



Nathan Vardi Forbes Staff
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Bank Of America's \$16.65 Billion Settlement And The Last Dinosaur Of The Financial Crisis

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Fourteen years ago, Angelo Mozilo, having built Countrywide Credit over three decades into one of the nation's biggest sources of mortgage loans, [was quoted in Forbes saying](#), "now I know ... how the last dinosaur felt."

Nearly six years after the collapse of Lehman Brothers, Bank of America reached a \$16.65 billion deal on Thursday to resolve federal government accusations that it had misled investors into buying cratering mortgage securities prior to the financial crisis. The government had previously reached a \$13 billion deal with JPMorgan Chase and a \$7 billion settlement with Citigroup, but the Bank of America deal is the biggest ever and likely the last monster financial crisis-era settlement, resolving investigations federal prosecutors and state attorneys general have conducted from Manhattan to Los Angeles.

Most of the mortgage securities involved in the big Bank of America settlement were actually issued by Countrywide Financial before Mozilo sold the company to Bank of America in 2008.



“Countrywide’s improper securitization practices resulted in billions of dollars of losses to federally-insured financial institutions,” said Stephanie Yonekura, the acting U.S. Attorney in Los Angeles, in a statement. “For years, Countrywide and Bank of America unloaded toxic mortgage loans on the government sponsored enterprises Fannie Mae and Freddie Mac with false representations that the loans were quality investments,” said Preet Bharara, the U.S. Attorney in Manhattan, in a statement.

But despite all the huge legal settlements that the government has obtained against financial institutions for mortgage-related behavior leading to the financial crisis, a common criticism has been that very few individuals have been held accountable. Those who have been singled out by the government have not generally been viewed as the big players of the financial crisis era. How can a bank reach the biggest federal government settlement in history without people working at the institution being held responsible for the conduct?

The federal government appears to be working to a certain degree to deal with this contradiction. [Bloomberg News has reported](#) that federal prosecutors in Los Angeles are getting ready to launch civil lawsuits against Mozilo and as many as 10 other former Countrywide Financial employees. The federal government had previously given up trying to prosecute Mozilo. In 2010, Mozilo paid \$67.5 million to resolve civil fraud charges from the Securities & Exchange Commission. “There is no sound or fair basis, in law or fact, to pursue any claim against Angelo Mozilo,” Mozilo’s lawyer, David Siegel, [told Bloomberg News](#). Mozilo “stands virtually alone among banking and mortgage executives to actually have been pursued by this government before and already paid a record penalty.”

Still, [The New York Times has revealed](#) that Mozilo, who is now 75, might be suffering from health issues that could give federal prosecutors second-thoughts about waging a new legal campaign against him.

The Bank of America settlement documents, released by the government on Thursday, make numerous references to Mozilo’s emails and comments on various Countrywide mortgage products, referring to Mozilo as Countrywide’s chairman. “I am becoming increasingly concerned about the environment surrounding the borrowers who are utilizing the pay option loan and the price level of real estate in general but particularly relative to condos and specifically condos being purchased by speculators,” Mozilo wrote in an August 2005 email. “You should never put a non-owner occupied pay option Arm on the balance sheet. I know you have already done this but it is unacceptable.” In a September 2006 email, Mozilo called pay option adjustable rate mortgages “the lightening [sic] rod of ‘exotic loans.’”

Mozilo started out in the Bronx, working at his father's butcher shop and getting into street fights. "I'm perceived as a tough guy, a son of a bitch," he told Forbes in 2000. He might have one last big fight ahead of him—against the Department of Justice.

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