Your Guide to the Latest Efforts to Hold Big Banks Accountable

by Christie Thompson and Theodoric Meyer
ProPublica

It's been an expensive few months for JPMorgan Chase. The bank is in talks—which could still fall through—to pay a record $13 billion to the Department of Justice and other agencies over several probes into alleged mortgage misconduct during the run-up to the financial crisis.

Amid talks of the mortgage settlement, the bank agreed to pay out another $920 million, this time to settle allegations in the "London Whale" trading scandal. Overall, the bank has spent or set aside $28 billion for legal costs since 2010. The company reported its first loss under Chief Executive Jamie Dimon in early October.

Meanwhile, Bank of America, Citigroup and others have also recently agreed to large settlements related to allegations ranging from staying hush about an ongoing Ponzi scheme to levying extra fees from customers. While many are paying up, few are actually admitting guilt. Many banks are able to settle lawsuits for large sums of cash without ever "admitting or denying" wrongdoing. This has long been a major point of contention in the effort to regulate big banks.

And the cases keep coming: Many banks are being investigated by multiple state and federal agencies, meaning they can be sued or investigated multiple times over what might seem like the same allegation.

If you're having a hard time keeping track, here's a rundown on the latest lawsuits, settlements and ongoing investigations involving big banks:

Mortgages

JPMorgan in talks to pay $13 billion to end multiple mortgage probes

THE BANK

JPMorgan Chase

THE DETAILS

The Justice Department, New York Attorney General Eric T. Schneiderman, the Federal Housing Finance Agency and federal prosecutors in Pennsylvania and California were investigating whether the bank misled investors about the risk of mortgages underlying securities sold between 2005 and 2007, in the run-up to the 2008 financial crisis. Many of the questionable sales were made by Bear Stearns and Washington Mutual, companies that JPMorgan acquired when they failed in 2008.

THE POTENTIAL SETTLEMENT

The bank has discussed paying $13 billion to settle claims by several U.S. agencies and prosecutors' offices, though the tentative deal could still fall through. Of the $13 billion, $4 billion would go to homeowners facing foreclosure.

As part of the $13 billion payout, JPMorgan agreed this week to pay $4 billion in a separate settlement with the Federal Housing Finance Agency. The FHFA sued the bank for allegedly selling Fannie Mae and Freddie Mac faulty mortgage-backed securities. Fannie and Freddie are government-supported companies that buy mortgages from lenders and bundle and sell them to investors, freeing up more capital for banks to lend out.

There is some debate over whether JPMorgan or The Federal Deposit Insurance Corporation should pay for the losses from Washington Mutual's mortgage securities. The FDIC took over Washington Mutual when it failed, and then sold it to JPMorgan. This remains a sticking point in the settlement talks.

ONGOING INVESTIGATIONS

U.S. Attorney General Eric Holder would not agree to end all inquiries into JPMorgan's mortgage practices as part of the settlement. Federal prosecutors in California will continue a criminal investigation into loans and mortgage-backed securities the bank sold between 2005 and 2007. This has been another point of contention, as JPMorgan is reportedly still seeking protection from future criminal investigations.

ADMIT WRONGDOING?

The bank did not admit wrongdoing in its settlement with the FHFA. The settlement is "an important step towards a broader resolution of the firm's [mortgage-backed securities]-related matters with governmental entities," the bank said in a statement.

JPMorgan has not yet said whether it will admit wrongdoing in its settlement with the Justice Department and other prosecutors.
FHFA sues multiple banks over faulty mortgage-backed securities

THE BANKS

JPMorgan Chase, Bank of America, UBS, Citigroup, General Electric and 13 others

THE DETAILS

The Federal Housing Finance Agency, the conservator of government-backed finance companies Fannie Mae and Freddie Mac, is suing several banks for allegedly selling faulty mortgage bonds to Fannie and Freddie between 2004 and 2007. Fannie and Freddie have also brought suits against many of the same banks over the sale of mortgage loans.

