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FOR IMMEDIATE RELEASE

DATE: October 24, 2012

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RBS FINANCIAL PRODUCTS TO PAY \$42 MILLION FOR SECURITIZATION ROLE IN NEVADA SUBPRIME MORTGAGE MELTDOWN UNDER SETTLEMENT WITH ATTORNEY GENERAL MASTO'S OFFICE

More Than 2,000 Nevada Homeowners Will Directly Benefit From Settlement

Carson City, NV – Nevada Attorney General Catherine Cortez Masto announced that RBS Financial Products (RBSFP) will pay a \$42 million settlement to resolve an investigation into the firm's role in purchasing and securitizing subprime and payment option adjustable rate mortgages in Nevada.

The assurance of discontinuance, filed in Eighth Judicial District Court, requires RBSFP to commit to certain changes in its practices to the extent it securitizes Nevada mortgages and to pay the State \$42 million to be used for payments to affected borrowers, mortgage fraud enforcement, and foreclosure prevention, and attorney's fees and costs.

"I remain committed to enforcing Nevada's laws against the players – including those on Wall Street – that contributed to and profited from reckless and deceptive mortgage lending in Nevada," said Masto. "The payment from RBS will alleviate some of the injury to the Silver State and its residents. The changes to its securitization process should help make sure that we do not go down this road again."

The nearly two year investigation centered upon potential misrepresentations by lenders, including Countrywide and Option One, to Nevada consumers who took out subprime loans and payment option ARMs that were bought and securitized by RBS between 2004 and 2007. These include whether lenders deceived consumers about the actual interest rate and payments on their loans, the appraised value of their property, and the potential payment shock when the initial "teaser" rate on their mortgages expired.

In addition, the investigation examined whether lenders originated loans with multiple risk features that allowed them to lower borrowers' payments, but not their debt. These layered risks included loans that were adjustable rate, stated income, 100 percent financed, had extended amortization periods, included prepayment penalties, and/or

qualified borrowers at the initial teaser rate, not the adjusted rate that would be in effect for most of the loan's term.

The Attorney General's Office was concerned that many borrowers who took these loans did not understand the likelihood that they would not be able to repay their loans or that they would have to refinance the loan before the payment increased.

AG Masto also examined the extent to which RBS was aware of the lenders' allegedly deceptive practices through its due diligence process when it bought the loans and whether RBS substantially assisted these lenders by financing and purchasing their loans. The Nevada Attorney General particularly examined RBS's role in making the market for payment option ARMs, which have had a particularly devastating effect on Nevada homeowners and communities.

RBS neither admits nor denies any wrongdoing.

The assurance includes the following elements:

Conduct Provisions

Going forward, RBS only will finance, purchase, or securitize Nevada subprime mortgage loans if it has engaged in a "reasonable review" of such loans and determined that such loans comply with the Nevada Deceptive Trade Practices Act. Specifically, this means that RBS will not securitize a loan where it has reason to believe that:

- the lender has not adequately disclosed to the borrower the existence of an initial teaser rate, the potential negative amortization on the loan, the maximum adjusted interest rate or payments, and the potential for payment shock if payments increase after a loan reset or recast; or
- the borrower's stated income was unreasonable and that the borrower would not have qualified for the loan without the overstatement.

Qualified borrower help

At present, borrowers do not need to do anything in order to obtain the benefits of the settlement as the distribution plan for eligible recipients is still being finalized. Borrowers eligible for relief should periodically visit <http://ag.nv.gov/RBS> as information will be forthcoming. Only borrowers whose loans were financed or acquired by RBS are covered by this settlement.

Payment won't stop other legal claims

Borrowers will not be required to release any claims that they may have against their lenders or against RBS.

Background on AG Masto's work during housing crisis

The agreement, which follows AG Masto's settlement last year with Morgan Stanley, continues her work to hold financial institutions and other entities accountable for their roles in the housing crisis that has imposed an enormous toll on Nevada homeowners, communities and the State's economy.

Earlier this year, AG Masto settled litigation against Bank of America for consumer fraud for \$30 million in additional relief for Nevada consumers and the bank's commitment to at least \$750 million of mortgage modifications and short sales in the State.

The Attorney General's Office also sued and is currently litigating against Lender Processing Service, another national company, for engaging in widespread fraud in executing foreclosure-related documents and improperly controlling the foreclosure process.

Settlement Background

The settlement release does not cover any claims related to potential manipulation of LIBOR rates by RBS.

Visit bit.ly/RBSFPaod for a copy of the settlement.

The case is being handled by AG Masto's Bureau of Consumer Protection, Senior Deputy Attorney General Kristine Kuzemka and Senior Deputy Attorney General Sherri Ann Forbes.

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