



Activity Stream

[RSS](#)

Attorney General Conway Announces \$16 Billion Settlement with Bank of America (<http://kentucky.gov/Pages/Activity-Stream.aspx?viewMode=ViewDetailInNewPage&eventID={2356E04E-1807-4625-8E69-5AD9C953002F}&activityType=PressRelease>)

Thursday, 08 21, 2014

Allison Gardner Martin
Communications Director
502-696-5651 (office)

Attorney General Jack Conway, along with five other state attorneys general and the U.S. Department of Justice (DOJ), today announced a \$16.65 billion settlement with Bank of America Corporation to resolve federal and state claims against Bank of America and its former and current subsidiaries, including Countrywide Financial Corporation and Merrill Lynch. This resolution marks the largest civil settlement with a single entity in American history. As a result of the settlement, \$23 million will be returned to the Kentucky Retirement Systems (KRS).

"I am proud today to announce the recovery of \$23 million for the Kentucky Retirement Systems," Attorney General Conway said. "It was clear that Bank of America defrauded our pension system when it sold these high-risk products, and today we are holding them accountable. The conduct of Bank of America was deplorable and driven by greed, at the expense of homeowners who were targeted for risky loans and pension systems that bought the loans that the bank pooled into a security product. As Attorney General, I will always stand up for the hard-working people of Kentucky and protect their retirement security."

The Justice Department and the bank settled several of the department's ongoing civil investigations related to the packaging, marketing, sale, arrangement, structuring, and issuance of residential mortgage-backed securities (RMBS), collateralized debt obligations (CDOs), and the bank's practices concerning the underwriting and origination of mortgage loans. An RMBS is a security that allows investors to buy into pooled residential mortgage loans. Many public pension funds, including KRS, purchased these products.

As a result of the settlement, the bank acknowledges that it sold billions of dollars of RMBS without disclosing to investors key facts about the quality of the securitized loans. When the RMBS collapsed, investors, including KRS and other public pension funds, suffered billions of dollars in losses. The bank has also conceded that it originated risky mortgage loans and made misrepresentations about the quality of those loans to Fannie Mae, Freddie Mac and the Federal Housing Administration (FHA).

"Thanks to General Conway's efforts, the Kentucky Retirement System will recover millions of dollars resulting from the practices of bad actors in the financial industry that crippled the economy and tanked investments across the country," Gov. Steve Beshear said. "These recovered funds will strengthen the pension system for the thousands of state and local retirees and employees who depend on it."

Of the record-breaking \$16.65 billion resolution, almost \$10 billion will be paid to settle federal and state civil claims by various entities related to RMBS, CDOs, and other types of fraud. Bank of America will also pay a \$5 billion civil penalty to settle the Justice Department claims under the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) – the largest FIRREA penalty ever. Approximately \$1.8 billion will go to settling federal fraud claims related to the bank's origination and sale of mortgages, more than \$1 billion will go to settling federal and state securities claims by the Federal Deposit Insurance Corporation (FDIC), \$135 million will go to settling claims by the Securities and Exchange Commission.

Bank of America will provide the remaining \$7 billion in the form of relief to aid hundreds of thousands of consumers harmed by the financial crisis precipitated by the unlawful conduct of Bank of America, Merrill Lynch and Countrywide. That relief will take various forms, including principal reduction loan modifications that result in numerous homeowners no longer being underwater on their mortgages and finally having substantial equity in their homes. It will also include new loans to credit-worthy borrowers struggling to get a loan, donations to assist communities in recovering from the financial crisis, and financing for affordable rental housing. Bank of America has established a hotline number, 877-488-7814, which will provide information to consumers.

Finally, Bank of America has agreed to place over \$490 million in a Tax Relief Fund to be used to help defray some of the tax liability that will be incurred by consumers receiving certain types of relief if Congress fails to extend the tax relief coverage of the Mortgage Forgiveness Debt Relief Act of 2007.

An independent monitor will be appointed to determine whether Bank of America is satisfying its obligations.

In addition to Attorney General Conway, the attorneys general from five other states conducted investigations that were critical to bringing about this settlement. The settlement also resolves investigations conducted by the Securities and Exchange Commission (SEC) and litigation filed by the Federal Deposit Insurance Company (FDIC).

This settlement is part of the ongoing efforts of the Financial Fraud Enforcement Task Force and its RMBS Working Group, of which the Kentucky Office of the Attorney General is a member. To date, the RMBS Working Group has recovered \$36.65 billion for American consumers and investors.

The RMBS Working Group

The RMBS Working Group is a federal and state law enforcement effort focused on investigating fraud and abuse in the RMBS market that helped lead to the 2008 financial crisis. The RMBS Working Group brings together more than 200 attorneys, investigators, analysts and staff from dozens of state and federal agencies including the Department of Justice, 10 U.S. Attorneys' Offices, the FBI, the Securities and Exchange Commission (SEC), the Department of Housing and Urban Development (HUD), HUD's Office of Inspector General, the FHFA-OIG, the Office of the Special Inspector General for the Troubled Asset Relief Program, the Federal Reserve Board's Office of Inspector General, the Recovery Accountability and Transparency Board, the Financial Crimes Enforcement Network, and more than 10 state Attorneys General offices around the country.

You can follow Attorney General Conway on Twitter @kyoag (<http://twitter.com/kyoag>), visit the Attorney General's Facebook page (<http://facebook.com/kyagconway>) or view videos on our YouTube channel (<http://youtube.com/kyoag>).



Live Chat! (<https://kentuckygov.desk.com/customer/portal/chats/new>)



Contact (<https://kentuckygov.desk.com/customer/portal/emails/new>)



(<http://www.facebook.com/pages/Frankfort-KY/Kentuckygov/366416502961>)



(<http://twitter.com/kygov>)



(<http://www.youtube.com/user/kygov>)



(<http://www.flickr.com/groups/kygov/>)

© 2013 Commonwealth of Kentucky. All rights reserved.