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## Bank of America blows billions on Countrywide litigation

Posted Oct 6th 2008 8:58AM by Zac Bissonette  
Filed under: Law, Bank of America (BAC)

Given the continued deterioration in the financial markets and mortgage industry, it seems likely that Bank of America (NYSE: BAC) badly overpaid for Countrywide Financial -- if the company's equity was worth anything at all.

This latest bit of news won't help. Attorneys general offices in California and Illinois have negotiated a settlement with the lender that will require Countrywide to modify terms on tens of thousands of loans. The settlement will offer strapped California borrowers \$3.5 billion in relief, and if all 50 states sign on the total price could soar as high as \$8.7 billion, according to the Illinois Attorney General's office. So far, Arizona, Connecticut, Florida, Iowa, Michigan, North Carolina, Ohio, Texas and Washington have joined Illinois and California in the deal.



In a statement, California Attorney General Jerry Brown Jr. said that "Countrywide's lending practices turned the American dream into a nightmare for tens of thousands of families by putting them into loans they couldn't understand and ultimately couldn't afford."

Of course, Bank of America knew going into the deal that it would have billions in litigation expenses to deal with but the downward spiraling of the economy has given CEO Ken Lewis a lot less margin for error. There are still shareholder class-action lawsuits and piles of consumer litigation to be sorted through, and, at a minimum, he has to be wishing he'd saved his ammunition to acquire cheaper assets in the midst of the carnage.

Long-term, it seems doubtful to me that the Countrywide Financial brand has any value at all. Why would anyone go to the poster child for the biggest real estate meltdown in history for a loan?

**Tags:** BAC, Bank of America, BankOfAmerica, Countrywide, inthenews, Litigation

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