001	T		X		
111	137-1075784	128,296	5/25/2001	C	X			
112	137-1086645@	70,644	4/30/2001	A				X
113	137-1163520	113,725	7/5/2001	A	X			
114	137-1171419	130,885	7/30/2001	A	X			
115	137-1174619	109,589	7/30/2001	A	X			
116	137-1202840	90,538	7/23/2001	T	X			
117	137-1250361	148,494	8/31/2001	A	X			
118	137-1250511	163,922	8/14/2001	A	X			
119	137-1404679	206,758	1/11/2002	T	X			
120	137-1409358	181,279	10/25/2001	T	X			
121	137-1410391	241,257	10/24/2001	T	X			
122	137-1488026	205,872	12/12/2001	A	X			
123	137-1524050	131,087	12/31/2001	C	X			
124	137-1558366	151,458	1/17/2002	A	X			
125	137-1669983	<u>173,565</u>	3/21/2002	A	<u>X</u>			
	Totals	<u>\$18,106,689.00</u>			<u>89</u>	<u>2</u>	<u>1</u>	<u>28</u>

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