

A federal judge ruled that a whistleblower lawsuit may proceed against Wells Fargo and Mortgage Investors Corporation ("MIC") with claims that the banks illegally charged veteran borrowers hidden fees on refinanced home loans backed by the Veterans Administration ("VA"). According to the suits, the banks' misconduct cost taxpayers hundreds of millions of dollars. In a ruling issued on November 19, 2012 by a United States district judge, the motions to dismiss filed by Wells Fargo and MIC were denied, meaning that the case will proceed to trial.

Prior to the court's ruling, six other banks which had also moved to dismiss the lawsuit settled the claims against them. Those six banks agreed to pay a total of \$161.7 million, leaving Wells Fargo and MIC as the sole remaining defendants. Countrywide Home Loans, Inc. paid \$45 million to settle the claims; First Tennessee Bank paid \$16 million; SunTrust Mortgage paid \$10.2 million; CitiMortgage paid \$7.5 million; and JPMorgan Chase paid \$45 million to resolve the claims against it.

The qui tam ("whistleblower") lawsuit was filed in 2006 on behalf of United States taxpayers and sought to recover damages which will be payable to the federal government. The suit was brought pursuant to the Federal False Claims Act, which allows whistleblowers to sue companies which have defrauded the government and to collect a recovery on behalf of the government. The whistleblower suit alleged that the banks defrauded military veterans and taxpayers out of millions of dollars by hiding illegal fees in veterans' home mortgage refinancing transactions and then sought to collect on government loan guarantees procured through the fraud when those loans went into default. The Veterans Administration guarantees for those loans are not valid because the banks charged impermissible fees in connection with the loans made to veterans.

Under the federal district court's orders, the case will proceed as against Wells Fargo and MIC on claims that the lenders committed fraud by making false certifications to the Veterans Administration for the purpose of getting fraudulent claims paid by the government in violation of the False Claims Act.