
AUDIT REPORT



PRESTIGE MORTGAGE GROUP, INC.
NON-SUPERVISED LOAN CORRESPONDENT

SPRINGFIELD, OHIO

2005-CH-1001

OCTOBER 27, 2004

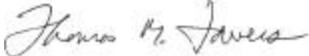
OFFICE OF AUDIT, REGION V
CHICAGO, ILLINOIS



Issue Date	October 27, 2004
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Audit Report Number	2005-CH-1001
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TO: John C. Weicher, Assistant Secretary for Housing-Federal Housing
Commissioner and Chairman of Mortgagee Review Board, H

FROM: 
Thomas M. Towers, Acting Regional Inspector General for Audit, 5AGA

SUBJECT: Prestige Mortgage Group, Inc.
Non-Supervised Loan Correspondent
Springfield, OH

HIGHLIGHTS

What We Audited and Why

We audited Prestige Mortgage Group, Inc. (Prestige), a non-supervised loan correspondent approved to originate FHA mortgage loans under the U.S. Department of Housing and Urban Development's (HUD) Single Family Direct Endorsement Program. The audit was part of the activities in our fiscal year 2004 Annual Audit Plan. We selected Prestige for audit because of its high loan default rate. Our audit objectives were to determine whether Prestige (1) complied with HUD's regulations, procedures, and instructions in the origination of FHA-insured single-family mortgages and (2) implemented a quality control plan according to HUD's requirements.

What We Found

Prestige did not adequately originate FHA-insured loans in accordance with HUD's requirements. Prestige failed to exercise due diligence to verify or support borrowers' income and sources of funds to close, and credit information. In addition, Prestige did not always ensure that unbiased appraisals were provided, cash investment requirements were met, information on inconsistencies contained

in loan documents were explained or resolved, and interested third parties were not handling key documentation. Further, Prestige charged borrowers for fees that were unjustified.

Prestige failed to adequately implement its quality control process according to HUD's requirements. It did not always review early payment defaults, perform quality control reviews on FHA loans in a timely manner, formally and consistently document the actions taken to resolve the deficiencies found during its reviews, and perform reviews of its branch office.

The deficiencies stemmed from Prestige's unfamiliarity with HUD's requirements, its failure to adequately implement its quality control plan, and its senior management's lack of supervision over its employees. These deficiencies contributed to an increased risk to the FHA insurance fund.

What We Recommend

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

- Requires Prestige's sponsor's to indemnify HUD for any future losses,
- Requires Prestige to repay the overcharges for loan discount points, and
- Ensures that Prestige establishes controls to ensure personnel are knowledgeable of HUD procedures, and supervision is adequate to maintain an effective operation—if Prestige reapplies for a new FHA license as a non-supervised loan correspondent and deemed eligible.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

Auditee's Response

We provided the discussion draft of the audit report to Prestige on October 7, 2004, and requested their comments by October 22, 2004. On October 16, 2004, the president declined to participate in an exit conference and comment on the discussion draft.

We did not receive the president's comments as of October 26, 2004, nor were we contacted as to the status of the comments. Therefore, this audit report was issued without formal comments from Prestige.

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BACKGROUND AND OBJECTIVES

Section 203(b)(1) of the National Housing Act, as amended, authorizes the U.S. Department of Housing and Urban Development (HUD) to provide mortgage insurance for single-family homes. HUD must formally approve a mortgagee that originates, purchases, holds, or sells FHA-insured loans. Mortgagees must follow the statutory and regulatory requirements of the National Housing Act and HUD's instructions, guidelines, and regulations when originating insured loans. Mortgagees that do not follow these requirements are subject to administrative sanctions.

We audited Prestige Mortgage Group, Inc. (Prestige), a non-supervised loan correspondent approved to originate Federal Housing Administration mortgage loans under HUD's Single Family Direct Endorsement Program. The audit was part of the activities in our fiscal year 2004 Annual Audit Plan. We selected Prestige for audit because of its high loan default rate. Our audit objectives were to determine whether Prestige (1) complied with HUD's regulations, procedures, and instructions in the origination of the FHA-insured single-family mortgages and (2) implemented a quality control plan according to HUD's requirements.

In August 1999, HUD approved Prestige as a non-supervised loan correspondent mortgagee to originate FHA loans. As a condition for its HUD approval, Prestige was required to have and maintain a quality control plan for the origination and servicing of insured loans. The quality control plan must be a prescribed function of Prestige's operations and assure that it maintains compliance with HUD's requirements and its own policies and procedures.

As a loan correspondent, Prestige must send the FHA loans it originates to a HUD-approved direct endorsement sponsor(s) for underwriting approval before loan closing and submission to HUD for insurance endorsement. The loan origination process includes taking initial loan applications, initiating the appraisal assignment, obtaining the credit report, and procuring 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 sponsor bases its underwriting approval in large part on information gathered by the loan correspondent, it is critical that the loan correspondent exercises due care and follows prudent lending practices and HUD's requirements when originating the loan.

Prestige voluntarily requested that HUD terminate its FHA license as of September 1, 2004. HUD terminated Prestige's license on September 2, 2004. Prestige's office is located at 1160 East Home Road, Springfield, OH. During our audit scope of December 2001 through November 2003, Prestige originated 210 FHA-insured single-family loans totaling about \$16 million.

RESULTS OF AUDIT

Finding 1: Prestige Did Not Exercise Due Diligence Over Its Loan Origination Process

Prestige did not adequately originate FHA-insured loans in accordance with HUD's requirements. For the 25 loans we selected for review, Prestige failed to verify or support borrowers' income and sources of funds to close, and credit information. In addition, it did not ensure that cash investment requirements were met, information on inconsistencies contained in the loan documents were explained or resolved, and interested third parties were not handling key documentation. Further, Prestige charged borrowers fees that were unjustified. The deficiencies stemmed from Prestige's unfamiliarity with HUD's requirements, its failure to adequately implement its quality control plan, and its senior management's lack of supervision over its employees. These deficiencies contributed to the high default rate, putting at risk over \$1.8 million in FHA-insured loans.

Deficiencies in Loan Originations

Prestige did not originate FHA-insured loans in accordance with HUD's requirements and prudent lending practices. We reviewed 25 loans originated by Prestige with a total mortgage amount of \$1,890,739. We selected our non-representative sample from a universe of 210 loans closed between December 1, 2001, and November 30, 2003.

Real Estate Settlement Procedures Act Requirements Not Met

In our review of the 25 selected loans, we identified 22 where Prestige did not list the yield-spread premium on the good faith estimate. These 22 cases are discussed in Appendix C of this report.

Disclosure of the yield spread premiums under the Real Estate Settlement Procedures Act in HUD Mortgagee Letter 2001-26 states that lender payments to brokers should be listed on the good faith estimate and the HUD-1 in the 800 series as an item paid outside of closing. The name of the broker receiving the fee should be clearly indicated, along with the name of the fee and the amount.

Appraisal Reports Were Not Properly Analyzed or Supported

Prestige did not provide adequately documented and complete appraisals for the sponsor's underwriters to consider their acceptability in accordance with HUD Handbook 4150.2, Sections 4-1, 4-6 and 7-1.

We noted 10 cases in which appraisals used comparable properties that were either (1) more than a mile from the subject property, (2) sold more than 6 months before the appraisal without adequate explanation, or (3) sold within a year without a list of improvements to justify the increase in the sales value. In two cases (413-3915641 and 413-3965569), the subject property was previously sold within a year for a substantially lower amount than the current appraisal. However, there were no specific repairs detailed in the appraisal as having been completed to support the appraisal amount. The remaining eight cases are discussed in Appendix C of this report.

Income Was Not Properly Verified or Supported

Prestige did not properly verify or support the income of borrowers of nine loans by not obtaining the income documentation required by HUD Handbook 4155.1, REV-4, CHG-1, paragraph 2-7. These deficiencies included the use of overstated or unstable borrower income.

Prestige did not establish that the borrower had stable income for Case Number 413-3797560. The borrower was unemployed for 11 months between the current and previous jobs noted on the loan application without any explanation in the file. In addition, before signing the loan application, the borrower was only employed for 6 months, and her income did not increase from her previous job.

Prestige did not properly compute the effective income of the borrower for Case Number 413-3982521. The loan application showed a monthly income of \$3,196 for the borrower. The monthly income Prestige used included overtime. We verified with the employer that overtime was not guaranteed. We calculated the average monthly income to be \$2,995. This represented a monthly difference of \$201.

Income verification or documentation issues for the remaining seven cases are discussed in Appendix C. It was Prestige's responsibility to verify and support borrower incomes, but the sponsor's responsibility for the actual loan approvals.

Borrower's Ability and Willingness to Pay Not Established

In 19 of the 25 loans, we identified issues relating to the borrowers' ability to afford the mortgage and living expenses. These issues included the underwriter (1) not providing adequate compensating factors for loans with credit ratios exceeding HUD's guidelines and (2) not adequately establishing how borrowers improved their credit worthiness—except for having delinquencies paid off from undetermined sources. These 19 cases are discussed in Appendix C.

Paragraph 2-1 of HUD Handbook 4155.1, REV-4, CHG-1, "Mortgage Analysis for Mortgage Insurance on One-to-Four Family Properties," requires mortgagees to determine the borrower's ability and willingness to repay the mortgage debt and thus limit the probability of default or collection difficulties. Four major elements are typically evaluated in assessing a borrower's ability and willingness to repay the mortgage debt. These include the stability and adequacy of income, funds to close, credit history, and qualifying ratios and compensating factors. Paragraph 3-1 of the Handbook states that HUD expects the application package to contain documentation sufficient to support the lender's decision to approve the mortgage loan.

