

Nexbank sues Countrywide Financial Corp.

The Dallas-based bank is seeking \$11M in damages

BY CHAD ERIC WATT / STAFF WRITER

A Dallas bank is suing a unit of Bank of America and its Countrywide Financial Corp. unit for hiding the quality of mortgage loans that backed securities bought by the bank.

Nexbank SSB is seeking more than \$11 million in damages, claiming that Countrywide defrauded it, according to court documents.

“There’s really nothing (Nexbank) could have done,” said John M. Edgar, an attorney representing Nexbank, which says in its complaint against Countrywide that the mortgage originator misrepresented the quality of the loans underlying the securities.

“We allege common-law fraud, and statutory fraud, and concealment of the material facts that are false,” said Edgar,



‘It’s very hard for a bank to prove it didn’t know what it was doing in a financial transaction.’

Jim Gardner
Commerce Street Capital

a partner in the Edgar Law Firm LLC of Kansas City, Mo.

Banks seldom sue each other, said Jim Gardner, chairman of Commerce Street Capital.

“It’s very hard for a bank to prove it didn’t know what it was doing in a financial transaction,” he said.

At the end of 2007, 8% of the \$1.45 trillion in loans serviced by Countrywide were delinquent or in foreclosure proceedings.

In January 2008, Bank of America acquired Countrywide for \$4.1 billion.

The deal helped Countrywide avert bankruptcy. Bank of America got the nation’s largest mortgage lender at a steep

discount, but also inherited a mortgage portfolio full of subprime mortgages and related litigation risks.

A Bank of America spokeswoman declined to comment on the suit.

Bank of America has been sued in California, New Mexico, Pennsylvania and Washington state over its mortgage-backed securities, according to its annual report.

The law firm representing Nexbank currently represents five other financial institutions in similar matters.

In a statement, Nexbank said it looks forward to resolving the situation. The bank declined to comment further because of the ongoing litigation