

THE UNITED STATES ATTORNEY'S OFFICE  
NORTHERN DISTRICT *of* OHIO

[U.S. Attorneys](#) » [Northern District of Ohio](#) » [News](#)

**Department of Justice**

U.S. Attorney's Office

Northern District of Ohio

FOR IMMEDIATE RELEASE

Monday, June 30, 2014

## **U.S. Bank To Pay \$200 Million To Resolve Alleged FHA Mortgage Lending Violations**

U.S. Bank has agreed to pay the United States \$200 million to resolve allegations that it violated the False Claims Act by knowingly originating and underwriting mortgage loans insured by the Federal Housing Administration (FHA) that did not meet applicable requirements, the Justice Department announced today.

“By misusing government programs designed to maintain and expand homeownership, U.S. Bank not only wasted taxpayer funds, but inflicted harm on homeowners and the housing market that lasts to this day,” said Assistant Attorney General for the Justice Department’s Civil Division Stuart F. Delery. “As this settlement shows, we will continue to hold accountable financial institutions that violate the law by pursuing their own financial interests at the expense of hardworking Americans.”

“U.S. Bank ignored certain lending requirements causing substantial losses to taxpayers,” said United States Attorney for the Northern District of Ohio Steven M. Dettelbach. “This settlement demonstrates that the Department of Justice will not permit lenders to play fast and loose with the rules and stick the American people with their significant tab.”

“U.S. Bank’s lax mortgage underwriting practices contributed to home foreclosures across the country,” said United States Attorney for the Eastern District of Michigan Barbara L. McQuade. “This settlement recovers funds for taxpayers and demonstrates that lenders will be held accountable for engaging in irresponsible lending practices.”

During the time period covered by the settlement, U.S. Bank participated as a direct endorsement lender (DEL) in the FHA insurance program. A DEL has the authority to originate, underwrite, and certify mortgages for FHA insurance. If a loan certified for FHA insurance later defaults, the holder of the loan may submit an insurance claim to the U.S. Department of Housing and Urban Development (HUD), FHA’s parent agency, for the losses resulting from the defaulted loan. Because FHA does not review a loan before it is endorsed for FHA insurance, FHA requires a DEL to follow program rules designed to ensure that the DEL is properly underwriting and submitting mortgages for FHA insurance.

As part of the settlement, U.S. Bank admitted that, from 2006 through 2011, it repeatedly certified for FHA insurance mortgage loans that did not meet HUD underwriting requirements. U.S. Bank also admitted that its quality control program did not meet FHA requirements, and as a result, it failed to identify deficiencies in many of the loans it had certified for FHA insurance, failed to self-report many deficient loans to HUD, and failed to take the corrective action required under the program. U.S. Bank further acknowledged that its conduct caused FHA to insure thousands of loans that were not eligible for insurance and that the FHA suffered substantial losses when it later paid insurance claims on those loans.

“This substantial recovery on behalf of the Federal Housing Administration should serve as a vivid reminder of the potential consequences of not following HUD program rules, and the diligence with which we will pursue those that violate them, particularly where lenders such as U.S. Bank take actions to compromise the insurance fund,” said David A. Montoya, Inspector General of the Department of Housing and Urban Development.

“We are gratified that U.S. Bank has agreed to put this matter behind it, and we want to thank the Department of Justice and HUD’s Office of Inspector General for all of their efforts in helping us make this settlement a reality,” said Damon Smith, Acting General Counsel for the U.S. Department of Housing and Urban Development. “This settlement underscores our consistent message that following Federal Housing Administration rules for underwriting FHA-insured loans is a requirement, not an option.”

The agreement resolves potential violations of federal law based on U.S. Bank’s deficient origination of FHA insured mortgages. The agreement does not prevent state and federal authorities from pursuing enforcement actions for other origination conduct by U.S. Bank, or for any servicing or foreclosure conduct, including civil enforcement actions against U.S. Bank for violations of the CFPB’s new mortgage servicing rules that took effect on Jan. 10, 2014. U.S. Bank is a banking services company headquartered in Cincinnati, Ohio, and a wholly owned subsidiary of U.S. Bancorp, a bank holding company headquartered in Minneapolis, Minnesota.

The settlement was the result of a joint investigation conducted by HUD, its Office of Inspector General, the Civil Division of the Department of Justice, and the United States Attorney’s Offices for the Northern District of Ohio and the Eastern District of Michigan.

The settlement is part of enforcement efforts by President Barack Obama’s Financial Fraud Enforcement Task Force. President Obama established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets and recover proceeds for victims of financial crimes. For more information about the task force, visit: [www.stopfraud.gov](http://www.stopfraud.gov).

---

**Component(s):**

USAO - Ohio, Northern

Updated March 12, 2015