

MORTGAGE

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industry since the 1998 multistate tobacco deal.

It would end a painful chapter that grew out of the 2008 financial crisis.

Nearly 8 million Americans have faced foreclosure since the housing bubble burst. In some cases, companies that process mortgages failed to verify the information on foreclosure documents.

The worst practices, known collectively as "robo-signing," included employees signing documents they hadn't read or using fake signatures to sign off on foreclosures.

President Barack Obama is expected to tout the settlement in his State of the Union address today. His administration has put pressure on state officials to wrap up a deal more than a year in the making.

But some say the proposed deal doesn't go far enough. They have argued for a thorough investigation of potentially illegal foreclosure practices before a settlement is hammered out.

"Wall Street again is trying to pass the buck. Instead of criminal prosecutions, we're talking about something that's not more than a slap on the wrist," said Sen. Sherrod Brown, D-Ohio, who has been critical of the proposed settlement.

A signed deal isn't expected this week, said Geoff Greenwood, a spokesman for Iowa Attorney General Tom Miller, who has led the 50-state negotiations.

The settlement would only apply to privately held mortgages issued between 2008 and 2011, not those held by government-controlled Fannie Mae or Freddie Mac. Fannie and Freddie own about half of all U.S. mortgages, roughly about 31 million U.S. home loans.

As part of the deal, about 1 million homeowners could also get the principal amount of their mortgages written down by an average of \$20,000. One in four homeowners

with a mortgage — or about 11 million people — owe more than their home is worth.

These so-called "underwater" borrowers have little chance at refinancing.

Democratic attorneys general were meeting Monday in Chicago to discuss the deal with Housing and Urban Development Secretary Shaun Donovan. Republican attorneys general will be briefed about the deals via conference call later in the day. Under the deal:

» \$17 billion would go toward reducing the principal that struggling homeowners owe on their mortgages.

» \$5 billion would be placed in a reserve account for various state and federal programs; a portion of that money would cover the \$1,800 checks sent to those homeowners affected by the deceptive practices.

» About \$3 billion would help homeowners refinance at 5.25 percent.

In October 2010, major banks temporarily suspended foreclosures following revelations of widespread deceptive foreclosure practices. Discussions then began over a national settlement.

Some states have disagreed over what terms to offer the banks. In September, California announced it wouldn't agree to a settlement over foreclosure abuses that state and federal officials have been working on for more than a year.

New York, Delaware, Nevada and Massachusetts, which sued five major banks earlier in December over deceptive foreclosure practices, have also argued that banks shouldn't be protected from future civil liability. The deal won't fully release banks from future criminal suits by individual states.

Both sides have also fought over the amounts of money that should be placed in the reserve account for property owners who were improperly foreclosed upon. Many of the larger points of the deal, including a \$25 billion cost for the banks, have long been worked out, officials say.



The mortgage overhaul agreement could make it easier for those at risk of foreclosure in California and other states to restructure their loans. PHOTOS BY AP

\$25 billion mortgage deal goes to states

Nation's five largest lenders approve overhaul

By Derek Kravitz
The Associated Press

WASHINGTON — The nation's five largest mortgage lenders have agreed to overhaul their industry after deceptive foreclosure practices drove homeowners out of their homes, government officials said Monday.

A draft settlement between the banks and U.S. states has been sent to state officials for review.

Those who lost their homes to foreclosure aren't likely to get them back or benefit much financially from the settlement, which could be as high as \$25 billion. About 750,000 Americans — about half of the households who might be eligible for assistance under the deal — will likely receive checks for about \$1,800.

But the agreement could reshape long-standing mortgage lending guidelines and make it easier for those at risk of foreclosure to restructure their loans. And about 1 million home-



About 750,000 Americans — about half of the households who might be eligible for assistance under the deal — will likely receive checks for about \$1,800. States are reviewing the draft agreement.

owners could see the size of the mortgage reduced.

Five major banks — Bank of America, JPMorgan Chase, Wells Fargo, Citibank and Ally Financial — and U.S. state attorneys general could adopt the agreement within weeks, according to two officials

briefed on the discussions. They spoke on condition of anonymity because they aren't authorized to discuss the agreement publicly.

The settlement would be the biggest of a single

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