

RAÚL M. GRIJALVA  
7TH DISTRICT OF ARIZONA

COMMITTEE ON NATURAL RESOURCES  
Subcommittee on Water and Power  
Subcommittee on Parks, Forests and  
Public Lands – *Ranking Member*

COMMITTEE ON EDUCATION AND THE WORKFORCE  
Subcommittee on Early Childhood,  
Elementary and Secondary Education  
Subcommittee on Higher Education and  
Workforce Training

CONGRESSIONAL PROGRESSIVE CAUCUS,  
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February 6, 2012

Honorable Tom Horne  
Arizona Attorney General  
1275W. Washington Street  
Phoenix, AZ 85007-2926

Dear Attorney General Horne:

I am writing to encourage you to reject the proposed settlement between state attorneys general and the Nation's five largest banks – Bank of America, JPMorgan Chase, Citibank, Wells Fargo, and Ally Financial – on the grounds that the settlement inadequately addresses the harm they caused to Arizona homeowners through illegal and fraudulent mortgage origination and servicing practices.

Although the actual details of this settlement have yet to be publically disclosed, news reports suggest that the tentative agreement's terms would only involve \$25 billion in total compensation, of which only \$17 billion would go towards loan modifications for homeowners. This is a paltry sum when compared to the scope of the foreclosure crisis in our state. Nearly half of homeowners in Arizona owe more on their mortgages than their homes are worth and Arizona has the third highest foreclosure rate in the country. This settlement does not provide enough funds to cover damages for our state, let alone the entire country.

I also find it troubling that under the proposal, banks may receive greater credit for assisting homeowners when they modify the mortgages of borrowers who owe less than 175 percent of the value of their homes. These incentives discourage banks from assisting borrowers who are severely underwater – the very people hit the hardest by the illegal behavior the settlement aims to rectify. Furthermore, in exchange for this onetime payment to homeowners, the proposed settlement would likely release the five banks from liability on the origination and servicing of trillions of mortgages. This could prevent the state from collecting hundreds of billions of dollars in possible compensation owed to homeowners devastated by the foreclosure crisis and could negatively affect current lawsuits.

I believe this proposed settlement will result in nothing more than another bailout for big banks. A settlement that fails to provide just compensation for hundreds of thousands of Arizona homeowners is not an agreement worth considering. I ask for full and fair consideration of the concerns expressed in this letter, consistent with applicable law, rules, and regulations.

Sincerely,

  
Raúl M. Grijalva  
Member of Congress