

BANK BAILOUT DAY, FEBRUARY 9, 2012

I may or may not have more to say about this.

But I'm thinking of declaring this Bank Bailout Day, a holiday of the stature of President's day.

Forty-nine states, every one but Oklahoma, as well as federal regulators, will participate in a foreclosure fraud settlement that will release the five biggest banks (Wells Fargo, Citi, Ally/GMAC, JPMorgan Chase and Bank of America) and their mortgage servicing units from liability for robo-signing and other forms of servicer abuse, in exchange for \$25 billion in funding for legal aid, refinancing, short sales, restitution for wrongful foreclosures and principal reduction for underwater borrowers. The announcement will be made on Thursday.

[click through for the details]

And then there's the settlement price: \$25 billion, divided up several ways. \$3 billion will go toward refinancing for current borrowers who are underwater on their loans, as well as short sales. \$5 billion will go as a hard cash penalty to the states, which can use them for legal aid services, foreclosure mitigation programs, and ongoing fraud investigations in other areas (one official close to the talks feared that much of that hard cash payout will go in some Republican states toward filling their budget holes). The federal government will get a cash penalty as well. Out of that \$5 billion, up to 750,000 borrowers wrongfully foreclosed upon will get a \$1,800-\$2,000 check if they sign up for it, the equivalent of

saying to them “sorry we stole your home, here’s two months rent.”

If you read DDay’s full post (or if you’ve read anything here), it’s clear that the amount of fraud was astronomical: 60% failures in one case. And if you’ve read that far, you know this is a bail out, every much as the billions gifted to banks in September 2008 was a bailout.

The Administration wants to call this a settlement.