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MADIGAN, FEDERAL GOVERNMENT & STATE ATTORNEYS GENERAL SECURE \$25 BILLION SETTLEMENT WITH NATION'S FIVE LARGEST BANKS

Washington — Attorney General Lisa Madigan today joined with her counterparts in other states and the federal government to announce a \$25 billion settlement with the nation's five largest bank mortgage servicers over allegations of widespread "robo-signing" of foreclosure documents and other fraudulent practices while servicing loans of struggling homeowners.

Madigan joined U.S. Attorney General Eric Holder, U.S. Housing and Urban Development Secretary Shaun Donovan and her counterparts in Washington, D.C., to announce the settlement with Bank of America, JPMorgan Chase, Wells Fargo, Citibank and Ally Bank, formerly GMAC.

Today's settlement is the second largest settlement ever obtained through joint action of state attorneys general. It will provide more than \$1 billion in relief for Illinois to assist those who have lost their homes, are underwater or at imminent risk of defaulting on their mortgages. The settlement will completely overhaul mortgage servicing standards to prevent future abuses by lenders that many consumers have faced while trying to save their homes and during the foreclosure process.

"After many months of investigation and negotiation, I've concluded that this settlement accomplishes two major goals: it provides timely help for struggling homeowners, and it establishes new rules for mortgage servicing that will protect homeowners in the future," Attorney General Madigan said. "While the settlement is a big step forward in our efforts, it is not the end. In Illinois, we will continue to take strong legal action against lenders, banks, servicers and others who contributed to the housing and economic collapse."

Critical to today's settlement are reforms to the national mortgage servicing standards to better assist and protect all borrowers including those who are in trouble on their mortgages. In the past, regardless of how well borrowers complied with bank requirements to try to obtain a loan modification or other assistance, borrowers ended up facing foreclosure. These tough, new standards will ensure borrowers are now given a fair chance to save their homes:

- Distressed home borrowers will be considered for a loan modification rather than being automatically referred to foreclosure.
- No loan will be referred to foreclosure while a loan modification is being considered.
- Borrowers will be allowed to appeal a denial of a loan modification.
- Mortgage servicers must provide a single point of contact for borrowers as well as easier methods for checking on the progress of their loan modification applications.
- Loan servicers will be held to strict timelines in dealing with distressed borrowers

Protections will also be put in place to ensure fairness and accuracy for all borrowers making mortgage payments including increased disclosures on their monthly mortgage billing statements, maintenance of procedures to ensure the accuracy in the posting of mortgage payments, the posting of a schedule of all fees on their website, and the requirement that all fees must be reasonable, bona fide and accurate.

The standards will be backed by tough enforcement measures to ensure the banks comply. The settlement will be filed in federal court, and a monitor will be appointed to oversee bank compliance. Banks that violate the settlement terms will be assessed significant monetary penalties.

Homeowners whose loans were serviced by these banks may also qualify for direct relief in three categories: 1) Borrowers who have lost their homes, 2) Homeowners still in their homes but are at imminent risk of defaulting on their mortgages or are behind on their mortgage payments and 3) Borrowers who are current on payments but underwater.

The largest portion of the national settlement, \$17 billion, will help borrowers who remain in their homes but are imminent risk of default. Much of this money will be used for principal reductions on first and second liens. Another \$3 billion of the settlement will assist borrowers to refinance mortgages that are underwater, meaning the outstanding loan balance is more than the current appraised value of the home. These borrowers are typically unable to refinance their loans. And \$1.5 billion will be provided for restitution to borrowers who have already lost their homes. Additionally, \$2.6 billion will go to states for use in foreclosure prevention programs.

In addition to direct relief to borrowers in Illinois, the Attorney General's office will recover money from the banks to remediate the effects of historic levels of foreclosures on homeowners and communities, including funding for legal aid services, housing counseling, outreach to borrowers, housing policy development and community revitalization.

The settlement also provides for special relief for members of the military by requiring servicers to set up a specially trained single point of contact to address their mortgage issues. Members of the military may also be eligible for a waiver of a mortgage deficiency when they need to sell their home in a short sale when ordered to move.

The settlement does not grant any immunity from criminal offenses nor does it prevent homeowners or investors from pursuing individual, institutional or class action civil cases against the five banks. Attorneys general and federal agencies will continue to investigate and pursue other aspects of the mortgage crisis, including securities cases. In Illinois, Attorney General Madigan already has lawsuits against Wells Fargo, Standard & Poor's and Nationwide Title Cleaning Inc., as part of her aggressive efforts to hold financial institutions accountable for their part in the housing and economic collapse.

Even before the housing market's collapse, Attorney General Madigan aggressively targeted the country's biggest banks and lenders to hold them accountable for their unlawful financial misconduct that led to the subsequent financial crisis and to provide relief and assistance to Illinois families struggling to save their homes.

The Attorney General recently sued the national credit rating agency Standard & Poor's alleging the company compromised its independence as a rating agency by doling out high ratings to unworthy, risky investments as a corporate strategy to increase its revenue and market share. Madigan also sued Nationwide Title Clearing Inc. for filing faulty documents with Illinois county recorders.

In December 2011, Madigan and the U.S. Department of Justice reached a \$335 million settlement with Countrywide, a subsidiary of Bank of America, for discriminating against minority borrowers by putting them into higher-cost loans than similarly credit-situated white borrowers during the height of the subprime mortgage lending spree. The settlement will provide restitution to harmed Illinois borrowers and is the largest settlement of a fair lending lawsuit ever obtained by a state attorney general. The Attorney General continues to fight a fair lending case in court against Wells Fargo alleging widespread discrimination against African American and Latino borrowers during the subprime lending spree.

Madigan led an earlier lawsuit against Countrywide, which resulted in a nationwide \$8.7 billion settlement in 2008 over the company's predatory lending practices. The Attorney General also reached a \$39.5 million settlement with Wells Fargo over the bank's deceptive marketing of extremely risky loans called Pay Option ARMs, and in 2006, Madigan obtained more than \$10 million in restitution for Illinois homeowners as part of a \$325 million multi-state settlement with Ameriquest over the former mortgage giant's deceptive sales of predatory subprime mortgages.

Participating mortgage servicers may contact borrowers directly regarding loan modification options. Borrowers should contact their mortgage servicer to obtain more information about specific loan modification programs and whether they qualify under terms of this settlement.

Attorney General Madigan also urged consumers seeking more information to contact her Homeowner's Helpline, (866) 544-7151, or visit her website, www.illinoisattorneygeneral.gov/consumers/bankforeclosuresettlement.html. Borrowers can also visit www.NationalForeclosureSettlement.com.

Handling this investigation and settlement for Attorney General Madigan are Consumer Protection Division Chief Deborah Hagan, and Assistant Attorneys General Vaishali Rao, Susan Ellis, Tom James, Steve Wrone, Paige Boggs, Vivian Velasco and Andrew Dougherty.

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