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**MANHATTAN U.S. ATTORNEY SUES DEUTSCHE BANK
AND SUBSIDIARY MORTGAGEIT FOR YEARS
OF RECKLESS LENDING PRACTICES**

PREET BHARARA, the United States Attorney for the Southern District of New York, TONY WEST, the Assistant Attorney General for the Civil Division of the U.S. Department of Justice, HELEN KANOVSKY, General Counsel of the U.S. Department of Housing and Urban Development ("HUD"), and MICHAEL P. STEPHENS, Acting Inspector General of HUD, announced today that the United States has filed a civil mortgage fraud lawsuit against DEUTSCHE BANK AG ("DEUTSCHE BANK") and its wholly owned subsidiary, MORTGAGEIT, INC. ("MORTGAGEIT"). The Government's Complaint seeks damages and civil penalties under the False Claims Act for repeated false certifications made to HUD in connection with the residential mortgage origination and sponsorship practices of MORTGAGEIT. To date, FHA has paid insurance claims on more than 3,100 mortgages, totaling \$386 million, for mortgages endorsed by MORTGAGEIT.

Manhattan U.S. Attorney PREET BHARARA said: "As alleged, MortgageIT and Deutsche Bank ignored every type of red flag and breached every duty of due diligence before underwriting thousands of federally insured mortgages. While the homes the defendants issued loans for may have been built on solid ground, the defendants' lending practices were built on quicksand. Ultimately, prudence was trumped by profit, and good faith took a back seat to good fees. This is exactly the kind of misconduct that our Civil Frauds Unit was created to combat."

Assistant Attorney General for the Civil Division of the Department of Justice TONY WEST said: "Many working families count on FHA's mortgage insurance program to help them achieve

the dream of home ownership. According to our complaint, these lenders put millions of dollars of taxpayer funds at risk and violated the integrity of this important program by making false certifications to HUD."

HUD General Counsel HELEN KANOVSKY said: "We don't tolerate fraud in FHA's mortgage insurance business. Each and every lender has a responsibility to properly underwrite mortgages not only to protect FHA's insurance fund but those families who depend on the FHA mortgage insurance program to provide them safe and sustainable mortgage financing."

HUD Acting Inspector General MICHAEL P. STEPHENS said: "The Department of Housing and Urban Development Office of Inspector General is committed to aggressively pursuing, in cooperation with our law enforcement partners, those who would seek to damage our nation's important housing programs. In today's trying economic times, it is all the more important to protect those programs, such as the FHA, which are so critical to our fragile recovery and to our country's citizenry."

According to the complaint filed today in Manhattan Federal court:

Background on FHA Mortgage Insurance

FHA mortgage insurance makes home ownership possible for millions of American families by protecting lenders against defaults on mortgages, thereby encouraging lenders to make loans to borrowers who might not be able to meet conventional underwriting requirements. To assist as many qualified homeowners as possible, FHA operates a direct endorsement lender program, which grants participating lenders the authority to endorse mortgages that are qualified for FHA insurance. Direct endorsement lenders act as fiduciaries of HUD in underwriting mortgages and endorsing them for FHA insurance. The integrity of the program requires these direct endorsement lenders to carefully review mortgages to ensure compliance with HUD rules and underwriting standards. These lenders are entrusted with safeguarding the public from taking on risks that exceed statutory and regulatory limits.

To qualify as a direct endorsement lender, a lender must implement a quality control plan. Every direct endorsement lender must submit a certification to HUD for each mortgage the lender endorses, stating that the lender has conducted due diligence in accordance with all HUD rules.

DEUTSCHE BANK and MORTGAGEIT'S False Representations

Between 1999 and 2009, MORTGAGEIT was an approved direct endorsement lender, and endorsed more than 39,000 mortgages for FHA insurance, totaling more than \$5 billion in underlying principal obligations. These mortgages were highly marketable for resale to investors because they were insured by the full faith and credit of the United States. MORTGAGEIT and DEUTSCHE BANK, which acquired MORTGAGEIT in January 2007, made substantial profits through the resale of these endorsed FHA-insured mortgages.

According to the Complaint, MORTGAGEIT repeatedly made false certifications to HUD to obtain approval of mortgages that MORTGAGEIT underwriters wrongfully endorsed for FHA insurance. These mortgages were not eligible for FHA insurance under HUD rules. Notwithstanding the mortgages' ineligibility, underwriters at MORTGAGEIT endorsed the mortgages by falsely certifying that they had conducted the due diligence required by HUD rules when, in fact, they had not. By endorsing ineligible mortgages and falsely certifying compliance with HUD rules, MORTGAGEIT wrongfully obtained approval of these ineligible mortgages for FHA insurance, thereby putting millions of FHA dollars at risk.

In addition, according to the Complaint, MORTGAGEIT and DEUTSCHE BANK never implemented the quality control procedures required of direct endorsement lenders, but falsely certified to HUD that MORTGAGEIT had the required procedures in place. On various occasions when HUD discovered evidence that MORTGAGEIT was violating the quality control requirement, MORTGAGEIT falsely stated that the failures had been corrected.

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The Complaint seeks treble damages and penalties under the False Claims Act, 31 U.S.C. §§ 3729 *et seq.*, for the insurance claims already paid by HUD for mortgages wrongfully endorsed by MORTGAGEIT through the false statements of DEUTSCHE BANK and MORTGAGEIT. In addition, the United States seeks compensatory and punitive damages under the common law theories of breach of fiduciary duty, gross negligence, negligence, and indemnification, for the insurance claims that HUD expects to pay in the future for mortgages wrongfully endorsed by MORTGAGEIT as a result of DEUTSCHE BANK's and MORTGAGEIT's false statements.

The case is being handled by the Office's Civil Frauds Unit. Mr. BHARARA established the Civil Frauds Unit in March 2010 to bring renewed focus and additional resources to combating financial fraud, including mortgage fraud.

The Civil Frauds Unit works in coordination with President BARACK OBAMA's Financial Fraud Enforcement Task Force, on which Mr. BHARARA serves as a Co-Chair of the Securities and Commodities Fraud Working Group. President OBAMA established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. 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.

Mr. BHARARA thanked HUD for their extraordinary work in this case. He also expressed his appreciation for the support of the Commercial Litigation Branch of the U.S. Department of Justice's Civil Division in Washington, D.C.

Assistant U.S. Attorney BRIAN M. FELDMAN is in charge of the case.

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