

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

In the Matter of

THE GOLDMAN SACHS GROUP, INC.
New York, New York

and

GOLDMAN SACHS BANK USA
New York, New York

Docket No. 17-047-CMP-HC
17-047-CMP-SM

Order of Assessment of a Civil
Money Penalty Issued Upon Consent
Pursuant to the Federal Deposit
Insurance Act, as Amended

WHEREAS, The Goldman Sachs Group, Inc., New York, New York (“Goldman Sachs”), a registered bank holding company, owns and controls Goldman Sachs Bank USA, New York, New York (the “Bank”), a state-chartered bank that is a member of the Federal Reserve System, and Goldman Sachs, prior to September 1, 2011, indirectly engaged in the business of servicing residential mortgage loans through the Bank’s indirect subsidiary, Litton Loan Servicing LP, Houston, Texas (“Litton”);

WHEREAS, Goldman Sachs, indirectly through Litton, serviced residential mortgage loans held in the portfolios of (a) a subsidiary of the Bank; (b) the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Government National Mortgage Association; and (c) various investors, including securitization trusts pursuant to Pooling and Servicing Agreements and similar agreements (collectively, the “Servicing Portfolio”). Goldman Sachs, indirectly through Litton, had substantial responsibilities with respect to the Servicing Portfolio for the initiation and handling of foreclosure proceedings and

loss mitigation activities (“Loss Mitigation” or “Loss Mitigation Activities” include activities related to special forbearances, repayment plans, modifications, short refinances, short sales, cash-for-keys, and deeds-in-lieu of foreclosure);

WHEREAS, by virtue of its indirect ownership of Litton, Goldman Sachs was the 23rd largest servicer of residential mortgages in the United States and serviced a portfolio of more than 280,309 residential mortgage loans. During the recent financial crisis, a substantially larger number of residential mortgage loans became past due than in earlier years. Many of the past due mortgages have resulted in foreclosure actions. From January 1, 2009 to December 31, 2010, Litton initiated 135,586 foreclosure actions;

WHEREAS, on September 1, 2011, Goldman Sachs sold Litton;

WHEREAS, on September 1, 2011, the Board of Governors, on the one hand, and Goldman Sachs and the Bank, on the other hand, entered into a Consent Order relating to foreclosure practices, as amended on February 28, 2013 (the “Consent Order”);

WHEREAS, paragraph 4 of the Consent Order required Goldman Sachs and the Bank to submit to the Federal Reserve Bank of New York acceptable policies and procedures for the outsourcing of any residential mortgage loan servicing, Loss Mitigation, or foreclosure functions, by Goldman Sachs or the Bank (including any subsidiary or affiliate of Goldman Sachs or the Bank) to any independent contractor, consulting firm, law firm, property manager, or other third party (including any subsidiary or affiliate of Goldman Sachs or the Bank);

WHEREAS, the Consent Order stated that the conduct which was the subject of the Consent Order allegedly constitutes unsafe or unsound practices in conducting the affairs of Goldman Sachs and Litton within the meaning of section 8 of the Federal Deposit Insurance Act, as amended (12 U.S.C. § 1818) (the “FDI Act”);

WHEREAS, in connection with the process leading to certain foreclosures involving the Servicing Portfolio, the Consent Order stated that Goldman Sachs, indirectly through Litton, allegedly:

- (a) Filed or caused to be filed in state courts and in connection with bankruptcy proceedings in federal courts numerous affidavits executed by employees of Litton or employees of third-party providers making various assertions, such as the ownership of the mortgage note and mortgage, the amount of principal and interest due, and the fees and expenses chargeable to the borrower, in which the affiant represented that the assertions in the affidavit were made based on personal knowledge or based on a review by the affiant of the relevant books and records, when, in many cases, they were not based on such knowledge or review;
- (b) Filed or caused to be filed in courts in various states and in connection with bankruptcy proceedings in federal courts or in the local land record offices, numerous affidavits and other mortgage-related documents that were not properly notarized, including those not signed or affirmed in the presence of a notary;
- (c) Litigated foreclosure and bankruptcy proceedings and initiated non-judicial foreclosures without always confirming that documentation of ownership was in order at the appropriate time, including confirming that the promissory note and mortgage document were properly endorsed or assigned and, if necessary, in the possession of the appropriate party;
- (d) Failed to respond in a sufficient and timely manner to the increased level of foreclosures by increasing financial, staffing, and managerial resources to ensure that Litton adequately handled the foreclosure process, and failed to respond in a sufficient

and timely manner to the increased level of Loss Mitigation Activities by increasing management and staffing levels to ensure timely, effective and efficient communication with borrowers with respect to Loss Mitigation Activities and foreclosure activities and full exploration of Loss Mitigation options or programs prior to completion of foreclosure activities; and

- (e) Failed to have adequate internal controls, policies and procedures, compliance risk management, internal audit, training, and oversight of the foreclosure process, including sufficient oversight of outside counsel and other third-party providers handling foreclosure-related services with respect to the Servicing Portfolio.

