

**CLAIMS ARISING FROM THE
SUB-PRIME LENDING CRISIS**

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I. INTRODUCTION

- A. Why is there is a sub-prime lending crisis?
 - 1. Historical changes in lending practices
 - 2. Securitization of mortgages
 - 3. See attached materials for chart of traditional and sub prime models of lending

- B. Statistics regarding sub-prime lending crisis
 - 1. Increase in sub-prime lending
 - 2. Increase in borrower defaults
 - 3. Increase in foreclosures
 - 4. See attached materials for charts used in presentation

- C. Government Reaction.
 - 1. Federal Government - FBI
 - 2. State Government - Supreme Court of Ohio's Foreclosure Legal Assistance Program
 - 3. Local Government - Cuyahoga County Prosecutor's Mortgage Fraud Task Force

II. CLAIMS ARISING FROM THE SUB-PRIME LENDING CRISIS

- A. Entities being defended by Gallagher Sharp in sub-prime related lawsuits:
 - 1. Lenders
 - 2. Mortgage Brokers
 - 3. Real Estate Agents
 - 4. Appraisers
 - 5. Escrow Agents
 - 6. Title Insurance Companies
 - 7. Vendors

- B. *Cleveland vs. Wall Street*. Premise of Lawsuit: City of Cleveland seeks to recoup losses from the Wall Street banks and investors who participated in making, buying, and selling sub-prime loans for profit. City of Cleveland sues:

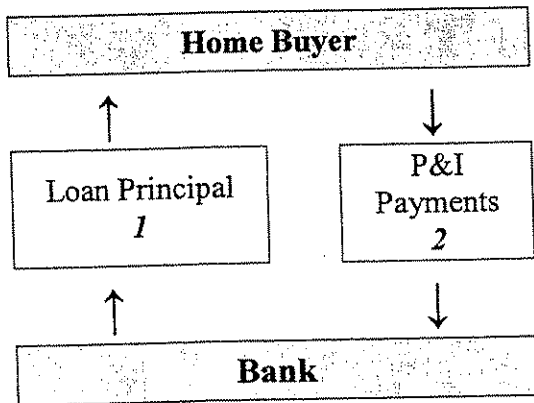
1. Lenders
 2. Sellers of Mortgage Backed Securities
- C. Borrower Claims
1. Premise of Lawsuit: Borrower seeks to recoup losses from those who allegedly induced him/her to obtain a loan that went into default. Borrower sues:
 - a. Seller
 - b. Real Estate Broker/Agent
 - c. Sub-Prime Lender
 - d. Mortgage Broker
 - e. Appraiser
 - f. Title Company
 - g. Wall Street Investment Bank
 2. Related claims currently being defended by Gallagher Sharp - Borrower sues vendor hired by loan servicing company to secure the property post-default.
- D. Lender Claims
1. Premise of Lawsuit: Lender seeks to recoup losses from those who allegedly duped it into providing a loan that went into default. Lender sues:
 - a. Mortgage Broker (i.e., Lenders former employee)
 - b. Escrow Agent
 - c. Title Insurance Company
 - d. Buyer
 - e. Seller
 - f. Real Estate Broker/Agent
 - g. Appraiser
 2. Related claims currently being defended by Gallagher Sharp - Lender sues title company for not detecting borrower's identity theft scheme.

III. HELPFUL INFORMATION

- A. United Way First Call for Help: 2-1-1
- Operators will refer callers to housing counselors, who will try to negotiate with lenders and provide other guidance.
- B. Home Ownership Preservation Foundation: (888) 995-4673
- Provides assistance for persons facing foreclosure.

- C. Ohio Attorney General's Office: (877) 244-6446 or www.ag4ohio.org
 - Call to file complaints about predatory lending.
- D. Wikipedia - http://en.wikipedia.org/wiki/Subprime_mortgage_crisis
 - Provides a general overview of the sub-prime mortgage crisis.
- E. Save the Dream - <http://www.com.ohio.gov/SavetheDream/>
 - Provides useful information for persons facing foreclosure.
- F. Don't Borrow Trouble - www.dontborrowtroublecc.org
 - Provides useful information for persons facing foreclosure.
- G. Cuyahoga County Sheriff's Office -
<http://sheriff.cuyahogacounty.us/propertysearch.asp>
 - Where you can search for properties foreclosed on in Cuyahoga County.
- H. Cleveland.Com - <http://www.cleveland.com/news/foreclosedata/>
 - Searchable database for properties foreclosed on in Cuyahoga County.

