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United States prosecutors recently filed suit against Wells Fargo, claiming the lender misrepresented the quality of the mortgages it handled under a federal housing program. In the case filed in federal court in New York, Wells Fargo, the country's largest originator of home loans, prosecutors alleged that the bank defrauded the federal government for more than a decade by recklessly issuing mortgages and then making false certifications about the condition of those mortgages to the Federal Housing Administration (FHA). The lawsuit asserts that the loans were not eligible for government insurance through the FHA and that the government suffered hundreds of millions of dollars in damages by standing good for losses on loans that never should have been covered by FHA insurance.

The case against Wells Fargo follows many similar lawsuits by the government against large banks related to their lending practices. A number of the banks have settled the cases. Deutsche Bank paid more than \$200 million to resolve civil fraud charges. CitiGroup's CitiMortgage unit settled claims for \$158 million and Bank of America settled claims arising from its Countrywide Financial arm for \$1 billion.

The suit against Wells Fargo maintains that the lender schemed to churn out and approve an ever-increasing number of FHA loans without regard to the quality of those loans. The complaint alleges that Wells Fargo knew about the deficient quality of a number of the loans but hid them from the FHA.