$25B national mortgage deal architects to meet in Chicago

By Jerry Crimmins
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The people behind the $25 billion national mortgage settlement reached with the country's largest mortgage servicers will meet in Chicago next week to discuss the historic agreement.

The 2012 agreement stemmed from a massive probe into abuse and fraud in home foreclosures.

The attorneys general of Illinois, Iowa and Indiana, along with U.S. Secretary of Housing and Urban Development Shaun Donovan and others will explain how the collapse of the housing market took place and how misconduct by mortgage servicers was exposed during a glut of foreclosures.

The speakers will outline the state and federal response.

The conference will be from 10 a.m. to 4:30 p.m., Feb. 22, in the Power, Rogers & Smith Ceremonial Courtroom of Loyola University Chicago School of Law, 25 E. Pearson St.

The conference is free and open to the public.

"This will be a behind-the-scenes window like no other into our unprecedented, joint state-federal civil law enforcement effort," said Iowa Attorney General Tom Miller.

Miller led the team of 49 state attorneys general in the mortgage settlement.

Many of the "key architects" will speak at this conference," Miller said.

Illinois Attorney General Lisa M. Madigan and Miller will be the first speakers.

Madigan was a member of the negotiating team that reached the settlement with five of the nation's largest banks - Bank of America Corp., JPMorgan Chase & Co., Wells Fargo, Citigroup Inc. and Ally Financial Inc.

Those five banks collectively handle about 60 percent of the mortgage servicing market, said Geoff Greenwood, spokesman for the Iowa attorney general's office.

Joseph A. Smith Jr., monitor of the settlement, will also speak at the conference.

Smith is an attorney with Poyner, Spruill LLP in Raleigh, N.C.
Smith is expected to release a report next week detailing what percent of the $25 billion has been distributed by the five banks for consumer relief through Dec. 31, as required by the settlement.

The settlement was signed April 5, 2012.

The settlement gives each of the five banks three years to pay their portions of the settlement through designated forms of relief to struggling homeowners, said Laura Brewer, spokeswoman for the monitor's office.

The banks get incentives to distribute money in the first year.

The $25 billion is to help some mortgage holders stay in their homes by reducing their principal and to assist other clients whose homes are worth less than their mortgages.

The settlement also requires comprehensive reforms of mortgage servicing practices by the five banks.

Associate Dean Michael J. Kaufman of Loyola Chicago School of Law said he hopes those behind the settlement "will be able to share their lessons of how this took place so it might become a model for cooperation and collaboration in other areas of concern, such as antitrust, securities fraud and other consumer rights issues."

Madigan's office said she had been involved in efforts to protect people threatened with mortgage foreclosures in Illinois since 2006.

Miller, Madigan and 10 other state attorneys general formed the State Foreclosure Prevention Working Group in 2007 to assist people who were having trouble getting loan modifications from banks.

But the revelation of illegal "robo-signing" of foreclosure documents in 2010 was the scandal that led to the massive state and federal investigation of mortgage servicers' practices, said Assistant Illinois Attorney General Deborah Hagan.

Hagan said private lawyers defending homeowners in foreclosure cases made surprise discoveries while deposing mortgage service employees.

The lawyers learned these mortgage service employees were illegally signing hundreds of affidavits a day in foreclosure cases without any knowledge of the truth of the documents, Hagan said.

Greenwood said low-level employees of banks swore to knowledge of data they did not know and sometimes represented themselves as vice presidents in signatures.

"Although it was pretty clear borrowers did default on their mortgages, the law makes it clear that everyone, whether big or small, has to comply with certain rules in foreclosing," said Lea
Krivinskas Shepard, an assistant professor at Loyola who will moderate one of the panel discussions.

The settlement will prevent mortgage servicers from engaging in robo-signing of foreclosure documents and other improper practices, says an official summary.

It requires banks "to offer loss mitigation alternatives to borrowers before pursuing foreclosure," increase transparency in the foreclosure process. It also imposes timelines to respond to questions from borrowers who face potential foreclosure.