TRADITIONAL LENDING MODEL



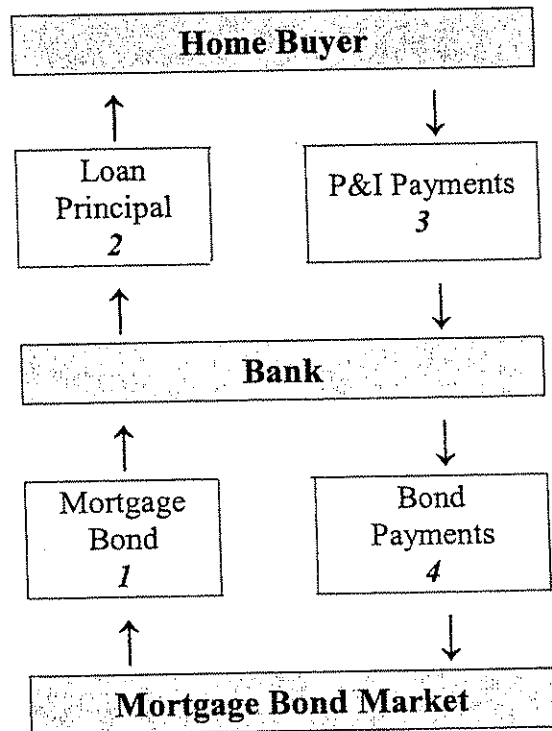
TRANSACTIONS

- 1 Bank Agrees to Lend Money.
- 2 Borrower Agrees to Repay Loan.

CHECK ON MODEL

- Bank appraises value of home.
- Bank verifies borrower's income. income on low/no document loan.

SUB-PRIME LENDING MODEL



TRANSACTIONS

- 1 Bank Sells Mortgage Bond.
- 2 Bank Agrees to Lend Money.
- 3 Borrower Agrees to Repay Loan.
- 4 Bank Pays Bondholders.

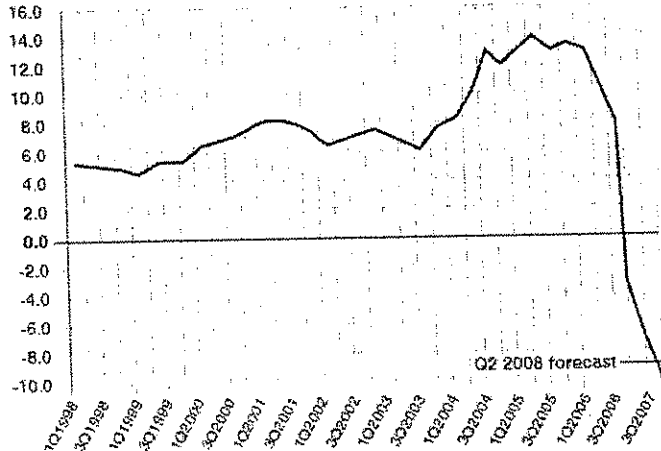
CHECK ON MODEL

- Bank appraises value of home.
- Mortgage Broker verifies borrower's income.
- Rating Agencies evaluates bond for risk.

Housing Bubble Bursts (cont.)

US HOUSE PRICE TRENDS

% increase/decrease year-on-year



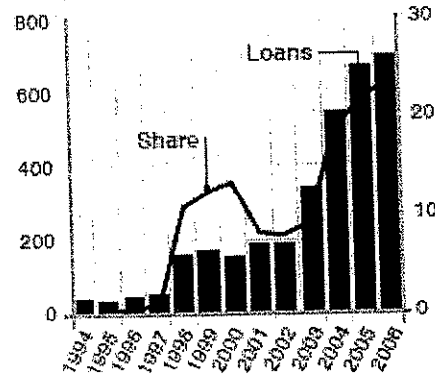
SOURCE: Center for Responsible Lending/CFRLE/INAR

