

## \$320 MILLION NON-PROSECUTION AGREEMENT REACHED WITH SUNTRUST BANK

WASHINGTON, DC – The Federal Housing Finance Agency Office of Inspector General (FHFA-OIG), the Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP), the U.S. Department of Justice, the U.S. Attorney’s Office for the Western District of Virginia, , and the U.S. Postal Inspection Service today announced that a non-prosecution agreement with SunTrust Mortgage Inc. has been reached that resolves a criminal investigation of SunTrust’s administration of the Home Affordable Modification Program (HAMP).

As detailed in documents filed today, SunTrust misled numerous mortgage servicing customers who sought mortgage relief through HAMP. Specifically, SunTrust made material misrepresentations and omissions to borrowers in HAMP solicitations and failed to process HAMP applications in a timely fashion. As a result of SunTrust’s mismanagement of HAMP, thousands of homeowners who applied for HAMP modification with SunTrust suffered serious financial harms.

SunTrust has agreed to pay \$32 million to resolve the criminal investigation into its HAMP program. The money is divided as follows:

- Restitution – SunTrust will pay \$17 million in restitution to compensate borrowers for damage caused by its mismanagement of HAMP. That money will be distributed to borrowers in eight pre-determined categories of harm. If more than \$179 million is needed, the bank will also guarantee an additional \$95 million for additional restitution. SunTrust will also pay \$10 million in restitution directly to Fannie Mae and Freddie Mac.
- Forfeiture – SunTrust will pay \$1 million in forfeiture. This money will be available to law enforcement agencies working on mortgage fraud and other matters related to the misuse of TARP funds.
- Prevention – SunTrust will pay \$2 million to establish fund for distribution to organizations providing counseling and other services to distressed homeowners. Specifically, SunTrust will pay this amount to a grant administrator selected by the government, which funds will in turn be awarded to housing counseling agencies and other non-profits devoted to consumer counseling and advocacy.

In addition to the payments above, SunTrust has agreed to implement certain remedial measures aimed at preventing future problems like those that led to this investigation. Specifically, SunTrust has agreed to increase loss mitigation staff, monitor its mortgage modification process, and provide semi-annual reports regarding compliance with the agreement.

Today’s agreement between SunTrust underlines the importance of holding accountable those individuals and companies who pledge to ensure that homeowners are protected at all times; especially during times when the homeowner is seeking to save their home through a loan modification.” Acting Inspector General Michael P. Stephens said today. “SunTrust has conceded that their HAMP program had numerous deficiencies and has harmed a significant number of homeowners by damaging their

credit score, causing them to carry excessive interest capitalization, and more importantly depriving them of the ability to make an informed decision about how to save their home. This behavior will not be tolerated and we expect companies to maintain the highest standards when dealing with the taxpayer. Through this agreement, the Government has sent a strong message to Sun Trust and all those who have been entrusted with the responsibility of ensuring that borrowers everywhere are protected with the utmost care.”

“HAMP was designed to be a beacon of hope and opportunity for homeowners in dire straits, but TARP recipient SunTrust, rather than assist homeowners in need, financially ruined many through an utter dereliction of its HAMP program,” said Christy Romero, Special Inspector General for TARP (SIGTARP). “This criminal investigation uncovered that SunTrust so bungled its administration of the program, that many homeowners would have been exponentially better off having never applied through the bank in the first place. Unwilling to put resources into HAMP despite holding billions in TARP funds, SunTrust put piles of unopened homeowners’ HAMP applications in a room. SunTrust’s floor actually buckled under the sheer weight of unopened document packages. Documents and paperwork were lost. Homeowners were improperly foreclosed upon. Treasury was lied to. The negligence with which SunTrust administered its HAMP program is appalling, miserable, inexcusable, and repulsive. Real people lost their homes, and many others faced financial ruin. Ending this behavior and, where necessary, forcing institutions to change their culture through law enforcement by SIGTARP and our partners will help begin the process of restoring faith in financial institutions and healing public trust.”

“Instead of helping distressed homeowners, SunTrust’s mismanagement drove up foreclosures, decimated individual credit and increased costs for hardworking men and women across our nation,” said Attorney General Eric Holder. “This resolution will provide much-needed restitution for victims. It will make available substantial funds to help other homeowners avoid foreclosure. And it will result in the kinds of systemic changes needed to ensure that this will not happen again. This outcome demonstrates yet again that the Justice Department will never waver in its ongoing pursuit of those whose reckless and willful actions harm the American people and undermine our financial markets.”

“The \$320 million resolution of this long-running investigation requires SunTrust Mortgage to compensate its customers for the harm caused by the company’s false promises in administration of the Home Affordable Modification Program in 2009 and 2010 – conduct thoroughly described in the Statement of Facts that accompanies the settlement documents,” U.S. Attorney Timothy J. Heaphy said today. “Up to \$284 million will be paid in restitution directly to the victims of SunTrust’s conduct. SunTrust will also establish a \$2 million grant fund which will be distributed to agencies working with distressed homeowners and provide \$16 million in asset forfeiture funds that will be used by law enforcement for future mortgage fraud investigations. The company has also agreed to make specific changes in its operations designed to prevent similar problems in the future.

In November and December 2008, SunTrust Banks, Inc. of Atlanta, Ga., the parent company of SunTrust Mortgage, received \$4.85 billion in federal taxpayer funds through the U.S. Department of the Treasury Troubled Asset Relief Program (TARP). The bank repaid the TARP investment in March 2011.

The investigation of the case was conducted by SIGTARP, the Federal Housing Finance Agency Office of Inspector General, the United States Postal Inspection Service, and the United States Attorney’s Office for the Western District of Virginia.

This prosecution was brought in coordination with President Barack Obama's Financial Fraud Enforcement Task Force, which was established to wage an aggressive and coordinated effort to investigate and prosecute financial crimes. SIGTARP is a member of the task force. To learn more about the President's Financial Fraud Enforcement Task Force, please visit [www.StopFraud.gov](http://www.StopFraud.gov).

#### **About FHFA-OIG**

The Federal Housing Finance Agency Office of Inspector General investigates fraud, waste, and abuse in connection with the Federal Housing Finance Agency, Fannie Mae, Freddie Mac, and the Federal Home Loan Banks.

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