Wells Fargo Loses Federal Appeal Request to Throw Out Mortgage Suit

June 11, 2014 - The Federal Appeals Court in Washington, DC has ruled against Wells Fargo in a mortgage fraud lawsuit filed by the federal government. The bank attempted to have the suit thrown out on the grounds that they had entered into a settlement with 49 states and the federal government late last year. The banks position was that under the terms of that settlement, the federal government had agreed not to file additional suites against the bank. But the court disagreed with their argument.

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Wells Fargo's $5 billion settlement with the states last year did contain language that limited the banks liability in future lawsuits. That that language was limited itself. The bank was only shielded from lawsuits where the "sold basis" for the suit was a fraudulent certification that the loan met federal lending standards for insurability.

The settlement specifically stated that the government would be able to file additional suits for mortgage fraud against the bank where other violations of the law were found. The new federal lawsuit, which was filed in New York, alleges other claims.

Wells Fargo had asked the court to bar any further litigation by the federal government on the matter. After the suit was initially filed, the bank appealed to the federal court in the District of Columbia; where it lost. The decision this week was an appeal of that first ruling in DC.

The ruling is important because the Federal Appeals Court for the District of Columbia is widely recognized as the second highest court in the United States. Last year's settlement with Wells Fargo involved other lenders; presumably

with similar or identical settlement terms. The ruling is likely to lead to additional lawsuits against a variety of lenders by the federal government.
byJim Malmberg
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