

Jerry Silk Discusses Questionable Sales of Mortgage Bonds by Banks in The New York Times

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In its article, "Handling of Mortgage Payments Questioned," *The New York Times* interviewed BLB&G partner Jerry Silk regarding his view on allegations that banks may have "double-dipped" by selling a mortgage into a mortgage bond at full price and also pocketing a settlement for that same mortgage when it went sour, a theory recently unveiled after a lawsuit against a mortgage unit at Bear Stearns was unsealed. Mr. Silk, who is involved in numerous cases against banks through his representation of mortgage investors, explains that the firm has "heard this a lot, and we're trying to prove it. It would be a home run for us."

The article relates that, due to an increase of mortgage defaults around 2005, banks agreed to drop their requests that mortgage originators repurchase delinquent loans in exchange for partial payments, or a discount on future loan purchase from the mortgage originators. How the banks used these partial payments and discounts remains unclear, but according to Mr. Silk, if the banks "knew the loans were defaulting, the money should have been passed on to investors."

Mr. Silk's practice focuses on representing institutional investors on matters involving federal and state securities laws, accountants' liability and the fiduciary duties of corporate officials. He is one of the partners who oversee the firm's new matter department, in which he counsels institutional clients on potential legal claims. As head of the firm's Subprime Litigation Group, Mr. Silk is leading the efforts to address the substantial shareholder losses resulting from the collapse of the subprime mortgage sector. He is currently advising institutional investors worldwide on their rights with respect to numerous claims involving transactions in residential mortgage-backed securities (RMBS) and collateralized debt obligations (CDOs).