It was Prestige's responsibility to obtain and provide documentation and information to the sponsor's underwriter. It was the underwriter's responsibility to analyze the loans and document the compensating factors used to approve loans exceeding HUD's guideline ratios. The underwriters were also responsible for approving borrowers with bad payment histories and using understated expenses in the mortgage credit analysis.

Inadequate Documentation of Deposits

Prestige lacked support to show it properly verified the borrowers' sources of funds to close. In eight of the 25 cases reviewed, we noted issues relating to the lack of adequate documentation of deposits provided by the borrowers and provision of gift funds by nonprofit donors.

In eight cases, Prestige did not adequately verify the actual source of deposits provided by the borrowers. This included not obtaining cancelled checks and bank statements showing the deposit cash coming out of the borrowers' accounts. In one case, Prestige did not document the timing of the gift wire transfers from nonprofit donors to the settlement agent and the timing of the contribution from

the seller proceeds back to the nonprofit donors to ensure that the gift funds were not actually provided by the seller.

The documentation we obtained showed that in Case Number 413-3865913, the settlement agent transferred \$2,362 of the seller's proceeds to AmeriDream on the closing date but did not receive the \$1,890 gift from AmeriDream until 4 days later. In this case, the seller provided the gift funds in violation of HUD's requirements.

The Settlement Statement, dated August 1, 2002, for Case Number 413-3889867, shows the borrower paid \$6,471 at closing. The first page of a bank statement, dated March 5, 2002, was supplied for an account in the name of Quality Trophies and Gifts in the care of the borrower and his wife. Prestige did not request an updated bank statement, nor did it do a verification of deposit to determine whether the borrower had adequate funds to close.

HUD Handbook 4155.1, REV-4, CHG-1, paragraph 2-10, "Funds To Close," requires that all funds for the borrower's investment in a property be verified. Lenders are required to verify the deposit amount and source of funds if earnest money deposits are excessive, based on the borrower's savings history. For gifts, the lender must document the transfer of funds from the donor to the borrower. If the funds are not deposited to the borrower's account before closing, the lender must obtain verification that the closing agent received the funds from the donor for the gift amount. The donor of the gift may not be a person or entity with an interest in the sale of the property, such as the seller, real estate agent or broker, builder, or entity associated with them. Gifts from these sources are considered inducements and must be subtracted from the sales price.

Sponsors rely on information prepared and collected by loan correspondents in determining the eligibility of borrowers to qualify for loans. When irregularities occur with respect to gift funds due to lenders not complying with HUD's requirements, there may be grounds for administrative action and referral to HUD's Mortgagee Review Board for imposition of administrative sanctions or civil money penalties against loan correspondents and/or sponsors.

It was Prestige's responsibility to determine and document the source of funds provided on behalf of the borrowers during loan processing. This includes determining how the gift funds were being provided at closing. It was the responsibility of the sponsor's underwriters to not approve loans when Prestige had not properly demonstrated the source of the funds provided.

The remaining six cases are discussed in Appendix C.

Inconsistencies Were Not Explained or Resolved

The loan files for 20 cases contained inconsistencies in their loan applications and gift letters. Prestige did not explain or clearly resolve these inconsistencies. Paragraph 2-5 of HUD Handbook 4000.4, REV-1, requires the mortgagee to obtain and verify information with at least the same care that a mortgagee would exercise in originating a loan that was entirely dependent on the property as security to protect its investment.

Inconsistencies among the Settlement Statement, the Mortgage Credit Analysis Worksheet, and the Residential Real Estate Contract existed for Case Number 413-3915641. Both the first sales contract and the Mortgage Credit Analysis Worksheet showed that the borrower paid a \$200 earnest money deposit. However, the Settlement Statement did not show an earnest money deposit. The second sales contract was dated a month after the first and showed no earnest money payment. We interviewed the borrower, and he said he paid approximately \$550 in cash to the seller. Prestige did not document any investigation of the inconsistency of the sales contracts.

The remaining 19 cases with unresolved inconsistencies are discussed in Appendix C.

Inaccurate or Missing Verification of Employment

Prestige did not properly verify or support the income of borrowers for seven loans by obtaining the required income documentation. For example, the verification of employment or adequate alternate documentation was not provided for one of the borrowers in Case Number 413-3868036. The case file only contained a letter from the borrower's employer. Our re-verification determined the employment letter was not generated or completed by a proper official or representative from the borrower's employer.

We discuss the remaining six cases with issues on income verification or documentation in Appendix C.

Interested Third Parties Handled Key Information

Prestige obtained documentation such as rental verification documentation, pay statements, alternate credit sources, payment histories, and wage and earning statements from interested third parties.

HUD Handbook 4155.1, REV-4, CHG-1, paragraph 3-1, states that verification forms must pass directly between the lender and the provider without being handled by any third party. These include explanatory statements or additional documentation needed for a sound underwriting decision. The documents in five loan files (413-3898202, 413-3915641, 413-3965569, 413-3986727, and 413-4001686) showed they were faxed from the seller's office or from the borrower's place of employment, rather than directly from the source. We discuss these five cases in Appendix C.

As a loan processor, it was Prestige's responsibility to obtain documentation directly from borrowers, employers or other sources without the documents passing through the hands of interested parties—such as the seller. The sponsor was responsible for not accepting documents that showed evidence that an interested party provided them.

Justification Was Not Provided for Overages

Prestige charged a total of \$13,543 in loan discount points on 14 of the 25 loans we reviewed. Prestige failed to provide or maintain any justification for the pricing of its FHA-insured loans. Prestige's lending practices unfairly imposed costs and charges on the borrowers. Moreover, documentation was not provided to indicate the borrowers received anything of value for the discount points charged.

The discount points were about one to four percent of the loan amount (see Appendix E). It is generally accepted and agreed that loan discount points are paid to reduce the interest rate on a loan. However, Prestige received compensation in the form of a yield spread premium of \$32,690 from its sponsor for charging the borrowers an above-par interest rate. According to the Real Estate Settlement Procedures Act, a yield spread premium is an indirect compensation from the lender, which may reduce the up-front costs for a borrower but, consequently, increases the interest rate of the loan to compensate the broker.

HUD allows lenders who originate FHA-insured loans to charge borrowers a one-percent loan origination fee and eligible closing and prepaid costs; however,

additional fees should be for specific services performed beyond the normal loan processing and underwriting. Section 8 of the Real Estate Settlement Procedures Act prohibits giving or accepting any part of a charge for services not performed (unearned fees). Since loan discount points were charged and the interest rates were not reduced, we concluded that these were unearned fees and a violation of the Real Estate Settlement Procedures Act.

Responsibilities of Prestige and Its Sponsors

HUD Handbooks 4000.4, REV-1, and 4060.1 and 24 Code of Federal Regulations Part 202.8 state that sponsors are responsible to HUD for the actions of their loan correspondents. Sponsors can rebut the presumption that they have specific knowledge of the actions of the loan correspondent, for example, when there is evidence of fraud.

For the deficiencies cited, the failure to provide compensating factors for excessive mortgage credit ratios and approval of loans for borrowers with pre-existing bad debt was solely the responsibility of Prestige's sponsors.

Prestige was responsible for (1) failing to adequately verify or support income, (2) failing to investigate credit inquiries, (3) failing to demonstrate credit worthiness, (4) failing to show the timing of gift transfers to and from nonprofit donors, (5) failing to document the source of funds provided, (6) acceptance of questionable appraisal practices, (7) allowing interested third parties to provide wage information and explanatory letters, and (8) charging overages and unallowable fees.

These deficiencies represent actions by Prestige for which its sponsors should have had specific knowledge. The sponsors were responsible to HUD for giving underwriter approval to the loans originated and processed by Prestige and should be responsible for loans that were not processed in accordance with HUD's requirements and prudent lending practices. In December 2002, HUD's Quality Assurance Division conducted a review of Prestige and identified similar deficiencies.

We are recommending indemnification totaling \$1,890,739 for all 25 loans—identified as Funds to Be Put to Better Use in Appendix A.

Prestige's Lender Approval Was Terminated

On September 2, 2004, HUD granted Prestige's request to terminate its lender approval status. Its home and branch offices were still operating as of this report date.

Recommendations

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

- 1A. Require Prestige's sponsors to indemnify HUD against future losses on the 25 loans totaling \$1,890,739.
- 1B. Determine the eligibility of the \$13,543 of overages charged by Prestige. If it is determined that these fees remain unsupported, require Prestige to reimburse the fees charged as follows:
 - i. If the loan is current, make a refund to the borrowers;
 - ii. If the loan is delinquent, apply a refund to the delinquency; or
 - iii. If a claim has been paid, pay a refund to HUD and send it to HUD's Single Family Claims Center.
- 1C. Impose civil monetary penalties against Prestige and its sponsor(s) for the deficiencies cited in this audit report.
- 1D. Ensure that Prestige establish controls to ensure personnel are knowledgeable of HUD procedures and supervision is adequate to maintain an effective operation—if Prestige reapplies for a new FHA license as a non-supervised loan correspondent and is deemed eligible.

