

# Biden's insistence on accountability for mortgage crisis leads to \$45 million for Delaware, millions more in financial benefits for Delawareans from Bank of America

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*Biden has now secured at least \$180 million from banks for conduct that caused mortgage crisis; Delaware is one of four states to participate directly in past three major settlements*

**Wilmington** – Bank of America has agreed to pay \$45 million to Delaware and provide significant financial benefits to Delaware homeowners to settle allegations that it misled investors about the riskiness of mortgage-backed securities, Attorney General Beau Biden announced today.

The settlement is the latest development in Biden's wide-ranging effort to ensure accountability by financial institutions responsible for the mortgage crisis. Including the \$45 million that Bank of America will pay, Biden has secured at least \$180 million in mortgage-related settlements.

Delaware's settlement with Bank of America is part of a \$16.7 billion settlement announced Thursday between the bank, the United States Department of Justice, Delaware and five other states – California, Illinois, Kentucky, Maryland, and New York.

"Our financial system only works when everyone plays by the rules, and there must be accountability when those rules are broken," said Biden, who secured nearly \$20 million in a settlement with JPMorgan Chase in November and \$17 million from Citigroup in a settlement last month.

"The mortgage crisis wrecked our economy and devastated families and neighborhoods throughout Delaware and the nation," Biden said. "We cannot allow the mortgage crisis to be a man-made disaster for which there is no accountability. The funds we have secured in these settlements are being put to work helping thousands of Delaware families avoid foreclosure, strengthening communities hit hard by the fallout from the housing crisis, holding banks accountable and reimbursing government losses. Our work is not done."

Delaware's settlement comes in three parts:

- Bank of America will pay \$31.6 million to the State. As with previous settlements, the funds must be used to remediate the harm Delaware's communities suffered as a result of the housing crisis;
- Bank of America will pay \$13.4 million to reimburse government entities for losses suffered on Bank of America, Merrill Lynch and Countrywide investments that were wrongly marketed as being low-risk; and
- Bank of America will make direct financial benefits, such as mortgage modifications and forgiveness of second mortgages, available to homeowners. Under the terms of the settlement, Bank of America must provide at least \$150 million in benefits to consumers in Delaware, Maryland and Kentucky (the three smallest states participating in the settlement). Homeowners with mortgages serviced by Bank of America may be eligible for these benefits. To determine eligibility, homeowners should contact Bank of America at 877-488-7814 or Biden's Office of Foreclosure Prevention at 1-800-220-5424.

This settlement with Bank of America, along with the two recent settlements with JPMorgan Chase and Citigroup, resolves allegation centering on the bank's bundling and sale of mortgages to investors. These investments – bought by pension funds, mutual funds and other investors – were represented as low risk but were in fact much riskier than advertised. The resulting losses were disastrous for the economy.

Delaware has become a national leader among states in pursuing accountability for actions that contributed to the housing crisis during Biden's tenure. Biden is a member of the U.S. Department of Justice's Residential Mortgage-Backed Securities Working Group, and Delaware is one of just four states (along with California, New York and Illinois) to be part of that group's past three major mortgage-crisis settlements with some of the nation's largest banks.

Delaware's success in holding banks accountable has been possible due to Biden opening investigations into the conduct of financial institutions, the state's strong enforcement laws, such as the Delaware False Claims and Reporting Act and the Delaware Securities Act, and Biden's decision to direct a portion of prior settlement funds to pursue future enforcement initiatives.

Biden also played an important role in the February 2012 National Mortgage Settlement that as meant more than \$75 million in financial benefits for Delaware homeowners, \$11.7 million for the State and important new protections for military personnel and their families that Biden championed in negotiations with the nation's five largest mortgage-servicing banks.

The Bank of America matter was handled for Delaware by Investor Protection Director Owen Lefkon, Deputy Attorney General Timothy Worthington and Fraud Division Director Matthew Lintner.