

U.S. Attorney's Report to the District

Goldman Sachs Civil Settlement

This month I announced a civil settlement with Goldman Sachs in a major national case involving the bank's conduct in securitizing and selling billions of dollars of residential mortgage backed securities (RMBS) during the 2005-2007 time frame – conduct that contributed to the financial crisis of 2008. The settlement, which involved multiple entities and cases, totaled over \$5 billion. \$2.285 billion of that amount is a fine paid to the U.S. Department of Justice to resolve potential civil charges by this office. It was the largest recovery in a civil case in the history of this office.

As part of the settlement, Goldman acknowledged that the pools of mortgage loans which backed billions of dollars of RMBS included loans that the bank knew did not comply with the loan originators' underwriting guidelines. Goldman further acknowledged that it failed to disclose to investors what it knew about the risky loans and what it knew about some of the loan originators' aggressive lending practices. In addition to the fine that will be paid to the U.S. Government, the settlement includes \$875 million in payments to compensate several entities, including \$10 million to the State of California, which suffered losses resulting from the purchase of RMBS issued by Goldman. Finally, the settlement includes \$1.8 billion in consumer relief. That relief will take the form of loan modifications and payment forgiveness for homeowners across the country who are "underwater" on their mortgages, and funding for low-income family housing in distressed housing areas. At least \$30 million of that relief will be in California, and a portion of that will be in the Central Valley counties of this district, which was particularly hard-hit by the financial crisis.

This settlement is the second major RMBS civil settlement by this office with a national financial institution. In November 2013, I announced a \$13 billion settlement in a similar case against JPMorgan, which included a \$2 billion fine payment to the Department of Justice. This office is the only U.S. Attorney's Office in the country to have handled two of these cases as part of its work with the RMBS Working Group. The Working Group consists of multiple agencies and was formed in early 2012, in part to draw the resources and skills of large U.S. Attorneys' Offices into the effort to develop cases associated with misconduct in the financial services industry related to the financial crisis.

The Goldman Sachs settlement was the product of extraordinary work by Assistant U.S. Attorney Colleen Kennedy and her supervisor Kelli Taylor. Together with special agents of the Office of Inspector General of the Federal Housing Finance Administration, and of the Special Inspector General for the Troubled Asset Relief Program, and with paralegals and support staff in this office, they spent a year and a half analyzing vast numbers of documents, conducting interviews, and working with experts

to develop a strong civil case against Goldman Sachs. David Shelledy, Chief of the Civil Division, also played a vital role in the case.

No single enforcement action can address all the conduct that contributed to the financial crisis, or the harms that resulted from it. Many people in many institutions, both on Wall Street and on Main Street, bear some responsibility. Some of that conduct was criminal, much of it merely reckless. The settlement in this case, however, provides a measure of justice by holding Goldman Sachs accountable for its conduct, by obtaining substantial compensation for taxpayer-supported entities that sustained losses after purchasing RMBS issued by Goldman, and by securing substantial assistance to homeowners and others who continue to suffer from some of the ill effects of the financial crisis. I am proud that this office, located in a region that was hard-hit by the crisis, has played a meaningful role in this enforcement effort.

If you would like to communicate with our office, contact the main number in Sacramento, or submit a suggestion by clicking on the button below. Thank you.

United States Attorney

Benjamin B. Wagner