

In re American Home Mortgage Securities Litigation

COURT: United States District Court for the Eastern District of New York
CASE NUMBER: 07-md-1898
CASE LEADERS: Avi Josefson

Securities fraud action filed on behalf of investors of now-bankrupt American Home Mortgage Investment Corp. ("American Home" or the "Company"). On March 19, 2008, the Honorable Thomas C. Platt, United States District Judge for the Eastern District of New York, appointed the Oklahoma Teachers Retirement System as Co-Lead Plaintiff and BLB&G as Co-Lead Counsel for the Class. On June 3, 2008, BLB&G filed an Amended Complaint.

The Amended Complaint alleges that, contrary to its public posture as a prime mortgage lender, American Home abandoned its underwriting guidelines to drive growth by issuing high-risk loans to borrowers with poor credit. Indeed, the Company operated with a goal of providing a loan to "virtually any borrower." Moreover, mortgage loans that American Home sold on the secondary market and which the Company was then forced to repurchase due to their low quality were held by the Company for full value in its investment portfolio, rather than being sold at a loss or marked down. By violating its underwriting guidelines, the Company fueled dramatic growth to become one of the ten largest mortgage lenders in the U.S. The Company's loans, however, served as collateral for the credit facilities on which it was dependent. On July 27, 2007, after the close of the market, American Home issued a press release disclosing major write-downs of the Company's loan and mortgage security portfolio, which had in turn caused significant margin calls with respect to its credit facilities. After the announcement, the New York Stock Exchange halted trading in American Home stock. When trading resumed, shares plunged to \$1.04 per share—a fraction of the \$34.89 per share high the stock had traded at during the class period.

The Amended Complaint states claims under the Securities Act of 1933 on behalf of investors who purchased American Home stock pursuant to offerings conducted on August 9, 2005 and April 30, 2007, against the Company's officers and directors, its auditor, Deloitte & Touche, and the underwriters of those offerings. The Amended Complaint also states claims under the Securities Exchange Act of 1934 against American Home's senior officers on behalf of investors who purchased American Home common or preferred shares during the period from July 19, 2005 through and including August 6, 2007. Defendants moved to dismiss the Amended Complaint, and those motions are fully briefed.

As a result of multiple mediation sessions and arm's-length negotiations, Plaintiffs reached separate settlement agreements with the individual defendants, Deloitte & Touche, and the underwriter defendants settling all claims asserted in the litigation for a total of \$37.25 million in cash. Specifically, the individual defendants paid \$24 million in cash to settle all claims against them, Deloitte & Touche paid \$4.75 million in cash, and the underwriter defendants paid \$8.5 million in cash. On January 14, 2010, the Honorable Thomas C. Platt of the United States District Court for the Eastern District of New York granted final approval of the settlements.

The claims administration process has concluded and the net settlement fund has been fully disbursed. This matter is considered closed.

Case Documents

- October 22, 2019 - Order Granting Distribution Plan to Allow for Additional Distributions

- October 18, 2019 - Motion for Distribution Plan to Allow for Additional Distributions
- October 18, 2019 - Memorandum in Support of Motion for Distribution Plan to Allow for Additional Distributions
- October 18, 2019 - Affidavit/Declaration in Support of Motion for Distribution Plan to Allow for Additional Distributions
- January 14, 2010 - Judgement and Order approving Settlement between Lead Plaintiffs and Underwriter Defendants
- January 14, 2010 - Judgement and Order approving Settlement between Lead Plaintiffs and Defendant Deloitte & Touche LLP
- January 14, 2010 - Judgement and Order approving Settlement between Lead Plaintiffs and Individual Defendants
- Notice of Pendency and Proposed Settlements
- July 30, 2009 - Order Preliminarily Approving Settlements
- Notice of Settlement
- July 7, 2009 - Plaintiffs' Memo in Support of Notice of Settlement
- June 3, 2008 - Consolidated Amended Class Action Complaint