Sub-Prime Statistics

GROWTH OF SUB-PRIME LENDING

Annual volume of sub-prime \$bn

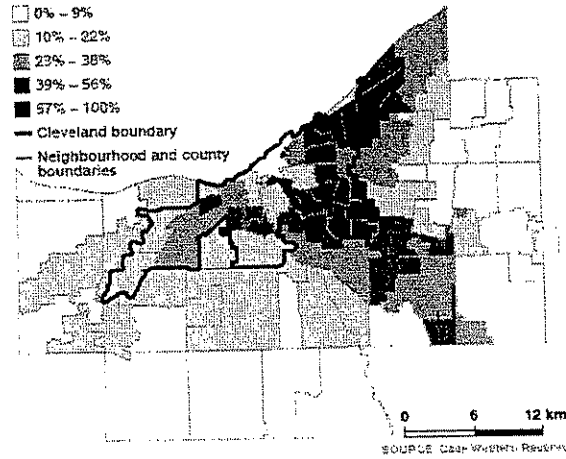
% share of mortgage market



SOURCE: Center for Responsible Lending
Inside Mortgage Finance

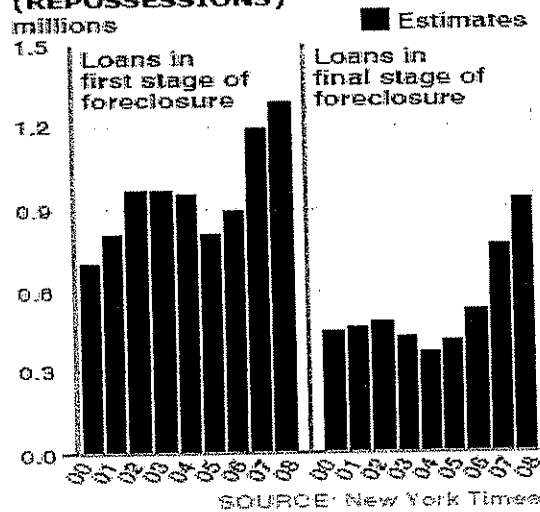
Sub-Prime Statistics

SUB-PRIME LENDING IN CLEVELAND METRO AREA
% home loans made by sub-prime lenders, 2005



