NOTE: The court documents will be available at http://justice.gov/opa/opa_mortgage-service.htm.

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$25 BILLION MORTGAGE SERVICING AGREEMENT FILED IN FEDERAL COURT

WASHINGTON – The Justice Department, the Department of Housing and Urban Development (HUD) and 49 state attorneys general announced today the filing of their landmark $25 billion agreement with the nation's five largest mortgage servicers to address mortgage loan servicing and foreclosure abuses.

The federal government and state attorneys general filed in U.S. District Court in the District of Columbia proposed consent judgments with Bank of America Corporation, J.P. Morgan Chase & Co., Wells Fargo & Company, Citigroup Inc. and Ally Financial Inc., to resolve violations of state and federal law.

The unprecedented joint agreement is the largest federal-state civil settlement ever obtained and is the result of extensive investigations by federal agencies, including the Department of Justice, HUD and the HUD Office of the Inspector General (HUD-OIG), and state attorneys general and state banking regulators across the country.

The consent judgments provide the details of the servicers' financial obligations under the agreement, which include payments to foreclosed borrowers and more than $20 billion in consumer relief; new standards the servicers will be required to implement regarding mortgage loan servicing and foreclosure practices; and the oversight and enforcement authorities of the independent settlement monitor, Joseph A. Smith Jr.

The consent judgments require the servicers to collectively dedicate $20 billion toward various forms of financial relief to homeowners, including: reducing the principal on loans for borrowers who are delinquent or at imminent risk of default and owe more on their mortgages than their homes are worth; refinancing loans for borrowers who are current on their mortgages but who owe more on their mortgage than their homes are worth; forbearance of principal for unemployed borrowers; anti-blight provisions; short sales; transitional assistance; and benefits for service members.

The consent judgments' consumer relief requirements include varying amounts of partial credit the servicers will receive for every dollar spent on the required relief activities. Because servicers will receive only partial credit for many of the relief activities, the agreement will result in benefits to borrowers in excess of $20 billion. The servicers are required to complete 75 percent of their consumer relief obligations within two years and 100 percent within three years.

In addition to the $20 billion in financial relief for borrowers, the consent judgments require the servicers to pay $5 billion in cash to the federal and state governments. Approximately $1.5 billion of this payment will be used to establish a Borrower Payment Fund to provide cash payments to borrowers whose homes were sold or taken in foreclosure between Jan. 1, 2008, and Dec. 31, 2011, and who meet other criteria.

The court documents filed today also provide detailed new servicing standards that the mortgage servicers will be required to implement. These standards will prevent foreclosure abuses of the past, such as robo-signing, improper documentation and lost paperwork, and create new consumer protections. The new standards provide for strict oversight of foreclosure processing, including third-party vendors, and new requirements to undertake pre-filing reviews of certain documents filed in bankruptcy court. The new servicing standards make foreclosure a last resort by requiring servicers to evaluate homeowners for other loss mitigation options first. Servicers will be restricted from foreclosing while the homeowner is being considered for a loan modification. The new standards also include procedures and timelines for reviewing loan modification applications and give homeowners the right to appeal denials. Servicers will also be required to create a single point of contact for borrowers seeking information about their loans and maintain adequate staff to handle calls.

The consent judgments provide enhanced protections for service members that go beyond those required by the Servicemembers Civil Relief Act (SCRA). In addition, the servicers have agreed to conduct a full review, overseen by the Justice Department's Civil Rights Division, to determine whether any service members were foreclosed or improperly charged interest in excess of 6 percent on their mortgage in violation of SCRA.

The oversight and enforcement authorities of the settlement's independent monitor are detailed in the court documents filed today. The monitor will oversee implementation of the servicing standards and consumer relief activities required by the agreement and publish regular public reports that identify any quarter in which a servicer fell short of the standards imposed in the settlement. The consent judgments require servicers to remediate any harm to borrowers that are identified in quarterly reviews overseen by the monitor and, in some instances, conduct full look-backs to identify any additional borrowers who may have been harmed. If a servicer violates the requirements of the consent judgment it will be subject to penalties of up to $1 million per violation or up to $5 million for certain repeat violations.

The consent judgments filed today resolve certain violations of civil law based on mortgage loan servicing activities. The agreement does not prevent state and federal authorities from pursuing criminal enforcement actions related to this or other conduct by the servicers. The agreement does not prevent the government from punishing wrongful securitization conduct that will be the focus of the new Residential Mortgage-Backed Securities Working Group. In the servicing agreement, the United States also retains its full authority to recover losses and penalties caused to the federal government when a bank failed to satisfy underwriting standards on a government-insured or government-guaranteed loan; the United States also resolved certain Federal Housing Administration (FHA) origination claims with Bank of America as part of this filing and with Citibank in a separate matter. The agreement does not prevent any action by individual borrowers who wish to bring their own lawsuits. State attorneys general also preserved, among other things, all claims against the Mortgage Electronic Registration Systems (MERS), and all claims brought by borrowers.

Investigations were conducted by the U.S. Trustee Program of the Department of Justice, HUD-OIG, HUD's FHA, state attorneys general offices and state banking regulators from throughout the country, the U.S. Attorney's Office for the Eastern District of New York, the U.S. Attorney's Office for the District of Colorado, the Justice Department's Civil Division, the U.S. Attorney's Office for the Western District of North Carolina, the U.S. Attorney's Office for the District of South Carolina, the U.S. Attorney's Office for the Southern District of New York, the Special Inspector General for the Troubled Asset Relief Program and the Federal Housing Finance Agency-Office of the Inspector General. The Department of the Treasury, the Federal Trade Commission, the Consumer Financial Protection Bureau, the Justice Department's Civil Rights Division, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Department of Veterans Affairs and the U.S. Department of Agriculture made critical contributions.

For more information about the mortgage servicing settlement, go to www.NationalMortgageSettlement.com. To find your state attorney general's website, go to www.NAAG.org and click on "The Attorneys General."

The joint federal-state agreement is part of enforcement efforts by President Barack Obama's Financial Fraud Enforcement Task Force. President Obama established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes. For more information about the task force visit: www.stopfraud.gov.

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