Finding 2: Prestige Did Not Fully Implement Its Quality Control Plan

Prestige failed to adequately implement its quality control process according to HUD's requirements. Prestige did not always (1) review early payment defaults, (2) perform quality control reviews on FHA loans in a timely manner, (3) formally and consistently document the actions taken to resolve the deficiencies found during its reviews, and (4) perform reviews of its branch office. These deficiencies existed because of Prestige's lack of understanding of the role of its contractor—Quality Mortgage Services—in providing Prestige's quality control services, and its responsibility to ensure that HUD's requirements were met when contracting with an outside firm to perform quality control reviews. As a result, Prestige was unable to ensure the accuracy, validity, and completeness of its loan origination operations. This contributed to an increased risk of loss to HUD's FHA insurance fund.

Inadequate Quality Control Reviews

Prestige did not perform quality control reviews of its loans because it stated that its contractor, Quality Mortgage Services, was responsible for conducting all of its quality control reviews using information provided by Prestige. HUD Handbook 4060.1, REV-1, provides that a loan correspondent is free to make use of outside firms that provide this service. However, the services provided by these firms must comply with HUD's quality control requirements, and the mortgagee is responsible for ensuring that these requirements are met. Prestige's contractor prepared a quality control plan, but Prestige did not ensure that reviews were done in accordance with this plan.

Prestige and Quality Mortgage Services did not perform quality control reviews for six early loan payment defaults as shown in the table below.

Loan Number	Mortgage Amount	Closing Date
201-3071771	\$100,891	2/19/2002
413-3760468	27,550	11/30/2001
413-3868036	144,236	4/12/2002
413-3889867	117,161	8/1/2002
413-3935357	83,686	7/24/2002
413-4084406	70,851	5/15/2003
Total	\$544,375	

All six loans with early payment defaults in the table above were included in our audit (see Finding 1).

In accordance with HUD Handbook 4060.1, REV-1, all loans going into default within the first 6 months must be reviewed as part of the quality control plan's requirements. Prestige relied on its contractor to conduct the required quality control reviews of its early defaulted loans, but this was not done for any of the loans.

Prestige and Quality Mortgage Services did not always perform quality control reviews in a timely manner. Quality Mortgage Services performed quality control reviews on 14 FHA-insured loans. Of the 14 loans reviewed, only one review was performed in a timely manner. For the 13 remaining loans, Prestige and/or Quality Mortgage Services performed the quality control reviews 91 to 478 days late. HUD requires mortgagees, including loan correspondents, to perform quality control reviews within 90 days of the closing of the loan.

Prestige did not document its corrective measures in writing as required by HUD. Instead, it notified the staff verbally of the quality control deficiencies. Additionally, it did not adequately document the actions it took to resolve the deficiencies found during its quality control reviews.

Prestige and Quality Mortgage Services did not perform an onsite branch review. HUD requires that an onsite branch office review be performed at least once a year for each branch that originates or services FHA-insured mortgages.

As a result, HUD lacked assurance of the accuracy, validity, and completeness of Prestige's loan origination operations. Additionally, Prestige contributed to an increased risk of loss to HUD's FHA insurance fund.

Recommendations

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

- 2A. Require Prestige to fully establish and implement an adequate quality control plan and related reviews if Prestige is deemed eligible to reapply for approval as an FHA loan correspondent.
- 2B. Review Prestige's implementation of Recommendation 2A and ensure its quality control process is fully implemented in accordance with HUD's requirements.

SCOPE AND METHODOLOGY

We conducted the audit at HUD's Columbus Field Office and Prestige's Springfield and Portsmouth, Ohio offices. We performed our audit work between January and August 2004. To accomplish our objectives, we interviewed HUD's staff, Prestige's management and employees, and loan borrowers. We also contacted the employers of the loan borrowers. In addition, we spoke to a representative of Prestige's contracted quality control service, Quality Mortgage Services.

We reviewed HUD's loan origination, quality control plan, and quality control review requirements. We also reviewed Prestige's quality control plan and loan origination files.

We analyzed all 14 loans that Prestige's contractor performed quality control reviews on as of April 12, 2004, to determine whether Prestige implemented its quality control reviews in accordance with its plan and HUD's requirements.

We tested Prestige's loan origination process, reviewing 100 percent of the FHA-insured loans (25 case files) originated by Prestige that went into default. The 25 loans reviewed were from the universe of 210 loans originated by Prestige with closing dates for the 2-year period from December 1, 2001 to November 30, 2003. The results of our detailed testing apply only to 25 FHA-insured loans selected, and cannot be projected to the universe of the 210 FHA-insured loans.

We chose the 25 FHA-insured loans using computer-assisted audit techniques, including the ACL program. We tested Prestige's origination process through a review of HUD's case binders and Prestige's loan origination files related to our sample. In addition, we relied, in part, on data maintained by HUD in the Single Family Data Warehouse and Neighborhood Watch System. We did not perform a detailed analysis of the reliability of HUD's Single Family Data Warehouse or Neighborhood Watch data.

The audit covered the period from December 2001 through November 2003. The period was adjusted as necessary. We conducted the audit in accordance with generally accepted government auditing standards.

INTERNAL CONTROLS

Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved:

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

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

- Program Operations - Policies and procedures that management implemented to reasonably ensure that the loan origination process complies with HUD's requirements and the objectives of the programs are met.
- Validity and Reliability of Data - Policies and procedures that management 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 implemented to reasonably ensure that resource use is consistent with laws and regulations.
- Safeguarding Resources - Policies and procedures that management implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.

We assessed the relevant controls identified above.

A significant weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

Significant Weaknesses

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

- Program Operations - Prestige did not operate its loan origination activities in accordance with HUD's Single Family Housing Program requirements. It did not originate FHA-insured loans in accordance with HUD's requirements and prudent lending practices and adequately implement its quality control process according to HUD's requirements (see Findings 1 and 2).
- Validity and Reliability of Data – Prestige did not maintain accurate and complete loan origination records, and perform quality control reviews on loans to ensure accuracy, validity, and completeness of its loan origination operations (see Findings 1 and 2).
- Compliance with Laws and Regulations - Prestige violated HUD's requirements regarding the FHA loan origination process (see Finding 1). It also did not adequately implement its policy for doing quality control reviews (see Finding 2).
- Safeguarding Resources - Prestige failed to originate FHA-insured loans in accordance with HUD's requirements and prudent lending practices (see Finding 1).

FOLLOWUP ON PRIOR AUDITS

This was the first audit of Prestige by HUD's Office of Inspector General (OIG).

The last two independent auditor's reports for Prestige covered the years ending May 31, 2002, and May 31, 2003. Both reports resulted in three findings that included noncompliance with HUD's reporting requirements, violation of HUD's loan origination requirements by allowing an unregistered branch office to originate loans, and charging fees not allowed by HUD.

In December 2002, HUD's Quality Assurance Division conducted a Title II loan origination review of Prestige's main office in Springfield, OH. The review resulted in four findings that included nonconformance with HUD's requirements to implement a quality control plan, noncompliance with HUD's loan origination requirements by not investigating discrepancies on appraisals, charging borrowers fees not permitted by HUD, and using a rate sheet that establishes variances in charges for loan amounts and credit scores. In August 2003, the findings were resolved and closed. However, as of August 20, 2004, Prestige had not repaid \$1,148 in unallowable fees.

APPENDICES

Appendix A

SCHEDULE OF QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

Recommendation Number	Unsupported 2/	Funds To Be Put to Better Use 3/
1A		\$1,890,739
1B	<u>\$13,543</u>	
Totals	<u>\$13,543</u>	<u>\$1,890,739</u>

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-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 those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of audit. Unsupported costs require a 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 reduced expenditures at a later time for the activities in question. This includes costs not incurred, deobligation of funds, withdrawal of interest, reductions in outlays, avoidance of unnecessary expenditures, loans and guarantees not made, and other savings.

Appendix B

LOAN PROCESSING DEFICIENCIES CHART

Loan Number	Mortgage Amount	Sponsor	Real Estate Settlement Procedures Act Requirement	Appraisal	Income Analysis	Ability To Pay	Deposit Gift Issue	Cash Investment Requirement	Over-Insured Mortgage
201-3071771	\$100,891	1294100005	X	X			X		
201-3153415	\$45,091	1294100005	X			X			
413-3795365	\$100,916	1294100005	X		X	X			
413-3797560	\$68,820	1294100005	X		X	X			
413-3805830	\$78,764	1294100005	X			X			
413-3858124	\$68,820	1294100005	X		X	X			
413-3862135	\$81,225	1294100005	X			X			
413-3865913	\$62,026	1294100005	X	X	X	X	X		
413-3868036	\$144,236	1294100005		X	X	X			
413-3889867	\$117,161	1294100005	X		X	X	X		
413-3898202	\$65,964	1294100005	X	X		X	X		
413-3915641	\$63,995	1294100005	X	X					
413-3934368	\$70,395	1294100005	X	X		X			
413-3935357	\$83,686	1294100005	X						
413-3965569	\$59,565	1294100005	X	X	X		X		
413-3986727	\$49,227	1294100005	X	X					
413-4001686	\$64,979	1294100005	X	X		X	X	<u>X</u>	
413-4037385	\$69,312	1294100005	X		X	X	X		
413-4084406	\$70,851	1294100005	X			X			<u>X</u>
413-3760468	\$27,550	7218600003				X			
413-3910904	\$59,565	1294100005	X	<u>X</u>		X			
413-3957606	\$54,150	1294100005	X						
413-3982521	\$102,393	1294100005	X		<u>X</u>	X	<u>X</u>		
413-4046306	\$39,382	1294100005	<u>X</u>			X			
413-4082072	\$141,775	1294100005				<u>X</u>			
Totals	<u>\$1,890,739</u>		<u>22</u>	<u>10</u>	<u>9</u>	<u>19</u>	<u>8</u>	<u>1</u>	<u>1</u>

