

# U.S. Banks Win Mortgage Fraud Settlement, Borrowers Lose

By [Pratap Chatterjee](#)

Global Research, January 09, 2013

[CorpWatch Blog and Informaiton Clearing House](#)

Region: [USA](#)

Theme: [Global Economy](#), [Law and Justice](#)

*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."

The original source of this article is [CorpWatch Blog and Informaiton Clearing House](#)  
Copyright © [Pratap Chatterjee](#), [CorpWatch Blog and Informaiton Clearing House](#), 2013

---

**[Comment on Global Research Articles on our Facebook page](#)**

**[Become a Member of Global Research](#)**

Articles by: [Pratap Chatterjee](#)

**Disclaimer:** The contents of this article are of sole responsibility of the author(s). The Centre for Research on Globalization will not be responsible for any inaccurate or incorrect statement in this article. The Centre of Research on Globalization grants permission to cross-post Global Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Global Research article. For publication of Global Research articles in print or other forms including commercial internet sites, contact: [publications@globalresearch.ca](mailto:publications@globalresearch.ca)

[www.globalresearch.ca](http://www.globalresearch.ca) contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: [publications@globalresearch.ca](mailto:publications@globalresearch.ca)