Obama administration to shield Citigroup executives in mortgage fraud settlement

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12 July 2014

US newspapers reported this week that Citigroup, the third-largest US banks, is set to reach a $7 billion settlement with the Department of Justice in the coming weeks over charges that it sold fraudulent mortgage-backed securities in the run-up to the 2008 crash. The settlement follows a series of closed-door settlements between the Obama administration and Wall Street banks that have shielded top bankers from criminal prosecution and absolved them of responsibility for the criminal actions that led to the financial crisis of 2008.

Although the details and official confirmation of the agreement have not yet been released, initial reports suggest that Citigroup will pay about $4 billion in cash. The remaining $3 billion is expected to take the form of relief to homeowners. As in previous settlements, Citigroup and its executives are likely to be given blanket amnesty, preventing any additional civil or criminal charges from being levied against them.

Citigroup, like every other major US bank, sold fraudulent mortgage-backed securities, to investors in the run-up to the 2008 crash. These activities flooded the global financial system with worthless assets, whose prices collapsed when home values began to fall, leading the US government to bail out Wall Street to the tune of trillions of dollars. Many of these banks, including Goldman Sachs and Deutsche bank, sold these securities to investors while secretly betting that they would fall in value.

In the aftermath of the financial collapse Citigroup, Wells Fargo and Bank of America, and others illegally processed and even forged home mortgage documents in order to more quickly foreclose on the homes of families that had fallen behind on their mortgage payments. The number of people illegally foreclosed on will never be known because the Obama administration put a stop to the tally, but the figure is likely in the millions.

It is impossible to fully calculate the human suffering that has resulted from these crimes. Since 2003, a typical US household has lost 36 percent of its wealth, while the poorest quarter of households have lost 68 percent of their wealth during the same period. According to a recent study published by the British Journal of Psychiatry, “suicides have risen markedly” in North America and Europe since the financial crisis. The study found that there have been nearly 15,000 additional suicides in the two regions since the 2008 crash. The report stated that debt, home repossession, and losing a job were the primary factors for suicide risk.

Rather than holding the banks to account, the government is enabling their criminal activities and shielding them from prosecution. While hundreds of thousands of Americans are sentenced to jail every year for drug possession or assault, those responsible for the economic crisis have been rendered immune for prosecution for vastly greater crimes.

The fines and penalties levied on the banks are deliberately calculated to cause them no significant financial distress. The cash that Citigroup is expected to pay the US government as part of the settlement is roughly equivalent to three months’ worth of profit for the bank. Citigroup has nearly five hundred billion dollars in assets, of which the cash fine represents less than one percent.

There is every reason to expect that, similarly to previous agreements, the government’s wrist-slap settlement with Citigroup will be filled with loopholes. In November 2013, JP Morgan Chase agreed to pay the US government $9 billion in cash to settle allegations of mortgage fraud. A large portion of the cash JP Morgan paid was tax deductible. In the case of Bank of

America's mortgage fraud settlement, worked out at the end of March, more than a third of the Bank's fine was used to buy back the fraudulent securities it had sold to the government-sponsored mortgage finance companies Fannie Mae and Freddie Mac.

These settlements underscore the systematic and widespread character of the banks' criminality. In 2011, the Senate Permanent Subcommittee on Investigations issued a report documenting the widespread criminality that led to the 2008 crash. Carl Levin, the committee's chairman, concluded that the report found "a financial snake pit rife with greed, conflicts of interest and wrongdoing."

The fraudulent sale of mortgage-backed securities constitute only part of the massive crimes the banks are guilty of. Virtually all of the major US and international banks manipulated the London Interbank Offered Rate (Libor), the benchmark global interest rate used to set rates on over $350 trillion in financial assets, including mortgages, credit cards, student loans and bonds. By falsely reporting the interest they paid for loans from other banks, these institutions concealed their losses and increased their profits—at the expense of individual retirees, mortgage borrowers, pension funds and municipalities all over the world. No bank or executive has been criminally charged in relation to these crimes.

Citigroup, HSBC, Bank of New York, and JPMorgan chase were complicit in, and benefited from, Bernard L. Madoff's multi-billion-dollar pyramid scheme, which collapsed in 2008. According to the trustee charged with recovering the assets of Madoff investors, JPMorgan alone made over a billion dollars from the operations.