

# Del. rejects settlement with mortgage lenders

## Accord puts new standards in place

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Breaking ranks yet again with its fellow states, upstart Delaware has rejected a proposed settlement with major banks over their foreclosure and mortgage servicing practices.

The state Attorney General's Office said Tuesday that it is too early to discuss specific reasons for the refusal to join the settlement, but Attorney General Beau Biden has repeatedly stated his concern that broader efforts to hold banks accountable have not adequately or fairly addressed consumers' interests.

The draft settlement between the nation's five largest mortgage lenders and the states makes it unlikely that people who lost their homes to foreclosure would get their homes back or see much financial benefit. About 750,000 Americans -- about half of the households who might be eligible for assistance under the deal -- will likely receive checks for about \$1,800.

A number of state attorneys general and activist groups fear the settlement would allow banks to pay only a fraction of what is warranted and escape legal culpability for a wide range of abuses that have yet to be fully investigated, such as the packaging of mortgages into securities sold to investors.

They also say too lenient a settlement would send a troubling message that the financial giants who helped create the housing bubble won't be held accountable for their role in the bust.

"The settlement clearly doesn't do anything for those that lost so much," said Rashmi Rangan, executive director of the Delaware Community Reinvestment Action Council, a fair-lending advocate. Banks, investors and other "sophisticated" players, on the other hand, avoid the consequences, she believes.

The agreement could reshape longstanding mortgage lending guidelines and make it easier for those at risk of foreclosure to restructure their loans. And roughly 1 million homeowners could see the size of their mortgages reduced.

The proposed settlement is not contingent on unanimous support from states, and it's possible that certain new national bank servicing standards included in the deal could apparently still apply in Delaware, despite its opposition. It remains uncertain whether Delaware consumers would be included in any reimbursement and mortgage adjustment banks agree to make.

Five major banks -- Bank of America, JPMorgan Chase, Wells Fargo, Citibank and Ally Financial -- and U.S. state attorneys general could adopt the agreement within weeks, according to two officials briefed on the discussions.

The Delaware Attorney General's Office, which is pursuing separate but related legal actions against lenders, has objected to other proposed settlements on the grounds that they would not achieve some the office's prime goals -- protecting consumers against further abuse and correcting bank practices that led to the crisis.

Last fall, in a proposed settlement of claims that the securitization of mortgages harmed consumers, Delaware moved to intervene, with Biden calling for more assurances that banks would have to play by the rules.

**This story contains information from the Associated Press and Washington Post. Contact Eric Ruth at 324-2428 or [eruth@delawareonline.com](mailto:eruth@delawareonline.com).**