



**US Department of Housing and Urban Development**

Southwest District  
1600 Throckmorton, Room 406  
Post Office Box 2905  
Fort Worth, Texas 76113-2905  
(817) 885-5551 FAX (817) 885-2725

September 16, 1996

96-FW-211-1805

MEMORANDUM FOR: Elsie Whitson, Director, Multifamily Housing Division, 6FHM

FROM: D. Michael Beard, District Inspector General for Audit, 6AGA

SUBJECT: Terrace and Villa Apartments

FHA Project Nos.: 082-11011-PUR/CON and 082-35252-PM  
Jonesboro, Arkansas

Under our Operation Safe Home Program, we completed a review of records of the above properties to find out whether the owner/management agent complied with regulatory agreement requirements as they relate to the use of project funds. Our review disclosed the owner did not comply with the Regulatory Agreements. However, you were able to satisfactorily settle the matter.

The owner violated the Regulatory Agreements and equity skimming statutes by repaying his management company \$137,099.52 for operating advances made prior to 1992 that were not approved by HUD. The funds used to repay the advances included property income that secured HUD's interests in the mortgages. The owner made these repayments during September 1995 through May 1996. The owner defaulted on the HUD insured loans in 1990 and had no surplus cash available after that time. He said his accountant and lawyer advised him, because HUD was selling the loans, to repay these prior years' advances if he wanted to get his money. Although he had agreed to pay HUD a minimum payment under a Provisional Workout Agreement, he paid himself instead of making payments to HUD as required. His last payment to HUD under the workout agreement was in January 1995. HUD subsequently sold both loans in multifamily mortgage sales.

We provided our original draft finding to you and you flagged the owner's previous participation clearance. After this, the owner expressed interest in making a cash purchase of another HUD property in another jurisdiction. But HUD would not approve the sale because of the flag on the owner's clearance. The owner then came to you and agreed to settle the matter. He made an initial payment of \$20,000 and made a promissory note for \$149,262.92, payable to HUD in 30 monthly installments. The total amount of the settlement was \$169,262.92, which included the amount mentioned above, plus \$32,163.40 in audit costs. We concurred in the settlement. Because you satisfactorily settled the matter with the owner, we are considering the matter closed.

If we can be of further assistance or if you have any questions concerning the above, please contact Jerry Thompson, Assistant District Inspector General for Audit.