WHEREAS, as evidenced by these alleged deficiencies at Litton, Goldman Sachs allegedly failed to provide effective oversight with respect to the residential mortgage loan servicing, Loss Mitigation, foreclosure activities, and related functions of Litton, including Litton's risk management, audit, and compliance programs, vendor management, document execution practices, and staffing and managerial resources as they pertain to those activities and related functions;

WHEREAS, Goldman Sachs and the Bank have taken steps to address the risks associated with the conduct that was the subject of the Consent Order;

WHEREAS, the Board of Governors issues this Order of Assessment of a Civil Money Penalty Issued Upon Consent (the "Consent Assessment Order") against Goldman Sachs and the Bank in connection with the conduct that is the subject of the Consent Order;

WHEREAS, Goldman Sachs and the Bank have consented to the assessment of a civil money penalty in the amount of \$14,000,000 by the Board of Governors (the "CMP") pursuant to sections 8(b)(3) and (i)(2)(B) of the FDI Act (12 U.S.C. §§ 1818(b)(3) and 1818(i)(2)(B));

WHEREAS, the boards of directors of Goldman Sachs and the Bank, at duly constituted meetings, authorized Jeffrey Schroeder, Chief Administrative Officer, and Stephen Scherr, Chief Executive Officer, to enter into this Consent Assessment Order on behalf of Goldman Sachs and the Bank, respectively, and consent to compliance with each and every applicable provision of this Consent Assessment Order by Goldman Sachs and the Bank, and their institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the FDI Act (12 U.S.C. §§ 1813(u) and 1818(b)(3)), and waive any and all rights that Goldman Sachs and the Bank may have pursuant to section 8 of the FDI Act (12 U.S.C. § 1818), including, but not limited to: (i) the issuance of a notice of assessment of a civil money penalty; (ii) a hearing for the purpose of taking evidence on any matters set forth in this Consent Assessment Order; (iii) judicial review of this Consent Assessment Order; (iv) contest the issuance of this Consent Assessment Order by the Board of Governors; and (v) challenge or contest, in any manner, the basis, issuance, validity, terms, effectiveness or enforceability of this Consent Assessment Order or any provision hereof.

NOW, THEREFORE, before the filing of any notices, or taking of any testimony or adjudication of or finding on any issues of fact or law herein, and solely for the purpose of settling this matter without a formal proceeding being filed and without the necessity for protracted or extended hearings or testimony, it is hereby ORDERED by the Board of Governors, pursuant to sections 8(b)(3) and 8(i)(2)(B) of the FDI Act (12 U.S.C. §§ 1818(b)(3) and 1818(i)(2)(B)), that:

1. The Board of Governors hereby jointly and severally assesses Goldman Sachs and the Bank a civil money penalty in the amount of \$14,000,000 to be paid upon the execution of this Consent Assessment Order by Fedwire transfer of immediately available funds to the Federal Reserve Bank of Richmond, ABA No. 05 1000033, beneficiary, Board of Governors of

the Federal Reserve System. This penalty is deemed to be a penalty paid to a government agency for a violation of law for purposes of 26 U.S.C. § 162(f) and 26 C.F.R. § 1.162-21. The Federal Reserve Bank of Richmond, on behalf of the Board of Governors, shall distribute this sum to the U.S. Department of the Treasury, pursuant to section 8(i) of the FDI Act (12 U.S.C. § 1818(i)).

Notices

2. All communications regarding this Order shall be sent to:

- (a) Richard M. Ashton, Esq.
Deputy General Counsel
Patrick M. Bryan, Esq.
Assistant General Counsel
Board of Governors of the Federal Reserve System
20th and C Streets N.W.
Washington, D.C. 20551

- (b) Thomas Riggs, Esq.
General Counsel
Goldman Sachs Bank USA
200 West Street
New York, New York 10281

Miscellaneous

3. The provisions of this Consent Assessment Order shall be binding on Goldman Sachs, the Bank, and each of their institution-affiliated parties in their capacities as such, and their successors and assigns.

4. Each provision of this Consent Assessment Order shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Board of Governors.

5. Notwithstanding any provision in the Consent Order, the Board of Governors hereby releases and discharges Goldman Sachs, the Bank, and their affiliates, successors, and assigns from all potential liability that has been or might have been asserted by the Board of

Governors based on the conduct that is the subject of this Consent Assessment Order or the Consent Order, to the extent known to the Board of Governors as of the effective date of this Consent Assessment Order. The foregoing release and discharge shall not preclude or affect any right of the Board of Governors to determine and ensure compliance with this Consent Assessment Order, or any proceedings brought by the Board of Governors to enforce the terms of this Consent Assessment Order.

6. Nothing in this Consent Assessment Order, express or implied, shall give to any person or entity, other than the parties hereto, and their successors hereunder, any legal or equitable right, remedy or claim under this Consent Assessment Order.

By Order of the Board of Governors effective this 12th day of January, 2018.

THE GOLDMAN SACHS GROUP, INC.

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

By: /s/ Jeffrey Schroeder
Jeffrey Schroeder
Chief Administrative Officer

By: /s/ Ann E. Misback
Ann E. Misback
Secretary of the Board

GOLDMAN SACHS BANK USA

By: /s/ Stephen Scherr
Stephen Scherr
Chief Executive Officer