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Obama's Mortgage Fraud Unit Forms

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NEW YORK ([TheStreet](#)) -- New York Attorney General Eric Schneiderman on Friday detailed the new financial crimes unit announced by President Obama in his State of the Union Address Tuesday.

The "Residential Mortgage-Backed Securities Working Group" will investigate "those responsible for misconduct contributing to the financial crisis through the pooling and sale of residential mortgage-backed securities."

In addition to Attorney General Schneiderman, the working group will be co-chaired by leading officials at the U.S. Department of Justice and SEC, including Lanny Breuer, assistant attorney general of the criminal division at the DOJ; Robert Khuzami, director of enforcement at the SEC; John Walsh, U.S. Attorney, District of Colorado; Tony West, assistant AG, Civil Division, DOJ.

The investigation unit will bring together the collaborative efforts of the Department of Justice and several state enforcement officials from the SEC and the Department of Housing and Urban Development and include 55 Department of Justice attorneys, analysts, agents and investigators. About 15 attorneys- civil and criminal- and 10 FBI agents and analysts have already been assigned to the new working group.

"In coordination with our federal partners, our office will continue its steadfast commitment to holding those responsible for the mortgage crisis accountable, providing meaningful relief for homeowners commensurate with the scale of the misconduct, and getting our economy moving again," AG Schneiderman said in a statement. "The American people deserve nothing less than a thorough investigation into the global financial meltdown to ensure nothing like it ever happens again, and this effort is a major step in the right direction."

The latest unit steps up the pressure on banks, but might prove to be a stumbling block to ongoing negotiations between the biggest mortgage services- **Bank of America (BAC)**, **JPMorgan Chase (JPM)**, **Wells Fargo (WFC)**, **Citigroup (C)** and **Allly Financial**- and 50 states over deceptive foreclosure practices.

The banks have been seeking a broad release from future legal claims by the states in exchange for a \$25 billion settlement that would help 1 million borrowers lower the principal owed on mortgages.

Bank of America come under additional scrutiny Friday after the Arizona Attorney General's office filed a complaint saying executives were "impeding" its investigation of mortgage practices in the state, according to a **Bloomberg** report.

Arizona's top watchdog alleges that Bank of America personnel were negotiating settlements with borrowers - including loan relief and cash -- as long as they agree to keep the deals secret and not publicize the agreements, according to the report.

--Written by Shanthi Bharatwaj in New York

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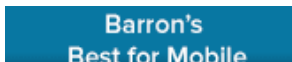
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