

# BLB&G Achieves Significant Trial Victory in Helping Fannie Mae and Freddie Mac Shareholders Recoup \$612 Million in Class Action Against U.S. Federal Housing Finance Agency

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*Breach of contract class action verdict against U.S. government follows 2022 hung jury in a case that started over 10 years ago.*

WASHINGTON, DC (August 15, 2023) – Shareholders of Fannie Mae and Freddie Mac see the light at the end of the tunnel – after 10 years of litigation – with a jury verdict that the U.S. Federal Housing Finance Agency (FHFA) owes them \$612.4 million in damages for improperly agreeing to sweep to the U.S. Treasury the profits of the two federally-backed mortgage institutions.

In a unique class action verdict against the federal government, a jury in the U.S. District Court for the District of Columbia was unanimous in finding that the FHFA acted “arbitrarily or unreasonably” in carrying out a “Net Worth Sweep,” which breached the implied covenant of good faith and fair dealing and caused Fannie Mae and Freddie Mac’s stock to lose significant value.

In 2012, the FHFA (as Fannie Mae and Freddie Mac’s conservator) decreed that as of January 2013, it would send the Treasury the entirety of Fannie and Freddie’s net profits – which, as *Law360* reported, “effectively eliminated the prospect of the shareholders receiving dividends of their own again.”

First filed in 2013, the lawsuit by Fannie and Freddie shareholders was finally heard by a federal jury in the fall of 2022, but the jury could not reach a verdict. Bernstein Litowitz Berger & Grossmann acted on behalf of preferred

shareholders of both Fannie Mae and Freddie Mac and common shareholders of Freddie Mac, in tandem with co-counsel Boies Schiller Flexner, Kessler Topaz Meltzer & Check, and Grant & Eisenhofer.

“We are thankful for the jury’s tremendous public service and grateful for their verdict,” said BLB&G Trial Counsel Robert Kravetz. BLB&G Partner Adam Wierzbowski added, “This case demonstrated the skill and tenacity of our team to take this complex case through two trials and to achieve a positive outcome for our committed clients, whose trust and support we greatly appreciate.”

The BLB&G trial team also includes Partners Salvatore Graziano and Jeremy Robinson, Senior Counsel Veronica Montenegro, and Associate Caitlin Bozman.

The parties still await a ruling from Judge Royce Lamberth on the issue of pre-judgment interest for the Fannie Mae preferred shares.

The case is *In re: Fannie Mae/Freddie Mac Senior Preferred Stock Purchase Agreement Class Action Litigations*, No. 13-mc-01288 (D.D.C.).