

# BLB&G Investigating Collapse of Subprime Lending Institutions; Jerry Silk Discusses on CNBC's Power Lunch

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BLB&G partner Jerry Silk was a featured commentator on CNBC's *Power Lunch* program, discussing the basis of several class action lawsuits on behalf of investors in light of the recent meltdown among the country's largest subprime mortgage lenders, such as New Century Financial Corporation, Accredited Home Lenders, Fremont General and Novastar Financial. Stock prices of these sub-prime lenders sank recently among reports of strained portfolios and high rates of defaulting loans in the context of a stagnant housing market and higher U.S. interest rates.

BLB&G is taking a leadership role in these cases. The Firm has filed a motion to have its client, the New York State Teachers Retirement System, appointed as the Lead Plaintiff in the securities class action brought on behalf of investors in New Century Financial Corp. In addition to *New Century*, BLB&G is conducting an extensive investigation into the conduct of numerous sub-prime lenders. Through that investigation, which included interviews with over 100 witnesses, BLB&G has developed evidence of serious misconduct.

Specifically, it appears that many sub-prime lenders responded to the rising interest rates that increased competition among mortgage lenders in 2005 and 2006 by abandoning their underwriting standards and embarking on campaigns to aggressively market mortgages to clients who clearly lacked adequate financial resources. By failing to properly reserve for the heightened risk of default inherent in such loans, these lenders materially overstated their financial condition, and thereby artificially inflated the price of their publicly traded securities. Moreover, by focusing on sales of mortgages to those least able to afford them, these lenders forced thousands of low-income Americans into massive debt while robbing them of their dreams of home ownership.

BLB&G is advising institutional investor clients with positions in this sector on their legal rights in the wake of the collapse of these lenders.