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## Breakingviews: U.S. flops at collecting fines and paying them out

5/9/2013

COMMENTS (0)

By Reynolds Holding

NEW YORK (Reuters Breakingviews) - Uncle Sam may be good at many things - but collecting fines and paying them out isn't one of them. U.S. federal agencies corral only a small fraction of the penalties they levy.

Foreclosure-abuse settlements with domestic banks show they're just as bad at doling out lawsuit proceeds to victims. Government glitches are always to be expected. But such widespread incompetence only encourages scofflaws.

The latest blooper involves beneficiaries of more than \$9.5 billion in settlements that the Federal Reserve and the Office of the Comptroller of the Currency struck with the mortgage servicing units of Goldman Sachs, JPMorgan Chase and other big financial institutions. Some of the borrowers received less than owed under the deals designed to compensate them for improper home foreclosures and other processing mistakes. The snafu comes a month after a number of compensation checks bounced.

The culprit may actually be the private firm that manages the checks, but regulators bear blame for hiring it. And these aren't the only instances of the federal government mucking up the follow-through on payments extracted from alleged wrongdoers.

Though more than \$65 billion in monetary penalties are owed to U.S. agencies, only pennies on the dollar are ever paid, according to a study published in the Yale Law & Policy Review. America's chief mining regulator has collected about 5 percent of fines levied; Customs, about 31 percent. And the payment rate for criminal court judgments has been a measly 4 percent.

Agency officials argue that merely announcing big monetary penalties deters wrongdoing more effectively than collecting them would. Perhaps, though deterrence can be a problem even when the amounts are paid. Consider the New York state attorney general's recent allegations that Wells Fargo and Bank of America have failed to comply with their obligations under a separate, \$25 billion mortgage-servicing settlement with five banks last year.

The issue under the most recent settlements, however, isn't deterrence, but compensation for borrowers whose homes were, in some cases, wrongly repossessed. Having won such compensation, the feds should at least make sure it gets properly paid. The failure to do so risks giving miscreants - as well as their victims - yet another reason not to take law enforcement seriously.

## CONTEXT NEWS

- The U.S. Federal Reserve on May 8 announced that some victims of foreclosure abuse were getting less than they are owed under regulators' 2013 settlements with mortgage-servicing units of Goldman Sachs, JPMorgan Chase, Citigroup and other financial institutions. Last month, the Fed acknowledged that some checks sent to a number of such victims bounced.

- About 4.2 million people are scheduled to receive payments in the more than \$9.5 billion deals that the bank units reached with the Office of the Comptroller of the Currency and the Fed to settle allegations of improperly foreclosing on borrowers and making other processing mistakes during the U.S. housing crisis.

(The author is a Reuters Breakingviews columnist. The opinions expressed are his own.)



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