

Credit Suisse Sets Aside \$79.5M For MassMutual RMBS Deal

By **Evan Weinberger**

Law360, New York (September 15, 2017, 2:53 PM EDT) -- Credit Suisse AG on Thursday said it has set aside \$79.5 million to settle long-running litigation with insurer Massachusetts Mutual Life Insurance Co. over the bank's pre-financial crisis mortgage-backed securities offerings.

MassMutual in 2011 sued a host of big banks, including Credit Suisse, over mortgage-backed securities it purchased prior to the financial crisis. The Springfield, Massachusetts-based insurer claimed that the banks made false claims about the quality of home loans underlying the securities.

"MassMutual is pleased with the resolution of its dispute with Credit Suisse," said Michael McNamara, a spokesman for the insurer.

MassMutual launched its litigation against Credit Suisse as well as banks including the Royal Bank of Scotland Group PLC, Deutsche Bank AG and JPMorgan Chase & Co. alleging that they sold the insurer mortgage-backed securities that were packed with home loans that were of lower quality than advertised.

According to the 2011 complaint filed in federal district court in Springfield, MassMutual invested more than \$70.5 million in nine mortgage-backed securities originated by Credit Suisse units in May 2006 and June 2007.

MassMutual claimed that the investment was based largely on representations by Credit Suisse that the mortgages underlying the securities were sound, and that the investment bank had done appropriate due diligence on them.

But as the housing bubble inflated, Credit Suisse abandoned its underwriting standards and the highly rated mortgage-backed securities that MassMutual invested in had descended largely into junk status, according to the complaint.

On average, about 35 percent of the mortgages packaged in the securities have defaulted. In one of the securities, just over 50 percent had defaulted, MassMutual said in the complaint.

According to Credit Suisse, the settlement resolves claims related to 19 separate mortgage-backed securities certificates issued in 2006 and 2007, ending two separate lawsuits MassMutual filed.

“Credit Suisse is pleased to have reached an amicable settlement with MassMutual that allows the bank to put this legacy matter behind it,” Credit Suisse said in a statement.

MassMutual had previously reached settlements with JPMorgan, RBS and Barclays PLC, although the terms of those settlements were never made public.

MassMutual is represented by John J. Egan of Egan Flanagan and Cohen PC and Joseph C. Smith Jr., Lester C. Houtz, Karma M. Giulianelli, Philip S. Beck, Jeffrey A. Hall, Steven J. Nachtwey, Cindy L. Sobel, Katherine M. Swift and Joshua P. Ackerman of Bartlit Beck Herman Palenchar & Scott LLP.

Credit Suisse is represented by Jonathan Sablone and Matthew T. McLaughlin of Nixon Peabody LLP and Richard W. Clary, Michael T. Reynolds and Lauren A. Moskowitz of Cravath Swaine & Moore LLP.

The cases are Massachusetts Mutual Life Insurance Co. v. DLJ Mortgage Capital Inc., case number 3:11-cv-30047, and Massachusetts Mutual Life Insurance Co. v. Credit Suisse First Boston Mortgage Co., case number 3:11-cv-30048, in the U.S. District Court for the District of Massachusetts.

--Editing by Kelly Duncan.