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Mortgage Servicing Settlement Reached

On February 9, 2012, government officials, including Attorney General Eric Holder, announced a \$26 billion settlement with five banks to settle allegations of mortgage servicing and foreclosure processing errors. The agreement, reached with Bank of America Corp., JPMorgan Chase & Co., Citigroup Inc., Wells Fargo & Co., and Ally Financial Inc., resolves allegations related to foreclosure practices in 2009 and 2010. According to a [New York Times article](#), under the settlement, the banks will provide \$17 billion in loan modifications for delinquent borrowers. The deal also includes about \$3 billion for "underwater" borrowers to refinance their home and approximately \$1 billion paid to the Federal Housing Administration. Another \$5 billion includes cash payments to states and federal authorities.

The settlement, which largely provides for loan modification incentives, provides banks certainty about resolving the government's allegations in connection with paperwork errors during foreclosures initiated after borrowers defaulted on their mortgage. Additional detail about the settlement and its implication will soon follow.

[Read U.S. Department of Justice Press Release.](#)