

# Coakley not ready to say settlement with banks is best choice

By [Jenifer B. McKim](#) | GLOBE STAFF    FEBRUARY 08, 2012



AP

**Massachusetts Attorney General Martha Coakley spoke to reporters at a news conference about the lawsuit in which Massachusetts is suing five major banks.**

As dozens of attorneys general around the country sign on to a multibillion dollar settlement deal with major US lenders related to the companies' role in the country's foreclosure crisis, it is still unclear whether Massachusetts will participate.

Massachusetts Attorney General Martha Coakley declined to comment yesterday but has long been critical of the talks—which have stretched out for months—saying she

doubts any agreement will offer adequate help to struggling borrowers here. Coakley also wants to address problems related to lenders who seized homes without having the proper documentation.

More than 40 states have agreed to the settlement with the top five US lenders — Bank of America Corp., Wells Fargo & Co., JPMorgan Chase & Co., Ally Financial Inc., and Citigroup, according to Iowa Attorney General Tom Miller who is leading the negotiations. Miller said some issues still be to be worked out by federal, state, and bank officials before a deal — estimated at as much as \$25 billion — can be finalized. That could happen later this week.

In addition to Massachusetts, other states that have not signed on include California, Nevada, and New York. Ira Rheingold, executive director of the National Association of Consumer Advocates, said Massachusetts probably will be one of the last holdouts. Rheingold said the settlement offers some benefits to homeowners with mortgage troubles, but he trusts Coakley will make the best decision for Massachusetts.

“If she decides to opt out, that will be a well thought-out decision,” Rheingold said, calling Coakley one of the nation’s top attorneys general.

In December, Coakley sued the five major banks for allegedly illegally taking back properties, filing fraudulent foreclosure documents, and failing to assist borrowers who could have stayed in their homes if they had been allowed lower mortgage payments.

Officials from the banks yesterday declined to discuss details of the settlement, which appears imminent more than a year after the 50 US attorneys general launched an investigation into lenders, concerned about shoddy and unlawful foreclosure practices.

Housing advocates said the agreement, while useful, probably will not be enough to solve the country’s foreclosure crisis.

Even as negotiations between the five lenders and officials are ongoing, details of the settlement have been leaking out. It is expected to provide homeowners whose properties were wrongfully seized with checks of up \$2,000, Rheingold said. State attorney general’s offices could share \$5 billion set aside for foreclosure relief, and some homeowners could benefit from about \$17 billion allocated to help them save their properties through principal reduction, loan modifications, and short sales, he said.

The companies also would agree to a set of procedures related to foreclosures and loan

modifications, to make sure that suspect past practices will not be repeated, those close to the negotiations say.

Kathleen Engel, a professor and foreclosure specialist at Suffolk Law School, said Massachusetts residents could benefit if Coakley decides to continue her own investigation into lenders' alleged wrongdoing, something many other states cannot afford.

"Between their investigative powers and their legal strength, it may be in Massachusetts' best interest not to join" a settlement, she said.

Meanwhile, other states' attorneys general praised the draft deal. In Rhode Island, Attorney General Peter Kilmartin said he planned to sign the agreement because it will help homeowners and bring needed reform to the mortgage industry. Kilmartin's office said the deal would not prevent individual homeowners or investors from filing suits against lenders, nor would it affect criminal investigations.

"The proposed settlement holds banks accountable for past mortgage servicing and foreclosure fraud and abuses and provides relief to homeowners without sacrificing future opportunities to fix a broken system," Kilmartin said. "The settlement is only one of many steps we need towards a comprehensive, nationwide solution."

Connecticut Attorney General George Jepsen applauded the tentative deal saying it would help thousands of distressed borrowers in his state save their homes.

"It would impose tough new servicing standards on banks and hold them accountable for what have become familiar abuses such as lost documents, poor communication, inadequate and poorly trained staff, and endless loan modifications," Jepsen said in a statement. "Finally, the settlement would preserve my office's authority to continue going after the banks for any illegal behavior they engaged in during the recent financial crisis."