



Department of Justice



SUMMARY OF \$7 BILLION IN CONSUMER RELIEF PROVIDED BY JUSTICE DEPARTMENT SETTLEMENT WITH BANK OF AMERICA

Under the settlement reached with Bank of America, the bank has agreed to provide \$7 billion in consumer relief to underwater homeowners, distressed borrowers and communities affected by the financial crisis. This consumer relief builds upon similar provisions in the National Mortgage Servicers Settlement, last year's settlement with JPMorgan Chase and the recent settlement with Citigroup.

Under the agreement, Bank of America has the ability to earn "credit" towards the \$7 billion consumer relief requirement by providing up to four different forms of assistance. The amount of credit Bank of America can earn will be based upon how valuable each respective form of relief is to affected consumers and communities, as well as the timing of the delivery of the relief and the relative degree of difficulty associated with performing each type of assistance.

The four elements are as follows:

1. **MODIFICATION** – Bank of America agrees to provide a variety of forms of modification. This includes over \$2 billion in forgiveness of principal on underwater mortgages. For most nonperforming loans held in Bank of America's own portfolio, Bank of America will offer homeowners a principal reduction modification that results in a loan-to-value ratio of no greater than 75 percent and at a permanent interest rate of two percent. And for the very first time, the settlement incentivizes the bank to provide relief to distressed borrowers with high loan-to-value FHA-insured loans and VA-guaranteed loans. The consumer relief Bank of America has agreed to will also include full extinguishment of second liens, junior liens and unsecured mortgage debt, as well as full extinguishment of first lien mortgages on some properties. Much of this modification relief will be in "hardest hit areas," which are defined by HUD as having a high number of vacant or distressed properties and foreclosures.
2. **LOW- TO MODERATE-INCOME LENDING** – Bank of America can earn credit towards the \$7 billion consumer relief requirement by providing purchase money loans to borrowers in hardest hit areas, borrowers who lost homes to foreclosure and short sales, and first-time, low-to-moderate-income borrowers, all of whom often have difficulty getting loans despite their creditworthiness.
3. **COMMUNITY REINVESTMENT AND NEIGHBORHOOD STABILIZATION** – Bank of America agrees to provide a minimum of \$100 million in donations to community development funds, legal aid organizations and housing counseling agencies. In some places, Bank of America will also donate vacant properties to non-profits along with cash that will enable those non-profits to make productive use of those properties. Bank of America is able to earn significant credit towards the \$7 billion consumer relief requirement, as all of these donations will have a substantial effect on affected consumers and communities.

4. **AFFORDABLE RENTAL HOUSING** – This is a relatively new form of consumer relief assistance. Under the agreement, Bank of America agrees to provide \$100 million in financing for affordable rental housing, with a focus on family housing in opportunity areas, which is one of the most critical needs in housing today.

The construction of new affordable rental housing usually requires subsidies, grants or mezzanine financing to make it possible because the rents collected from the units will be so low. These subsidies make up the difference between the cost of preserving and constructing affordable housing, on the one hand, and the relatively low income stream generated by the rents, on the other. The federal government assists in this process by providing Low Income Housing Tax Credits (LIHTC), which aid in funding these affordable housing projects. In addition, states and municipalities often provide grants to assist in the development of affordable rental housing, but many have cut this funding substantially due to the recession caused by the financial crisis.

Under the agreement, Bank of America will provide that “gap” financing to facilitate the construction, rehabilitation or preservation of affordable rental multi-family housing in cities throughout the country. The amount of credit that Bank of America will earn will be tied to the amount of this unique gap financing, recognizing that it may often result in a loss to Bank of America. The rental housing will have a substantial multiplier effect in locations throughout the country, providing much-needed jobs and assisting states and municipalities in their efforts to recover from the financial crisis.

Bank of America will engage in broad-ranging outreach—including multilingual outreach—to ensure that eligible homeowners and potential borrowers are aware of the relief that may be available to them. Bank of America has also established a hotline to take settlement-specific inquiries from consumers, and will shortly be establishing a web page with basic information about the forms of relief described above. The Bank of America hotline number for consumers to call is **877.488.7814**.

As with prior settlements, Bank of America will be required to report its efforts to an independent monitor, who will verify Bank of America’s efforts and report publicly on them. In a significant improvement over prior settlements, Bank of America will be required to report on its efforts down to the local level, enabling communities across the country to have transparency into how this settlement is affecting local consumers and communities.

Finally, Bank of America has agreed to place \$490.16 million in a tax relief fund, to be used to defray some of the tax liability that will be incurred by consumers receiving this relief if Congress fails to extend the tax relief coverage provided by the Mortgage Forgiveness Debt Relief Act of 2007. The monitor will be responsible for administering this fund, and will make estimated tax relief payments directly to the IRS on behalf of some consumers receiving the modification forms of consumer relief described above. Although this tax relief fund is merely a stop-gap measure until Congress acts, we estimate that tens of thousands of consumers will be helped by this tax relief fund.