



**U.S. Department of Justice**

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**For Immediate Release:**

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**EVENT: Settlement**

**Defendant: National City Mortgage, Inc. (National City)**

**\$4.6 Million Settlement with National City Mortgage, Inc.  
Involving Federally Insured Mortgages**

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The Department of Justice announced today that National City Mortgage, Inc. (National City), has agreed to pay \$4.6 million to settle allegations arising under the False Claims Act concerning fifty-eight federally insured loans for mortgages submitted to the Department of Housing and Urban Development (HUD).

National City, a mortgage lender headquartered in Miamisburg, Ohio, has "direct endorsement" authority to underwrite HUD-insured mortgage loans and submit them to HUD for insurance endorsement. Direct endorsement is a mechanism which allows a pre-approved lender to loan a low or moderate income borrower money for a mortgage, and protects those lenders against loss in case of default. This program helps low and moderate income families become homeowners by lowering some of the costs associated with mortgage loans and providing protection to lenders. Lenders are encouraged to make loans to borrowers that might not be able to meet conventional underwriting requirements but are otherwise creditworthy.

HUD regulations require that the lender make certain certifications to the Federal

Housing Authority (FHA) when it is submitting loans for insurance coverage more than sixty days from the loan closing, referred to as "late endorsement loans". One such certification and requirement is that the loan payment is not more than thirty days past due, or "in default" when submitted for FHA insurance coverage. The United States alleges that National City improperly submitted fifty-eight late endorsement loans for FHA insurance coverage which were already "in default" prior to their submission, in violation of the FHA regulations.

United States Attorney Stephen J. Murphy said, "The FHA's mortgage insurance program obviously cannot function when a lender misrepresents the status of 58 loans in order to put the government on the hook. Such false pretenses harm not only the public fisc, but also the legitimate middle and low income borrowers who truly are qualified for the program. I commend HUD and the FHA for their vigilance and tenacity in pursuing this fraudulent behavior and successfully obtaining \$4.6 million under the False Claims Act."

The case was handled jointly by the Justice Department's Civil Division and the United States Attorney's Office for the Eastern District of Michigan, with investigative assistance provided by the Office of the Inspector General, Department of Housing and Urban Development.