

US Banks beat Fraud charges - The People Lose

by Pratap Chatterjee via sam - ICH *Thursday, Jan 10 2013, 7:11am*

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Ten major U.S. banks settled charges of illegally kicking people out of their homes for pennies on the dollar, under two agreements with the government announced this week. The biggest beneficiary is Bank of America which will win a get-out-of-jail free card for selling fraudulent loans to two government-sponsored mortgage finance companies.

Bank of America sold bad mortgages that led to numerous foreclosures via subprime mortgage lenders Countrywide Financial Corporation and Countrywide Home Loans, Inc. that it acquired in 2008. "Through a program aptly named 'the Hustle,' Countrywide and Bank of America made disastrously bad loans and stuck taxpayers with the bill," said Preet Bharara, the U.S. Attorney for the Southern District of New York when he sued the company for \$1 billion on behalf of the government last October.

Under the new settlement Bank of America will buy back \$6.75 billion in residential mortgage loans sold to the Federal National Mortgage Association (Fannie Mae) and give the government an additional \$3.6 billion in cash. The other banks - which include Citigroup Inc, JPMorgan Chase and Wells Fargo - will pay out \$3.3 billion in direct payments to people who lost their homes plus another \$5.2 billion to others who are threatened with possible eviction for not being able to pay their loans. This is in addition to the \$26 billion that many of the same banks agreed to pay out last February under a separate deal with 49 state attorneys general, the Justice Department and the Department of Housing and Urban Development.

Despite the large sums involved, most consumer advocates say that the settlements are far too little for those who lost the most. "Communities of color were particularly hard hit by abusive mortgage practices," said Debby Goldberg, special project director at the National Fair Housing Alliance. "The \$8.5 billion and other settlements are not comparable to the trillions of dollars in wealth sucked from communities," added Sasha Werblin, senior program manager at the Greenlining Institute.

The two new settlements were drawn up after the effective failure of the Independent Foreclosure Review - a 2011 program set up by the banks to review bad mortgages and compensate those who were eligible. Only about one in ten of the potential 3.8 million beneficiaries signed up for the program because they were skeptical of the effort that was widely perceived as biased towards the lenders. They were probably not wrong - the consultants running the program was billing as much as \$250 an hour for 20 hours for each case, according to the New York Times.

"It has become clear that carrying the process through to its conclusion would divert money away from the impacted homeowners and also needlessly delay the dispensation of compensation to affected borrowers," said Thomas Curry, the federal Comptroller of the Currency. "Our new course of action will get more money to more people more quickly."

But the activists say that the government had bungled the whole process. "If the reviews had been done right the first time, banks would have been on the hook to pay far more to homeowners," said Alys Cohen, staff attorney for the National Consumer Law Center.

David Lazarus of the Los Angeles Times put the numbers in context - he estimates that the average amount that most borrowers will get is just \$2,000. On the other hand, Lazarus notes that the banks have done quite a bit better in 2011 - the year covered by the settlement: "Citigroup pocketed \$11.3 billion in profit. JPMorgan Chase saw record profit of \$19 billion. Wells Fargo posted almost \$16 billion in profit. (Bank of America) was the poor relation of the family. It earned only \$1.4 billion in profit."

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