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Attorney General Martha Coakley and Goldman Sachs Reach Settlement Regarding Subprime Lending Issues

Goldman agrees to provide approximately \$50 million in relief to homeowners, pay additional \$10 million to state; AG to continue with investigation of securitization practices in the industry

View accompanying media:

- [Press conference supporting materials](#)
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BOSTON – Today, Attorney General Martha Coakley’s Office announced that it has reached a settlement agreement with Goldman Sachs & Company (Goldman), stemming from the office’s investigation of subprime lending and securitization markets. The Attorney General’s Office has been investigating the role of investment banks in the origination and securitization of subprime loans in Massachusetts, leading to today’s settlement. To resolve any potential claims stemming from the Attorney General’s investigation, Goldman has agreed to provide loan restructuring valued at approximately \$50 million to Massachusetts subprime borrowers. The loan restructuring program is designed to enable borrowers to replace problem loans with new, more affordable loans that take into account the current value of their properties. Goldman has also agreed to make a \$10 million payment to the Commonwealth, and will continue to cooperate with the Attorney General in her ongoing investigation of industry practices.

“Since I became Attorney General, our office has sought accountability at all levels of the subprime lending crisis. We are pleased that Goldman cooperated during this investigation and that it has committed to working with our office to help Massachusetts borrowers who are struggling with unsustainable subprime loans,” said Attorney General Coakley. “We will continue to investigate the deceptive marketing of unfair loans and the companies that facilitated the sale of those loans to consumers in the Commonwealth.”

Under the settlement, Goldman has agreed to significant principal write-downs to allow Massachusetts homeowners to refinance or sell their homes. For homeowners with loans held by Goldman entities, Goldman has agreed to reduce the principal of first mortgages by up to 25-35% and second mortgages by 50% or more. Borrowers whose first mortgage is significantly delinquent will be required to make a reasonable monthly loan payment while seeking refinancing or until they sell their home. If after six months, a borrower is still unable to find financing or sell his or her home, Goldman will reduce the principal owed on the existing loan to assist the borrower. Additionally, for loans not currently held by Goldman, but which are serviced by Goldman’s affiliated servicing company, Litton Loan Servicing LP, Goldman has agreed to assist qualified borrowers with finding refinancing options and other alternatives to foreclosure.

The Attorney General’s Office began its investigation into the securitization of subprime loans in December 2007, and has focused on a variety of industry practices involved in the issuance and securitization of subprime loans to Massachusetts consumers. The Office is investigating whether securitizers may have:

- facilitated the origination of "unfair" loans under Massachusetts law;

- failed to ascertain whether loans purchased from originators complied with the originators' stated underwriting guidelines;
- failed to take sufficient steps to avoid placing problem loans in securitization pools;
- been aware of allegedly unfair or problem loans;
- failed to correct inaccurate information in securitization trustee reports concerning repurchases of loans; and
- failed to make available to potential investors certain information concerning allegedly unfair or problem loans, including information obtained during loan diligence and the pre-securitization process, as well as information concerning their practices in making repurchase claims relating to loans both in and out of securitizations.

Today's settlement and the Attorney General's investigation into securitizers reflect the latest aspect of the Office's comprehensive enforcement approach to combating subprime lending and the foreclosure crisis. The Attorney General's Office has sued Fremont Investment & Loan, as well as Option One and its parent H&R Block, alleging unfair, deceptive and predatory lending practices, and obtained preliminary injunctions against those companies. The Office also promulgated new consumer protection regulations, effective in January 2008, governing mortgage lenders and brokers. The Attorney General's latest inquiry concerns the role of securitizers—those who bundled mortgage loans and sold them as mortgage-backed securities or other investment vehicles.

The Attorney General's Office will continue its investigation of industry practices in the subprime securitization market. The Attorney General's Office has previously completed other investigations relating to the current economic crisis, and recovered over \$75 million from resolutions with UBS, Morgan Stanley, Citibank, and Merrill Lynch regarding their sale of auction rate securities to Massachusetts towns, cities, and governmental entities.

This matter is being handled by the staff of Attorney General Coakley's Insurance and Financial Services Division, including Division Chief Glenn Kaplan, and Assistant Attorneys General Aaron Lamb, Owen Lefkon and Peter Leight, as well as Legal Analyst Greg Dekermenjian, Economist Bryan Lincoln, Mathematician Burt Feinberg, Investigator Kristen Metzger, Paralegal Cassidy Fitzpatrick, and Department of Revenue litigation attorneys Brett Goldberg and John DeLosa.

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Press Conference Supporting Materials

Download and view the settlement agreement:

- [Settlement Agreement between Attorney General's Office and Goldman Sachs \(PDF\)](#) **PDF**

Download and view a diagram explaining the 1st and 2nd lien loans process:

- [Goldman Remedy Chart for 1st/ 2nd Lien Loans \(PDF\)](#) **PDF**

Download and view a map of Massachusetts illustrating locations of loans covered by this agreement:

- [Map: Loans Covered by Agreement with Goldman Sachs \(PDF\)](#) **PDF**

Press Conference Photos





Press Conference Audio and Transcript

Listen to the press conference audio from May 11, 2009:

- [Goldman Sachs Settlement Press Conference Audio \(mp3\)](#)

Download and view a transcript of today's press conference:

- [Goldman Sachs Settlement Press Conference Transcript \(RTF\)](#) **RTF**

Press Conference Video