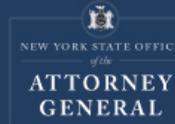


Attorney General Eric T. Schneiderman



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A.G. Schneiderman-led State & Federal Working Group Announces \$13 Billion Settlement With JPMorgan Chase

RMBS Task Force, Co-Chaired By Schneiderman, Produces Largest Settlement Ever Levied Against A Financial Institution

Settlement Comes Thirteen Months After Schneiderman Sued JPMorgan For Fraudulent Residential Mortgage-Backed Securities Packaged And Sold By Bear Stearns

Schneiderman: "Today's Settlement Is A Major Victory In The Fight To Hold Those Who Caused The Financial Crisis Accountable"

NEW YORK – Attorney General Eric T. Schneiderman today joined the members of a state and federal working group he co-chairs in announcing a \$13 billion settlement with JPMorgan Chase. The agreement – the largest settlement with a single entity in American history – resolve federal and state civil claims arising out of the packaging, marketing, sale and issuance of residential mortgage-backed securities (RMBS) by JPMorgan, Bear Stearns and Washington Mutual prior to January 1, 2009.

The settlement requires JPMorgan to pay \$9 billion and provide \$4 billion in consumer relief, including mortgage modifications for homeowners at risk of foreclosure. New York State will receive more than \$1 billion of the \$13 billion settlement, including \$613 million in cash and approximately \$400 million in consumer relief for struggling New Yorkers. Among other uses, the cash portion will be directed to provide additional legal services and housing counseling for those affected by Superstorm Sandy. The settlement was negotiated through the Residential Mortgage-Backed Securities Working Group, a joint state and federal working group formed in 2012 to share resources and continue investigating wrongdoing in the mortgage-backed securities market prior to the financial crisis. Attorney General Schneiderman co-chairs the RMBS working group.

“Since my first day in office, I have insisted that there must be accountability for the misconduct that led to the crash of the housing market and the collapse of the American economy,” said **Attorney General Schneiderman, co-chair of the RMBS working group**. “This historic deal, which will bring long-overdue relief to homeowners around the country and across New York, is exactly what our working group was created to do. We refused to allow systemic frauds that harmed so many New York homeowners and investors to simply be forgotten, and as a result we’ve won a major victory today in the fight to hold those who caused the financial crisis accountable.”

The settlement resolves a lawsuit filed by Attorney General Schneiderman in October 2012 against J.P. Morgan Securities LLC (formerly known as Bear Stearns & Co. Inc.), JP Morgan Chase Bank, N.A., and EMC Mortgage LLC (formerly known as EMC Mortgage Corporation) alleging fraud under the Martin Act in the packaging and sale of residential mortgage-backed securities by Bear Stearns. As part of the global settlement, JPMorgan acknowledged it made serious, material misrepresentations to the public – including the investing public – about numerous RMBS transactions.

The global settlement includes a Statement of Facts, in which JPMorgan acknowledges that it regularly misrepresented to RMBS investors that the mortgage loans in various securities complied with underwriting guidelines. Contrary to those representations, as the Statement of Facts explains, on a number of different occasions, JPMorgan

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employees knew that the loans in question did not comply with its own guidelines and were not otherwise appropriate for securitization, but they allowed the loans to be securitized – and those securities to be sold – without disclosing this information to investors. This conduct, along with similar conduct by other banks that bundled toxic loans into securities and misled investors who purchased those securities, contributed to the financial crisis.

Attorney General Schneiderman was elected in 2010 and took office in 2011, when the five largest mortgage servicing banks, all 50 state attorneys general, and the federal government were on the verge of agreeing to a settlement that would have immunized the banks – including JPMorgan – from liability for virtually all misconduct related to the financial crisis. Attorney General Schneiderman refused to agree to such sweeping immunity for the banks. As a result, Attorney General Schneiderman secured a settlement that preserved a wide range of claims for further investigation and prosecution.

In his 2012 State of the Union address, President Obama announced the formation of the RMBS Working Group. The collaboration brought together the Department of Justice (DOJ), other federal entities, and several state law enforcement officials – led by Attorney General Schneiderman – to investigate those responsible for misconduct contributing to the financial crisis through the pooling and sale of residential mortgage-backed securities.

Today's settlement is a product of the RMBS Working Group.

Michael P. Stephens, Acting Inspector General of the Federal Housing Finance Agency, said, "JP Morgan and the banks it bought, Bear Stearns and Washington Mutual, sold hundreds of billions of dollars of defective mortgages into the securities markets helping to precipitate the financial crisis. Investors, including Fannie Mae and Freddie Mac, suffered enormous losses by purchasing RMBS from JPMorgan, Washington Mutual and Bear Stearns not knowing about those defects. Today's settlement is a significant, but by no means a final step by FHFA-OIG, DOJ the NYAG, and our other law enforcement partners to hold accountable those who committed acts of fraud and deceit. We are proud to have worked on this case with Attorney General Eric Schneiderman and his outstanding staff in New York and we look forward to our continued work together, as well as with the other federal and state agencies that have contributed significantly to this case."

