

Bank of America to pay \$16 billion fine for mortgage fraud - homeowners to get \$7 billion

It's the largest civil fine in American history

As has been rumored for weeks, the Justice Department and Bank of America have reached agreement on a massive \$16.65 billion fine growing out of the housing meltdown and financial crisis.

"This historic resolution - the largest such settlement on record - goes far beyond 'the cost of doing business,'" said Attorney General Eric Holder. "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."

The agreement resolves federal and state claims against Bank of America and its former and current subsidiaries, including Countrywide Financial Corporation and Merrill Lynch.

The bank has agreed to pay a \$5 billion penalty under the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) – the largest FIRREA penalty ever – and provide billions of dollars of relief to struggling homeowners, including funds that will help defray tax liability as a result of mortgage modification, forbearance or forgiveness.

The settlement does not release individuals from civil charges, nor does it absolve Bank of America, its current or former subsidiaries and affiliates or any individuals from potential criminal prosecution.

\$7 billion for homeowners

Bank of America will provide \$7 billion 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, Holder said.

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 creditworthy borrowers struggling to get a loan, donations to assist communities in recovering from the financial crisis, and financing for affordable rental housing.

Also, 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.

"Real accountability"

"At nearly \$17 billion, today's resolution with Bank of America is the largest the department has ever reached with a single entity in American history," said Associate Attorney General Tony West.

"But the significance of this settlement lies not just in its size; this agreement is notable because it achieves real accountability for the American people and helps to rectify the harm caused by Bank of America's conduct through a \$7 billion consumer relief package that could benefit hundreds of thousands of Americans still struggling to pull themselves out from under the weight of the financial crisis," West said.