

# THE JOHN WALSH-LIZ WARREN-INVESTORS & HOMEOWNERS CAGE FIGHT

I noted the other day that the Administration was floating a ridiculously small \$20 billion Get out of Jail Free plan to excuse the banksters for their foreclosure fraud. Apparently, the banksters think that \$20 billion is just a “crazy figure” that will never be imposed. The actual homeowners affected by the banksters’ crime, however, believe it is “chump change.” From a press release from the CrimeShouldn’tPay effort:

“We need more than just another slap on the wrist. Home prices have plummeted by \$9 trillion over the last four years because of the massive fraud that the big banks perpetrated on the American people. \$20 billion is chump change, especially when you divide that amongst the nation’s 14 largest banks,” says Gina Gates from San Jose, CA who lost her home fraudulently to JP Morgan Chase. “This cannot be more ‘business as usual’ for the nation’s biggest banks – break the law, make hundreds of billions of dollars doing so, and then pay a small percentage of their bounty in fines while leaving everyone else suffering the consequence of their actions. No, this time, the punishment must fit the crime. The big banks must pay commensurate to the pain and suffering they’ve caused so many people.”

But the truth behind the figure is—as Shahien Nasiripour reports—actually that Elizabeth Warren and Office of the Comptroller of the Currency, headed by John Walsh, are fighting

over what an appropriate remedy might be. Warren, along with the FDIC and FHA, believes a still-too-paltry \$25-\$30 billion penalty is in order.

Officials at the Federal Deposit Insurance Corporation, the Federal Housing Administration, and those now creating a fledgling consumer financial protection bureau are inclined to seek as much as \$30 billion in fines, making those funds available to provide relief to borrowers at risk of losing their homes.

[snip]

Elizabeth Warren of the Consumer Financial Protection Bureau has floated a figure of about \$25 billion for a unified settlement, according to people familiar with the situation.

But OCC—which has a long history of protecting banksters from actual regulation—wants just a \$5 billion penalty with no principal reductions.

The Office of the Comptroller of the Currency, which oversees the nation's largest banks, intends to pursue its own settlement with lenders, a track distinct from the talks conducted by its federal counterparts, the sources said. The OCC, eager to protect major banks from expensive fines, is seeking to limit the terms to \$5 billion, while also ensuring that lenders retain wide latitude in how to administer relief for homeowners, the sources said.

[snip]

Housing experts assert that mortgage companies have been largely unwilling to shrink principal balances on first mortgages, because they understand that that this would trigger huge losses on the second mortgages they own

themselves.

The OCC is opposing a settlement that would entail large-scale write-downs of mortgages precisely because of concerns about this very scenario, the sources said.

Problem is, the OCC, as the banksters' primary ~~regulator~~ enabler, has control of the key documents demonstrating the banksters' fraud.

The OCC has already begun a process toward resolving the allegations lodged against the banks that it regulates, recently sending draft orders detailing improper and illegal practices that the firms would have to end, according to people familiar with the matter. The draft orders, which are not public, have been shared with some federal agencies, the sources said.

One source said the OCC was effectively aiding the banks in delivering the orders by handing them valuable information about its findings, thus allowing mortgage companies more time to marshal a defense.

The OCC has also shown reluctance to share its detailed findings and documents with other federal regulators, said people familiar with its actions. As the primary regulator for the nation's largest lenders, the OCC is privy to more inside information than its counterparts, giving it substantial power in shaping the contours of any negotiation.

Of course, this entire discussion leaves out two key players: the homeowners, whose legal recourse against banksters for fraudulent practices would presumably be limited by any settlement. And the investors, who would prefer big principal reductions to the foreclosures

that the big banks seem intent on forcing.

And meanwhile, the housing market continues to drag down the economy. And the folks in DC seem more focused on cutting benefits for the old and the infirm instead of fixing the real problem with our economy.