## Feds Sue Deutsche Bank for Mortgage Fraud â€" May Pursue Other Banks Too

May 4, 2011 – The federal government has filed a \$1 Billion mortgage fraud suit against the giant German lender, Deutsche Bank. The suit accuses the bank of using sub-standard lending procedures and repeatedly lying to the government about what it was doing in order to obtain federal guarantees on the home mortgages it was issuing; constituting a fraud.

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Over a ten year period one of Deutsche Bank's current subsidiaries, MortgageIT, made more than 39,000 federally guaranteed home loans which were worth more than \$5 Billion. In order to gain access to federal guarantees, the lender had to certify that its lending practices met federal standards.

By the end of this past February, federal regulators had been forced to pay nearly \$390 million to cover the cost of MortgageIT loans that were defaulted on by borrowers. According to statements made by US Attorney Preet Bharara, "Borrower after borrower defaulted â€" often within just months of closing â€" because those loans were doomed to fail.―

Although Deutsche Bank only acquired MortgagelT in 2007, it is now legally responsible for the company's actions prior to its acquisition. According to a statement released by the bank, "close to 90 percent― of the loans at issue were made prior to Deutsche Bank's purchase of the company.

Deutsche Bank has said that it intends to vigorously defend itself in the suit but Bharara did not back down. He said, "While they promised to select qualified mortgages to be insured, they repeatedly abused that public trust by brushing aside the rules, lying about the quality of their underwriting operation, and passing on the costs of the inevitable hundreds of millions of defaults to the government.― He went on to say, "It wasn't their problem anymore. T government held all the risks and, ultimately, was left holding the bag.―

The Department of Housing and Urban Development has made it known that it is reviewing the lending practices of other banks and may refer additional cases to the Justice Department for legal action.

The suit against Deutsche Bank was filed under the False Claims Act, which allows for triple damages if the bank if found guilty. The suit also seeks to protect taxpayers from future claims that may arise as a result of anticipated defaults in the future.

byJim Malmberg

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