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Cummings Applauds Justice Suit Against Wells Fargo

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Congressman requested action in 2010 letter.

(Washington, D.C.) – Congressman Elijah E. Cummings, Ranking Member of the House Oversight and Government Reform Committee, today applauded reports that the Department of Justice intends to file suit against Wells Fargo for allegedly preying upon African American borrowers during the real-estate boom that preceded the 2007 economic downturn, inappropriately steering these borrowers into high-cost subprime loans.

Last week, the Federal Reserve System said that perhaps more than 10,000 borrowers were inappropriately steered into subprime mortgage loans or had their loan documents falsified by bank personnel. Wells Fargo agreed to pay \$85 million to settle civil charges brought by the Fed. The company did not admit wrongdoing.

“It is my greatest hope that this suit will bring the justice that has been too late in arriving,” said Cummings. “So many homeowners who qualified for standard mortgages were improperly directed into subprime mortgages, and in no community was that more prevalent than the African American community. This predatory and illegal activity must be punished, to the full extent of the law, to ensure that the trust placed in our nation’s lenders and banks is never again violated by those businesses.”

In a January 2010 letter to the Justice Department, praising the creation of the Fair Lending Unit (FLU), Cummings specifically requested answers regarding actions by Wells Fargo.

The FLU was tasked with pursuing lenders and brokers that have unfairly denied minorities access to home loans. It also identifies companies that targeted minorities for mortgages with loose underwriting standards or high interest rates that forced borrowers into foreclosure.

In his letter, Cummings asked that the unit answer several questions regarding Wells Fargo and other lenders:

1. Was there a systematic effort by any mortgage lender to drive minority borrowers into high-cost mortgage loans?
2. To what extent were any borrowers who were eligible for lower-cost products targeted for high-cost products?
3. To what extent do the practices observed in Baltimore mirror or deviate from practices observed in other urban areas?

The allegations by the Justice Department mirror those in public actions taken by the Federal Reserve and a separate lawsuit filed by the City of Baltimore.

The Mayor and City Council of Baltimore brought suit against Wells Fargo Bank in January 2008 under the Fair Housing Act, alleging that Wells Fargo targeted African American neighborhoods in Baltimore for predatory mortgage loans. The City contended that Wells

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Fargo utilized “reverse redlining” practices, driving potential homebuyers in minority communities into high-cost mortgage products. The allegations referenced affidavits of former Wells Fargo employees, describing incentive programs that offered rewards based on the interest rate for each loan originated.

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