Text as published on gao.gov, https://www.gao.gov/products/b-124410, archived 2026-07-12. GAO published no original file for this decision. Rendered by Comptroller Desk.

B-124410, Jul. 25, 1955

Number: B-124410

Date: 1955-07-25

B-124410, JUL. 25, 1955

TO MR. LESTER H. THOMPSON, AUTHORIZED CERTIFYING OFFICER, FEDERAL HOUSING ADMINISTRATION:

REFERENCE IS MADE TO YOUR LETTER OF JUNE 16, 1955, TRANSMITTING A VOUCHER IN FAVOR OF THE COMMERCE NATIONAL BANK, 320 MADISON AVENUE, TOLEDO, OHIO, FOR $223.69 AS REIMBURSEMENT OF LOSS SUSTAINED BY REASON OF DEFAULT IN PAYMENT OF A NOTE SIGNED BY DOROTHY BUCK. THE BANK PURCHASED THE NOTE FROM TOLEDO WINDOW SALES AND REPORTED IT FOR INSURANCE UNDER ITS CONTRACT WITH THE FEDERAL HOUSING ADMINISTRATION UNDER TITLE I OF THE NATIONAL HOUSING ACT. YOU REQUEST ADVICE AS TO WHETHER THE VOUCHER PROPERLY MAY BE CERTIFIED FOR PAYMENT.

THE LOAN WAS MADE ON THE APPLICATION OF DOROTHY BUCK FOR IMPROVEMENTS ON PROPERTY WHICH WAS REPRESENTED IN THE APPLICATION AS OWNED BY HER AND FOR WHICH IMPROVEMENTS THE TOLEDO WINDOW SALES WAS THE CONTRACTOR. IT APPEARS THAT ALTHOUGH THE LOAN WAS MADE TO DOROTHY BUCK AS THE OWNER OF THE PROPERTY IT SUBSEQUENTLY DEVELOPED THAT SHE WAS NOT THE OWNER. THE FHA REGULATIONS RELATING TO SUCH LOANS, AS THEN IN EFFECT, PROVIDED WITH REFERENCE TO APPLICATIONS FOR CREDIT (24 C.F.R. 201.7 (C) (THAT AN INSURED ACTING IN GOOD FAITH MAY, IN THE ABSENCE OF INFORMATION TO THE CONTRARY, RELY UPON ALL STATEMENTS OF FACT MADE BY THE BORROWER, WHICH ARE CALLED FOR BY THE BORROWER'S CREDIT APPLICATION, IN DETERMINING THE ELIGIBILITY OF IMPROVEMENTS TO THE PROPERTY. THE QUESTION PRESENTED IS WHETHER OR NOT THE CREDIT APPLICATION SIGNED BY THE BORROWER SUFFICIENTLY SETS FORTH HER INTEREST IN THE PROPERTY TO JUSTIFY RELIANCE THEREON BY THE BANK IN MAKING THE LOAN.

THE APPLICATION FOR THE LOAN WAS MADE ON AN FHA CREDIT APPLICATION FORM. IT WAS SIGNED BY DOROTHY BUCK. HER NAME APPEARED ON A LINE NEAR THE TOP OF THE FORM AS THE NAME OF THE APPLICANT. THE APPLICATION ALSO BORE OTHER NAMES--- THAT OF ONE INDIVIDUAL AS THE NEAREST RELATIVE NOT LIVING WITH THE APPLICANT, AND THOSE OF HER PREVIOUS EMPLOYER, REFERENCES, AND CREDITORS, ALL BUSINESS CONCERNS. HOWEVER, A SUBSEQUENT LINE CALLING FOR THE NAME OF THE OWNER OF THE PROPERTY WAS FILLED IN WITH THE WORD "ABOVE.' THUS, BETWEEN THE NAME DOROTHY BUCK AS THE APPLICANT AND THE LINE CALLING FOR THE NAME OF THE OWNER OF THE PROPERTY THERE APPEARED OTHER NAMES. AFTER DEFAULT, THE BANK LEARNED DOROTHY BUCK WAS NOT THE OWNER OF THE PROPERTY BUT THAT IT WAS OWNED BY HARVEY A. BUCK, SAID TO BE HER DIVORCED HUSBAND, AND AFTER LEARNING THAT HE WAS THE OWNER THE BANK TYPED IN HIS NAME AS SUCH OWNER. THE BANK EXPLAINED SUCH ACTION ON THE GROUND OF A MISUNDERSTANDING OF A LETTER OF MAY 19, 1954, WHICH THE FHA SENT TO ALL INSURED FINANCIAL INSTITUTIONS CALLING ATTENTION TO THE NEED FOR REQUIRING ALL CREDIT APPLICATIONS TO BE PROPERLY FILLED OUT, AND IN WHICH IT WAS POINTED OUT THAT IN GIVING THE NAME OF THE OWNER IT WAS NOT ACCEPTABLE TO USE SUCH TERMS AS "SEE

ABOVE," AND OTHERS THERE STATED, IN LIEU OF THE NAMES OF INDIVIDUALS.

IT IS STATED IN YOUR LETTER THAT UNDER THE CIRCUMSTANCES IT HAS BEEN DETERMINED THAT THE BANK HAS COMPLIED IN GOOD FAITH WITH THE APPLICABLE PROVISIONS OF THE REGULATIONS OF THE FHA AND THAT THE VIOLATION OF THE REGULATIONS HAS BEEN WAIVED BY THE FEDERAL HOUSING COMMISSIONER UNDER SECTION 2 (E) OF THE NATIONAL HOUSING ACT, 12 U.S.C. 1703 (E).

WHILE THE OWNER OF THE PROPERTY WAS NOT SHOWN BY NAME BUT WAS SHOWN ONLY BY THE WORD "ABOVE," IT WAS REASONABLE FOR THE BANK TO BELIEVE THAT THE WORD "ABOVE" SO APPEARING REFERRED TO THE APPLICANT AND NOT TO ANY OF THE OTHER PERSONS AND CONCERNS WHOSE NAMES APPEARED IN THE APPLICATION. HENCE, AND SINCE IT DOES NOT APPEAR THAT THE BANK HAD ANY INFORMATION AT THE TIME THAT DOROTHY BUCK DID NOT OWN OR HAVE AN INTEREST IN THE PROPERTY WHICH WOULD MAKE THE LOAN ELIGIBLE FOR INSURANCE, THE VIEW APPEARS JUSTIFIED THAT THE BANK ACTED IN GOOD FAITH IN ACCEPTING THE APPLICATION AND MAKING THE LOAN.

ACCORDINGLY, WE HAVE NO OBJECTION TO CERTIFICATION OF THE VOUCHER FOR PAYMENT, IF OTHERWISE CORRECT.