

Remarks by Christy Romero, Special Inspector General (SIGTARP)
Office of the Special Inspector General for the Troubled Asset Relief Program

Press Statement

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\$45 Billion TARP Recipient Bank of America Ordered to Pay \$1.27 Billion in Civil Penalties for Defrauding the United States

SIGTARP is a federal law enforcement agency that investigates crime related to the taxpayer-funded bailout known as TARP. Earlier today in Manhattan, U.S. District Judge Jed S. Rakoff ordered Bank of America to pay a significant civil penalty of \$1.27 billion for fraud it committed before and during the time taxpayers invested \$45 billion in the bank through the TARP bailout. Additionally, former Bank of America executive Rebecca Mairone was ordered to pay a civil penalty of \$1 million to the government. Previously, on October 23, 2013, after a four week trial and just one day of deliberation, a federal jury in Manhattan found Bank of America, N.A. and its predecessors, Countrywide Financial Corporation and Countrywide Home Loans, Inc. (collectively, "Bank of America"), and Mairone liable for defrauding the United States by selling thousands of defective toxic loans to the government sponsored entities, Fannie Mae and Freddie Mac (the "GSEs").

Bank of America's mortgage fraud, uncovered and investigated by SIGTARP and its law enforcement partners, was brazen, but simple. Starting in 2007 and continuing as the mortgage crisis worsened up to 2009, Bank of America developed a program known as the "Hustle" (which stood for "High Speed Swim Lane" or "HSSL"), that, as its name implies, focused on generating and selling a high volume of mortgages at high speed to the GSEs. To do so, Bank of America removed critical quality control checks and fraud prevention measures that could have slowed down the origination process, despite repeated warnings that doing so would yield disastrous results, including defaults on the loans.

Through the Hustle program, Bank of America originated thousands of poor quality loans and sold them to the GSEs based on lies that the loans were investment quality and met the GSEs' requirements, cheating the GSEs of money in the process. As a result, Bank of America fraudulently added billions of dollars to its bottom line and paid executives bonuses based on the speed and volume of the defective GSE loans they processed.

Although Bank of America received \$45 billion in TARP funds, American taxpayers' hard-earned tax dollars and TARP investments were not intended to support mortgage fraud. All TARP-related crime is unacceptable. This significant civil penalty reflects Bank of America's culpability, bad faith, and the public harm caused by its mortgage fraud.

I commend U.S. Attorney Preet Bharara for his commitment to prosecuting TARP-related fraud, and I thank the assistant U.S. attorneys for their diligence and hard work in prosecuting the case. The severity of this penalty against Bank of America should serve as a warning that SIGTARP and our law enforcement partners will continue to join forces to protect taxpayers' TARP investments by aggressively investigating allegations of TARP-related crime and bringing perpetrators to justice.

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