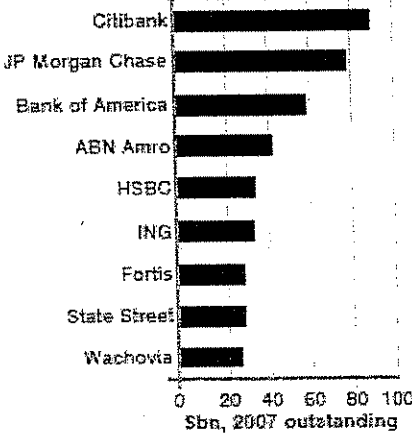
Sub-Prime Statistics

US FORECLOSURES (REPOSSSESSIONS)
millions



Sub-Prime Statistics

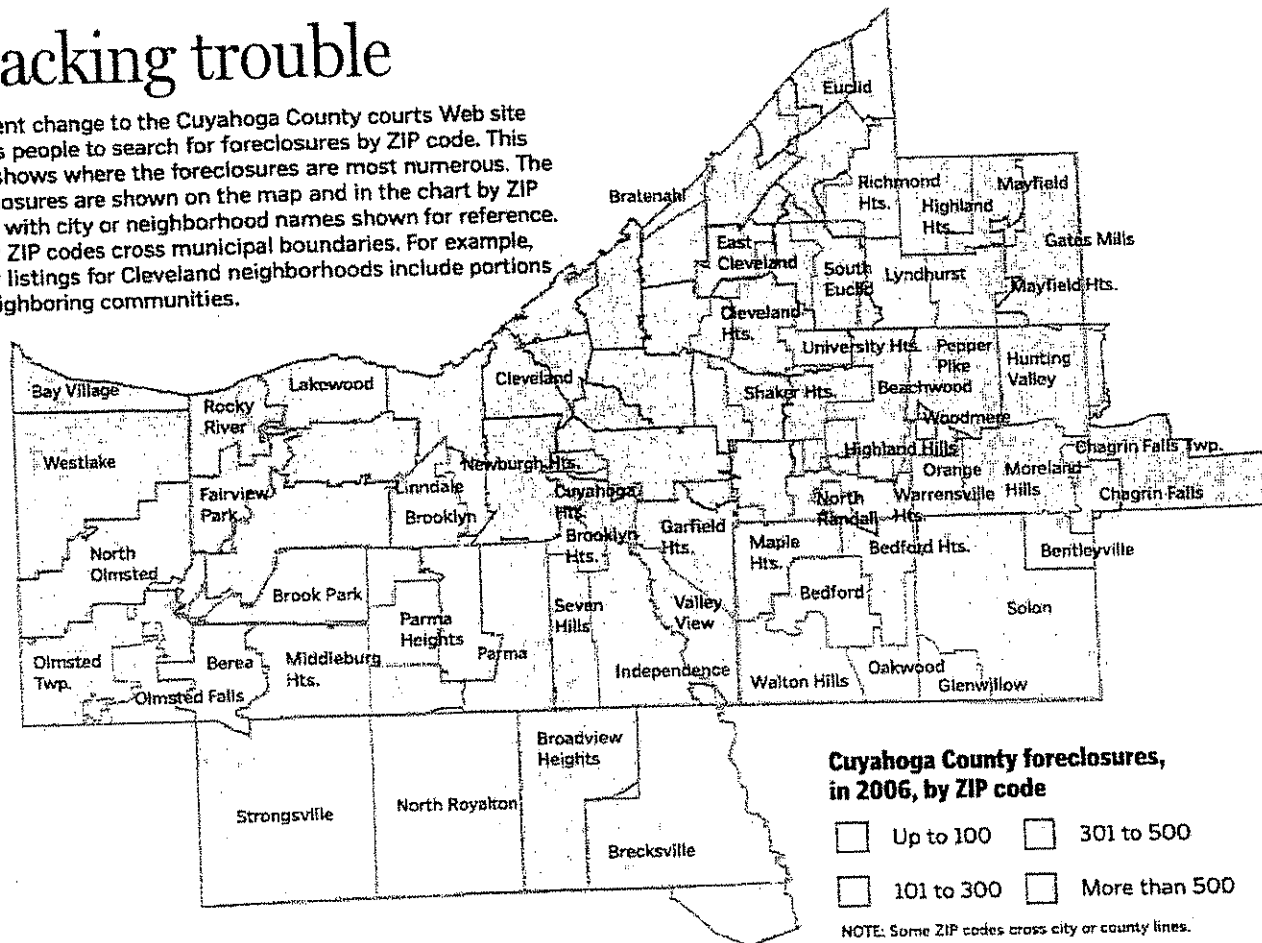
POTENTIAL BANK LIABILITIES Top bank sponsors of commercial paper, 2007



SOURCE: Economist/Fitch Ratings

Tracking trouble

A recent change to the Cuyahoga County courts Web site allows people to search for foreclosures by ZIP code. This map shows where the foreclosures are most numerous. The foreclosures are shown on the map and in the chart by ZIP code, with city or neighborhood names shown for reference. Many ZIP codes cross municipal boundaries. For example, many listings for Cleveland neighborhoods include portions of neighboring communities.



Cuyahoga County foreclosures, in 2006, by ZIP code

- Up to 100
- 101 to 300
- 301 to 500
- More than 500

NOTE: Some ZIP codes cross city or county lines.

