HOME LENDING GIANT WELLS FARGO REFUTES BIAS ALLEGATIONS BUT SETTLES FOR $175 MILLION

Wells Fargo & Co. virtually holds a monopoly over US home lending and is widely recognized as America's, numero uno home lender. It presently initiates around 35 percent of all U.S. mortgages, more than the aggregate of the next seven largest home lenders. Accused of methodically overcharging minorities during the feverish housing boom and intentionally diverting African Americans and Latinos towards more expensive subprime mortgages, it has agreed to pay at least $175 million to settle these federal allegations. The Justice Department whilst confirming the settlement called it the second-largest fair-lending settlement in the department's history. To recollect, the tarnished first place is occupied by the Bank of America when it agreed to pay $335 million to settle claims against Countrywide Financial Corp., in 2008. Asst. Atty. Gen. Thomas E. Perez said that the core of the Justice Department's complaint was that "If you were African American or Latino, you were more likely to be placed in a subprime loan or pay more for your mortgage loan, even though you were qualified and deserved better treatment." Perez cited just one of many examples, saying that an, "80-year-old African-American resident of the Baltimore area with a 714 credit score and a rock-solid credit file who received a subprime loan instead of a prime loan, and who was not told that she may have qualified for a prime loan with better terms. By the time she realized she had an adjustable-rate mortgage, and not the fixed rate she thought, it was too late," Perez said. "The damage was done." Deputy Atty. Gen. James M. Cole speaking during a press conference said, Wells Fargo indulged in "systemic discrimination" between 2004 to 2009, whilst issuing mortgages through private brokers. He said that it was extensive and pervasive and the company violated the Equal Credit Opportunity Act and the Fair Housing Act in not less than 82 geographic locations in 32 states and the District of Columbia. "This resulted in more than 34,000 African American and Hispanic wholesale borrowers paying an increased rate for loans simply due to the color of their skin – including approximately 4,000 African-American and Hispanic wholesale borrowers who were steered into subprime mortgages," Cole said. However, Wells Fargo said that it denied the government's claims, but were settling the case to avoid hassles of long drawn litigation with the Justice Department and that it could put to better and more worthwhile use the time saved. "Wells Fargo is settling this matter solely for the purpose of avoiding contested litigation with the DOJ," it said, "and to instead devote its resources to continuing to provide fair credit services and choices to eligible customers and important and meaningful assistance to borrowers in distressed U.S. real estate markets." $125 million will go to those who were victimized by their practice and $50 million in down payment financial help, who reside in areas, where the alleged discrimination had a substantial bearing. The areas have been identified as Washington, D.C., Chicago, Philadelphia, Oakland and San Francisco, New York City, Cleveland, Riverside, Calif., and Baltimore. "This practice caused harm to families, neighborhoods and the city's tax base," Mayor Stephanie Rawlings-Blake, Baltimore said. "The agreement puts to rest our legal challenges and allows us to move forward collaboratively and work on growing the city." As part of the settlement Wells Fargo also had to grant assent to allow an internal review of its direct-to-consumer retail lending practices and to have it put under federal scrutiny. Cole defended the stiff settlement saying, "The department's action makes clear that we will hold financial institutions accountable, including some of the nation's largest, for lending discrimination." Thomas Perez, assistant attorney general for the Justice Department's civil rights division said that compared to a White borrower in Chicago in 2007, an African-American, for a $300,000 loan paid almost $3000 more than their White counterparts. A Latino, under similar circumstances coughed up $2,538 extra. These figures are just an illustration and vary from area to area. Perez said that these extra charges were not because of any additional credit-risk, but amounted to a racial surtax. To have a better control over its dealings, the lending giant said that it was halting financing mortgages that are "originated, priced and sold" by self-determining mortgage brokers through the mortgage wholesale channel. Mike Heid, president of Wells Fargo Home Mortgage said, "Through our separate decision to no longer fund mortgages through independent mortgage brokers, we can control how that commitment" to serving home ownership needs "is met on every mortgage that Wells Fargo makes."