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False and Misleading Offering Documents Detailed in Class Action Lawsuit Against Countrywide Financial

**Cohen Milstein Files Amended Consolidated Complaint
in Case Involving \$350 Billion of Mortgage-Backed Securities**

Cohen Milstein Sellers & Toll PLLC filed an Amended Consolidated Class Action Complaint this week in its landmark litigation against Countrywide Financial Corporation and other underwriter defendants who were prominently involved in the failure of mortgage-backed securities over the last several years.

Countrywide, since acquired by Bank of America, was one of the largest and most controversial institutions involved in mortgage-backed securities. Other defendants in the case, aside from Countrywide, several of its former top executives, and Bank of America, include 16 underwriters of more than \$350 billion in Countrywide securities, among them J.P. Morgan, Deutsche Bank, Bear Stearns, UBS, Morgan Stanley, Edward Jones, Citigroup, Goldman Sachs and Credit Suisse.

Cohen Milstein is Lead Counsel for the Class and Counsel for the Lead Plaintiff, the Iowa Public Employees' Retirement System, as well as the Oregon Public Employees' Retirement System and Orange County Employees' Retirement System. The General Board of Pension and Health Benefits of the United Methodist Church is also named as a plaintiff in the litigation.

“Amidst all this high finance, it’s too easy to lose sight of the fact that pension funds invested heavily in these mortgage-backed securities and so retirees are the real victims here,” commented Steve Toll, Managing Partner at Cohen Milstein and co-chair of its Securities Fraud/Investor Protection practice group.

In the amended complaint, the Plaintiffs further buttress their allegation that the defendants published false and misleading offering documents, including registration statements, prospectuses, and prospectus supplements. Specifically, these documents misrepresented or failed to disclose that underwriting guidelines for the mortgages backing the securities had been systematically disregarded.

According to the lawsuit, from 2005 through 2007 Countrywide was the nation's largest residential mortgage lender, originating in excess of \$850 billion in home loans throughout the United States in 2005 and 2006 alone. Countrywide's ability to originate residential mortgages on such a massive scale was facilitated, in large part, by its ability to rapidly package or securitize those loans and then, through the activities of the underwriter defendants, sell them to investors as purportedly investment grade mortgage-backed securities.

In order to generate a steady flow of mortgage loans to sustain this mass production of mortgage-backed securities, Countrywide routinely issued loans to borrowers who otherwise would never have qualified for them – and indeed, did not qualify for the loans they received -- through, for example, “low doc” and “no doc” loan programs, often with adjustable interest rates that had been designed for borrowers with higher incomes and better credit.

Upon pooling these mortgages and issuing them as MBS certificates, over 92% received the very highest, investment-grade ratings from rating agencies; ultimately, however, 87% were downgraded to junk. Tellingly, one year after the date of the certificate offerings, delinquency and default rates on the underlying mortgages had increased 2,525% from issuance. In explaining such an unprecedented collapse in ratings on these certificates in 2008 and 2009, the rating agencies noted that they were forced to change their models because of previously undisclosed and systematic “aggressive underwriting” practices used to originate the mortgage loan collateral. Along with the exponential increases in delinquency and default rates of the underlying mortgages and the collapse of the certificates' ratings, the value of the certificates plummeted.

Plaintiffs' complaint alleges that the Defendants' actions violated Sections 11, 12(a)(2), and 15 of the Securities Act of 1933, legislation, still on the books, originally enacted in response to similar abuses that led to the Great Depression.

The Countrywide case is pending before Judge Mariana R. Pfaelzer in the U.S. District Court for the Central District of California.

Cohen Milstein has been named lead or co-lead counsel by courts in eight of the most significant mortgage-backed securities cases currently being litigated, including Lehman Brothers, Bear Stearns and Washington Mutual as well as Countrywide.

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