JPMorgan paying $5.1B in

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WASHINGTON — JPMorgan Chase has agreed to pay $5.1 billion to resolve claims that it misled Fannie Mae and Freddie Mac about risky home loans and mortgage securities it sold them before the housing market collapsed.

The Federal Housing Finance Agency, which oversees Fannie and Freddie, announced the settlement Friday with JPMorgan, the largest U.S. bank. A broader deal with the Justice Department is still being negotiated.

JPMorgan sold $33 billion in mortgage securities to Fannie and Freddie between 2005 and 2007, according to the agency. That was the second-most sold to Fannie and Freddie ahead of the crisis, behind only Bank of America. The securities soured after the housing bubble burst in 2007, losing billions in value.

In a statement Friday, JPMorgan called the agreement with the FHFA "an important step towards a broader resolution of the firm's" mortgage-related matters.

Edward DeMarco, the FHFA's acting director, said the settlement with JPMorgan "provides greater certainty in the marketplace and is in line with our responsibility for preserving and conserving Fannie Mae's and Freddie Mac's assets on behalf of taxpayers."

The settlement is the start of what could be the largest penalty the government has extracted from a company for actions related to the financial crisis. The crisis, triggered by vast sales of risky mortgage securities, plunged the economy into the deepest recession since the Great Depression.

Last weekend, JPMorgan reached a tentative agreement with the Justice Department to

Fannie, Freddie deal

pay $13 billion over bad loans and mortgage securities the bank sold before the crisis. The FHFA originally participated in those negotiations. It's unclear when the broader agreement will be finalized.

The FHFA sued 18 financial institutions in September 2011 over their sales of mortgage securities to Fannie and Freddie. The total price for the securities sold was $196 billion.

The government rescued Fannie and Freddie during the financial crisis when both were on the verge of collapse. The companies received taxpayer aid totaling $187 billion. They have since become profitable and repaid $146 billion.

Fannie and Freddie own or guarantee about half of all U.S. mortgages, worth about $5 trillion. Along with other federal agencies, they back roughly 90 percent of new mortgages. The two companies don't directly make loans to borrowers. They buy mortgages from lenders, package them as bonds, guarantee them against default and sell them to investors. That helps make loans available and exert influence over the housing market.