

OBAMA ADMINISTRATION'S PRICE TAG FOR BANK LYING, PREDATION, AND (PROBABLY) SECURITIZATION FAIL: \$8 BILLION

Back when the foreclosure fraud settlement was purportedly only going to cover robo-signing abuses, the price tag was going to be \$17 billion.

Now that the Obama Administration is desperately trying to craft a settlement deal to include origination problems, the price tag has grown to \$25 billion.

Under the proposed terms of the settlement – which could total \$25 billion – banks would get broad legal immunity from state lawsuits in exchange for refinancing underwater loans, those mortgages where borrowers owe more than their homes are worth, the sources said.

The deal could provide some relief to the battered U.S. housing market and clear up some uncertainty about banks' legal exposure that has been a drag on their shares.

Banks have been holding out on a multi-billion-dollar settlement because they wanted broader legal immunity than state attorneys general were prepared to offer.

Originally, the states were only considering immunity for shortcuts taken during mortgage servicing and foreclosures, including the so-called "robo-signing" of documents to evict

people behind on their mortgages.

In recent days, the state attorneys general agreed to release major banks from claims that they made legal errors when first originating the loans, such as approving loans for borrowers without verifying any income, according to two people familiar with the talks.

That means for all the additional things the banks would get immunity for—at the very least, the liars loans and the predatory lending, all the things they're getting hammered for in reps and warrants suits, though the language might well immunize securitization failures—banks would pay just an additional \$8 billion.

That, in spite of the fact that FHFA filed lawsuits against the banks that might be worth \$40 billion, with \$11.5 billion from Bank of America alone.

So basically Obama wants to fund HAMP 2.0 by letting banks out of at least 80% of what they stand to lose in court.