JPMorgan Chase Pays $614 Million for Submitting False Claims in Mortgage Loans Case

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Wednesday, February 12, 2014
The Department of Justice (DOJ) announced last week that JPMorgan Chase, the largest bank and financial institution in the country, will pay a $614 million settlement to the US government to resolve allegations that it approved thousands
of unqualified home mortgage loans for government insurance and refinancing. According to the DOJ, JPMorgan knowingly created and guaranteed non-compliant mortgage loans submitted for insurance coverage by the Department of Housing and Urban Development’s Federal Housing Administration (FHA), and the Department of Veterans Affairs (VA), which cost the government millions of dollars when the loans defaulted.

According to the lawsuit, beginning in 2002, JPMorgan falsely claimed that loans it had created and guaranteed were qualified for FHA and VA insurance and coverage. As a consequence of JPMorgan’s falsifications, both the FHA and the VA incurred huge monetary losses when the unqualified loans failed, due to the fact that the FHA and VA had to cover the associated losses of the loans.

The FHA’s program allows lower income borrowers to purchase homes by insuring qualified loans made by participating lenders, such as JPMorgan, against losses if the loans later default. However, a participating lender may only submit creditworthy loans to the FHA if they meet certain requirements and they must maintain a quality control program that can prevent and correct any deficiencies in the lender’s financing practices. The VA’s program is similar in this regard—it provides similar assistance to veterans, service members and spouses.

JPMorgan allegedly approved thousands of loans for government insurance or refinancing that did not meet the requirements of the FHA and VA, and also failed to report hundreds of loans it identified as having been affected by fraud or other defects. The government also alleged that the bank regularly submitted loan data that lacked reliability, due to the fact that they were not based on actual documents or other information the bank should have possessed when its employees submitted the data to the government.

As part of the settlement, JPMorgan admitted that it approved thousands of FHA loans and hundreds of VA loans that were not supposed to be eligible for FHA or VA insurance because they did not meet the applicable agency financing requirements, and that it had been doing so for over a decade. The bank further admitted that it failed to inform the FHA and the VA when its own internal reviews discovered more than 500 unreliable loans that never should have been submitted for FHA and VA insurance.

This settlement resolves allegations in a complaint filed by a private whistleblower.

If you have information concerning a potential case involving banking fraud, do not hesitate to take action. It is possible that you might be able to bring your own lawsuit under the False Claims Act, acting as a whistleblower on behalf of the US government.

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National Law Review, Volume IV, Number 43