New York State Comptroller Thomas P. DiNapoli said, "With today's historic settlement, Attorney General Eric Schneiderman is delivering accountability and real relief for New York homeowners at risk of foreclosure."

Suffolk County Executive Steve Bellone said, "I am grateful to Attorney General Eric Schneiderman for securing a settlement with JPMorgan that will provide welcome relief to thousands of Long Island homeowners. Families that are currently at risk of foreclosure will instead be able to modify their mortgages and keep their homes as a result of today's settlement."

Erie County Executive Mark Poloncarz said, "I commend Attorney General Schneiderman for his continued pursuit of international lending institutions that use predatory lending practices to target our citizens. It is my hope that these recovered funds will be used to rebuild our communities and help to repair the damage done by this deceptive lending."

Congressman Brian Higgins said, "The reckless and irresponsible actions of some of our largest banks helped cause the financial crisis. Their greed did great damage to our state and national economy. I commend Attorney General Schneiderman for his relentless pursuit to bring accountability and restore trust in our financial system."

Congressman Jerry Nadler said, "Attorney General Eric Schneiderman's announcement of a \$13 billion settlement today is a landmark moment in effort to hold accountable those who engaged in fraud and/or malfeasance that led to the financial crisis. I have been extremely impressed that when others gave up or threw obstacles in his path, Attorney General Schneiderman insisted that federal and state prosecutors keep digging, and as a result, the people of New York will see the largest settlement to date in

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this matter.”

Syracuse Mayor Stephanie Miners said, “Attorney General Eric Schneiderman not only made sure that JPMorgan was held accountable for its role in the financial crisis. He made sure that today’s settlement will deliver real relief to homeowners in Syracuse and other hard hit cities around New York State.”

Christie Peale, Executive Director of the Center for New York City Neighborhoods, said, “This is an incredible victory for New York homeowners, tens of thousands of whom have been struggling to negotiate their own settlements with banks—many with little success. Attorney General Schneiderman’s willingness to stay in this fight and stand side by side with homeowners throughout the state to secure the benefits of this historic settlement demonstrates the kind of leadership we need at all levels of government. We are grateful for his commitment to delivering to New Yorkers the tools they need to restructure their mortgages and rebuild their lives.

Kirsten E. Keefe, Senior Staff Attorney at the Empire Justice Center, said, “Once again, Attorney General Eric Schneiderman is at the helm, fighting for New York’s working class and holding a big bank accountable for its illegal behavior. Today’s settlement with Chase is historic and will keep thousands of homeowners in their homes. It has been patently unfair, and harmful to our housing recovery, that lenders have continually refused to forgive debt even on homes that lost their value as a direct result of the financial collapse caused by the banks. The principal reduction afforded by this settlement instills fairness in the system and will help ensure thousands of homeowners keep their homes.”

Josh Zinner, Co-Director of the New Economy Project, said, “We thank Attorney General Schneiderman for his efforts to hold the too-big-to-fail banks accountable to communities. The big banks’ central role in fraudulently securitizing predatory mortgages fueled the financial crisis – this settlement is an important acknowledgement that these fraudulent practices caused great harm to homeowners and communities, and not just investors.”

Jennifer Ching, Director of Queens Legal Services, said, “Today’s historic settlement is designed to provide real and direct relief to New York homeowners who have been victimized by fraudulent practices that have destabilized neighborhoods throughout our state. We thank Attorney General Schneiderman for holding JPMC accountable and look forward to working with his office to connect thousands of homeowners – many of whom have struggled for years to obtain sustainable mortgage modifications – with the resources created by today’s agreement.”

Under the settlement, JPMC will be required to:

- ▶ Provide \$2 billion in principal reductions to borrowers, including first and second liens and forbearance;
- ▶ Provide an additional \$2 billion in financial relief for borrowers and communities, including:
 - ▶ Refinancing at lower interest rates;
 - ▶ Donation of bank-owned properties or bank-controlled distressed mortgages to nonprofits or land banks; and
 - ▶ New mortgage loans to low-and moderate-income families harmed by the financial crisis.

Compliance with the settlement will be overseen by an independent monitor. It is expected that of the \$4 billion in consumer relief, approximately \$400 million will flow as creditable relief to New York homeowners.

The New York Attorney General’s Office investigation and litigation was conducted under the supervision of Deputy Attorney General Virginia Chavez Romano who, together with Chief of the Investor Protection Bureau Chad Johnson, worked closely with the New York Attorney General to achieve this historic settlement.

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