
Bank of America Settles Fannie-Freddie Claims

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Bank of America will take a \$2 billion charge to settle claims with Freddie Mac and Fannie Mae, the bank announced Monday. The agreements center on loans that Countrywide Financial, which was purchased by BoA in 2008, sold to the two agencies, which were privately-run but whose obligations were backed by government guarantees. They have been under the conservatorship of the Federal Housing Finance Agency since taking huge losses in the mortgage crisis.

The bank also said it would record a \$3 billion provision in the fourth quarter to repurchase obligations for home loans sold by Bank of America affiliates to Fannie Mae and Freddie Mac. As part of the deal, Bank of America made a \$1.34 billion net cash payment to Fannie Mae and another to Freddie Mac for \$1.28 billion. Both were paid on Dec. 31.

The deals with Fannie Mae and Freddie Mac, the company said, will nearly resolve all the claims against Countrywide, which arose “out of alleged breaches of selling representations and warranties” related to mortgages. Bank of America, based in Charlotte, N.C., is set to report fourth quarter-earnings in mid-January.

Prior to the announcement on Monday, analysts had estimated that the bank would earn \$0.253 a share for the period, according to Bloomberg data. The company posted a loss of \$0.77 a share in the third quarter.

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