

Atlas v. Accredited Home Lenders Holding Co., et al.

COURT: United States District Court for the Southern District of California

CASE NUMBER: 07-cv-00488

CLASS PERIOD: 11/01/2005 - 03/12/2007

Securities fraud class action filed on behalf of a class of persons and entities who purchased or acquired the securities of Accredited Home Lenders Holding Co. ("Accredited" or the "Company") between November 1, 2005 and March 12, 2007 (the "Class Period").

On June 25, 2007, the Honorable Marilyn L. Huff appointed Bernstein Litowitz Berger & Grossmann LLP ("BLB&G") client the Arkansas Teacher Retirement System as Lead Plaintiff and BLB&G as Lead Counsel for the Class. On August 23, 2007, Lead Plaintiff filed its Consolidated Class Action Complaint in this action.

This action arises from the sudden collapse of Accredited, a mortgage finance company focused on the subprime credit market, whose shares fell from a Class Period high of \$58.45 on May 11, 2006 to a closing price of \$3.97 on March 13, 2007. Plaintiffs allege violations of the federal securities laws by Accredited and certain of its senior officers and directors, who participated in a fraudulent scheme to inflate the Company's reported financial results and conceal the true financial condition and business prospects of the Company during the Class Period.

Prior to and throughout the Class Period, Accredited publicly billed itself as pursuing a conservative growth strategy, refusing to do as others in the subprime market were doing—lowering underwriting guidelines to increase the volume of mortgage loan business. Plaintiffs allege that beginning no later than Fall 2005 and throughout 2006, in an effort to maintain the Company's growing volume and meet Wall Street earnings expectations fostered by defendants' own projections, defendants caused the Company to engage in reckless underwriting of loans to individuals who did not qualify for such loans under the Company's underwriting guidelines. Defendants did not disclose its shifting business strategy, nor did the Company properly reserve for the bad loans that defendants knew would result from their decision to disregard the established underwriting procedures. As a result, a number of the Company's loans underwritten in 2005 and 2006 could not be sold to third parties and/or defaulted, causing Accredited's earnings to fall precipitously and creating a liquidity crisis at the Company leading to its near bankruptcy and fire-sale to private equity investor Lone Star Funds on June 4, 2007.

Each of the named defendants moved for dismissal of the action. By order of the Court dated January 4, 2008, the motions were substantially denied. Following the ruling on the motions to dismiss, the parties engaged in extensive discovery. On April 15, 2009, after extensive settlement discussions overseen by a mediator, including in-person mediation sessions on March 13, 2009 and April 15, 2009, the parties reached an agreement to settle the case, subject to court approval. On November 2, 2009, the Court granted final approval of the settlement. Please click on the 'Case Documents' link to the right to view the Settlement Notice and Proof of Claim form.

Case Documents

- Notice of Pendency and Proposed Settlement
- August 24, 2007 - Consolidated Class Action Complaint