Bank of America $8.5 Billion Settlement Heads for Court Showdown

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Bank of America agreed to the proposed settlement two years ago to resolve claims by investors who held bonds issued by mortgage lender Countrywide Financial Corp, which Bank of America bought in 2008, **Reuters** reports.

More than two hundreds of institutional investors, such as BlackRock Inc, MetLife Inc and Allianz SE's Pacific Investment Management Co entered into the deal. **There also were those who objected**, explaining that the settlement offered them only a **fraction of the money they lost.** The settlement is scheduled to be headed by Justice Kapnick and will be held in Manhattan at the State Supreme Court.

Kathy Patrick, who will argue for the institutional investors who negotiated the deal, revealed to reporters that objectors comprise only seven percent of certificate-holders. "There is massive support for this settlement," Patrick said in arguments last week.

The proposed deal "offers pennies on the dollar," Colorado attorney Daniel Reilly, who represents AIG, said during last week's arguments. The case was filed by Bank of New York Mellon, t**he trustee for some 530 trusts that held the securitie**s, asking the court to approve the settlement and declare it binding on all beneficiaries.

Matthew Ingber, representative of BNY Mellon, is expected to argue the trustee has the right to consider and set down claims and exercised good faith judgment in deciding the settlement was reasonable. "We believe this $8.5 billion settlement is in the best interests of all the certificate-holders," Ingber said during last week's appeal.

The long-waited agreement comes after two years of litigation since it was filed in court in June 2011 and was scheduled to be considered at a May 30 hearing but may face another postponement today. An attorney for the American International group said in a May 31 letter to the court that opponents "didn't have all the evidence they need to present their case."

A few days ago a California judge has opened the door for A.I.G. who sued Bank of America for losses it suffered on mortgage securities sold under duress after the federal government rescued A.I.G. in 2008. The giant insurance company, has insisted that A.I.G. had no standing to sue because it had transferred that right when it sold the instruments to the Federal Reserve Bank of New York in the fall of 2008, reports **The New York Times**.

Mariana R. Pfaelzer, a federal judge in the central district of California, disagreed with the claims. A.I.G. said in a statement, "As a result of the court's decision**, A.I.G. is able to pursue its full damages claim against Bank of America**."

"The California judge's finding that A.I.G. has standing to sue Bank of America may also be bad news for other banks that sold troubled mortgage securities to the insurer," the **New York Times** explains. "A.I.G. has not yet sued other institutions related to the securities that went into Maiden Lane II; at least $11 billion in losses involve other banks." "We are eager to start discovery," said Michael Carlinsky, a partner at Quinn Emanuel Urquhart & Sullivan who led the arguments for A.I.G., "and get the case before a jury.