

CRIMINAL STATUTES

1. Section 1715z-19, Title , U.S.C., "Equity Skimming Penalty", provides, among other things, whoever willfully uses or authorizes the use of any part of the rents, assets, proceeds, income or other funds derived from the property during a period when the mortgage note is in default or the project is in a non-surplus cash position, for any purpose other than to meet actual or necessary expenses, shall be fined not more than \$250,000 or imprisoned not more than 5 years, or both.
2. Section 1001, Title 18, U.S.C., "Fraud and False Statements", provides, among other things, that whoever knowingly and willingly makes or uses a document or writing containing any false, fictitious, or fraudulent statement or entry, in any matter within the jurisdiction of any department or agency of the United States, shall be fined not more than \$10,000 or imprisoned for not more than five years, or both.
3. Section 1010, Title 18, of the U.S.C., "H.U.D. Transactions", makes it a criminal offense to make a willful false statement or misrepresentation to any Department or Agency of the United States as to any matter within its jurisdiction.
4. Section 1010, Title 18, U.S.C., "H.U.D. Transactions", provides, in part: "Whoever, for the purposes of ... influencing in any way the action of such administration makes, passes, utters or publishes any statement knowing the same to be false ... shall be fined not more than \$5,000 or imprisonment of not more than two years, or both.
5. Section 1012, Title 18, U.S.C, "Department of Housing and Urban Development Transactions", provides in part: "Whoever, with intent to defraud, makes false entry in any book of the Department of Housing and Urban Development, makes any false report or statement to or for such Department ... or whoever receives any compensation ... with intent to defraud such Department or with intent unlawfully to defeat its purposes shall be fined not more than \$1,000 or imprisoned not more than 1 year, or both."

CIVIL STATUTES

1. Section 1715z-4a, Title 12, U.S.C., "Double Damages Remedy for Unauthorized Use of Multifamily Housing Projects Assets and Income," provides for a double damages civil remedy for the use of assets or income in violation of any Regulatory Agreement or any applicable HUD regulations.

2. Section 1735f-15, Title 12, U.S.C., "Civil Money Penalties Against Multifamily Mortgagors", provides, among other things, civil money penalties in addition to any other civil remedy or criminal penalty to be paid by the mortgagor through personal funds for (1) violation of agreement with HUD to use nonproject funds for certain specified needs of a project (e.g., payments to the replacement reserve account) as condition of receiving transfers of physical assets, flexible subsidy loan, capital improvement loan, modification of mortgage terms or workout agreement. The penalties can be as much as the amount of loss the Secretary would experience at foreclosure sale or sale after foreclosure and (2) certain specific violations of the regulatory agreement, the penalties can be as much as \$25,000 for each occurrence.