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JUSTICE NEWS

Attorney General Holder Delivers Remarks at Press Conference Announcing Major Financial Fraud

Washington, D.C. ~ Thursday, August 21, 2014

Remarks as Prepared for Delivery

Thank you all for being here. I am joined today by Associate Attorney General Tony West; U.S. Attorney for the District of New Jersey Paul Fishman; U.S. Attorney for the Eastern District of New York Loretta Lynch; U.S. Attorney for the Western District of North Carolina Anne M. Tompkins; Acting U.S. Attorney for the Central District of California Stephanie Yonekura; Kentucky Attorney General Jack Conway; Maryland Attorney General Doug Gansler; Acting Inspector General for the Federal Housing Finance Agency Michael Stephens; and Associate Regional Director for Enforcement William Hicks, of the U.S. Securities and Exchange Commission.

We are here to announce a historic step forward in our ongoing effort to protect the American people from financial fraud – and to hold accountable those whose actions threatened the integrity of our financial markets and undermined the stability of our economy.

The Department of Justice has reached an agreement with Bank of America totaling over \$16.6 billion in penalties and consumer relief. This constitutes the largest civil settlement with a single entity in history, addressing conduct uncovered in more than a dozen cases and investigations. And it addresses allegations that Bank of America, Merrill Lynch, and Countrywide each engaged in pervasive schemes to defraud financial institutions and other investors in structured financial products known as residential mortgage-backed securities, or RMBS.

As part of this settlement, Bank of America has acknowledged that, in the years leading up to the financial crisis that devastated our economy in 2008, it, Merrill Lynch, and Countrywide sold billions of dollars of RMBS backed by toxic loans whose quality, and level of risk, they knowingly misrepresented to investors and the U.S. government. These loans contained material underwriting defects; they were secured by properties with inflated appraisals; they failed to comply with federal, state, and local laws; and they were insufficiently collateralized. Yet these financial institutions knowingly, routinely, falsely, and fraudulently marked and sold these loans as sound and reliable investments. Worse still, on multiple occasions – when confronted with concerns about their reckless practices – bankers at these institutions continued to mislead investors about their own standards and to securitize loans with fundamental credit, compliance, and legal defects.

Under the terms of this settlement, the bank has agreed to pay \$7 billion in relief to struggling homeowners, borrowers, and communities affected by the bank's conduct. This is appropriate given the size and scope of the wrongdoing at issue. Unfortunately, because Congress has failed to extend a law ensuring that most of this relief would not be taxable income, this debt relief will create tax liability for many consumers. That's why the Department secured a commitment from Bank of America to pay a portion of the settlement – over \$490 million – to defray *some* of this tax liability. And our settlement requires the bank to notify all consumers of the potential tax liability.

But that is not enough. Today, I also call upon Congress to extend the tax relief coverage of the Mortgage Forgiveness Debt Relief Act of 2007. Until Congress acts, the hundreds of thousands of consumers we have sought to help through our settlements with JP Morgan Chase, Citigroup, and now Bank of America may see a significant tax bill just as they are beginning to see the light at the end of a dark financial tunnel.

I want to be very clear: the size and scope of this multibillion-dollar agreement go far beyond the “cost of doing business.” This outcome does not preclude any criminal charges against the bank or its employees. Nor was it inevitable, over these last few weeks, that this case would be resolved out of court.

I want to thank Associate Attorney General West for his leadership in helping to attain the resolution we announce today, which is both historic and commensurate with the conduct at



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issue. And I want to recognize each of the U.S. Attorneys and state attorneys general who have come together to make this landmark settlement a reality . This is merely the latest example of the important work that the President’s Financial Fraud Enforcement Task Force is making possible. This agreement complemented the actions of the Task Force’s Working Groups – including the Residential Mortgage-Backed Securities Fraud Working Group – members of which played key roles in advancing this case. I’ve been honored to chair the Task Force since its inception in 2009, and I’d like to thank each of the Task Force members who contributed to this outcome – and who are continuing to advance a range of open matters, both civil and criminal, across the country.

At this time, I’d like to turn the podium over to Associate Attorney General West, who will provide additional details on today’s announcement.



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