

## Goldman Sachs Reaches \$5 Billion Settlement with U.S. Department of Justice

By: Taylor Arabian, J.D. Candidate 2016 | April 12, 2016

The United States Department of Justice [announced on Monday](#), April 11, that it had reached a settlement with Goldman Sachs Group, Inc. (“Goldman Sachs”) that would require the global investment banking firm to pay more than five billion dollars in penalties for its role in the housing bubble that many see as having precipitated the worldwide financial crisis that began nearly a decade ago.

The settlement [requires three separate payments](#) from Goldman Sachs, the first of which is a \$2.385 billion sum under the Financial Institutions Reform, Recovery and Enforcement Act. The bank will also be required to remit \$1.8 billion in relief to a variety of recipients including “underwater homeowners, distressed borrowers, and affected communities.” This sum will be comprised of both loan forgiveness and financial assistance with affordable housing. The final \$875 million will be used to satisfy pending claims held by both federal and state agencies against the New York-based bank.

Despite the Justice Department’s headline-grabbing settlement, critics of the deal [reacted swiftly](#) to the government’s announcement. Many noted that Goldman Sachs would likely pay much less than the Justice Department’s announcement suggested. Mere hours after the official announcement, *The New York Times* revealed that the settlement’s provisions could let Goldman Sachs pay hundreds of millions of dollars less than advertised. For example, the announced settlement includes a \$240 million payment specifically targeted towards affordable housing. However, that payment may top out at around \$72 million if the bank takes advantage of agreed-upon credits for that specific deal provision. Similar provisions elsewhere in the settlement could allow Goldman Sachs to save as much as a billion dollars in total.

[In a statement](#), a spokesman for the bank said, “We are pleased to put these legacy matters behind us. Since the financial crisis, we have taken significant steps to strengthen our culture, reinforce our commitment to our clients, and ensure our governance processes are robust.”

The agreement marks the end of a saga that [began in 2012](#) to determine the role of the major Wall Street banks in the housing crisis and the financial crisis that followed.