



Office of the Attorney General

Washington, D. C. 20530

January 27, 2012

MEMORANDUM TO THE FINANCIAL FRAUD ENFORCEMENT TASK FORCE

FROM:  THE ATTORNEY GENERAL
Chair, Financial Fraud Enforcement Task Force

SUBJECT: Residential Mortgage-Backed Securities

The recent global financial crisis has affected, and continues to affect, millions of Americans who placed their trust in the integrity and fairness of our financial institutions and markets. Through congressional inquiry and other criminal and civil investigations into the cause of the financial crisis, we have learned that the creation, sale, and, ultimately, massive failure of residential mortgage-backed securities (or, RMBS, as they are known) contributed significantly to the collapse of the housing market, damaged the public's trust and threatened the safety and soundness of our economy.

Many of our Task Force members have conducted, and currently are conducting, civil and criminal investigations into the RMBS market to determine whether it was infected by fraud and other misconduct. As you know, a central mission of the Task Force is to enhance the government's effectiveness to prevent and combat financial fraud by sharing information and fostering cooperation among members. Therefore, in order to collaborate with these existing state and federal investigations, as well as forthcoming investigations, I am directing the Task Force to create a new working group specifically devoted to this issue. Specifically, I am asking this new group -- the Residential Mortgage-Backed Securities Working Group -- to assist state and federal law enforcement offices in achieving justice for the victims of any such misconduct by collaborating on the existing ongoing efforts as well as new investigations into these matters, including:

- misrepresentations by originators, sponsors, underwriters, and other market participants concerning the quality of mortgages backing the RMBS;
- failures to transfer ownership of the collateral into the securities;
- failures by trustees to manage adequately the assets within the securitized pools of loans;
- failures by RMBS sponsors to repurchase the problematic loans or remit loan proceeds to RMBS trusts;
- failures by RMBS sponsors to adequately reserve for and/or disclose the potential exposure to liability if obligations to repurchase problematic loans were triggered; and

- any harm suffered by American consumers as a result of any of the above misrepresentations or failures.

In addition, I am directing the group to collaborate regarding investigations of misconduct in the origination of loans insured by federal government agencies.

Each of the following individuals, true leaders and experts in this field, will act as a co-chair for the group:

- Lanny Breuer, Assistant Attorney General, Criminal Division, DOJ
- Robert Khuzami, Director of Enforcement, SEC
- Eric Schneiderman, Attorney General, State of New York
- John Walsh, United States Attorney, District of Colorado
- Tony West, Assistant Attorney General, Civil Division, DOJ

The mission of the group -- to hold accountable those who violated the law and provide relief for homeowners struggling from the collapse of the housing market -- will be furthered through the active participation of the following members:

- Executive Office for United States Attorneys
- Federal Bureau of Investigation
- Financial Crimes Enforcement Network
- Internal Revenue Service - Criminal Investigation
- Consumer Financial Protection Bureau
- Federal Housing Finance Agency's Office of Inspector General
- United States Department of Housing and Urban Development
- United States Department of Housing and Urban Development's Office of Inspector General

I direct that this Working Group report directly to the Task Force Steering Committee periodically on developments.

To the extent there was any fraud or misconduct in the RMBS market, we remain committed to discovering it and ensuring that justice is achieved for the victims. I have created this new working group for that purpose, and I look forward to hearing about the great work that it will accomplish.