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JPMorgan's Dimon meets with U.S. Attorney General Holder

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By David Henry and David Ingram

(Reuters) - JPMorgan Chase & Co CEO Jamie Dimon met with U.S. Attorney General Eric Holder on Thursday, seeking to make sure a possible $11 billion settlement will end the bank's pain from mortgage-securities probes, a source said.

The bank is close to settling many of the probes into how it sold mortgage bonds before the financial crisis, but Dimon fears that as soon as this deal is worked out other investigations will emerge, the person familiar with the matter said.

It is unusual for a CEO of a company to meet with the head of the U.S. Justice Department. But the bank is seeking to tamp down its legal problems as it fends off a spate of probes covering everything from possibly illegal nepotism in China to whether it hid losses from its disastrous "London whale" trades.

On the mortgage front, the Department of Justice in California, New Jersey and Philadelphia has been looking into mortgages that the bank packaged into bonds before the financial crisis. Meanwhile, government-owned home finance giants Fannie Mae and Freddie Mac have been pressuring JPMorgan to buy back mortgage bonds that they said the bank should not have sold them. Those claims and the investigation in California would be the two biggest pieces of any deal, another source said.

After the meeting at the U.S. Justice Department, which lasted about an hour, Holder told reporters that he had met with representatives of JPMorgan but did not mention Dimon by name. He declined to give details of the talks.

Speaking at a news conference on an unrelated topic, the attorney general also said the Justice Department plans to make announcements about financial cases in the coming weeks and months. A source familiar with the matter said a JPMorgan mortgage deal could come within days.

JPMorgan has already paid billions of dollars this year to resolve probes into areas including power market manipulation and failing to supervise employees that lost $6 billion from the London whale trades. Many investors see the heat on the bank as evidence of Dimon's dysfunctional relationship with regulators.

A member of JPMorgan's board of directors said on Thursday at a conference in Chicago that the company is determined to make amends and improve its reputation.

"We've got these things that we actually are guilty of and we've got to fix them," said Labon Jackson, the head of the audit committee on JPMorgan's board of directors. "It's embarrassing for the board."

The bank avoided the worst losses in the financial crisis but has been under intense scrutiny since May 2012, when it said it was losing money on derivatives bets that became known as the "London Whale" trades.

UNUSUAL BUT NOT UNPRECEDENTED

JPMorgan's settlement talks heated up this week following a threat by the Justice Department to file a lawsuit over a mortgage probe being led by federal authorities in California.

Legal sources said high-level meetings between corporate executives and the U.S. attorney general are unusual but not unprecedented, especially as big investigations move toward resolution.

These conversations are difficult for a U.S. Attorney General, because he or she often does not want to be seen internally as caving to pressure from people or companies being prosecuted, said a former senior employee at the Justice Department.

The meeting between Dimon and Holder, the highest-ranking U.S. law enforcement official, marks another step in the nation's attempts to sort out responsibility for the financial crisis that hit five years ago.

The two men were backed in the meeting by top advisors. Dimon brought with him the bank's general counsel, Steve Cutler, and outside counsel Rodgin Cohen, a partner with Sullivan & Cromwell, according to a source familiar with the matter. Joining Holder was Deputy Attorney General James Cole and Associate Attorney General Tony West, one of the sources said.

Negotiations this week have involved JPMorgan paying as much as $7 billion in cash and $4 billion in consumer relief to settle several investigations - a hefty sum, but representing little more than half of the bank's 2012 profit of $21 billion.

A settlement in the $11 billion range would likely include claims from the regulator of Fannie Mae and Freddie Mac, which has sought some $6 billion from the bank over risky mortgage securities sold to the government-sponsored entities, according to two people familiar with the matter.

The New York Attorney General's office has been participating in those talks because it is part of a working group formed by President Barack Obama in January 2012 to investigate misconduct in mortgage securities that contributed to the financial crisis.

The talks have been described as "fluid" and filled with uncertainties over exactly which claims against the bank would be resolved.

JPMorgan's litigation costs totaled $17.3 billion over the last three calendar years, according to the company's annual report.

The cases that prosecutors are working on include probes of the mortgage businesses of Bear Stearns and Washington Mutual, two failing banks that JPMorgan bought during the financial crisis.

New York Attorney General Eric Schneiderman also sued the bank last October over mortgage-backed securities packaged and sold by Bear Stearns. It was not clear if JPMorgan would be able to include the New York state lawsuit in the settlement being discussed.

(Reporting by David Henry, Emily Flitter and Karen Freifeld in New York, David Ingram and Aruna Viswanatha in Washington and Ross Kerber in Chicago; Editing by Matthew Goldstein, John Wallace and Ken Wills)