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Financial Crisis Inquiry Commission Summary of Enforcement Measures

United States: Financial Crisis Inquiry Commission (FCIC)

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Enforcement Measures Related to the Financial Crisis

There have been numerous public and private sector initiated civil and criminal actions relating to the financial crisis. They include:

Private Lawsuits

- Investors filed 392 prospective securities class-action lawsuits in 2008 and 2009 for \$1.4 trillion in damages. Financial companies were targeted in half of the cases.

Federal Efforts

The Department of Justice (DOJ) and the Securities and Exchange Commission (SEC) are pursuing a range of financial fraud cases. Some of the recent highlights:

- DOJ has brought 500 mortgage fraud related charges and has 2700 investigations pending.
- SEC has brought 664 enforcement actions and ordered wrongdoers to disgorge \$2.09 billion. Some of these cases are against the major financial institutions, including Citigroup, JP Morgan Chase, Bank of America, Countrywide, Merrill Lynch, UBS, and others.
- In June 2009, the SEC charged Angelo Mozilo, the former CEO of Countrywide Financial, and two other former executives with fraud for allegedly misleading investors about the significant credit risks in the company.
- SEC entered into a series of landmark settlements with six large broker-dealer firms for allegedly misrepresenting to their customers the risks associated with auction rate securities (ARS).
- In November 2009, the Financial Fraud Enforcement Task Force was created to bring together numerous federal agencies to investigate financial fraud.

State Efforts

The various state Attorney Generals (AG) have initiated numerous enforcement actions. Some examples include:

- The Illinois Attorney General sued Wells Fargo for discriminatory and deceptive mortgage lending practices alleging that the lender steered African-American and Latino homeowners into high-cost subprime mortgage loans.
- The Colorado Attorney General obtained criminal convictions against the ringleader of a multimillion dollar mortgage fraud operation involving nearly three-dozen real estate transactions. The ringleader and others fraudulently obtained \$10.9 million in mortgages to buy 34 properties in Denver and surrounding counties.

- The Iowa Attorney General took the lead in a global settlement with Countrywide on behalf of 400,000 borrowers.
- Since its creation in September 2007, Miami-Dade County Mayor Alvarez's Mortgage Fraud Task Force has made more than 150 arrests. The task force is made up of local, state and federal law enforcement officials, prosecutors, business leaders, elected officials and other public servants in a comprehensive approach to fight mortgage crime in South Florida.
- The Massachusetts Attorney General and Goldman Sachs reached settlement regarding subprime lending issues. Goldman agreed to provide approximately \$50 million in relief to homeowners and pay an additional \$10 million to the state.
- The California Attorney General announced a landmark \$1.4 billion settlement with three Wells Fargo affiliates to pay back investors, charities and small business that purchased auction-rate securities based on misleading advice.
- The New Jersey Attorney General announced that they obtained \$148 million in recoveries and judgments on behalf of the state in 2009 through debt recovery, consumer fraud, environmental and other litigation.
- The Pennsylvania Attorney General announced the filing of a consumer protection lawsuit against nine individuals who allegedly were involved in a wide-reaching mortgage and investment "ponzi" scheme that collapsed in the fall of 2007, resulting in nearly \$40 million in losses for more than 700 consumers throughout south central and eastern Pennsylvania.
- The Ohio Attorney General sued national rating agencies for false and misleading ratings. The lawsuit against Standard & Poor's, Moody's and Fitch, three national agencies that are responsible for providing accurate credit ratings of investments, charged the rating agencies with wreaking havoc on U.S. financial markets by providing unjustified and inflated ratings of mortgage-backed securities in exchange for lucrative fees from securities issuers.
- The Missouri Attorney General went after mortgage fraud targeting those facing foreclosure or other financial woes. Operation Stealing Home targets individuals and businesses that defrauded consumers through refinancing, advance fee and foreclosure consulting scams.
- The North Carolina Attorney General stopped a foreclosure rescue operation from collecting any money from consumers for foreclosure assistance or loan modifications. Scammers would entice struggling homeowners with false promises of lower mortgage payments and then do little or nothing to help them.
- The Alabama Attorney General announced \$4.9 million in refunds to 8,907 Alabama consumers from Ameriquest Mortgage Company and its related companies, as part of a \$325 million national settlement of a predatory lending lawsuit against the company.