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JPMorgan to Pay \$13 Billion in Federal-State Deal Over Mortgage Backed Securities

Fifth Settlement in AG Coakley's Investigation of Banks Involved in Securitizing Unfair Loans

BOSTON – JPMorgan Chase and Co. will pay \$13 billion in a joint federal-state settlement over the practices of its mortgage-backed security activities, Attorney General Martha Coakley announced today. This is the fifth settlement resulting from AG Coakley's ongoing investigation into the role of Wall Street investment banks in funding, purchasing and securitizing unfair residential mortgage loans.

The Massachusetts Attorney General's Office, the Department of Justice and four other states entered into the agreement today. As part of the \$13 billion settlement, an expected \$4 billion will be set aside for consumer relief, \$7 billion used to compensate investors, and \$2 billion for fines. The Commonwealth will directly receive \$34.4 million to settle the AG's own investigation of JPMorgan's securitization practices.

"This settlement today is part of our ongoing effort to hold Wall Street accountable for its role in the financial crisis," said AG Coakley. "This is the fifth case that Massachusetts has resolved since 2009 around the securitization of unfair mortgage loans. We are pleased that other enforcement agencies are coming together in a cooperative effort to clean up this mess and help prevent a repeat of the foreclosure crisis."

The settlement is the result of lengthy investigations by the Commonwealth working jointly with the State of Delaware, the Department of Justice, and other enforcers regarding unfair and deceptive practices committed by JPMorgan investment units Bear Stearns and Washington Mutual.

JPMorgan and its subsidiaries played a significant role in the securitization of residential home mortgages. Many of these mortgages were subprime loans that were sold to consumers with cheap short term teaser rates. JPMorgan and its subsidiaries bundled the loans into investment pools and sold notes to investors backed by these unfair loans. Investors, including government investors, suffered significant losses when the market crashed and the nature of these mortgage securitizations became clear.

Attorney General Coakley's Office was the first in the nation to investigate and hold Wall Street securitization firms accountable for their role in the subprime mortgage crisis. Today's settlement with JPMorgan is the most recent settlement resulting from AG's ongoing investigation into the role of Wall Street investment banks in funding, purchasing and securitizing unfair residential mortgage loans. It follows the resolution of these similar matters:

- In May 2009, [Goldman Sachs paid \\$60 million](#) in relief for the Commonwealth and affected homeowners as part of a settlement with the AG's Office.
- In June 2010, [Morgan Stanley paid \\$102 million](#) in relief for the Commonwealth and affected homeowners as part of a settlement with the AG's Office.
- In November 2011, [RBS paid \\$52 million](#) in relief for the Commonwealth and affected homeowners pursuant to a settlement with the AG's Office.
- In September 2013, [Barclays Bank PLC paid \\$36 million](#) to the Commonwealth and affected homeowners as part of a settlement with the AG's Office.

AG Coakley's office has been a national leader in holding banks and investment giants accountable for their role in the economic crisis. In addition to recoveries involving the securitization of loans, AG Coakley has also obtained settlements with [Countrywide](#), [Fremont Investment and Loan](#), [Option One](#) and others on behalf of Massachusetts homeowners. In 2012, AG Coakley's office joined a [\\$25 billion nationwide settlement](#) with the five major lenders over unlawful foreclosure practices.

AG Coakley's [first-in-the-nation HomeCorps program](#), established with funds from that \$25 billion settlement, continues to provide assistance to borrowers across the state with dedicated loan modification specialists and through a series of grants. As a result of all these actions, her office has recovered more than \$700 million in relief for investors and borrowers, helped keep more than 30,000 people in their homes, and returned more than \$70 million in taxpayer funds back to the Commonwealth.

More information about AG Coakley's work during the lending crisis [can be found here](#).

More information on the \$13 billion settlement can be found on the [DOJ's website here](#).

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The investigation of JPMorgan's securitization practices was handled by Assistant Attorneys General Aaron Lamb, Tim Hoytink, Peter Leight, Glenn Kaplan, and Lydia French, as well as Mathematician Burt Feinberg and paralegal Erica Harmon, of Attorney General Martha Coakley's Insurance and Financial Services Division.

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