THE SETTLEMENTS

JPMorgan has settled its suit with the FHFA for $4 billion, as part of a larger, tentative $13 billion payout over mortgage issues (see above). The FHFA is reportedly seeking at least $6 billion from Bank of America, which created the largest share of the mortgage-backed securities in question.

Three additional banks have already settled with the FHFA, which filed the original suits in 2011. UBS settled for $885 million in July. Citigroup and General Electric settled earlier this year, though neither disclosed details of their agreements with the agency.
ADMIT WRONGDOING?

JPMorgan and UBS did not admit to wrongdoing in their settlements. Details of the GE and Citigroup agreements were not disclosed. Bank of America has not yet said whether they would admit wrongdoing in the case.
Banks buy back faulty loans from Fannie Mae and Freddie Mac

THE BANKS

Citigroup, Wells Fargo, SunTrust, JPMorgan

THE DETAILS

The banks have agreed to repurchase mortgages they sold to Freddie Mac or Fannie Mae as far back as 2000 that went bad during the housing market crash. The lawsuits allege that the banks did a poor job “underwriting” these loans, which means assessing how likely borrowers are to default.

These settlements are separate from cases filed over mortgage-backed securities by the Federal Housing Finance Agency in 2011.

THE SETTLEMENTS

JPMorgan has agreed to pay Fannie Mae $670 million for the loans, and will pay $480 million to Freddie Mac. Citigroup repurchased $968 million of faulty loans from Fannie Mae and $395 million from Freddie Mac. Wells Fargo paid Freddie Mac $780 million, and SunTrust bank settled with Freddie Mac for $65 million.

ADMIT WRONGDOING?

None of the banks have admitted wrongdoing as part of their settlements.
Bank of America Found Liable for Countrywide Hustled Mortgages

THE BANK

Bank of America

THE DETAILS

Bucking the trend of banks settling out of court, Bank of America went to trial to fight Justice Department allegations that it had lied to Fannie Mae and Freddie Mac about tightening its underwriting standards for mortgages sold by Countrywide Financial, which Bank of America purchased as it neared failure in 2008. In reality, new incentives and looser quality controls had led to "rampant instances of fraud and other serious loan defects," alleged prosecutor Preet Bharara. Last week, a federal jury found the bank and former mid-level Countrywide executive Rebecca Mairone liable for fraud.

The case began when a former official blew the whistle on an internal program nicknamed “the Hustle,” which he says incentivized brokers to ignore quality controls and sell high-risk loans.

THE SETTLEMENT

The size of the penalty will be decided in early December.

ADMIT WRONGDOING?

No. Bank of America spokesman Lawrence Grayson told Reuters “the jury's decision concerned a single Countrywide program that lasted several months and ended before Bank of America's acquisition of the company. We will evaluate our options for appeal."

A lawyer for Mairone also told Reuters she intended to appeal the decision.

SEC files charges in Magnetar deal

THE BANK

Bank of America’s wealth-management division, Merrill Lynch

THE DETAILS

The SEC has accused advisory firm Harding Advisory and its owner, Wing Chau, of misleading investors in a bundle of mortgage securities known as a collateralized debt obligation (CDO). The case says Harding and the CDO’s creator, Merrill Lynch, agreed to let hedge fund Magnetar help decide which assets went into the $1.5 billion deal. Magnetar had bet against those CDOs, and stood to profit handsomely if they failed. The bank itself has not been charged in the suit.

Harding’s lawyer Steven Molo did not return a call from ProPublica reporters this month seeking comment. Through a spokesman, Magnetar declined to comment.

See the rest of our coverage of Magnetar, and how deals like the one in the SEC’s suit worsened the impact of the housing market’s collapse.

New York suing Wells Fargo for allegedly violating the terms of mortgage settlement

THE BANK

Wells Fargo

THE DETAILS

Wells Fargo was one of five banks that agreed to 304 new requirements for how they deal with mortgages as part of a $25 billion settlement over misconduct that led to the foreclosure crisis. Now, the New York Attorney General Eric T. Schneiderman is suing the bank for allegedly delaying homeowners' attempts to modify their loans and avoid foreclosure. Wells Fargo denies it has violated the agreement.

