

U.S. Attorney's Report to the District

Last month I announced a civil settlement with JPMorgan Chase in a major national case involving the bank's conduct in securitizing and selling billions of dollars of residential mortgage backed securities (RMBS) during the 2005-2007 time frame – conduct that helped trigger the financial crisis of 2008. The settlement, which involved multiple entities and cases, totaled \$13 billion, of which \$2 billion represented a fine to resolve potential charges by this office. It was the largest civil settlement in the history of this office, and the largest total single-company settlement ever by the Department of Justice.

As part of the settlement, JPMorgan acknowledged that the pools of mortgage loans which backed billions of dollars of non-prime RMBS included loans that the bank knew did not comply with the loan originators' underwriting guidelines, were secured by properties with inflated appraisals, were supported by inaccurate loan-to-value or debt-to-income ratios, or were originated in violation of federal and state laws and regulations. JPMorgan also acknowledged that it misrepresented to investors the quality of the mortgage loans in the pools and the risk of loss. The settlement held JPMorgan accountable for its conduct, obtained \$7 billion for federal entities supported by the American taxpayer which suffered RMBS losses and for California and four other highly-impacted states, provided \$4 billion in assistance to suffering homeowners and residents of neighborhoods impacted by the crisis, and secured JPMorgan's cooperation in ongoing investigations. No potential criminal charges were resolved through the agreement.

This case could have been brought in multiple districts. The fact that this office played such a major role in a securities case of national importance is a result of our participation in the RMBS Working Group, a national grouping of multiple agencies formed in early 2012 that was intended, in part, to draw the resources and skills of large U.S. Attorneys' Offices into the effort to develop cases associated with misconduct in the financial services industry related to the financial crisis. The fact that this office's effort was so successful is due to the extraordinary work of Assistant U.S. Attorneys Rich Elias and Colleen Kennedy, and their supervisor Kelli Taylor. Together with special agents of the Office of Inspector General of the Federal Housing Finance Administration, and paralegals and support staff in this office, they spent a year analyzing vast numbers of documents, conducting interviews and depositions, and working with experts to develop a strong civil case against JPMorgan. David Shelledy, Chief of the Civil Division, played a vital role in the final negotiations over the terms of the global settlement agreement.

The result in this case, I hope, will establish a template for other civil enforcement actions relating to the financial crisis, and for future investigations involving this office. I am pleased that this office, which serves a district that was ravaged by the financial crisis, played a major role in delivering a measure of justice in this matter.

If you would like to communicate with our office, contact the main number in Sacramento, or submit a suggestion by clicking on the button below. Thank you.

United States Attorney

Benjamin B. Wagner