



PRESS RELEASE

Attorney General Frosh Announces \$18 Million Settlement with RBS Financial Products *Settlement Resolves Claims of Misleading Investors that Purchased Residential Mortgage Backed Securities*

BALTIMORE, MD (December 22, 2020) – Maryland Attorney General Brian E. Frosh announced today that his Securities Division has entered into an \$18 million settlement with RBS Financial Products, Inc., a subsidiary of the Royal Bank of Scotland (RBS). The Consent Order resolves claims that RBS misled investors in its issuance and underwriting of financial crisis-era residential mortgage-backed securities (RMBS).

“RBS issued and underwrote residential mortgage-backed securities containing poor quality loans, and we allege they failed to disclose these facts properly to investors,” said Attorney General Frosh. “RBS’s conduct contributed to the 2008 financial crisis. Maryland state and local governments suffered millions of dollars of losses, and they will now recoup those losses.”

Leading up to the financial crisis, RBS purchased and securitized tens of thousands of mortgage loans, and packaged those for sale. The RBS offering documents made representations that the loans backing the RMBS generally complied with the lender’s underwriting guidelines, complied with applicable laws, and had certain loan-to-value (LTV) ratios.

However, due diligence reviews performed by RBS revealed that certain loans did not conform to these representations. Third-party diligence vendors hired by RBS provided reports that graded a sample of loans and noted those that did not meet underwriting guidelines and lacked compensating factors, did not comply with applicable laws, or were based on insufficiently supported appraisals. RBS often purchased and securitized loans that were not part of the diligence sample without additional review. At times, RBS even agreed with mortgage originators to limit the number of loan files it could review during its due diligence. A description of these agreements with originators were not disclosed in the offering documents. The offering documents also did not disclose findings of the due diligence reports.

Eligible state agencies and local governments will be able to submit claims for reimbursement of losses from the \$18 million settlement. The RBS settlement is similar to earlier settlements announced by Attorney General Frosh including a [\\$20 million settlement with Wells Fargo](#) and a [\\$95 million settlement with Deutsche Bank](#).

In making today's announcement, Attorney General Frosh thanked Assistant Attorney General Max F. Brauer his work on the case.

The entire settlement package can be found at:

<https://www.marylandattorneygeneral.gov/Securities%20Actions/2020/RBSOrder12172020Final.pdf>