

SunTrust Agrees to Mortgage Settlement with the Department of Justice

By Nahal Bahri, J.D. Candidate 2015 | July 13, 2014

On Thursday, July 3, SunTrust agreed to pay \$320 million in a [settlement](#) with the Department of Justice (“DOJ”) after an investigation of alleged violations of the Home Affordable Modification Program (“HAMP”). The settlement funds intend to provide relief to borrowers who were adversely affected by SunTrust’s actions; a prevention fund will also be established as a result of the settlement.

According to a DOJ [press release](#), “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 a HAMP modification with SunTrust suffered serious financial harms.” HAMP was created by the Obama administration to “encourage banks to modify loans for struggling homeowners after the financial crisis.”

The [settlement funds](#) will be divided into restitution, forfeiture, and prevention. Out of the \$320 million, \$179 million will go to restitution, \$16 million will go into forfeiture, and the remaining \$20 million will be used to create a fund for housing counseling and other non-profit organizations. Throughout the settlement process, if the allotted \$179 is insufficient for compensating borrowers, the bank agreed to provide \$95 million to cover all of the damages. Furthermore, \$10 million will be paid to Fannie Mae and Freddie Mac.

Not only has SunTrust agreed to this hefty payout, but also as part of the settlement, they have agreed to take steps to avoid similar problems from occurring again. In order to achieve this, [SunTrust](#) will “increase loss mitigation staff, monitor their mortgage modification process, and provide semi-annual reports regarding compliance with the agreement.”

In speaking about the victims, Attorney General Eric Holder stated, “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, . . . [t]his 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 Department’s pursuit of this case is part of a larger [program](#) that was implemented by the Obama Administration after the financial crisis to hold “financial institutions accountable and provide restitution to those harmed by their conduct.”