Schneiderman dropped a similar case against Bank of America when the bank agreed to adopt additional protections for struggling homeowners. In Florida, the complaints of hundreds of homeowners prompted Bank of America and Wells Fargo to commit to improving foreclosure protections.
Nonprofit claims Bank of America ignored minority neighborhoods

THE BANK

Bank of America

THE DETAILS

The nonprofit National Fair Housing Alliance filed an expanded complaint in September alleging that Bank of America has neglected bank-owned homes in neighborhoods of color in 18 cities, while working harder to sell those in white neighborhoods.

Bank of America denies the allegations. A Bank of America spokesman told the Wall Street Journal that the claims "revealed numerous, material flaws in their methodology and how they represented that information publicly."

Wells Fargo settled a similar case with the U.S. Department of Housing and Urban Development and the National Fair Housing Alliance for $42 million in June. They, too, denied the allegations.
Capital One settles claims its Chevy Chase bank raised rates for black and Hispanic homeowners

THE BANK

Capital One

THE DETAILS

The Department of Justice alleges Chevy Chase Bank, which Capital One bought in 2009, charged black and Hispanic customers hundreds of dollars more in fees and interest on their mortgages. Investigators found that one branch would charge an African American borrowing $250,000 roughly $950 more than they would a white borrower.

THE SETTLEMENT

The bank agreed to pay $2.85 million in damages.

ADMIT WRONGDOING?

No.

Nine banks hit with lawsuits over faulty mortgage-backed securities

THE BANKS

Morgan Stanley, Barclays, JPMorgan Chase/Bear Stearns, Credit Suisse, Royal Bank of Scotland, UBS, Goldman Sachs, Wachovia, Ally Securities

THE DETAILS

The National Credit Union Administration is suing nine banks for allegedly selling faulty mortgage-backed securities to two corporate credit unions. One complaint says Morgan Stanley, Barclays, JPMorgan, Credit Suisse, Royal Bank of Scotland and UBS lied about the true risk of the securities, which helped lead to the collapse of the Southwest and Members United credit unions. In a separate lawsuit also filed in September, the National Credit Union Administration has accused Goldman Sachs, Wachovia and Ally Securities of misrepresenting risky securities to Southwest Credit Union.

According to the NCUA, “Southwest and Members United corporate credit unions paid more than $416 million for the securities in question in the Morgan Stanley suit and more than $1.9 billion for securities sold by the other defendants.”

Justice Department and SEC say Bank of America lied to investors

THE BANK

Bank of America

THE DETAILS

The SEC and the Department of Justice claim Bank of America misrepresented high-risk loans as prime mortgages when they were bundled into $850 million worth of mortgage-backed securities and sold to investors. Unlike the high-interest loans made to low-income borrowers that are at the center of several suits, these were “jumbo” mortgages for more expensive homes. The lawsuit says many of the mortgages didn’t comply with the bank’s own standards.

The SEC says losses to investors who bought the mortgage-backed securities could be as much as $120 million. Bank of America claims it was the housing crash and not any wrongdoing on its part that led to the loss. "These were prime mortgages sold to sophisticated investors who had ample access to the underlying data and we will demonstrate that," a bank spokesman said.
UBS settles charges its CDO deal violated securities law

THE BANK

UBS

THE DETAILS

The SEC claimed UBS kept $23.6 million in upfront cash that should have gone into a mortgage-backed security the bank created in 2007. “In doing so, UBS misrepresented the nature of the CDO’s collateral,” George S. Canellos, co-director of the SEC’s enforcement division, said in announcing the settlement.

THE SETTLEMENT

The bank agreed to pay $49.8 million in August.

ADMIT WRONGDOING?

The bank did not admit or deny wrongdoing in the settlement.
Power Markets

THE BANKS

JPMorgan Chase, Barclays

THE DETAILS

The federal government accused JPMorgan of engaging in “manipulative schemes” designed to turn money-losing power plants in California and Michigan into profit generators for the bank. JPMorgan gained the right to sell the power plants’ electricity from Bear Stearns after it took over the failed investment bank in 2008.