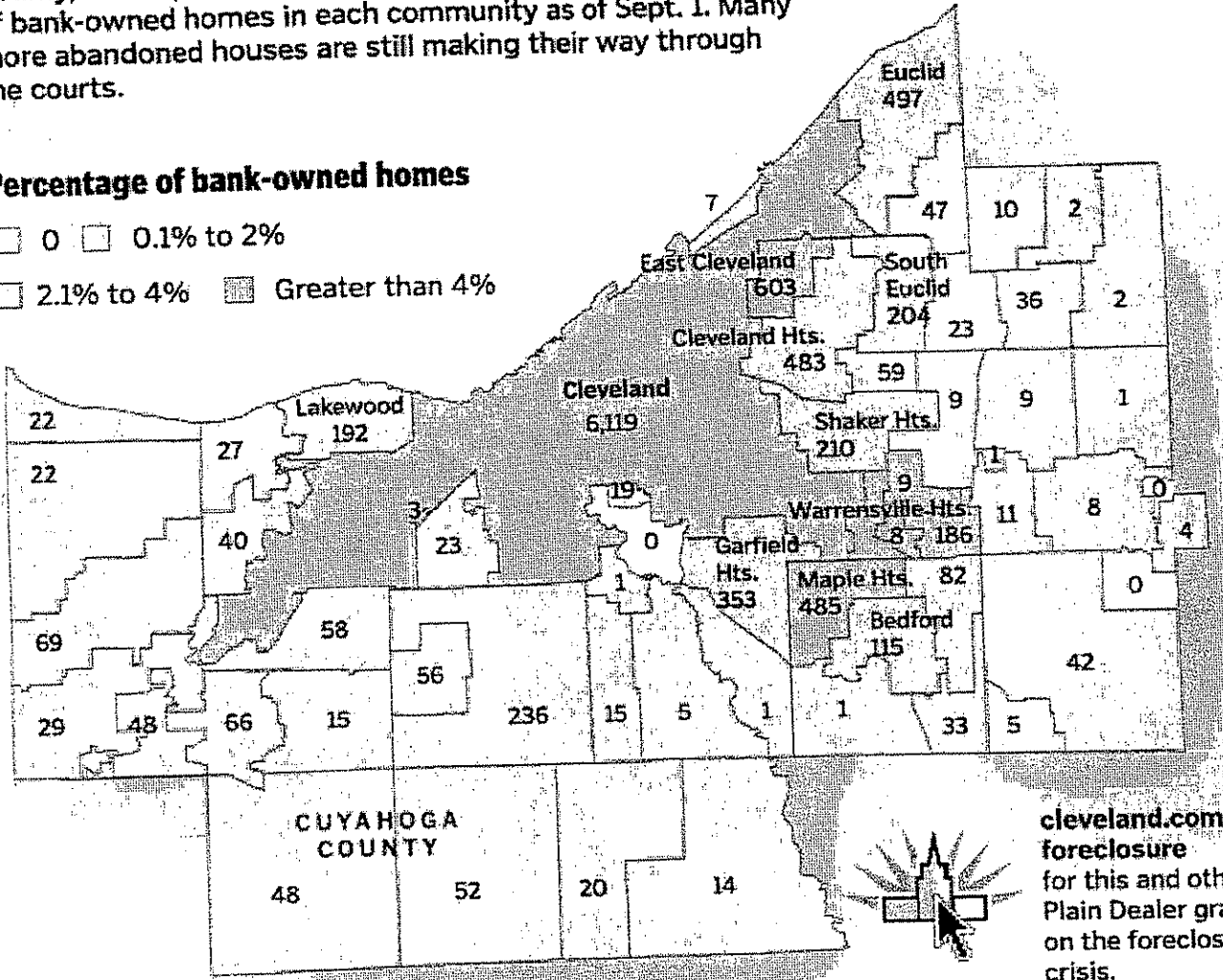
ZIP code	General vicinity	Foreclosures	ZIP code	General vicinity	Foreclosures
44105	Cleveland (east)	720	44144	Brooklyn	73
44112	East Cleveland	480	44129	Parma - Day Drive	70
44108	Cleveland (east) East 105th St.	464	44132	Euclid (east)	69
44120	Shaker Heights	399	44143	Richmond Heights	69
44104	Cleveland (central)	336	44070	North Olmsted	57
44103	Cleveland (east) - 1650 East 55th St.	335	44117	Euclid - 21551 Euclid Ave.	57
44102	Cleveland (west) - 6600 Lorain Ave.	321	44138	Olmsted Falls - Olmsted Twp.	55
44128	Warrensville Heights	317	44133	North Royalton	53
44110	Cleveland (east) - Collinwood	311	44142	Brook Park	53
44109	Cleveland (west) - Pearlbrook	267	44113	Cleveland - Downtown/West 25th Street	52
44137	Maple Heights	255	44139	Solon	47
44111	Cleveland (west) - West Park	210	44017	Berea	45
44121	South Euclid	201	44136	Strongsville (east)	41
44118	Cleveland Heights	187	44145	Westlake	33
44125	Garfield Heights	186	44126	Fairview Park	29
44135	Cleveland (west) - Puritas Park	163	44141	Brecksville	24
44146	Bedford/Oakwood	160	44147	Broadview Heights	24
44106	Cleveland (east) - University Circle	159	44149	Strongsville (west)	24
44107	Lakewood	138	44116	Rocky River	23
44127	Cleveland (east) - Broadway	133	44131	Independence / Seven Hills	23
44130	Middleburg / Brook Park	111	44022	Chagrin Falls	21
44122	Beachwood	104	44140	Bay Village	18
44123	Euclid - Central	104	44115	Cleveland - Downtown	8
44119	Cleveland (east) - 891 East 185th St.	88	44040	Gates Mills	7
44134	Parma - Briggs	88	44114	Cleveland - Downtown	3
44124	Lyndhurst - Mayfield	80			

Meet your new neighbor — the bank

As foreclosures mount, banks and mortgage companies are taking back homes throughout Northeast Ohio. As of Sept. 1, lenders controlled 10,745 homes in Cuyahoga County, or 2.4 percent of the total. Below are the numbers and percentages of bank-owned homes in each community as of Sept. 1. Many more abandoned houses are still making their way through the courts.

