

PRESS RELEASE

# UBS Agrees to Pay \$1.435 Billion for Fraud in the Sale of Residential Mortgage-Backed Securities

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## Settlement Brings Total Amount of Civil Penalties Paid by Banks, Originators, and Ratings Agencies for Such Securities to Over \$36 Billion

UBS AG and several of its U.S.-based affiliates (together, UBS) have agreed to pay \$1.435 billion in penalties to settle a civil action filed in November 2018 alleging misconduct related to UBS' underwriting and issuance of residential mortgage-backed securities (RMBS) issued in 2006 and 2007. This settlement resolves the last case brought by a Justice Department working group dedicated to investigating conduct of banks and other entities for their roles in creating and issuing RMBS leading up to the 2008 financial crisis.

Following an extensive investigation, the United States filed a complaint alleging that UBS defrauded investors in connection with the sale of 40 RMBS issued in 2006 and 2007. The complaint alleged that UBS knowingly made false and misleading statements to buyers of these securities relating to the characteristics of the mortgage loans underlying the RMBS in violation of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). The FIRREA claims were based on alleged violations of the mail, wire, and bank fraud statutes.

“In the wake of the 2008 financial crisis, people all across the country experienced financial ruin and emotional devastation, and many are still recovering nearly 15 years later,” said Associate Attorney General Vanita Gupta. “As this settlement demonstrates, the department and our partner agencies remain committed to holding accountable those who break the law and undermine the well-being of American families.”

“The results achieved by the RMBS Working Group are a testament to the exceptional dedication and hard work by department attorneys over many years,” said Principal Deputy Assistant Attorney General Brian M. Boynton, head of the Justice Department's Civil Division. “We are grateful for the outstanding support provided by our partners in federal agencies and states that similarly sought to hold responsible those entities that contributed to the 2008 financial crisis.”

“With this resolution, UBS will pay for its conduct related to its underwriting and issuance of residential mortgage-backed securities. The substantial civil penalty in this case serves as a warning to other players in the financial markets who seek to unlawfully profit through fraud that we will hold them accountable no matter how long it takes,” stated U.S. Attorney Breon Peace for the Eastern District of New York. “The over \$36 billion collected for conduct that fueled the 2008 financial crisis reflects the Department of Justice’s deep commitment to protecting financial markets, investors and the public against fraudulent conduct.”

“This settlement represents accountability from those who thought they were above the law,” said U.S. Attorney Ryan Buchanan for the Northern District of Georgia. “UBS’ conduct at issue in this case played a significant role in causing a financial crisis that harmed millions of Americans. We will continue to seek accountability when financial institutions – large or small – misrepresent vital information to investors and undermine trust in our public markets.”

The government’s complaint alleged that contrary to UBS’ representations in publicly filed offering documents, UBS knew that significant numbers of the loans backing the RMBS did not comply with loan underwriting guidelines that were designed to assess borrowers’ ability to repay. The complaint further asserted that UBS knew that the property values associated with a significant number of the securitized loans were unsupported, and that significant numbers of the loans had not been originated in accordance with consumer protection laws. UBS was allegedly aware of these significant problems because it had conducted extensive due diligence on the underlying loans prior to the RMBS being issued to determine whether the loans were consistent with representations that would be made to investors. Ultimately, the 40 RMBS sustained substantial losses.

“The Federal Housing Finance Agency Office of Inspector General (FHFA-OIG), together with our RMBS Working Group partners, investigated and held accountable those who sought to victimize Fannie Mae, Freddie Mac and investors by selling fraudulent mortgage-backed securities,” said FHFA Inspector General Brian Tomney. “We appreciate our longstanding partnership with the Department of Justice and its vigorous pursuit of justice in this case.”

With the UBS settlement announced today, the Justice Department has collected more than \$36 billion in civil penalties from entities for their alleged conduct in connection with mortgages securitized in failed RMBS leading up to the 2008 financial crisis. These resolutions include settlements with the following banks, mortgage originators, and rating agencies: [Ally Financial](#); [Aurora Loan Services](#); [Bank of America](#); [Barclays](#); [Citigroup](#); [Credit Suisse](#); [Deutsche Bank](#); [General Electric](#); [Goldman Sachs](#); [HSBC](#); [JPMorgan](#); [Moody’s](#); [Morgan Stanley](#); [Nomura](#); [Royal Bank of Scotland](#); [S&P](#); [Société Générale](#); and [Wells Fargo](#).

Collectively, these matters were handled by 11 U.S. Attorneys’ Offices and the Justice Department’s Civil Division, in conjunction with the RMBS Working Group. The RMBS Working Group was a federal and state law enforcement effort focused on investigating fraud and abuse in the RMBS market that led to the financial crisis. Formed in 2012, the RMBS Working Group brought together more than 200 attorneys, investigators, analysts, and staff from dozens of state and federal agencies, including the FHFA-OIG, the Department of Housing and Urban Development, the Office of the Special Inspector General for the Troubled Asset Relief

Program, the Securities and Exchange Commission, and the FBI, to investigate financial fraud in RMBS.

Assistant U.S. Attorneys Bonni J. Perlin, Michael J. Castiglione, Richard K. Hayes, Edward K. Newman and Melanie Speight for the Eastern District of New York, Austin M. Hall and Andres H. Sandoval, and former Assistant U.S. Attorney Armen Adzhemyan for the Northern District of Georgia handled the case.

*The claims resolved in the settlement are allegations only and there has been no determination of liability.*

### Settlement

*Updated August 14, 2023*