Appendix B

LOAN PROCESSING DEFICIENCIES CHART

Loan Number	Mortgage Amount	Sponsor	Inconsistent Documentation	Inaccurate Verification of Employment Information	Social Security Number	Intent To Occupy	Improper Fees	Third Party Support
201-3071771	\$100,891	1294100005	X					
201-3153415	\$45,091	1294100005	X	X				
413-3795365	\$100,916	1294100005	X					
413-3797560	\$68,820	1294100005	X					
413-3805830	\$78,764	1294100005	X					
413-3858124	\$68,820	1294100005	X					
413-3862135	\$81,225	1294100005	X	X				
413-3865913	\$62,026	1294100005	X					
413-3868036	\$144,236	1294100005	X	X			X	
413-3889867	\$117,161	1294100005	X	X		X		
413-3898202	\$65,964	1294100005	X					X
413-3915641	\$63,995	1294100005	X					X
413-3934368	\$70,395	1294100005	X					
413-3935357	\$83,686	1294100005	X					
413-3965569	\$59,565	1294100005	X	X				X
413-3986727	\$49,227	1294100005	X		X			X
413-4001686	\$64,979	1294100005						X
413-4037385	\$69,312	1294100005						
413-4084406	\$70,851	1294100005						
413-3760468	\$27,550	7218600003					X	
413-3910904	\$59,565	1294100005		X				
413-3957606	\$54,150	1294100005	X					
413-3982521	\$102,393	1294100005	X					
413-4046306	\$39,382	1294100005	X					
413-4082072	\$141,775	1294100005	X					
Totals	\$1,890,739		20	6	1	1	2	5

Appendix C

NARRATIVE CASE SUMMARIES

Case Number 201-3071771

Mortgage Amount: \$100,891

Section of Housing Act: 203 (b)

Date of Loan Closing: 02/19/02

Status as of 08/20/04: Default - First legal action to commence foreclosure started 06/01/03.

Prior Status: Not applicable

Payments Before First Default Reported: Six

Unpaid Principal Balance: \$98,518.60

Summary

Real Estate Settlement Procedures Act Requirement

Prestige did not document the yield spread premium on the good faith estimate.

Appraisal

The appraiser (KY002284) did not adequately explain why she used a comparable property more than a mile from the subject property. The Conditional Commitment Direct Endorsement Statement of Appraised Value was not completed.

Incomplete Documents

Prestige did not complete the Limited Denial of Participation and Credit Alert Interactive Voice Response System information on the Mortgage Credit Analysis Worksheet. Tax returns provided as documentation were not signed by mortgagor.

Source of Funds

Prestige did not verify the source of the earnest money deposit of \$20,000. The earnest money deposit was to be derived from the sale of the borrower's previous residence. A fully executed Settlement Statement was not provided as satisfactory evidence of the cash sales proceeds accruing to the borrower. The HUD-1A provided shows net proceeds of \$13,507 to the borrower. The HUD-1A is used when there are no sellers involved. There was no verification of deposits in the file to show the borrower had adequate funds to close.

Appendix C

Case Number 201-3153415

Mortgage Amount: \$45,091

Section of Housing Act: 203 (b)

Date of Loan Closing: 10/18/02

Status as of 08/20/04: Delinquent - Reinstated by mortgagor, who retains ownership 2/1/04.

Prior Status: First legal action to commence foreclosure.

Payments Before First Default Reported: Nine

Unpaid Principal Balance: \$44,411

Summary

Real Estate Settlement Procedures Act Requirement

Prestige did not document the yield spread premium on the good faith estimate.

Incomplete/Inconsistent/Missing Documents

The underwriter (0587) did not document the borrower's rating on the Mortgage Credit Analysis Worksheet.

The loan was closed without Prestige following the underwriter's instructions. The underwriting report dated August 28, 2002, shows the underwriter requested an acceptable alternative credit for the borrower. The day before closing, another underwriting report dated October 17, 2002, was issued showing the underwriter only received one line of an alternative credit. There is no evidence of additional lines of alternative credit in Prestige's file.

Prestige's file did not contain identification for the borrower.

Ability To Pay

Prestige and the underwriter (0587) omitted a \$23 per month debt from the loan application and Mortgage Credit Analysis Worksheet.

Missing Verification of Employment

Prestige did not properly verify the borrower's employment and pay statements. Prestige's file did not contain a Verification of Employment form.

Appendix C

Case Number 413-3795365

Mortgage Amount: \$100,916

Section of Housing Act: 203 (b)

Date of Loan Closing: 12/31/01

Status as of 08/20/04: Default - First legal action to commence foreclosure 10/01/03.

Prior Status: Not applicable

Payments Before First Default Reported: 12

Unpaid Principal Balance: \$99,410

Summary

Real Estate Settlement Procedures Act Requirement

Prestige did not document the yield spread premium on the good faith estimate.

Income Analysis

Prestige did not adequately document child support received by the borrower in the file. There was also no support for continuing overtime for the borrower in the files.

Ability To Pay

Prestige did not show that the borrower was an acceptable credit risk. The credit report showed multiple collection accounts that were not explained in detail by the borrowers.

Missing Documents

Prestige files did not contain identification for either borrower.

The Mortgage Credit Analysis Worksheet, the appraisal, and credit reports were missing from Prestige's file. Prestige did not obtain the most recent pay statements for the borrower and co borrower.

Appendix C

Case Number 413-3797560

Mortgage Amount: \$68,820

Section of Housing Act: 203 (b)

Date of Loan Closing: 11/13/01

Status as of 08/20/04: Delinquent - Special Forbearance Claim of \$200.00 paid by HUD on 10/19/03.

Prior Status: Not applicable

Payments Before First Default Reported: 17

Unpaid Principal Balance: \$66,341.61

Summary

Real Estate Settlement Procedures Act Requirement

Prestige did not document the yield spread premium on the good faith estimate.

Income Analysis

Prestige did not establish that the borrower had stable income. The borrower was unemployed for 11 months between the current and previous jobs noted on the final loan application dated November 13, 2001, without any explanation in the file. In addition, before signing the initial loan application dated September 14, 2001, the borrower was only employed for 6 months, and her income did not increase from the previous job.

Prestige and underwriter (Y689) overestimated the borrower's effective monthly income. They did not properly compute the receipt of child support payments for the borrower and reported the effective income as \$2,521 per month. We calculated effective monthly income as \$2,410 per month. Prestige overstated effective monthly income by \$111 a month.

Ability To Pay

Prestige did not show the borrower as an acceptable credit risk. The credit report showed collections for \$1,569. There was no explanation in the file. The underwriter (Y689) omitted a \$23 per month debt shown on the credit report from the Mortgage Credit Analysis Worksheet. We calculated the fixed payment-to-income ratio as 42 percent, exceeding HUD's guidelines.

Missing/Incomplete Documents

Prestige's file did not contain the sales contract, identification for the borrower, or the front page of the HUD -1 Settlement Statement. The underwriter (Y689) also did not complete the borrower's rating on the Mortgage Credit Analysis Worksheet.

Appendix C

Case Number 413-3805830

Mortgage Amount: \$78,764

Section of Housing Act: 203 (b)

Date of Loan Closing: 11/14/01

Status as of 08/20/04: Delinquent - Reinstated by mortgagor, who retains ownership 02/01/04.

Prior Status: Repayment

Payments Before First Default Reported: 19

Unpaid Principal Balance: \$76,212

Summary

Real Estate Settlement Procedures Act Requirement

Prestige did not document the yield spread premium on the good faith estimate.

Ability To Pay

The underwriter (U901) omitted two of the borrower's debts for \$117 and \$248 per month from the Mortgage Credit Analysis Worksheet. We calculated the fixed payment-to-income ratio as 43 percent, exceeding HUD's guidelines.

The underwriter did not document how the borrower would be adversely affected as the buy-down period expired.

Incomplete Documents

Prestige's file contained only 1 month of bank statements.

Appendix C

Case Number 413-3858124

Mortgage Amount: \$68,820

Section of Housing Act: 203 (b)

Date of Loan Closing: 02/26/02

Status as of 08/20/04: Foreclosure completed 01/01/04.

Prior Status: Not applicable

Payments Before First Default Reported: Seven

Unpaid Principal Balance: \$68,211

Summary

Real Estate Settlement Procedures Act Requirement

Prestige did not document the yield spread premium on the good faith estimate.

Income Analysis

Prestige did not document the source of funds the borrowers used to pay off collection accounts. No bank statements were provided to show the borrowers had adequate funds to pay off the accounts without acquiring additional loans.

Ability To Pay

The initial and final loan application shows the borrower pays rent for \$400, while the verification of rent shows \$325. Prestige did not document any investigation into the discrepancy.

Prestige improperly computed child support payments for \$331. The borrower's pay statements support monthly payments of \$577. In addition, the underwriter (Y689) omitted a monthly payment of \$198 for a car loan shown on the credit report. Prestige's file contained a credit report from only one credit bureau, Equifax. Equifax showed the car note was paid off, but since not all three credit bureaus were updated, we cannot be sure it is correct. Prestige's file did not contain a payoff statement.