The Federal Energy Regulatory Commission also fined Barclays and four of its traders for manipulating energy prices in California and other western states.

THE SETTLEMENT

Barclays agreed in July to pay $453 million to the Federal Energy Regulation Commission, the largest settlement in the agency's history. The agency has since filed a court order to enforce the settlement, claiming that Barclays has failed to pay up.

JPMorgan settled for $410 million, the regulator's second-largest settlement.

ADMIT WRONGDOING?

No. The FERC said JPMorgan agreed with them on the facts but "did not admit or deny the violations."

Barclays and the four traders named in the suit have denied any wrongdoing.
London Whale

THE BANK

JPMorgan Chase

THE DETAILS

JPMorgan officials failed to regulate traders who were making massive bets on corporate bonds —so massive they distorted the whole derivatives market. Top management allegedly gave misinformation to regulators and failed to inform their board about the traders lying about the true losses of those massive bets. The trades ultimately cost the bank $6 billion.

THE SETTLEMENT

The bank shelled out $920 million dollars: $300 million to the Office of the Comptroller of the Currency, $200 million to the Securities and Exchange Commission, $200 million to the Federal Reserve, and $220 million to the U.K. Financial Conduct Authority.

The bank also agreed to pay another $100 million to the U.S. Commodity Futures Trading Commission, to settle their investigation into the trades.

ADMIT WRONGDOING?

Yes. The bank admitted to violating federal security law, and Chief Executive Jamie Dimon said in a press release that the company "accepted responsibility and acknowledged our mistakes."

Bruno Iksil, the trader nicknamed the "London Whale," left the bank last year. The former head of the bank's investment unit, Ina Drew, also resigned and had to return two years' worth of pay to JPMorgan.

ONGOING INVESTIGATIONS

The U.S. attorney's office in Manhattan has indicted two former traders for allegedly trying to cover up the losses.
Customer Charges
U.S. Bank settles suit over wrongfully increasing customers' overdraft fees

THE BANK

U.S. Bank

THE DETAILS

For several years, U.S. Bank withdrew charges from customer's accounts from the largest to smallest, instead of based on when the transaction occurred. That meant many customers' accounts ended up overdrawn, resulting in extra overdraft fees. Customers filed a class-action suit, one of several targeting that method of withdrawing from customer accounts..

THE SETTLEMENT

The bank settled for $55 million, which will go to refund 2.7 million customers.

ADMIT WRONGDOING?

No. U.S. Bank says there's nothing wrong with the way it ordered withdrawal from customers' accounts, though it has stopped the practice.
West Virginia sues four banks for misleading customers on credit card protection programs

THE BANKS

JPMorgan Chase, Bank of America, Citigroup and GE Money Bank

THE DETAILS

The state's attorney general says thousands of customers were deceived into paying for extra protection programs, often without knowing they were even enrolled. The lawsuit claimed the banks violated the state's consumer protection laws.

THE SETTLEMENT

Each bank agreed to pay $1.95 million.

ADMIT WRONGDOING?

All four of the banks denied the allegations.
Chase customers allegedly charged for protections they never received

THE BANK

JPMorgan Chase

THE DETAILS

Millions of Chase customers paid between $8 and $12 each month for extra credit card protections — services many never actually received, according to a lawsuit filed by the Office of the Comptroller of the Currency and the Consumer Financial Protection Bureau. The agencies claimed the bank was selling customers extra protections against identity theft and fraud before it received the authorization to provide them.

THE SETTLEMENT

In September, JPMorgan settled for $389 million: $80 million to pay off penalties and $309 million to pay back the 2.1 million customers affected.

ADMIT WRONGDOING?

