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## **Oregon sues Countrywide over pension fund losses associated with risky mortgage-backed securities**

*Lawsuit alleges misleading tactics led to investment purchase, which led to \$29 million in losses*

SALEM – Oregon Treasurer Ted Wheeler and Attorney General John Kroger today announced that they are suing Countrywide Financial Corp. of Delaware and its underwriters for misleading investors into buying risky mortgage-backed securities.

That alleged deceit ultimately cost Oregon: The Oregon Public Employee Retirement Fund was induced to invest \$200 million into home loans originated by Countrywide, and lost \$29 million as a result of misrepresentations by Countrywide and its financial underwriters, the lawsuit says.

“Oregon is taking a stand against predatory lenders and the financial wreckage they caused for families and for investors including Oregonians,” said Treasurer Wheeler. “With this lawsuit, we are attempting to recover losses from lenders that took advantage of innocent families, whose only fault was wanting to participate in the American dream and own a home.”

“Oregon is currently No. 3 nationwide in foreclosures,” said Attorney General Kroger. “This lawsuit will help hold the responsible companies accountable.”

With the action today, Oregon is partnering with the Iowa Public Employees’ Retirement System, which is the lead plaintiff in the case. Along with the Oregon Public Employee Retirement System, other plaintiffs include the General Board of Pension and Health Benefits of the United Methodist Church and the Orange County Employees’ Retirement System.

The lawsuit, filed in federal court in California, accuses Countrywide of violating securities law by making statements to investors that were materially false and misleading because they misrepresented and/or failed to disclose information crucial to investors' ability to accurately assess the risks of their investments.

According to the lawsuit, from 2005 through 2007, Countrywide was the nation's largest residential mortgage lender originating in excess of \$850 billion in home loans throughout the United States in 2005 and 2006 alone.

The lawsuit alleges that Countrywide's ability to originate residential mortgages on such a massive scale was facilitated, in large part, by its ability to rapidly package -- or "securitize" -- those loans and then, through the activities of the underwriter defendants, sell them to investors as purportedly investment grade mortgage-backed securities.

The suit says that Countrywide provided documents that falsely claimed that all the mortgage loans held in the investment fund met accepted underwriting standards for evaluating prospective buyers' credit history and ability to repay the loan.

Countrywide also falsely claimed that its appraisals met acceptable standards designed to insure that the value of the property was adequate collateral for the mortgage, the lawsuit says.

Countrywide Financial Corp. is incorporated in Delaware but is based in California. The lawsuit also names underwriters Banc of American Securities LLC, Bear & Stearns Co., Inc., BNP Paribas Securities Corp., Citigroup Global Markets, Inc., Deutsche Bank Securities, Inc., Goldman Sachs & Co., Greenwich Capital Markets, Inc., J.P. Morgan Securities, Inc., Merrill Lynch Pierce Fenner & Smith, Inc., Morgan Stanley & Co., Inc. Barclays Capital, Inc., Credit Suisse Securities (USA) LLC, UBS Securities LLC, Countrywide Securities Corp., HSBC Securities (USA), Inc., Edward D. Jones & Co., L.P., and Countrywide Capital Markets.

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