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\$78 Million Pay Option ARM Agreement with Wells Fargo Secured For Nevada Homeowners

Las Vegas, NV – Attorney General Catherine Cortez Masto today announced a multi-state agreement with Wells Fargo Bank (“Wells Fargo”) over allegedly deceptive marketing of payment-option adjustable rate mortgage loans (“POAs”) by companies it acquired: Wachovia Corporation (“Wachovia”) and Golden West Corporation (“Golden West”).

“At least 694 Nevada POA borrowers will be eligible for loan modifications that will provide almost \$78 million in mortgage relief in Nevada,” General Masto said. “This sum includes more than \$45 million in principal forgiveness for Nevada homeowners.”

Wells Fargo has entered into an agreement with Nevada and seven other states in response to state investigations of Wachovia’s and Golden West’s marketing of POAs. Overall, loan modifications will be offered to 8,715 eligible borrowers in eight states (Arizona, Florida, Colorado, New Jersey, Washington, Texas, Illinois and Nevada) with a total economic value estimated to be more than \$772 million. As of projections on April 1, 2010, on which the settlement was framed, the agreement will generate more than \$402 million in overall principal forgiveness. This agreement shall be binding on Wells Fargo and enforceable under the provisions of the Nevada Deceptive Trade Practices Act.

Wells Fargo did not originate these payment-option ARMs. At the end of 2008, it purchased Wachovia, which had originated the POAs, and had already purchased Golden West, a significant payment-option adjustable rate mortgage lender.

Nevada alleged that Wachovia’s and Golden West’s marketing of POAs violated the Nevada Deceptive Trade Practices Act because the companies did not fully explain that the minimum payment, due in the first years of the loan, did not cover the full amount of accrued interest. This in turn would increase the amount of the loan, or negatively amortize the loan.

The agreement in Nevada provides that between December 1, 2010, and June 30, 2013, Wells Fargo will offer modifications to eligible qualified residential POA borrowers who are either 60 days delinquent or facing imminent default. Borrowers will first be considered

for the federal Home Affordable Modification Program (“HAMP”) and if the borrower cannot qualify under HAMP or elects not to accept a HAMP modification, Wells Fargo will consider the borrower for its new modification program, known as MAP2R.

Modified loan terms will vary according to the circumstances of the borrower, but can include principal forgiveness, loan extension, interest rate reduction, and principal forbearance (which gives the borrower additional time to pay off the loan principal.) Borrowers who remain current on their modified payments over three years will be able to earn additional principal forgiveness. Borrowers who qualify may also convert their current mortgage into a fixed-rate loan.

“The bar has been raised and I call upon other financial institutions to adopt these servicing commitments in their dealings with Nevada residents,” said General Masto. “The principal forgiveness is especially important to help Nevada homeowners who are deeply underwater.”

Under the Nevada agreement, Wells Fargo also agrees to improve its servicing commitments for its POA borrowers. These include:

- Ensuring adequately staffed help lines to serve consumers, including Spanish-speaking consumers.
- Providing a single, primary point of contact to assist borrowers seeking modifications under this agreement.
- Making decisions on modifications within 30 calendar days of receiving a complete application.
- Establishing a formal second look or appeal process for borrowers who are turned down for a modification.
- More clearly communicating with borrowers to avoid confusion during this process.

Wells Fargo also will offer other alternatives to foreclosure, including short sale, deed-in-lieu, and relocation assistance. The agreement provides for a Compliance Monitor and quarterly reporting to the eight Attorneys General. Wells Fargo will also pay \$1.1 million to the Nevada Attorney General’s Office to assist with the State’s efforts to prevent or mitigate foreclosures and prevent mortgage or loan modification fraud.

Wells Fargo will send eligible borrowers and HUD certified housing counseling agencies in Nevada two letters describing MAP2R’s eligibility requirements, terms, and application process and its relationship with HAMP. In addition, Wells Fargo customers who originally took out mortgages through Wachovia or Golden West who are looking for information about the loan modification program can call **1-888-565-1422**. Keep in mind that borrowers whose loans are serviced by Wells Fargo, but who do not have POAs, will not be eligible for modifications under this settlement.

Nevada homeowners who are in or are facing foreclosure are advised to seek assistance as soon as possible. Homeowners can speak with a HUD-approved housing counselor by calling 702-229-HOME or 877-448-4692 to find a local HUD-approved housing counseling agency. Also visit www.fightfraud.nv.gov.

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