Percentage of bank-owned homes

- 0
- 0.1% to 2%
- 2.1% to 4%
- Greater than 4%



cleveland.com/foreclosure
for this and other Plain Dealer graphics on the foreclosure crisis.

SOURCE: Case Western Reserve University Center on Urban Poverty and Community Development

RICH EXNER AND KEN MARSHALL | THE PLAIN DEALER

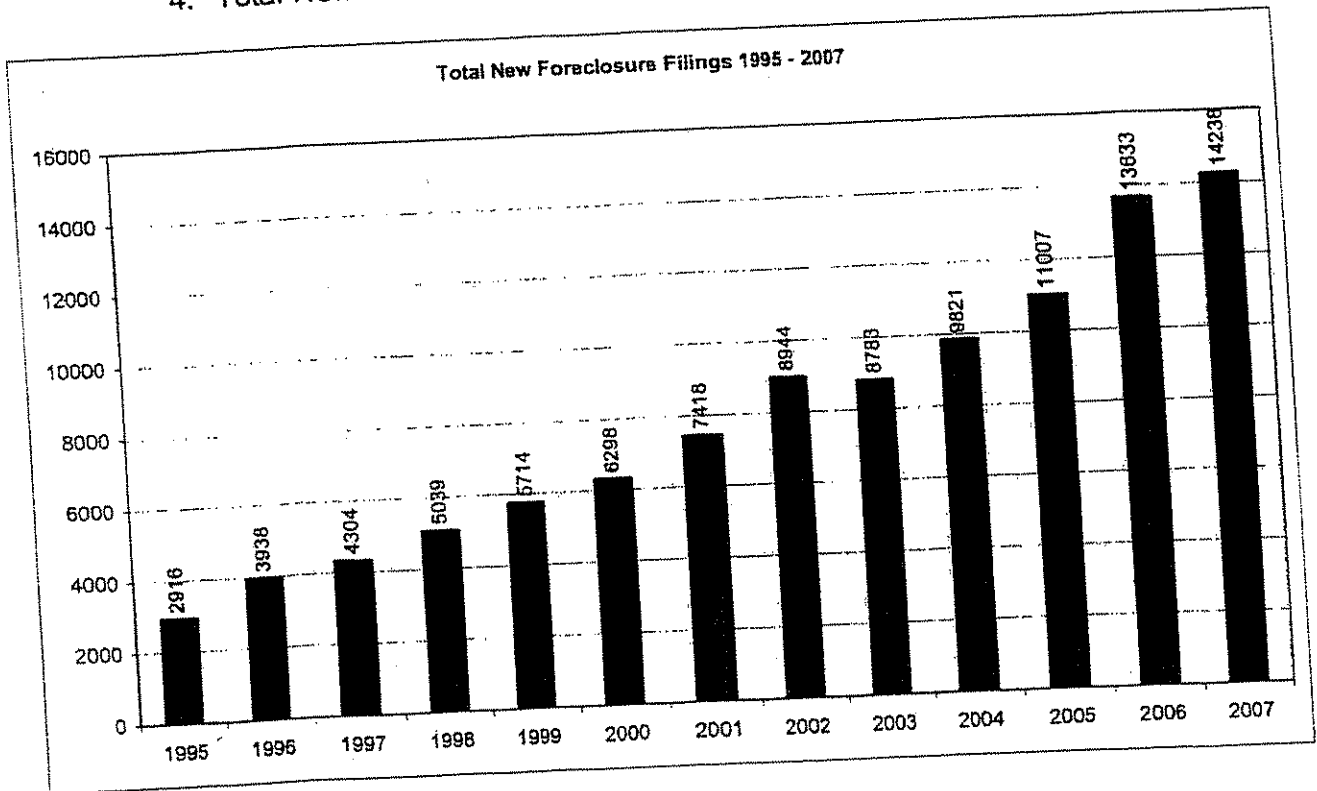


Cuyahoga County Court of Common Pleas

Total New Foreclosure Filings

The following charts are provided as a historical view of new foreclosure filings.