We calculated the fixed payment-to-income ratio as 47 percent, which exceeded HUD's guidelines.

Incomplete/Missing Documents

The underwriter (Y689) did not complete the borrower's rating on the Mortgage Credit Analysis Worksheet. There was no verification of deposits, bank statements, or identification for the borrower in Prestige's file.

Appendix C

Case Number 413-3862135

Mortgage Amount: \$81,225

Section of Housing Act: 203 (b)

Date of Loan Closing: 02/25/02

Status as of 08/20/04: Delinquent - Reinstated by mortgagor, who retains ownership 04/01/04.

Prior Status: Repayment

Payments Before First Default Reported: 10

Unpaid Principal Balance: \$79,599

Summary

Real Estate Settlement Procedures Act Requirement

Prestige did not document the yield spread premium on the good faith estimate.

Ability to Pay

Prestige did not show the borrower as an acceptable credit risk. The credit report showed the borrower had prior judgments without clear explanations from the borrower.

The final loan application dated February 7, 2002, shows the borrower paid \$200 in rent. A letter from the borrower's mother dated February 20, 2002, states the borrower has never paid rent. Prestige did not document any investigation into the discrepancy.

Missing Documents

Prestige did not obtain a full month of pay stubs from the borrower, nor were the borrower's identification, wage and earning statement, and tax forms in Prestige's file.

Verification of Employment

The verification of employment was not obtained by Prestige from a proper official from the Southern Ohio Correctional Facility. Our re-verification determined that the borrower's income included overtime and bonus pay and the expected employment status was not provided by the Southern Ohio Correctional Facility official noted on the Telephone Verification form. The officials of the Southern Ohio Correctional Facility informed us that they did not have a signed release of employee information related to the mortgage application documented in the borrower's employment file. Therefore, they would have not released any information concerning the borrower's pay and employment status.

Appendix C

Case Number 413-3865913

Mortgage Amount: \$62,026

Section of Housing Act: 203 (b)

Date of Loan Closing: 02/28/02

Status as of 08/20/04: Foreclosure completed 01/01/04.

Prior Status: Not applicable

Payments before First Default Reported: 12

Unpaid Principal Balance: \$61,190

Summary

Real Estate Settlement Procedures Act Requirement

Prestige did not document the yield-spread premium on the good faith estimate.

Appraisal

The appraisal showed the property was previously sold at a sheriff's sale on October 29, 2001, for \$28,000. The property sold again for \$21,900 on January 22, 2002. The appraiser (OH383675) issued his report with a value of \$63,000 on February 19, 2002, stating that the property was mostly rehabilitated during the prior 3 months. The appraiser also stated that there were recent updates, including a complete new bath, new roof, repaired furnace, all new flooring, mostly new plumbing, interior and exterior paint, for example. The current seller did not have the property for 3 months; the previous seller did. This discrepancy should have been investigated further to ensure that all factors were taken into consideration in determining the value of the property.

Income Analysis

Prestige and the underwriter (Y689) improperly computed the borrower's effective monthly income. The loan application and Mortgage Credit Analysis Worksheet show the effective income as \$1,698 per month. The borrower's commission income was not correctly averaged over the previous two years. We calculated effective monthly income as \$1,568 per month. The borrower's effective income was overstated by \$130 a month.

Ability to Pay

Prestige did not show the borrower as an acceptable credit risk. The credit report showed the borrower had three collection accounts that were either not addressed or for which the information provided was not sufficient. Prestige did not document its investigation of two credit inquiries shown on the credit report.

Incomplete Documents

The underwriter (Y689) did not complete the borrower's rating on the Mortgage Credit Analysis Worksheet. Prestige's file also did not contain identification for the borrower.

Source of Funds/Gift Issues

Prestige did not verify the source of the \$500 earnest money deposit. Only a transaction summary was provided to show proof of liquid assets.

The title company's files show receipt of the AmeriDream payment on March 4, 2002, 4 days after the settlement date of February 28, 2002.

Appendix C

Case Number 413-3868036

Mortgage Amount: \$144,236

Section of Housing Act: 203 (b)

Date of Loan Closing: 04/12/02

Status as of 08/20/04: Default - First legal action to commence foreclosure 05/01/03.

Prior Status: Not applicable

Payments before First Default Reported: Four

Unpaid Principal Balance: \$143,803

Summary

Appraisal

The appraiser (OH418253) used three comparable properties that were not sold within 6 months of the appraisal. She did not adequately justify her reason. The Conditional Commitment Direct Endorsement Statement of Appraised Value form was not completed.

Income Analysis

Prestige and the underwriter (AF76) improperly computed the borrower's effective monthly income. The loan application and Mortgage Credit Analysis Worksheet show the effective income as \$3,753 per month. We calculated effective monthly income as \$2,032 per month. Prestige and the underwriter did not take into account the borrower's business expenses and overestimated effective income by \$1,721 per month.

Ability to Pay

Prestige did not show the borrower as an acceptable credit risk. Based on our computation of the borrower's effective monthly income we calculated the mortgage credit analysis ratios as 57 percent and 75 percent, which exceeded HUD's guidelines.

Missing/Inconsistent/Incomplete Documents

Prestige's file did not contain the good faith estimate, the identification of the borrower, the wage and earning statement, or the 1099-tax form for the year 2000. The employment letter supporting the borrower's income did not match the wage and earning statement or the 1099-tax form. Prestige did not document any investigation into the discrepancy.

The underwriter's acceptance or rejection of the loan is not noted on the Mortgage Credit Analysis Worksheet.

Verification of Employment

Prestige did not conduct a verification of employment for the borrower. Prestige's case file only contained a letter from the borrower's employer. We determined the employment letter was not generated or completed by a proper official or representative from the borrower's employer.

The official who completed the co borrower's verification of employment was not a proper official or representative from the borrower's employer.

Improper Fees

The borrower was charged \$40 in improper fees, which included courier fees and wire fees for \$20 each.

Appendix C

Case Number 413-3889867

Mortgage Amount: \$117,161

Section of Housing Act: 203 (b)

Date of Loan Closing: 08/01/02

Status as of 08/20/04: Foreclosure completed 06/01/04. Special Forbearance Claim of \$200 paid by HUD on 08/18/03.

Prior Status: Not applicable

Payments before First Default Reported: None

Unpaid Principal Balance: \$116,675

Summary

Real Estate Settlement Procedures Act Requirement

Prestige did not document the yield-spread premium on the good faith estimate.

Income Analysis

Prestige and the underwriter (0587) improperly computed the borrower's effective monthly income. The loan application and Mortgage Credit Analysis Worksheet show the effective income as \$4,190 per month. We calculated effective monthly income as \$2,521 per month based on our re-verification of the borrower's income. We were unable to account for the difference. However, if Prestige computed the borrower's effective income based on a telephone verification of employment—this could explain how the difference occurred.

Ability to Pay

Prestige did not show the borrower as an acceptable credit risk. The credit report showed a civil judgment against the borrower for \$800. Prestige did not document an explanation of the judgment. The credit reports also showed the current home of the borrower entered foreclosure in July 2001. The borrower provided an explanation by GMAC Mortgage Corporation, dated January 19, 2002, and another without a date that shows the account as being current as of March 1, 2002. The credit report was obtained on April 1, 2002, through Interfirst. LexisNexis shows GMAC Mortgage Corporation filed a judgment for foreclosure in May 2002. The mortgage defaulted after only six payments were made.

Prestige excluded two monthly debts shown on the borrower's pay statement. The pay statement debts totaled \$52 and \$72 per month.

We calculated the mortgage credit analysis ratios as 41 percent and 62 percent, exceeding HUD's guidelines.

Inconsistent/Missing Documents

Prestige's case file contained a letter from the borrower's employer showing he received an increase in pay. The borrower's address shown on the letter was for the subject property that he was in the process of acquiring. The letter was dated before closing. Prestige did not document an investigation into this discrepancy.

The Borrower's Certification and Authorization form was only signed by the borrower's wife. However, she was not a co-borrower on the loan.

Prestige's case file did not contain the HUD-1 Settlement Statement or identification for the borrower.

Source of Funds/Verification of Deposit

Prestige did not adequately document the source of funds for closing. The Settlement Statement, dated August 1, 2002, shows the borrower paid \$6,471 at closing. The first page of a bank statement, dated March 5, 2002, was supplied for an account in the name of Quality Trophies and Gifts in care of the borrower and his wife. Prestige did not request an updated bank statement, nor did it do a verification of deposit to determine whether the borrower had adequate funds to close.

The title company shows a payment by cashier's check for \$2,900 from Lawrence Federal Savings Bank. The cashier's check was combined with currency of \$3,571 for a total deposit of \$6,471, the exact amount the borrower was to produce at closing. There is also a letter from the title company with the seller's signature on it, dated August 8, 2002, 7 days after closing, showing the borrower paid the sellers \$3,000 in cash on August 7, 2002, to settle the unrecorded mortgage.

Verification of Employment

Prestige provided HUD an inaccurate verification of employment. Our verification of the telephone verification of employment indicates that it may be inappropriate. The telephone verification dated July 19, 2002, showed the borrower income as \$4,190 a month. Personnel in the payroll division confirmed that the borrower's income was \$2,457 per month as of June 14, 2002. The borrower received a raise on July 1, 2002, increasing his income to \$2,521 per month. We were informed by the contact person listed on the telephone verification of employment that the employer did not have access or authority to release personnel information.

