

California, Nevada join forces to fight mortgage fraud

By Alejandro Lazo, Los Angeles Times

An alliance by California and Nevada to jointly investigate misconduct and fraud in the mortgage business further divides efforts by the nation's attorneys general to bring the home-lending industry to account for improper foreclosure practices.

The two states, which are at ground zero of the nation's housing bust, will join forces to probe allegations of foreclosure fraud and other wrongdoing in the mortgage markets, including the packaging and selling of mortgage-backed securities by Wall Street players and scams by smaller players offering to help troubled borrowers.

The agreement to work together, announced in Los Angeles on Tuesday by California Atty. Gen. Kamala D. Harris and Nevada Atty Gen. Catherine Cortez Masto, comes a week after Massachusetts said it was suing the nation's five largest mortgage servicers over alleged foreclosure illegalities. The moves escalate pressure on the nation's biggest financial institutions already in high-level negotiations with a coalition of state attorneys general over their alleged abuses.

"This potential partnership with the Nevada AG may cover a fairly broad array of issues," said Paul Leonard, California director for the Center for Responsible Lending. "Having the prospect of investigations and litigation could very well raise the stakes for – and put added pressure on – the financial institutions to come up with a settlement."

California bowed out of the multistate talks this summer, saying the banks were being let off the hook too easily, and has opened a number of probes into the mortgage business. Harris characterized her pact with Masto as an intensification of her efforts. The offices will share litigation strategies, evidence in ongoing investigations and link both the civil and criminal teams of each office.

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