1. Total New Foreclosure Filings from 1995 – 2007
2. Total New Marsh of Lien/Quite Title/Partition Filings from 2006 – 2008 by Month
3. Total New Tax Lien & Tax Certificate Filings by Month for 2006 – 2008 by Month
4. Total New Foreclsure Filings from 2006 – 2008 by Month

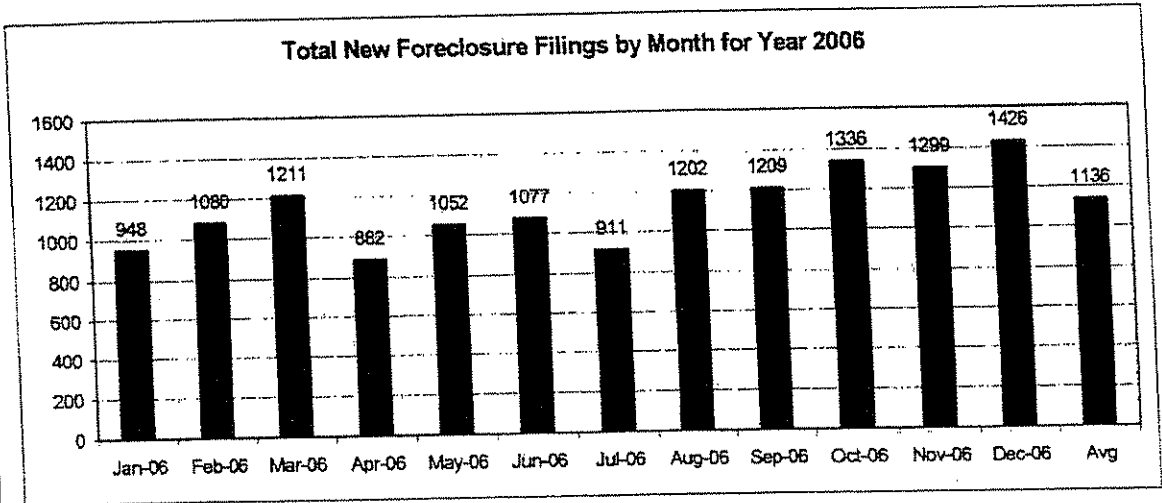




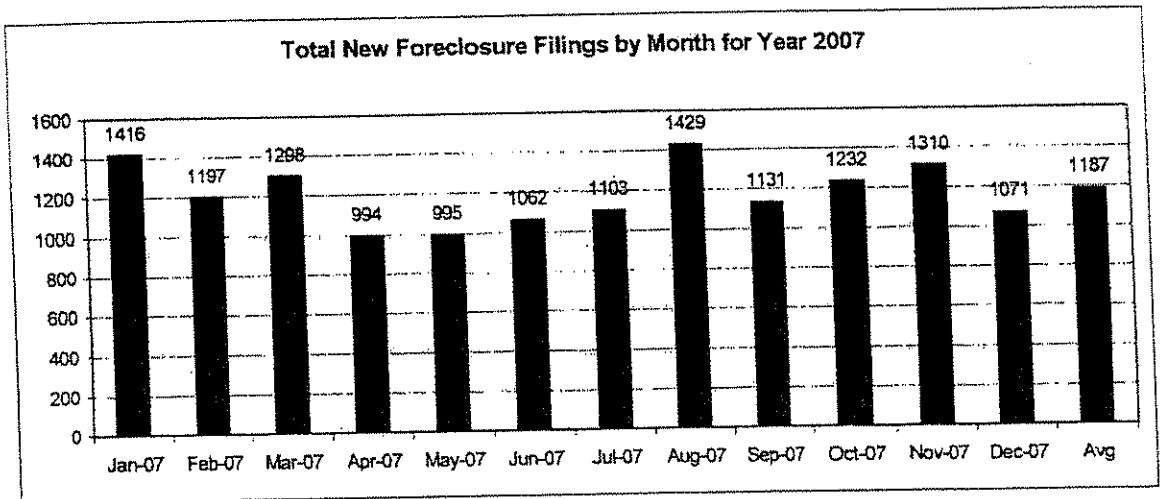
Cuyahoga County Court of Common Pleas

Total New Foreclosure Filings by Month for Year 2006 – 2008

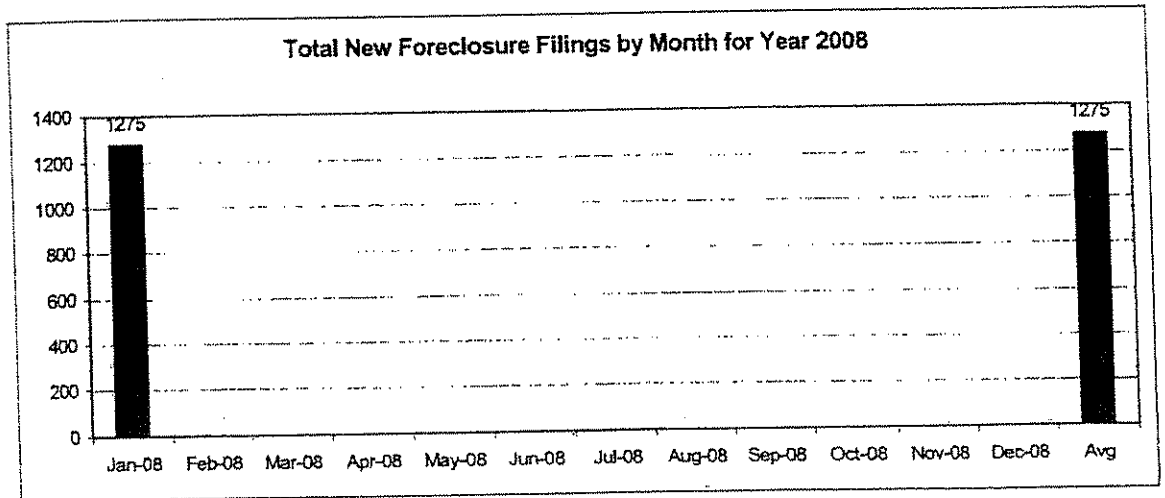
Month	# Filings
Jan-06	948
Feb-06	1080
Mar-06	1211
Apr-06	882
May-06	1052
Jun-06	1077
Jul-06	911
Aug-06	1202
Sep-06	1209
Oct-06	1336
Nov-06	1299
Dec-06	1426
Avg	1136
Total	13633



Month	# Filings
Jan-07	1416
Feb-07	1197
Mar-07	1298
Apr-07	994
May-07	995
Jun-07	1062
Jul-07	1103
Aug-07	1429
Sep-07	1131
Oct-07	1232
Nov-07	1310
Dec-07	1071
Avg	1187
Total	14238



Month	# Filings
Jan-08	1275
Feb-08	
Mar-08	
Apr-08	
May-08	
Jun-08	
Jul-08	
Aug-08	
Sep-08	
Oct-08	
Nov-08	
Dec-08	
Avg	1275
Total	1275



The defendants

Cleveland named 21 Wall Street investment banks in a lawsuit filed Thursday to recover damages resulting from thousands of home foreclosures. City officials said they selected the banks because they each bought and sold billions of dollars nationwide in securities backed by subprime mortgages.

What the lawsuit alleges: The firms are accused of creating a public nuisance by making mortgages available to people who had "no realistic means of keeping up with their loan payments."

A dozen of the banks also collectively filed thousands of foreclosures in Cuyahoga County over the last four years. The filings listed below are the city's approximations.

Deutsche Bank Trust Co.

4,750

Wells Fargo

4,000

Ameriquest Mortgage Co.

1,600*

Countrywide Financial Corp.

1,300

HSBC Holdings

1,300

JPMorgan Chase

1,000**

Washington Mutual Inc.

900

Citigroup Inc.

600

Bank of America Corp.

450

NovaStar Financial Inc.

200

The Bear Stearns Cos.

175

IndyMac Bancorp

160

The other banks named in the suit

- Credit Suisse
- Fremont General Corp.
- GMAC-RFC
- Goldman Sachs Group
- Greenwich Capital Markets
- Lehman Brothers Holdings Inc.
- Merrill Lynch & Co.
- Morgan Stanley
- Option One Mortgage Corp.

*Some filings made by sister firm Argent Mortgage Co.

**Some filings made by unnamed JPMorgan affiliates