



# Department of Justice

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## **United States Settles False Claims Act Allegations Against National Home Builder and Mortgage Lender**

Beazer Homes USA Inc. has agreed to pay the United States \$5 million dollars, plus contingent payments of up to \$48 million dollars to be shared with victimized private homeowners, to resolve allegations that it, and Beazer Mortgage Corp., were involved in fraudulent mortgage origination activities in connection with federally insured mortgages. Beazer Homes, which is headquartered in Atlanta, operates in at least 21 states.

The U.S. Department of Housing and Urban Development's Federal Housing Administration guarantees home mortgage loans for low and low-to-moderate income families. The settlement resolves allegations that when Beazer Mortgage Corp. made Federal Housing Administration (FHA) insured mortgage loans for the purchase of homes built by Beazer Homes USA Inc., the companies fraudulently and improperly: 1) required purchasers to pay "interest discount points" at closing, but then kept the cash and failed to reduce interest rates; 2) provided cash "gifts" to home purchasers through certain charities, so purchasers could come up with minimum required down payments, with assurances the "gifts" would not have to be repaid, and then increased home purchase prices to offset the amount of the gifts; 3) obscured which of its branches made defaulting mortgage loans to avoid FHA detection of excessive default rates, and; 4) ignored "stated income" requirements in making loans to unqualified purchasers.

As a consequence, unqualified home buyers were induced to enter into FHA insured mortgages, interest rates for and the amount of FHA insured mortgages were improperly inflated, and Beazer Mortgage branches involved in fraudulent activity were hidden from the FHA. In some instances, mortgages that resulted from these fraudulent activities defaulted. When they did so, holders of the loans made FHA mortgage insurance claims and the FHA was wrongfully required to pay inflated claims, and to pay for the management, maintenance, rehabilitation and marketing of defaulted properties.

The settlement is in conjunction with a Deferred Prosecution Agreement (DPA) entered into between the companies and the U.S. Attorney's Office for the Western District of North Carolina, also announced today. The DPA provides for restitution to private homeowners who were victims of the companies' fraudulent activities, as well as to the FHA.

"Fighting mortgage fraud is a top priority for this Administration, especially when public dollars are at stake," said Assistant Attorney General Tony West, who heads the Civil Division. "We will aggressively pursue fraud claims against federal mortgage insurance programs, which are so vitally important to this economy." Assistant Attorney General West commended both the United States Attorneys' Office and HUD for their work on this lawsuit and stressed that this is an example of the success that can be achieved when there is collaboration among agencies.

"This action shows that the Administration is serious about making the housing market safe from mortgage fraud and will crackdown on those who violate the trust of American homebuyers," said HUD Secretary Shaun Donovan. "At this time of uncertainty in the mortgage market, it is especially important that lenders, including builder-affiliated lenders, are held to the highest standards of conduct."

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