

New York State Teachers' Retirement System, v. Fremont General Corporation, et al.

COURT: United States District Court for the Central District of California
CASE NUMBER: 07-cv-5756
CLASS PERIOD: 10/27/2005 - 03/02/2007
CASE LEADERS: Salvatore J. Graziano, Katherine M. Sinderson, John Rizio-Hamilton

Securities fraud class action filed on behalf of a class of persons and entities who purchased or acquired the securities of Fremont General Corporation between October 27, 2005 and March 2, 2007 (the "Class Period"). On December 6, 2007, the Honorable Florence-Marie Cooper appointed BLB&G client the New York State Teachers' Retirement System ("NYSTRS") as Lead Plaintiff and BLB&G as Lead Counsel for the Class.

Fremont General Corporation ("Fremont" or the "Company") was one of the country's largest and most irresponsible sub-prime lenders. Fremont knowingly, or with deliberate recklessness, made billions of dollars in sub-prime loans without regard for the borrower's ability to repay the mortgage. Fremont's lending practices were so egregious that on March 2, 2007, the Federal Deposit Insurance Corporation ("FDIC") issued a Cease and Desist Order that effectively forced the Company out of the residential lending business. According to the Cease and Desist Order, the FDIC concluded that Fremont had engaged in a long list of abusive, irresponsible, and unlawful practices at the heart of the Company's lending business. The Cease and Desist Order also charges that the Company "had committed violations of law and/or regulations," including such abuses as "making mortgage loans without adequately considering the borrower's ability to repay the mortgage," extending loans to subprime borrowers in a "manner that greatly increases the risk that borrowers will default on the loans or otherwise cause losses to the [Company]," and "operating [Fremont] without effective risk management policies and procedures in place in relation to [Fremont]'s primary line of business of brokered subprime mortgage lending." The surprise announcement of the Cease and Desist Order sent Fremont common stock tumbling, eliminating almost \$450 million in market value (approximately half the Company's total market capitalization) in a single week.

Despite the practices outlined above, Fremont and its executives consistently, knowingly, and falsely portrayed the Company as a sound lender that properly underwrote its loans by considering the borrower's ability to repay the debt. Fremont also falsely reported its financial results. As a result of this fraudulent scheme to conceal the Company's true lending practices and financial condition, and inflate the Company's reported financial results, Plaintiff alleges violations of the federal securities laws by Fremont, several of its senior executives, and senior executives of its subsidiary, Fremont Investment & Loan.

On November 5, 2009, the Court dismissed Plaintiffs' claims with prejudice. The action is currently on appeal to the Ninth Circuit.

Case Documents

- March 3, 2008 - Consolidated Amended Class Action Complaint