

Bank of America will pay more than \$10 billion to settle claims over troubled mortgages. The settlement was announced on January 7, 2013. Pursuant to the deal, Bank of America will pay \$3.6 billion to Fannie Mae and will buy back \$6.75 billion in loans that Bank of America and its Countrywide banking unit sold to Fannie Mae during the 2000-2008 time period. The settlement involves some 30,000 loans.

Bank of America purchased Countrywide Financial Corp. in July 2008, just before the financial crisis. Countrywide had a reputation for making risky loans and was regarded as a "bad actor" in the mortgage lending arena. Since the crisis, Countrywide has been the target of a number of regulatory actions over questionable lending practices.

In the wake of the financial crisis, Fannie Mae has sought to have lenders repurchase loans that did not meet Fannie Mae standards at the time of their original purchase. Bank of America reported that the loans involved in the settlement have an aggregate original principal balance of about \$1.4 trillion and an outstanding principal balance of approximately \$300 billion. Fannie Mae and Freddie Mac, which packaged loans it purchased into securities and sold them to investors, were essentially nationalized in 2008 when they nearly collapsed under the weight of the mortgage losses. Countrywide and other mortgage originators have been at the center of allegations of wrongdoing based upon fraudulent practices with respect to the making of the subject loans and misrepresentations to purchasers regarding the quality of those loans.

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