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JUSTICE NEWS

### Department of Justice

Office of Public Affairs

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#### Justice Department Reaches \$335 Million Settlement to Resolve Allegations of Lending Discrimination by Countrywide Financial Corporation

*More than 200,000 African-American and Hispanic Borrowers who Qualified for Loans were Charged Higher Fees or Placed into Subprime Loans*

The Department of Justice today filed its largest residential fair lending settlement in history to resolve allegations that Countrywide Financial Corporation and its subsidiaries engaged in a widespread pattern or practice of discrimination against qualified African-American and Hispanic borrowers in their mortgage lending from 2004 through 2008.

The settlement provides \$335 million in compensation for victims of Countrywide's discrimination during a period when Countrywide originated millions of residential mortgage loans as one of the nation's largest single-family mortgage lenders.

The settlement, which is subject to court approval, was filed today in the U.S. District Court for the Central District of California in conjunction with the department's complaint which alleges that Countrywide discriminated by charging more than 200,000 African-American and Hispanic borrowers higher fees and interest rates than non-Hispanic white borrowers in both its retail and wholesale lending. The complaint alleges that these borrowers were charged higher fees and interest rates because of their race or national origin, and not because of the borrowers' creditworthiness or other objective criteria related to borrower risk.

The United States also alleges that Countrywide discriminated by steering thousands of African-American and Hispanic borrowers into subprime mortgages when non-Hispanic white borrowers with similar credit profiles received prime loans. All the borrowers who were discriminated against were qualified for Countrywide mortgage loans according to Countrywide's own underwriting criteria.

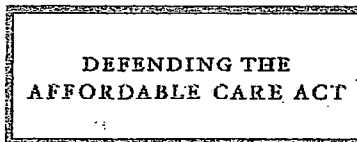
"The department's action against Countrywide makes clear that we will not hesitate to hold financial institutions accountable, including one of the nation's largest, for lending discrimination," said Attorney General Eric Holder. "These institutions should make judgments based on applicants' creditworthiness, not on the color of their skin. With today's settlement, the federal government will ensure that the more than 200,000 African-American and Hispanic borrowers who were discriminated against by Countrywide will be entitled to compensation."

The settlement resolves the United States' pricing and steering claims against Countrywide for its discrimination against African Americans and Hispanics.

The United States' complaint alleges that African-American and Hispanic borrowers paid more than non-Hispanic white borrowers, not based on borrower risk, but because of their race or national origin. Countrywide's business practice allowed its loan officers and mortgage brokers to vary a loan's interest rate and other fees from the price it set based on the borrower's objective credit-related factors. This subjective and unguided pricing discretion resulted in African American and Hispanic borrowers paying more. The complaint further alleges that Countrywide was aware the fees and interest rates it was charging discriminated against African-American and Hispanic borrowers, but failed to impose meaningful limits or guidelines to stop it.

"Countrywide's actions contributed to the housing crisis, hurt entire communities, and denied families access to the American dream," said Thomas E. Pérez, Assistant Attorney General for the Civil Rights Division. "We are using every tool in our law enforcement arsenal, including some that were dormant for years, to go after institutions of all sizes that discriminated against families solely because of their race or national origin."

The United States' complaint also alleges that, as a result of Countrywide's policies and practices, qualified African-American and Hispanic borrowers were placed in subprime loans rather than prime



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