The bank did not admit or deny wrongdoing in the settlement. “We stopped new enrollments in these products in mid-2012 and will fully exit them by the end of this year,” Bill Wallace, the head of operations for consumer and community banking, said in a statement. “We have already credited or refunded the customers affected. Any mistakes like these are regrettable.”
Libor Fixing

THE BANKS

JPMorgan Chase, Barclays, Credit Suisse and 10 others

THE DETAILS

The National Credit Union Administration sued 13 banks in September in the latest case to come out of the Libor scandal. Libor — the London interbank offered rate — is an interest rate set each day in London that determines how much banks must pay to borrow from each other. The rate is also the basis for trillions of dollars in loans. More than a dozen banks have been accused of scheming to manipulate Libor.

Five banks — Barclays, Royal Bank of Scotland, ICAP, UBS and Rabobank — have agreed to pay a total of about $3.7 billion in settlements with U.S. and British regulators. Subsidiaries of Royal Bank of Scotland and UBS also pleaded guilty to criminal wrongdoing in the settlements. Rabobank, which is based in the Netherlands, paid an additional $96 million to the Dutch Public Prosecution Service. (See ProPublica's and Marketplace's excellent explainers for more detail.)

The lawsuit is separate from those settlements, though. It alleges that the banks' Libor manipulations "resulted in a loss of income from investments and other assets held by five failed corporate credit unions" in the U.S.

ADMIT WRONGDOING?

The credit union case is ongoing. Barclays, Royal Bank of Scotland and UBS have admitted wrongdoing in the wider Libor scandal, although Royal Bank of Scotland didn't go as far as the other two banks.

Bob Diamond, Barclays' chief executive, resigned last year, along with the bank's chairman and chief operating officer. ICAP did not admit or deny wrongdoingin its U.S. settlement last month. It was unclear whether or not Rabobank's settlement, announced this week, would include an admission of wrongdoing.
Ponzi Schemes
JPMorgan Under Investigation for Turning a Blind Eye to Madoff

THE BANK

JPMorgan Chase

THE DETAILS

The bank is in talks with federal prosecutors to resolve allegations that it turned a blind eye to the possibility that Bernard Madoff, a client, was running a Ponzi scheme. Madoff's scheme lost his investors an estimated $17 billion. JPMorgan and prosecutors have had preliminary talks about reaching a deferred prosecution agreement, in which the bank would pay a fine and agree to certain other concessions. The bank would be prosecuted if it slipped up again. The Justice Department still hasn't ruled out criminal charges, though.
$52.5 million TD Bank settlement for failing to report a Ponzi scheme

THE BANK

TD Bank

THE DETAILS

TD Bank settled civil charges with regulators in September for its alleged role in a Ponzi scheme run by Scott Rothstein, a Florida lawyer who pleaded guilty in 2010 and is currently serving a 50-year prison sentence. Regulators accused the bank of creating misleading documents and lying to investors about Rothstein's accounts.
THE SETTLEMENT

The bank settled the civil charges with the Financial Crimes Enforcement Network and the OCC for $37.5 million and with the SEC for $15 million. Total payout: $52.5 million. The SEC also brought charges against Frank Spinosa, a former regional vice president at the bank whom the SEC alleges “told outright lies to investors.” That case is ongoing. The bank is also appealing a 2012 federal jury verdict that ordered it to pay $67 million for its role in the Ponzi scheme.

ADMIT WRONGDOING?

Rothstein pleaded guilty to cheating investors out of $1.2 billion. The bank denies any wrongdoing.

Money Laundering
HSBC pays the largest-ever U.S. penalty against a bank.

THE BANK

HSBC

THE DETAILS

A federal judge approved a settlement in July between HSBC and federal and state authorities over charges that the bank had become the “preferred financial institution” for Mexican and Colombian drug cartels engaged in money laundering.

THE SETTLEMENT

HSBC shelled out $1.9 billion, the largest-ever U.S. penalty against a bank.

ADMIT WRONGDOING?

Yes. The bank apologized last year and said it had overhauled its anti-money-laundering efforts. But it made similar promises a decade ago when it was cited for poor oversight of suspicious transactions. David Bagley, HSBC’s head of compliance, resigned last summer.