Press Release

February 09, 2012

Federal Reserve Board announces agreement in principle with five banking organizations regarding the issuance of monetary sanctions

For immediate release

The Federal Reserve Board on Thursday announced that it has reached an agreement in principle with five banking organizations regarding the issuance of monetary sanctions against the organizations totaling $766.5 million. The monetary sanctions would be assessed for unsafe and unsound processes and practices in residential mortgage loans servicing and foreclosure processing. These deficiencies were identified by examiners during reviews conducted from November 2010 to January 2011. The deficiencies represented unsafe and unsound practices at these five institutions and corrective measures were required by formal enforcement actions issued against the institutions on April 13, 2011.

The Board will assess monetary sanctions against the parent holding companies of the five largest mortgage servicers supervised by federal banking regulators for failure to appropriately oversee their subsidiaries' mortgage loan servicing and foreclosure processing operations. Those parent holding companies are Bank of America Corp., Citigroup Inc., Ally Financial, Inc., JPMorgan Chase & Co., and Wells Fargo & Co. The Board will also assess monetary sanctions against the two mortgage servicers owned by JPMorgan Chase and Ally Financial that are subject to the Board's jurisdiction for the servicers' failures. Those servicers are GMAC Mortgage, LLC a subsidiary of Ally Financial, Inc., and EMC

Mortgage Corporation, a subsidiary of JPMorgan Chase & Co.

The amounts of the monetary sanctions to be levied by the Board against these institutions are as follows:

Institution	BHC Penalty	Servicer Penalty	Total
Bank of America	$175.5 million		$175.5 million
Wells Fargo	$87 million		$87 million
JPMorgan Chase	$106.5 million	$168.5 million	$275 million
Citigroup	$22 million		$22 million
Ally Financial	$17 million	$190 million	$207 million

The amount of the sanctions assessed against each organization takes into account the maximum amount prescribed for unsafe and unsound practices under the applicable statutory limits, the comparative severity of the institutions' misconduct, and the comparative sizes of the institutions' foreclosure activities. The executed assessment orders will be released shortly.

In agreeing to issue the more than $766.5 million in monetary sanctions, the Board is acting in conjunction with a comprehensive settlement agreed in principle between the five banking organizations, the state Attorneys General, and the Department of Justice on February 9, 2012 ("Settlement Agreement"). The Settlement Agreement requires these organizations to provide $25 billion in payments and other designated types of monetary assistance and remediation to residential mortgage borrowers. The Settlement Agreement amount includes the Board's monetary sanctions. In an effort to facilitate a broad settlement of related state and federal claims, and to obtain an agreement that will maximize the effectiveness of assistance provided through an integrated set of remedial programs, the Board decided to participate with federal and state regulatory and law enforcement authorities in a joint settlement.

Under the terms of the Board's agreement in principle, the banking organizations must pay to the Board for remittance by the Board to the U.S. Treasury the amount of the sanction not expended by the organization within two years in providing borrower assistance or remediation in compliance with the Settlement Agreement ("Borrower Assistance"), or on a program, acceptable to the Federal Reserve, to provide funding for nonprofit housing counseling organizations for counseling to borrowers who are facing default or foreclosure or in connection with borrower remediation set forth in the independent foreclosure reviews required by the April 13 enforcement actions ("Counseling Program"). The Federal Reserve will closely monitor expenditures on Borrower Assistance and the Counseling Program and compliance by the five banking organizations with the requirements of the monetary sanctions issued by the Board.

In 2011, enforcement actions were also issued against another six institutions supervised by the Federal Reserve for unsafe and unsound processes and practices in residential mortgage loan servicing and foreclosure processing. Although the Federal Reserve is not issuing monetary sanctions against those six institutions at this time or against the two thrift holding companies now under the Federal Reserve's jurisdiction that control mortgage servicing subsidiaries, the Federal Reserve believes that monetary sanctions in those cases are appropriate and plans to announce monetary penalties against them.

The actions issued in April required the banking organizations that have servicing entities regulated by the Federal Reserve to, among other things, submit plans acceptable to the Federal Reserve to correct the many deficiencies in residential mortgage loan servicing and foreclosure processing. Those plans must, among other things, strengthen the coordination of communications with borrowers by providing borrowers the name of the person at the service who is their primary point of contact, establish limits on foreclosures where loan modifications have been approved, establish robust third party vendor controls, strengthen compliance programs, and provide appropriate remediation to borrowers who suffered financial injury as a result of errors by the servicers. In addition, the enforcement actions issued in April required the parent holding companies to submit plans acceptable to the Federal Reserve to improve holding company oversight of residential mortgage loan servicing and foreclosure processing conducted by bank and nonbank subsidiaries. Those plans must, among other things, strengthen board of directors' oversight over residential mortgage servicing activities, and enhance enterprise-wide risk management, compliance, and internal audit programs.

The corrective plans must be acceptable to the Federal Reserve. We expect to publish the action plans shortly. The Federal Reserve will continue to closely monitor the conduct of the foreclosure review and the institutions' implementation of the plans, and will take additional enforcement actions as needed.

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