While reading the article, pay special attention to these statements:

1. Wells Fargo & Co agreed to pay $175 million to resolve allegations it charged African-Americans and Hispanics higher rates and fees on mortgages even when they qualified for better deals during the housing boom, the U.S. Justice Department said on Thursday.

2. The settlement is the latest in the Obama administration's effort to eliminate discriminatory lending practices, which contributed to high mortgage default rates in many poor neighborhoods when the housing bubble burst.

3. In its consent order with the government, Wells Fargo said it treated all its customers fairly and without regard to race and national origin. The bank said in a statement it was settling the matter "solely for the purpose of avoiding contested litigation" with the U.S. Justice Department. Wells Fargo now funds one out of every three mortgages in the United States.

Are either of these statements true?

4. Wells Fargo admitted that they mistreated African-American and Hispanics by charging higher rates and fees on mortgages even though they qualified for better deals during the housing boom.

5. The U.S. government in effect said-in the future if other lending organizations want to engage in behaviors such as those allegedly taken by Wells Fargo, then they need to consider the cost of paying fines in their business decisions.

Consider these questions:

6. What did the U.S. Justice Department accomplish with this settlement?

7. What is to prevent a Wells Fargo employee from repeating this behavior in the future?

Dig Deeper

8. Was the person who made the decision to require/allow lower-level Wells Fargo employees to charge these higher rates and fees held accountable for their action? Should they have been held accountable? By whom?
9. Who was the Wells Fargo executive(s) in charge of this division?
10. Are they still employed by Wells Fargo?
11. Was their career impacted by this incident?
12. What entity (US Justice Department, NC Justice Department, private citizen harmed by these actions) would have been able to bring such an action against Wells Fargo?
13. If the US Justice Department had decided not to prosecute Wells Fargo for these incidents what would have been the result?
14. Did the US Justice Department have to prosecute Wells Fargo for these incidents?
15. Wells Fargo is not a 'person', but it is treated by one under law (corporate identity?). In a civil society was this the proper response for a corporation that violates the law in this manner? Why or why not?
16. Did 'Wells Fargo' make the decisions to charge these higher rates and fees-or was that decision made by a human being?

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Wells Fargo to pay $175 million in race discrimination probe

By Rick Rothacker, David Ingram **6 MIN READ**

CHARLOTTE, N.C. WASHINGTON (Reuters) -Wells Fargo & Co agreed to pay $175 million to resolve allegations it charged African-Americans and Hispanics higherrates and fees on mortgages even when they qualified for better deals during the housing boom, the U.S. Justice Department said on Thursday.

The settlement is the latest in the Obama administration's effort to eliminate discriminatory lending practices, which contributed to high mortgage default rates inmany poor neighborhoods when the housing bubble burst.

In its consent order with the government, Wells Fargo said it treated all its customersfairly and without regard to race and national origin. The bank said in a statement it was settling the matter "solely for the purpose of avoiding contested litigation" with the U.S. Justice Department. Wells Fargo now funds one out of every three mortgagesin the United States.

A government investigation found 34,000 instances of Wells Fargo charging AfricanAmericans and Hispanics higher fees and rates on mortgages compared with white borrowers with similar credit profiles, according to documents filed in the U.S. District Court for the District of Columbia.

In 4,000 of those cases, minority borrowers were steered into subprime mortgageseven though they qualified for cheaper loans.

"This a case about real people, African-American and Latino, who suffered real harmas a result of Wells Fargo's discriminatory lending practices," Thomas Perez, U.S. assistant attorney general for civil rights, said at a news conference in Washington.

"People with similar qualifications should be treated similarly. They should bejudgedby the content of their credit worthiness and not the color of their skin," Perez said, referring to Martin Luther King Jr's "I Have A Dream" speech.

In the second-largest settlement of its kind, the biggest U.S. mortgage lender will pay $125 million to borrowers who were allegedly charged more than their whitecounterparts between 2004 and 2009.

Wells Fargo will also contribute *$50* million to homebuyer assistance programs in eight metropolitan areas around the country. The government identified those areasneeding the most help in recovering from the housing crisis.

Bank of America Corp's Countrywide Financial unit agreed in December to pay arecord *$335* million to settle similar charges.

Wells Fargo's settlement needs approval from a judge. The government's probe focused on loans made through brokers. About 5 percent of the bank's loans arecurrently made through brokers.

The bank will still process and close loan applications it has already received frommortgage brokers.
But rivals such as Bank of America have already stopped lending through brokers, apractice that gives banks less control over what borrowers are told about loans.

"These loans are being originated under our name," Wells spokesman Oscar Surissaid. "If we can't control the customer experience, we are going to get out of it."

"IT'S TAKEN A LONG TIME"

Wells Fargo will continue a practice that also leaves it with less control over what the borrower is told: correspondent lending, where a smaller bank makes a loan and then sells it to the bank.

In the next step in the case, Wells Fargo has agreed to conduct a review of loans it made directly to customers and will compensate African-American and Hispanic borrowers who were placed into subprime loans when similarly qualified borrowersreceived prime loans. Perez said he expected 3,000 to 4,000 more victims will be found in this review.

The bank will also be required to conduct new monitoring programs to ensure fairlending standards are in place in the future.

"It's taken a long time, but the remedies they have put in place ought to ensure that anybody who is getting a loan from Wells Fargo is getting a good deal that's not gouging them with any additional fees," said Shanna Smith, president of the NationalFair Housing Alliance.

Wells Fargo declined to say whether it has already set aside reserves for thesettlement. The bank reports second-quarter earnings on Friday. The settlement with the Department of Justice also resolves pending litigation filed in 2009 by the State of Illinois on behalf of borrowers, and resolves an investigative complaint filed in 2010 by the Pennsylvania Human Relations Commission.

Wells Fargo also resolved a lawsuit filed by the city of Baltimore in 2008 alleging the bank engaged in "reverse redlining," or intentionally targeting minority communitiesfor predatory mortgage loans, leading to high foreclosures in minority neighborhoods. U.S. banks historically refrained from making any loans in many minority neighborhoods, a practice known as "redlining."

The bank will spend *$4.5* million of the *$SO* million in Baltimore. It will also pay an additional *$3* million for local housing and foreclosure initiatives and set a five-year lending goal for the city. In return, Baltimore will drop its suit.

Wells reached a similar agreement in May with the city of Memphis, which had alsofiled a reverse redlining lawsuit.

In 2009, the Office of the Comptroller of the Currency referred the Wells Fargo caseto the Justice Department, whose civil rights division took it on.

Perez, the U.S. assistant attorney general, gave examples of how the alleged discrimination played out. In one instance, an African-American customer in the Chicago area in 2007 seeking a *$300,000* loan paid on average $2,937 more in fees than a similarly qualified white applicant. In another example, a Latino borrower in the Miami area in 2007 seeking a *$300,000* loan paid on average $2,538 more in feesthan a similarly qualified white applicant.

Wells Fargo shares fell 1.3 percent to $32.85 on a down day for bank stocks.

Reporting by David Ingram, Margaret Chadbourn, Rick Rothacker; editing by Jeffrey Benkoe, Andrew Hay, Dan Wilchins and Bernard Orr