

# Spector Roseman Kodroff & Willis, P.C. and Hagens Berman Lawsuit: U.S. Government Liable for Losses of Fannie Mae and Freddie Mac Investors

June 11, 2013

PHILADELPHIA and SEATTLE - Spector Roseman Kodroff & Willis, P.C. (SRKW), and Hagens Berman Sobol Shapiro (Hagens Berman), two of the nation's leading class-action law firms, have filed a lawsuit against the United States government on behalf of a proposed class of investors who held common and preferred stock in the Federal National Mortgage Association (OTC: FNMA) (Fannie Mae), and the Federal Home Loan Mortgage Corporation (OTC: FMCC) (Freddie Mac) on or before Sept. 5, 2008.

The lawsuit – filed June 10, 2013 -- alleges that the U.S. government violated the Fifth Amendment of the U.S. Constitution when, in 2008, it imposed conservatorships over Fannie Mae and Freddie Mac – both private, shareholder-owned corporations – and allegedly destroyed the value of stock held by shareholders without due process or just compensation.

Prior to the U.S. government imposing conservatorships, Fannie Mae and Freddie Mac had operated successfully for decades. Then, according to the lawsuit, the U.S. government took control of Fannie Mae and Freddie Mac away from shareholders and directed the companies to purchase subprime and other risky mortgages, leading to significant losses.

“The U.S. government paid no heed to the rights and interests of shareholders when it effectively nationalized these two corporations,” said attorney Robert M. Roseman, managing partner of SRKW. “While other major financial institutions were attempting to minimize their losses during a difficult economy, the government essentially forced Fannie Mae and Freddie Mac to do the exact opposite, expanding their exposure to some of the riskiest assets.”

The lawsuit also claims that the government unlawfully entered into stock agreements executed at the time of the conservatorships that established a grossly unfair lending arrangement by issuing the government senior preferred shares worth billions of dollars and gave the government a right to acquire nearly 80 percent ownership in both Fannie Mae and Freddie Mac, at a nominal exercise price of \$0.00001 per share, rendering existing common and preferred stock in the companies nearly worthless.

“We are not disputing that the government’s actions may have been in the best interests of the national economy,” said attorney Steve W. Berman, managing partner and co-founder of Hagens Berman. “However, it was obligated to provide just compensation under the Fifth Amendment for shareholders who suffered significant financial losses.”

The lawsuit was filed in the U.S. Court of Federal Claims. The United States government is accused of violating the fundamental principles of the Due Process and Takings Clauses of the Fifth Amendment of the U.S. Constitution.

The case is a proposed class action, meaning individuals or institutions that purchased shares in the companies on or before Sept. 5, 2008, may be entitled to recover losses. If you purchased shares and would like more information, you may contact:

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### **About Spector Roseman Kodroff & Willis, P.C.**

SRKW is one of the preeminent plaintiffs’ law firms with offices in Philadelphia and Washington, D.C., and affiliated offices in 22 cities around the world. The Firm was selected by The National Law Journal as one of the top plaintiffs’ law firms in the country. More information about the firm and its successes can be found at [www.srkw-law.com](http://www.srkw-law.com).

### **About Hagens Berman**

Seattle-based Hagens Berman Sobol Shapiro LLP is a class-action law firm with offices in ten cities. Founded in 1993, HBSS continues to successfully fight for consumer rights in large, complex litigation. The firm has been named one of the top plaintiffs’ law firms in the country five times by the National Law Journal. More information about the law firm and its successes can be found at [www.hbsslaw.com](http://www.hbsslaw.com).

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