Intent to Occupy

Prestige did not fulfill its responsibility to gain a complete understanding of the borrower's intended use of the property. The borrower was already in possession of a FHA-insured home. Prestige did not document that the borrower met the criteria to purchase another such home. The borrower did not sell his current home; it was foreclosed on. The Scioto County Auditors' Web site showed that HUD took possession on August 18, 2003, for \$1.

Appendix C

Case Number 413-3898202

Mortgage Amount: \$65,964

Section of Housing Act: 203 (b)

Date of Loan Closing: 06/06/02

Status as of 08/20/04: Default - First legal action to commence foreclosure 08/01/03.

Prior Status: Not applicable

Payments before First Default Reported: Seven

Unpaid Principal Balance: \$65,473

Summary

Real Estate Settlement Procedures Act Requirement

Prestige did not document the yield-spread premium on the good faith estimate.

Appraisal

The appraiser (OH383675) used a comparable property that was not sold within 6 months of the appraisal. The appraiser did not adequately justify his reason. The Conditional Commitment Direct Endorsement Statement of Appraised Value form was not completed.

Ability to Pay

The underwriter (Y689) computed a mortgage-payment-to-income ratio of 33 percent on the Mortgage Credit Analysis Worksheet. This exceeded HUD's ceiling of 29 percent. The underwriter did not provide compensating factors.

Incomplete/Inconsistent Documents

The pest inspection report was not dated by the inspector. In addition, Prestige's loan officer signed as the real estate broker/agent on the FHA Real Estate Certification Addendum to Sales Contract dated June 6, 2002. Prestige did not clear the discrepancy before the loan closing.

Source of Funds

Prestige did not provide documentation to show that the borrower provided the source of funds for the \$500 earnest money deposit. There were no bank statements or verification of deposits in the file.

Third Party Support

Prestige accepted the borrower's 1040EZ tax form from an interested third party, the seller.

Appendix C

Case Number 413-3915641

Mortgage Amount: \$63,995

Section of Housing Act: 203 (b)

Date of Loan Closing: 06/14/02

Status as of 08/20/04: Default - First legal action to commence foreclosure 02/01/03.

Prior Status: Not applicable

Payments before First Default Reported: 10

Unpaid Principal Balance: \$63,311

Summary

Real Estate Settlement Procedures Act Requirement

Prestige did not document the yield-spread premium on the good faith estimate.

Appraisal

The appraisal, dated June 6, 2002, named the seller/owner as Wells Fargo. However, this is different from what was shown on the sales contract. Wells Fargo purchased the property on July 20, 2001, for \$30,000 in a sheriff's sale. On April 18, 2002, Wells Fargo sold the property for \$44,665. Two months later on June 14, 2002, the appraiser (OH433723) issued a report with a value of \$65,000. This discrepancy should have been investigated further to ensure that all factors were taken into consideration in determining the value of the property.

Inconsistent Documents

The first sales contract dated May 10, 2002, showed that the borrower paid a \$200 earnest money deposit. The Mortgage Credit Analysis Worksheet also showed that the borrower paid a \$200 earnest money deposit. However, the Settlement Statement and the loan application do not show an earnest money deposit. The second sales contract dated June 3, 2002, is a month later and shows no earnest money payment. The borrower said he paid approximately \$550 in cash to the seller. Prestige did not document its investigation of the inconsistency in the sales contracts.

Prestige did not receive the borrower's authorization until May 10, 2002. The borrower's first credit report was requested on April 22, 2002.

Third Party Support

Prestige accepted the borrower's Rental Verification form from an interested third party. The Rental Verification form was faxed from the borrower's place of business. Prestige also accepted the borrower's income tax forms from an interested third party, the seller.

In an interview with the borrower, he said he gave his wage and earning statement and pay stubs to the seller, and not to Prestige's loan officer.

Appendix C

Case Number 413-3934368

Mortgage Amount: \$70,395

Section of Housing Act: 203 (b)

Date of Loan Closing: 07/01/02

Status as of 08/20/04: Default - First legal action to commence foreclosure 05/01/04.

Prior Status: Not applicable

Payments before First Default Reported: Nine

Unpaid Principal Balance: \$69,588

Summary

Real Estate Settlement Procedures Act Requirement

Prestige did not document the yield-spread premium on the good faith estimate.

Appraisal

The appraiser (OH418253) did not adequately explain why she used three comparable properties that were more than a mile from the subject property or that were sold 6 months earlier than the appraisal. The Mortgage Credit Analysis Worksheet shows the subject property appraised at \$71,500, while the appraisal shows \$72,000. Prestige did not document investigation of the inconsistency of the appraisal value.

Ability to Pay

Prestige did not show the borrower as an acceptable credit risk. The credit report showed the borrower had five collection accounts totaling \$1,172. Prestige provided three alternative sources of credit for the borrower. However, the letters did not have the creditors' addresses and phone numbers on them. Prestige did not show that the borrower had improved his attitude toward debt but, rather, that he forgoes paying one debt for another. The borrower's letter of explanation referenced attorney documents to show that he was disputing the collection accounts. However, such attorney documents were not included in the loan file.

Incomplete Documents

Prestige performed the search did not document the results of the Limited Denial Participation and Credit Alert Interactive Voice Recognition System search on the Mortgage Credit Analysis Worksheet. Prestige also accepted unsigned income tax return forms from the borrower.

Appendix C

Case Number 413-3935357

Mortgage Amount: \$83,686

Section of Housing Act: 203 (b)

Date of Loan Closing: 07/24/02

Status as of 08/20/04: Default - First legal action to commence foreclosure 02/01/04.

Prior Status: Not applicable

Payments before First Default Reported: Five

Unpaid Principal Balance: \$83,338

Summary

Real Estate Settlement Procedures Act Requirement

Prestige did not document the yield-spread premium on the good faith estimate.

Inconsistent/Missing Documents

Prestige's file contained a bank transaction statement for the period of April 19 to June 18, 2002. There were payments of \$580 on April 30 and June 4, 2002. In addition, there was a deposit of \$3,000 on June 12, 2002, to the borrower's account. There is no evidence in Prestige's case file indicating an inquiry about these payments or deposit.

Prestige's file did not contain the AmeriDream gift document or the Addendum to the Settlement Statement.

Appendix C

Case Number 413-3965569

Mortgage Amount: \$59,565

Section of Housing Act: 203 (b)

Date of Loan Closing: 08/29/02

Status as of 08/20/04: Default - Foreclosure started 07/01/04.

Prior Status: Not applicable

Payments before First Default Reported: Eight

Unpaid Principal Balance: \$58,232

Summary

Real Estate Settlement Procedures Act Requirement

Prestige did not document the yield-spread premium on the good faith estimate.

Appraisal

In May 2002, the subject property sold for \$24,000. As of August 13, 2002, the appraiser (OH383675) valued the subject property at \$61,000. The Condition of Improvements Comments section of the appraisal stated that the subject property was updated and renovated. However, the appraisal showed no specific repairs being completed. This discrepancy should have been investigated further to ensure that all factors were taken into consideration in determining the value of the property.

The appraiser did not adequately explain why she used two comparable properties that were sold twice within one year of the appraisal date of August 13, 2002. The variation of the sales price within a one-year timeframe was significant. Comparable 1 initially sold in May 2002 for \$10,000 and then resold in June 2002 for \$59,600. Comparable 2 initially sold in September 2001 for \$13,250 and then resold in April 2002 for \$63,000. Prestige did not investigate these discrepancies further to ensure that all factors were taken into consideration in determining the value of the property.

The Conditional Commitment Direct Endorsement Statement of Appraised Value form was not completed.

Income Analysis

Prestige and the underwriter (Y689) overestimated the borrower's base pay by \$475. Prestige did not adequately provide documentation for child support payments received by the borrower.

Missing/Incomplete Documents

The borrower's identification and final Mortgage Credit Analysis Worksheet were not in Prestige's file.

Prestige performed the Credit Alert Interactive Voice Recognition System search but did not document the results on the Mortgage Credit Analysis Worksheet.

Source of Funds/Gift Issue

Prestige did not verify the source of the earnest money deposit of \$800.

Prestige's file contained a gift letter from the borrower's brother for \$1,423. However, the Settlement Statement shows AmeriDream as the source of the borrower's down payment. Prestige's file did not contain a document showing that the borrower and seller attested to the gift from AmeriDream. In an interview with the borrower, she said her sister gave her \$800, and her boyfriend gave \$600. Neither of the gifts was documented in Prestige's file.

Verification of Employment

The Verification of Employment form submitted to HUD by Prestige did not contain accurate information. It also was not obtained from the proper officials of Goodwill Industries and Easter Seals. Our re-verification of the verification of employment determined that it was generated by an employee who was not authorized to release personnel information.

Third Party Support

Prestige accepted an alternative credit payment history from an interested third party, the seller.

Appendix C

Case Number 413-3986727

Mortgage Amount: \$49,227

Section of Housing Act: 203 (b)

Date of Loan Closing: 10/25/02

Status as of 08/20/04: Default - First legal action to commence foreclosure 01/01/04.

Prior Status: Not applicable

Payments before First Default Reported: Nine

Unpaid Principal Balance: \$48,645

Summary

Real Estate Settlement Procedures Act Requirement

Prestige did not document the yield-spread premium on the good faith estimate.

