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Financial Fraud Enforcement Task Force Announces Settlement with AIG Subsidiaries to Resolve Allegations of Lending Discrimination

Lenders Accountable for Higher Broker Fees Charged to Minority Borrowers

WASHINGTON – Two subsidiaries of American International Group Inc. have agreed to pay a minimum of \$6.1 million to resolve allegations that they engaged in a pattern or practice of discrimination against African American borrowers, representatives of President Obama's Financial Fraud Enforcement Task Force (FFETF) announced today.

The settlement was filed today in conjunction with a complaint made by the Justice Department in U.S. District Court in Delaware. Brought under the federal Fair Housing and Equal Credit Opportunity Acts, the complaint alleges African American borrowers nationwide were charged higher fees on wholesale loans made by AIG Federal Savings Bank (FSB) and Wilmington Finance Inc. (WFI), an affiliated mortgage lending company.

"Discriminatory practices by lenders, brokers, and other players in the mortgage market contributed to our nation's housing crisis and economic meltdown. Lenders who looked the other way and ignored the discriminatory practices of brokers must be held accountable," said Thomas E. Perez, Assistant Attorney General in charge of the Justice Department's Civil Rights Division. "We will continue to pursue cases attacking a wide range of abuses that have destroyed communities and transformed the American dream of home ownership into a nightmare."

AIG FSB and WFI contracted with mortgage brokers to obtain mortgage applications that were underwritten and funded by the defendants. The complaint alleges that AIG FSB and WFI failed to supervise or monitor brokers in setting broker fees. This practice had a disparate impact on African American borrowers, who were charged higher broker fees than white, non-Hispanic borrowers on thousands of such loans from July 2003 until May 2006, a period of time before the federal government obtained an ownership interest in American International Group Inc.

"Today's settlement is significant because it marks the first time the Justice Department has held a lender responsible for failing to monitor its brokers to ensure that borrowers are not charged higher fees because of their race. If necessary, it will not be the last time," Perez said.

According to the settlement, which is subject to court approval, AIG FSB and WFI will pay up to \$6.1 million to African American customers who were charged higher broker fees than similarly-situated, non-Hispanic white customers, and will invest at least \$1 million in consumer financial education efforts. AIG FSB and WFI will also be prohibited from discriminating on the basis of race or color in any aspect of wholesale home mortgage lending.

"Today's settlement serves as a reminder for why President Obama established the Financial Fraud Enforcement Task Force and as an example of what you can expect to see in the future," said Executive Director of the FFETF Robb Adkins. "The type of interagency communication that spurred this case and the subsequent hard work of dedicated law enforcement professionals will be the foundation for the task force's achievements on behalf of the American people. Moving forward, the American people should expect to see more cases, public outreach and concrete results as an outcome of our new cooperation."

This case resulted from a referral by the Treasury Department's Office of Thrift Supervision to the Justice Department's Civil Rights Division in 2007, when this type of communication between agencies was too often the exception to the rule, said Adkins. In November 2009, President Barack Obama established the FFETF to make such cross-agency coordination the standard.

The task force is waging an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes and remedy other abuses in the financial markets. 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.

"Today's settlement should serve as a warning shot to potential fraudsters and those who would discriminate against borrowers – we are redoubling our fight, we are strengthening cooperation and we are using all our resources to combat these crimes," said Executive Director Adkins.

AIG FSB and WFI are not currently engaged in the business of wholesale home mortgage lending, but the settlement provides that if either defendant re-enters that business, the lender will implement specific, nonracial standards for broker fees and monitor all fees charged on the mortgage loans they fund to ensure that all customers are treated equally.

A copy of the complaint, as well as additional information about fair-lending enforcement by the Justice Department, can be obtained from the Justice Department Web site at <http://www.justice.gov/fairhousing>. On March 4, 2009, American International Group Inc. issued stock to a trust established in favor of the United States Treasury.

The enforcement of federal fair-lending laws is a priority of the Justice Department's Civil Rights Division.

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Civil Rights Division