Are US banks getting off too lightly?

Banks agree to pay $18.5bn in two settlements relating to the 2008 US mortgage crisis, but critics say it is not enough.

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US banks have agreed to pay $18.5bn in two settlements relating to the 2008 mortgage crisis which helped drag the world into recession.

This comes five years after the US housing bubble collapsed, leaving millions of Americans with homes that were worthless, while some of the country's largest banks had to be bailed out by the government.

In the new deal, Bank of America agreed to pay $10bn to Fannie Mae to settle claims that the bank sold bad loans to the national mortgage guarantor for 10 years, ending in 2008.

In another settlement, 10 banks and financial institutions - including Bank of America, JP Morgan Chase and Wells Fargo - agreed to settle claims of foreclosure abuses for $8.5bn.

The $8.5bn settlement, which was announced on Monday, will be used for cash payments and loan modifications.

About four million people who were foreclosed upon in 2009 and 2010 are eligible.

About $3.3bn of the settlement will go directly to those who lost their homes during the crisis. They will get cash payments which range from several hundred dollars to as much as $125,000.

Another $5.2bn will go to loan modifications.

The deal ends a probe into foreclosed mortgages and, specifically, into the practice of "robo-signing" which involved the mass-processing of foreclosure paperwork even as the bank claimed each case was reviewed individually.

That pact is separate from the $25bn settlement reached in February between the US justice department, state attorneys general and the five largest mortgage services.

Another settlement announced on Monday will see Bank of America pay $11.6bn to Fannie Mae to end a dispute over loans acquired in the 2008 takeover of CountryWide Financial.

But many analysts believe the banks have got off lightly.

And critics point out that these settlements are not enough to adequately compensate many who lost hundreds of thousands of dollars when their homes were foreclosed.

So, is this good news for the millions of Americans who were forced into foreclosure, or have the banks got off lightly?

To discuss this, Inside Story Americas, with presenter Kimberly Halkett, is joined by guests: Matt Stoller, a fellow at the Roosevelt Institute and contributing editor to the blog Naked Capitalism; Mark Calabria, the director of Financial Regulation Studies at the Cato Institute; and Peter Cardillo, the chief market economist at Rockwell Global Capital.