Appraisal

The appraisal, dated October 11, 2002, valued the property as \$50,000. The appraisal also states that the subject property was purchased by the seller in January 2002 for \$34,879. However, the sales price was only \$7,500. The appraiser (OH383675) noted that the property had been extensively repaired and renovated. A list of improvements to the subject property was not in the file. The Sales Comparison Analysis section did not list any prior sales for the subject property. In addition, it notes that the buyer and seller agreed to a purchase price before the completion of the renovations. This contradicts the appraiser's note that extensive repairs and renovations were completed after the purchase in January 2002. Prestige should have investigated further to ensure that all factors were taken into consideration in determining the value of the property.

Missing/Questionable Documents

Prestige's file did not contain the AmeriDream gift documents or verification of assets.

Prestige did not document any investigation into the discrepancy of the borrower's Rental Verification form. The loan application shows the borrower was paying \$400 in rent at 524 Vine Street. The address on the loan application and the credit report agree. However, the address on the Rental Verification form shows 531 Vine Street for \$350 a month in rent.

Third Party Support

Prestige accepted documents from an interested third party. The seller faxed the borrower's pay stub ending June 28, 2002, to Prestige.

Social Security Number

Prestige did not document and investigate an additional Social Security number in its file. There are several discrepancies related to the borrower's Social Security number. The Social Security number beginning with 265 is shown on the Mortgage Credit Analysis Worksheet, the Uniform Residential Loan Application, credit reports, and the Request for Copy or Transcript of Tax form. The Social Security number beginning with 269 is listed on the borrower's pay stubs and wage and earning statements. The Social Security Administration confirmed that only the Social Security number beginning with 265 belonged to the borrower.

Appendix C

Case Number 413-4001686

Mortgage Amount: \$64,979

Section of Housing Act: 203 (b)

Date of Loan Closing: 10/25/02

Status as of 08/20/04: Foreclosure completed 07/01/04.

Prior Status: Not applicable

Payments before First Default Reported: Nine

Unpaid Principal Balance: \$64,197

Summary

Real Estate Settlement Procedures Act Requirement

Prestige did not document the yield-spread premium on the good faith estimate.

Appraisal

The appraisal stated that the property was previously sold in February 2002 for \$30,000. The appraiser (OH383675) issued his report with a value of \$66,000, stating that since the previous sale, the home had been almost totally rehabilitated. Recent updates included all new carpet and vinyl flooring, partial new windows, all new interior doors, some new cabinets, new bath fixtures except tub, interior walls repaired and painted completely, exterior trim painted, roof leak corrected and patched, furnace reworked, and other repaired items. In an interview with the borrower, he said the home was in need of a new roof and there were electrical problems costing between \$100 and \$200.

The Conditional Commitment Direct Endorsement Statement of Appraised Value form was not completed.

Ability to Pay

The underwriter (0587) did not document how the borrower would not be adversely affected as the buy-down period expired.

Prestige used Rent-To-Own as an alternative credit source for the borrower but it was omitted as a liability. We calculated the mortgage credit analysis ratios as 30 percent and 49 percent, exceeding HUD's guidelines.

Source of Funds

Prestige did not verify the source of the earnest money deposit of \$150. No bank statements were provided to show the source of the deposit. The borrower said he did not put any money down on the home.

Third Party Support

The borrower said he gave his wage and earning statement and pay stubs to the seller and not Prestige. He also said the seller paid off a cable bill for him. Prestige accepted a faxed rental letter and a payoff statement from the seller, an interested third-party.

Cash Investment

Prestige did not ensure that the borrower met the statutory 3-percent cash investment. According to the Settlement Statement, the cash investment from the borrower totaled \$1,814, consisting of borrower's cash and earnest money. However, the borrower received \$316 at closing. The \$1,814 invested by the borrower did not meet the statutory 3-percent cash investment of \$1,980.

Appendix C

Case Number 413-4037385

Mortgage Amount: \$69,312

Section of Housing Act: 203 (b)

Date of Loan Closing: 01/16/03

Status as of 08/20/04: Delinquent - Reinstated by mortgagor, who retains ownership 03/01/04.

Prior Status: Repayment

Payments before First Default Reported: 10

Unpaid Principal Balance: \$68,043

Summary

Real Estate Settlement Procedures Act Requirement

Prestige did not document the yield-spread premium on the good faith estimate.

Income Analysis

Prestige and the underwriter (0587) improperly computed the co borrower's income. The loan application and Mortgage Credit Analysis Worksheet show the effective income as \$305 per month in child support payments. We calculated effective income as \$248 per month. The effective income was overstated by \$57 per month.

Ability to Pay

The underwriter (0587) required Prestige's loan officer to provide an acceptable alternative credit for the borrower and co-borrower. Prestige's file contained a letter from the manager of Aaron's Rent-To-Own. When contacted, Aaron's Rent-To-Own provided us documentation showing the borrower had an account from May 22, 2002, through June 6, 2004, with monthly payments of \$118. Prestige did not include this liability and did not underwrite the loan 1 percent above the note rate. Based on income verification and the note not being underwritten 1 percent above the note rate, the ratios on the Mortgage Credit Analysis Worksheet exceeded the 41-percent threshold. The correct total-fixed payment-to-income percentage was 49 percent.

Missing Documents

Prestige's file did not contain a verification of the borrower's assets or the Settlement Statement.

Source of Funds

There was no information in Prestige's file supporting the \$100 earnest money payment listed on the Settlement Statement. The underwriter's report, dated January 3, 2003, requested evidence of the earnest money deposit of \$200 shown on the Mortgage Credit Analysis Worksheet. A note in Prestige's file states that it was faxed on January 6, 2003. However, there is no

documentation in Prestige's file to support the \$200 earnest money deposit or the \$100 earnest money deposit on the Settlement Statement.

Appendix C

Case Number 413-4084406

Mortgage Amount: \$70,851

Section of Housing Act: 203 (b)

Date of Loan Closing: 05/15/03

Status as of 08/20/04: Foreclosure completed 07/01/04.

Prior Status: Not applicable

Payments before First Default Reported: Two

Unpaid Principal Balance: \$69,943.70

Summary

Real Estate Settlement Procedures Act Requirement

Prestige did not document the yield-spread premium on the good faith estimate.

Ability to Pay

The underwriter (AP94) omitted liabilities on the credit report totaling \$550 per month. Including the omitted liabilities increased the mortgage credit analysis ratio to 64 percent, which exceeded HUD's requirement.

Mortgage Over-Insured

Prestige and the underwriter (AP94) overstated the maximum mortgage basis by \$2,455. There was no documentation in Prestige's file showing how the mortgage was determined.

Appendix C

Case Number 413-3760468

Mortgage Amount: \$27,550

Section of Housing Act: 203 (b)

Date of Loan Closing: 11/30/01

Status as of 08/20/04: Foreclosure completed 05/01/04.

Prior Status: Not applicable

Payments before First Default Reported: Three

Unpaid Principal Balance: \$27,494

Ability to Pay

Prestige did not adequately show that the borrowers established good credit after a 1997 bankruptcy. Credit reports showed the borrowers had a foreclosure on a FHA-insured home in 1999. Prestige did not document that the foreclosure was the result of extenuating circumstances beyond the control of the borrowers.

Improper Fees

Prestige overcharged the borrowers \$11 for a credit report. It charged the borrowers \$18 when the credit report's actual cost was \$7.

Appendix C

Case Number 413-3910904

Mortgage Amount: \$59,565

Section of Housing Act: 203 (b)

Date of Loan Closing: 05/23/02

Status as of 08/20/04: Delinquent - Reinstated by mortgagor, who retains ownership 07/01/04.

Prior Status: First legal action to commence foreclosure.

Payments before First Default Reported: 19

Unpaid Principal Balance: \$58,261

Summary

Real Estate Settlement Procedures Act Requirement

Prestige did not document the yield-spread premium on the good faith estimate.

Appraisal

The appraiser (OH449690) did not adequately explain why he used a comparable property that was sold more than 6 months before the appraisal. The appraiser stated in his report that he did a drive by inspection.

Ability to Pay

The underwriter (Y689) calculated mortgage credit analysis ratios that exceeded HUD's guidelines but did not provide compensating factors. The Mortgage Credit Analysis Worksheet shows the mortgage payment-to-income-ratio as 32 percent. We calculated the ratio at 34 percent. Prestige and the underwriter underestimated the taxes and special assessments by \$22.

Verification of Employment

Prestige did not verify a full 2-year employment history for the borrower. The loan application showed the borrower worked for his current and former employers for 1½ years each. Prestige did not conduct a verification of employment with the former employer to determine whether the borrower worked for a full 2 years.

Appendix C

Case Number 413-3957606

Mortgage Amount: \$54,150

Section of Housing Act: 203 (b)

Date of Loan Closing: 08/08/02

Status as of 08/20/04: Default - First legal action to commence foreclosure 03/01/04. Special Forbearance Claim of \$200.00 paid by HUD on 05/16/04.

Prior Status: Not applicable

Payments before First Default Reported: 13

Unpaid Principal Balance: \$53,334

Summary

Real Estate Settlement Procedures Act Requirement

Prestige did not document the yield-spread premium on the good faith estimate.

Incomplete Documents

The underwriter (AF11) did not accept or reject the loan or complete the borrower's credit rating on the Mortgage Credit Analysis Worksheet.

