

YAHOO! FINANCE

BofA's Countrywide to pay \$335 million over bias case



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By Jeremy Pelofsky and James Vicini

WASHINGTON (Reuters) - Bank of America Corp's Countrywide Financial unit agreed on Wednesday to pay a record \$335 million to settle civil charges that it discriminated against minority homebuyers, a historic settlement for the Obama administration in the wake of the subprime mortgage morass.

As the financial and housing crisis erupted in 2008, Bank of America bought Countrywide, which specialized in so-called subprime mortgages, focusing on loans to those with lower credit ratings and charging them higher interest rates.

The settlement covers conduct between 2004 and 2008 before the acquisition by Bank of America, and involved a range of alleged wrongdoing including charging African-Americans and Hispanics higher interest rates and fees than non-minorities.

Minorities also were steered to more expensive subprime loans even though they were qualified for traditional mortgage rates. Justice Department officials said it was the largest residential discrimination settlement in U.S. history.

"The victims had no idea they were being victimized. They were thrilled to have gotten a loan and realize the American dream," Thomas Perez, head of the Justice Department's civil rights division, told reporters. "This is discrimination with a smile."

The settlement comes as the Obama administration has faced some criticism for the lack of prosecutions related to the conduct of financial institutions during the U.S. housing crisis.

More than 200,000 African-American and Hispanic borrowers in 41 states and the District of Columbia were affected by Countrywide's conduct, the Justice Department said. They will receive compensation from the money paid by the Bank of America unit.

Countrywide had net earnings of about \$6.7 billion between 2004 and 2007, according to the Justice Department.

"We are committed to fair and equal treatment of all our customers, and will continue to focus on doing what's right for our customers, clients and communities," said Bank of America spokesman Dan Frahm.

"We discontinued Countrywide products and practices that were not in keeping with our commitment and will continue to resolve and put behind us the remaining Countrywide issues," he said, noting that Bank of America's own practices were not at issue.

The Justice Department's civil rights division has about 20 investigations open into allegations that financial institutions engaged in discriminatory practices against minorities buying homes.

Shares of Bank of America were up 3 cents to \$5.20 in late afternoon trading on the New York Stock Exchange.

(Reporting By Jeremy Pelofsky and James Vicini; Editing by Gerald E. McCormick, Gary Hill)

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