

United States House of Representatives
Committee on Financial Services
Washington, D.C. 20515

June 30, 2017

Representative Jeb Hensarling
United States House of Representatives
Financial Services Committee
2129 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Hensarling:

We are writing to request that the Committee investigate the Administration's settlement with, and pending investigations into, OneWest Bank, and its subsidiary, Financial Freedom. As you know, U.S. Treasury Secretary Steven Mnuchin served as co-owner, chairman, and CEO of OneWest Bank from 2009 to 2015. Press reports indicate that the Department of Housing and Urban Development (HUD), HUD's Inspector General (IG), and the Department of Justice (DOJ) have all separately opened investigations into the questionable practices of OneWest Bank under Mr. Mnuchin's leadership. While the DOJ recently announced a settlement with Financial Freedom, a myriad of questions remain regarding the impartiality and adequacy of this settlement, as well as that of the other ongoing investigations. Given that these matters involve a Cabinet official, that at least two other OneWest officials are poised to take prominent positions in the Treasury Department, and that the Administration has not announced what steps it will take to assure the public that no special treatment will be provided for one of their own, it is crucial that the Committee take steps to ensure that the settlement with and investigations into Secretary Mnuchin's former bank have operated and will operate without White House interference.

On May 16, 2017, the DOJ announced that it had reached a settlement with Financial Freedom of roughly \$89 million to resolve allegations that it violated the False Claims Act and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). In a troubling departure from DOJ practice under the previous Administration, the DOJ press release announcing this settlement failed to include the actual text of the settlement agreement and omitted important details such as the basis for the settlement amount. It is impossible to determine based on the scant details included in this press release whether or not this is a fair settlement. Furthermore, this settlement seems to only resolve claims concerning costs incurred by the federal government, while failing to address at least two sets of serious allegations regarding harms that OneWest inflicted on borrowers: (1) OneWest may have violated the Fair Housing Act by discriminating against communities of color; and (2) OneWest may have violated Federal Housing Administration (FHA) requirements under the Home Equity Conversion Mortgage (HECM) program by using aggressive and deceptive tactics to push struggling seniors out of their homes. We must ensure that the Administration is giving due consideration to potential violations of OneWest that caused harm to homeowners, and not just harm to the government's pocket book.

On November 16, 2016, the California Reinvestment Coalition (CRC) and Fair Housing Advocates of Northern California filed a complaint with HUD alleging that OneWest, under Mr. Mnuchin's leadership, violated the Fair Housing Act through redlining practices such as failing to locate branches in communities of color and extending very few or no mortgage loans to borrowers of color.¹ The complaint further alleged that OneWest maintained and marketed real-estate owned homes in predominantly white neighborhoods better than in neighborhoods of color.² According to the complainant, HUD accepted CRC's complaint against OneWest on February 13, 2017 and began to investigate the bank shortly thereafter.³

In December 2016, CIT Group, which acquired OneWest Bank in 2015, disclosed to investors that it has been under investigation by the HUD IG since 2015 regarding its subsidiary's (Financial Freedom) servicing of reverse mortgage loans, including federally-insured HECM loans.⁴ Financial Freedom operated under OneWest from 2009 to 2015. Data obtained from HUD via a FOIA request indicates that while the company services an estimated 14 percent of the reverse mortgage market, Financial Freedom was responsible for 39 percent of the 41,237 HECM foreclosures that occurred from April 2009 to April 2016.⁵

Mr. Mnuchin's bank was able to foreclose upon and evict such a large volume of homeowners during this period because, according to *The Wall Street Journal*, OneWest "sped up foreclosures on reverse-mortgage holders who were behind on property taxes, limited the amount of time deceased borrowers' heirs had to pay off a loan to avoid foreclosure, and failed to inform some borrowers of repayment plans."⁶ The bank's disproportionately high number of foreclosures is further explained by reports that Mnuchin's OneWest engaged in a process called "robo-signing," whereby bank employees rapidly endorsed large batches of foreclosure documents without ensuring that they were correct.⁷ In fact, during a 2009 deposition, one former OneWest employee stated that she was signing nearly 750 foreclosure and bankruptcy documents per week by spending "not more than 30 seconds" reviewing the files before signing them.⁸

The American people must be able to have confidence that investigations conducted by this Administration are thorough, transparent, and objective, and that those who are responsible for violating the law are held accountable. As it stands, there is room for considerable doubt as to the

¹Housing Discrimination Complaint, California Reinvestment Coalition, et al. v. CIT Group (Nov. 16, 2016) (online at

<http://www.calreinvest.org/system/resources/W1siZiIsIjIwMTYvMTEvMTYvMjJfMTBfMzNfNjM0X0NvbXBsYWhudF9TdWJtaXR0ZWRfdG9fSFVELnBkZiJdXQ/Complaint%20Submitted%20to%20HUD.pdf>).

² *Id.*

³ California Reinvestment Coalition, *HUD Accepts CRC's Redlining Complaint Against CIT Group's OneWest Bank* (Feb. 15, 2017) (online at <http://www.calreinvest.org/news/hud-accepts-cracs-redlining-complaint-against-cit-groups-onewest-bank>).

⁴ CIT Group Inc., Annual Report for the fiscal year ended December 31, 2016 (Mar. 15, 2017).

⁵ California Reinvestment Coalition, *FOIA Request Seeks Data on Reverse Mortgage Foreclosures at Steve Mnuchin's Former Bank* (Jan. 13, 2017) (online at <http://www.calreinvest.org/news/foia-request-seeks-data-on-reverse-mortgage-foreclosures-at-steve-mnuchin%E2%80%99s-former-bank>).

⁶ Annamaria Andriotis, *New York Attorney General Investigating Reverse Mortgages at Firm Steven Mnuchin Ran*, *The Wall Street Journal* (Jan. 18, 2017).

⁷ Joe Nocera, *Remember Robo-Signing at Banks? Neither Does Mnuchin*, *Bloomberg* (Jan. 31, 2017).

⁸ Lorraine Woellert, *Robo-signing affair dogs Mnuchin before committee vote*, *Politico* (Jan. 30, 2017).

impartiality and the adequacy of this Administration's investigations into OneWest and Financial Freedom, and this Committee must act swiftly to take a close look at these issues.

We appreciate your consideration of this important issue and look forward to working with you to restore public trust. Please do not hesitate to reach out to me or Kevin Burris and Esther Kahng with Ranking Member Waters' staff at (202) 225-4247 with any questions about this letter.

Sincerely,



Maxine Waters
Ranking Member



Al Green
Ranking Member, Subcommittee on
Oversight and Investigations

cc: The Honorable Chair Ann Wagner, Chair, Subcommittee on Oversight and Investigations