Appendix C

Case Number 413-3982521

Mortgage Amount: \$102,393

Section of Housing Act: 203 (b)

Date of Loan Closing: 09/27/02

Status as of 08/20/04: Default - First legal action to commence foreclosure 03/01/04.

Prior Status: Not applicable

Payments before First Default Reported: 11

Unpaid Principal Balance: \$101,419

Summary

Real Estate Settlement Procedures Act Requirement

Prestige did not document the yield-spread premium on the good faith estimate.

Income Analysis

Prestige did not properly compute the effective income for the borrower. The loan application shows a monthly income of \$3,196 for the borrower. The monthly income Prestige used included overtime. We verified with the borrower's employer that overtime was not guaranteed. We calculated average monthly income to be \$2,995, a difference of \$201 per month.

Ability to Pay

Prestige and the underwriter (Y689) omitted the borrower's child support payments from the liabilities on the loan application and the Mortgage Credit Analysis Worksheet. The effective monthly income used by Prestige and the underwriter included overtime and bonus pay that was not demonstrated as likely to continue. The effective monthly income was overstated by \$519. Thus, the mortgage credit analysis ratios were incorrect on the Mortgage Credit Analysis Worksheet. We calculated the mortgage credit analysis ratios as 32 percent and 62 percent, which exceeded HUD's guidelines.

Incomplete Documents

The underwriter (Y689) did not accept or reject the loan or complete the borrower's credit rating on the Mortgage Credit Analysis Worksheet.

Source of Funds

Prestige did not document that the borrower actually provided the \$100 earnest money deposit listed on the sales contract.

Appendix C

Case Number 413-4046306

Mortgage Amount: \$39,382

Section of Housing Act: 203 (b)

Date of Loan Closing: 02/14/03

Status as of 08/20/04: Default - First legal action to commence foreclosure 05/01/04.

Prior Status: Not applicable

Payments before First Default Reported: Seven

Unpaid Principal Balance: \$39,128

Summary

Real Estate Settlement Procedures Act Requirement

Prestige did not document the yield-spread premium on the good faith estimate.

Ability to Pay

Prestige excluded three liabilities totaling \$104 on the loan application.

Incomplete Documents

The underwriter (Y689) did not accept or reject the loan or complete the borrower's credit rating on the Mortgage Credit Analysis Worksheet.

Appendix C

Case Number 413-4082072

Mortgage Amount: \$141,775

Section of Housing Act: 203 (b)

Date of Loan Closing: 03/21/03

Status as of 08/20/04: Delinquent - Partial reinstatement 07/01/04. Partial claim of \$5,193.54 paid by HUD on 05/24/04.

Prior Status: Supplemental pre-claim

Payments before First Default Reported: Nine

Unpaid Principal Balance: \$139,685

Summary

Ability to Pay

Prestige and the underwriter (AF76) omitted the borrower's child support payments totaling \$387 on the loan application and Mortgage Credit Analysis Worksheet.

Prestige did not adequately establish that the borrower established good credit after a 2000 bankruptcy. The credit reports showed that the borrower was currently 60 days late on his Federal student loan payments. It also showed that he paid off a 2000 collection account that was actually charged off.

Incomplete/Missing Documents

The underwriter (AF76) did not accept or reject the loan or complete the borrower's credit rating on the Mortgage Credit Analysis Worksheet. Prestige did not maintain the good faith estimate in its file.

Verification of Employment

The verification of employment was not obtained by Prestige from a proper official of the Southern Ohio Correctional Facility. Our re-verification determined that the borrower's income included overtime and bonus pay and that the expected employment status was not provided by the Southern Ohio Correctional Facility's official noted on the Telephone Verification form. The officials of the Southern Ohio Correctional Facility said they did not have a signed release of employee information related to the mortgage application documented in the borrower's employment file. Therefore, they would have not released any information concerning the borrower's pay and employment status.

Appendix D

STATUS OF 25 FHA-INSURED LOANS

As of August 20, 2004					
Case Number	Mortgage Amount	Status	Payments Before First Default Reported	Claim Amount Paid	Gain/(Loss) on Resale of Property
201-3071771	\$100,891	Default	6	-	-
201-3153415	\$45,091	Reinstated	9	-	-
413-3795365	\$100,916	Default	12	-	-
413-3797560	\$68,820	Default	17	\$200	-
413-3805830	\$78,764	Reinstated	19	-	-
413-3858124	\$68,820	Foreclosure	7	-	-
413-3862135	\$81,225	Reinstated	10	-	-
413-3865913	\$62,026	Foreclosure	12	-	-
413-3868036	\$144,236	Default	4	-	-
413-3889867	\$117,161	Foreclosure	0	\$200	-
413-3898202	\$65,964	Default	7	-	-
413-3915641	\$63,995	Default	10	-	-
413-3934368	\$70,395	Default	9	-	-
413-3935357	\$83,686	Default	5	-	-
413-3965569	\$59,565	Default	8	-	-
413-3986727	\$49,227	Default	9	-	-
413-4001686	\$64,979	Foreclosure	9	-	-
413-4037385	\$69,312	Reinstated	10	-	-
413-4084406	\$70,851	Foreclosure	2	-	-
413-3760468	\$27,550	Foreclosure	3	-	-
413-3910904	\$59,565	Reinstated	19	-	-
413-3957606	\$54,150	Reinstated	13	\$200	-
413-3982521	\$102,393	Default	11	-	-
413-4046306	\$39,382	Default	7	-	-
413-4082072	\$141,775	Reinstated	9	\$5,194	-
Totals	<u>\$1,890,739</u>			<u>\$5,794</u>	

Appendix E

OVERAGES FOR LOAN DISCOUNT POINTS

Overages Collected by Prestige									
	Case Number	Loan Amount	Interest Rate	Loan Origination Fee	Discount Fee	Percent of Par	Yield Spread Premium Amount	¹ Other Fees	Total
1	201-3071771	\$100,891.00	7.75%	\$1,008.91	\$1,008.91	104.375	\$4,413.98	-	\$6,431.80
2	201-3153415	\$45,091.00	6.50%	\$450.91	\$450.91	102.875	\$1,296.37	\$250.00	\$2,448.19
3	413-3795365	\$100,916.00	7.50%	\$500.00	-	103	\$3,027.48	\$1,350.00	\$4,877.48
4	413-3797560	\$68,820.00	5.75%	\$700.00	\$500.00	104	\$2,752.80	-	\$3,952.80
5	413-3805830	\$78,764.00	5.50%	\$700.00	\$500.00	103.125	\$2,461.38	-	\$3,661.38
6	413-3858124	\$68,820.00	7.25%	\$500.00	-	103.5	\$2,408.70	\$1,000.00	\$3,908.70
7	413-3862135	\$81,225.00	7.50%	\$812.25	\$1,624.50	104.125	\$3,350.53	\$200.00	\$5,987.28
8	413-3865913	\$62,026.00	5.50%	\$500.00	-	103	\$1,860.78	\$1,300.00	\$3,660.78
9	413-3868036	\$144,236.00	7.50%	\$1,442.36	-	103.875	\$5,589.15	\$700.00	\$7,731.51
10	413-3889867	\$117,161.00	7.00%	\$1,171.61	\$4,684.44	103.75	\$4,393.54	-	\$10,249.59
11	413-3898202	\$65,964.00	5.75%	\$1,350.00	-	102.75	\$1,649.10	\$500.00	\$3,499.10
12	413-3915641	\$63,995.00	5.75%	\$1,000.00	-	102.75	\$1,759.86	\$500.00	\$3,259.86
13	413-3934368	\$70,395.00	7.25%	\$703.95	\$703.95	103.625	\$2,551.82	\$500.00	\$4,459.72
14	413-3935357	\$83,686.00	7.00%	\$824.50	-	103.875	\$3,242.83	\$500.00	\$4,567.33
15	413-3965569	\$59,565.00	5.25%	\$1,250.00	-	103.75	\$1,712.49	\$500.00	\$3,462.49
16	413-3986727	\$49,227.00	4.75%	\$500.00	\$400.00	103.75	\$1,848.01	\$640.00	\$3,388.01
17	413-4001686	\$64,979.00	4.50%	\$500.00	\$400.00	102.875	\$1,868.16	\$640.00	\$3,408.16
18	413-4037385	\$69,312.00	4.25%	\$500.00	-	103.125	\$2,166.00	\$500.00	\$3,166.00
19	413-4084406	\$70,851.00	6.63%	-	\$750.00	102.625	\$1,859.84	-	\$2,609.84
20	413-3760468	\$27,550.00	8.00%	\$271.50	-	-	-	\$500.00	\$771.50
21	413-3910904	\$59,565.00	7.25%	\$595.65	\$1,191.30	103.5	\$2,084.78	-	\$3,871.73
22	413-3957606	\$54,150.00	6.88%	\$541.50	\$541.50	104.125	\$2,233.69	\$450.00	\$3,766.69
23	413-3982521	\$102,393.00	6.88%	\$1,023.93	-	103.75	\$3,839.74	\$500.00	\$5,363.67
24	413-4046306	\$39,382.00	6.50%	\$393.82	\$787.64	104	\$1,575.28	-	\$2,756.74
25	413-4082072	\$141,775.00	5.88%	-	-	102.5	\$3,544.38	-	\$3,544.38
	Totals				\$13,543.15		² \$32,690.18		

¹ Other Fees includes broker, processing, and documentation preparation fees.

² The yield-spread total of \$32,690.18 includes only loans for which a loan discount was paid.