



Bank of America Corporation's Countrywide unit has been found liable for selling Fannie Mae and Freddie Mac thousands of defective loans in the first mortgage-fraud case brought by the US government to go to trial.

A federal jury in Manhattan yesterday also found former Countrywide Financial Corp. executive Rebecca Mairone liable for defrauding the US. Mairone was the only individual named as a defendant in the government's lawsuit.

US District Judge Jed Rakoff, who presided over the trial, told lawyers he'll determine the amount of any civil penalty at a later date. Assistant US Attorney Pierre Armand asked the judge to impose a penalty of as much as \$848 million, representing the gross losses to Fannie Mae and Freddie Mac. Armand said that alternatively, Rakoff could fine Countrywide about \$131 million, the estimated net losses to the two entities.

Rakoff set a hearing date of 5th December for further arguments involving the penalty and said he would be ready to rule on those matters by 31st December. He said if he determines an evidentiary hearing is needed, lawyers should be prepared to proceed with expert witnesses during the first week in January.

Countrywide, based in Calabasas, California, was once the biggest US residential home lender, originating or purchasing about \$1.4 trillion in mortgages from 2005 to 2007. The bulk of them were sold to investors as mortgage-backed securities. Bank of America acquired Countrywide in 2008.

In closing arguments on 22nd October, Assistant US Attorney Jaimie Nawaday said the case was "about greed and lies." She cited emails in which Countrywide employees described some HSSL loans as "loser loans." While some employees said the loans' quality was "in the ditch," they still sold them to Fannie Mae and Freddie Mac "for a quick profit," she said.

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