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MADIGAN ANNOUNCES \$22.5 MILLION MORGAN STANLEY SETTLEMENT

Attorney General Madigan Settlement Over Mortgage-Backed Securities Recovers Funds for State's Pension Systems

Chicago — Attorney General Lisa Madigan today announced a \$22.5 million settlement with Morgan Stanley as a result of the investment bank's misconduct in its marketing and sale of risky residential mortgage-backed securities (RMBS) leading up to the 2008 economic collapse.

The settlement with Morgan Stanley stems from an investigation by Madigan's office concerning the investment bank's failure to disclose the true risk of RMBS investments.

"This settlement is the latest effort in my ongoing commitment to recover critical funds for the state due to Wall Street's massive mortgage fraud," Madigan said.

Under the settlement, Morgan Stanley will pay \$22.5 million to Illinois to be distributed among the Teachers Retirement System of the State of Illinois, the State Universities Retirement System of Illinois, and the Illinois State Board of Investment, which oversees the State Employees' Retirement System, General Assembly Retirement System and Judges' Retirement System.

Today's settlement is the fourth such agreement Madigan has secured as part of her work on the Residential Mortgage-Backed Securities Working Group under President Obama's Financial Fraud Enforcement Task Force. Madigan has reached similar agreements with JPMorgan Chase & Company for \$100 million to Illinois' pension systems, with Citigroup for \$44 million to the state's pension systems and an additional \$40 million in consumer relief, and with Bank of America for a record \$300 million, including \$200 million to Illinois' pension systems and an additional \$100 million in consumer relief.

Long before today's settlement announcement, Attorney General Madigan has led the country in taking legal action against banks, lenders and other financial institutions for unlawful financial misconduct that contributed to the country's economic collapse.

Madigan was a lead negotiator in the \$25 billion national mortgage settlement with the country's largest mortgage servicers – Bank of America, JPMorgan Chase, Wells Fargo, Citibank and Ally Bank, formerly GMAC – that addressed allegations of widespread "robo-signing" of foreclosure documents and other fraudulent practices banks employed while servicing mortgages of struggling homeowners. As a result of Madigan's leadership, Illinois borrowers have received more than \$2.4 billion in direct relief.

Madigan also was the first attorney general in the nation to sue a national bank for fair lending violations. Madigan and DOJ secured a \$175 million national settlement to resolve allegations that Wells Fargo illegally targeted African-American and Latino borrowers for sales of the lender's poorest quality and most expensive mortgages during the height of the subprime mortgage lending spree. Madigan and DOJ also reached a \$335 million national settlement with Countrywide, once the nation's largest mortgage lender, to resolve similar allegations of fair lending violations. The settlement has provided restitution to harmed Illinois borrowers and is the largest settlement of a fair lending lawsuit ever obtained by a state attorney general.

Madigan reached a landmark \$8.7 billion national settlement in 2008 against Countrywide for deceptively placing thousands of Illinois homeowners into ultra-risky and unaffordable subprime mortgages. The settlement with Countrywide's new owner, Bank of America, established the nation's first mandatory loan modification program.

Madigan also secured a \$52.5 million settlement with Standard & Poor's to resolve allegations that the company compromised its independence by doling out high ratings to unworthy, risky investments as a corporate strategy to increase its revenue.

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