

Foreclosure Settlement Details Popping Up in the New York Times - Is a Final AG-Big Bank Deal Done? Should It Be? (Yes.)

By Rosa Schechter

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This week, Gretchen Morgenson gave lots of details in what looks like a final agreement between the Big Banks, the state Attorneys General, and the Federal Government in her Fair Game column at the *New York Times*, entitled, "A Deal That Wouldn't Sting."

She would know.

Back in August, Ms. Morgenson (a Pulitzer Prize winner) added another scoop to her resume when she revealed that the Obama Administration was pulling strings to get the New York Attorney General to stop resisting the finalization of the AG -- Big Bank Deal. Ms. Morgenson's investigations turned up several different state Attorneys General -- New York was far from a lone wolf here -- that weren't happy with the deal that was being formed -- mainly because it released the Banks from exposure to any future lawsuits brought against them under various state laws. (For details, check out our August 2011 post.)

Since Morgenson's August expose, the chairs around that Big Bank ForeclosureGate table have emptied somewhat, just as she predicted: just this week, for example, the California AG left the building.

Right now, the attorneys general for California, Delaware, Massachusetts, Minnesota, and New York have stopped participating in the Big Bank negotiations -- and there are calls for Florida Attorney General Pam Bondi to do the same.

For example, an editorial in the Palm Beach Post points out that Florida has been one of the hardest hit states in the country from ForeclosureGate, and if states like California are opting to leave because the proposed settlement amount that they would receive is way too small to cover their damages, then obviously it would be insufficient for Florida so Bondi should walk.

What are we talking about here? According to Morgenson's reporting, there is pretty much a done deal with \$25 billion on the table to be paid by the banks in settlement; in exchange for that payment, the banks would be released from additional liability from ForeclosureGate claims.

That \$25 billion would not be a straight cash payment. About one-fifth of that would be paid in cash, shared by 10+ institutions, and the remainder would be provided as credits. Credits where the banks would lower mortgage loan amounts by a certain percentage among other things.

Should This Deal Get Done?

Right now, there is a lot of distrust of the banking industry, brought about by ForeclosureGate. However, if one looks over the shoulder of ForeclosureGate and all its robo-signing, one sees an unprecedented number of mortgage holders who stopped paying their home loans. Banks made deals to help people buy homes and the deals fell through.

There's more than enough blame to be shared in what happened here. People bought homes they couldn't afford, for one thing. The economy tanked and people lost their jobs, couldn't find new ones, for another. Banks relied on servicers and law firms to handle the mammoth amount of paperwork and got hurt as a result.

Bottom line: financial institutions are a necessity in this country, and they've got to get these issues resolved in order for the Florida economy, as well as the national economy, to recover. Maybe the AG Big Bank Deal isn't perfect. Nothing is perfect.

However, getting this deal done and get banks back into the business of banking -- not being landlords or property owners of countless single family dwellings -- is mandatory for our future success.

Let's do it and move on.