

MassMutual, Goldman Sachs Settle \$175M RMBS Suits

By **John Kennedy**

Law360, New York (October 24, 2017, 8:47 PM EDT) -- Massachusetts Mutual Life Insurance Co. and Goldman Sachs told a Massachusetts federal court Tuesday that they've agreed to settle all remaining claims in two lawsuits alleging the lender lied about the quality of at least \$175 million worth of residential mortgage-backed securities.

In their joint motion for dismissal, MassMutual and Goldman Sachs & Co. LLC told the court that they're the only parties remaining in the two lawsuits, which were filed in 2011, and that the claims have been resolved pursuant to a confidential settlement agreement. No details were available about the settlement, except that each party would cover their own costs and fees. They said all claims should be permanently disposed of.

MassMutual originally brought 11 lawsuits against lenders and other companies over toxic RMBS, claiming they failed to tell the insurer that the securities were backed by shoddy loans.

Goldman Sachs' agreement is the latest in a number of settlements and resolves the two cases at issue.

Barclays Capital Inc. announced its confidential settlement with MassMutual in March 2016, a move that left Goldman Sachs as the only remaining defendant in one of the cases. During the prior October, JPMorgan Chase & Co. agreed to settle the insurer's suit claiming JPMorgan and others caused it to lose \$2.3 billion in investments. Court filings show that units of HSBC Bank PLC, Bank of America Corp., UBS AG and Deutsche Bank AG have also settled.

According to one of MassMutual's complaints, the RMBS it bought soon qualified as junk. It blamed lenders for not checking up on now-defunct American Home Mortgage Investment Corp. and for not realizing that in its rush to originate mortgages, American Home was lending money to people who were unlikely to pay. Due to widespread defaults, securities MassMutual bought for \$175 million sank in value to about \$40 million.

MassMutual claimed that many of the statements about the underlying loans were false and that under Massachusetts' Uniform Securities Act, it could rescind its purchase of the RMBS or recover damages.

The insurer got an important win in October 2014 when a federal judge said the banks can't argue that external economic factors, rather than their own alleged misconduct, caused MassMutual's losses.

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

Goldman Sachs is represented by Mark A. Berthiaume and Zachary C. Kleinsasser of Greenberg Traurig LLP and by Richard H. Klapper, David M.J. Rein and Anil K. Vassanji of Sullivan & Cromwell LLP.

The cases are Massachusetts Mutual Life Insurance Co. v. Goldman Sachs Mortgage Co. et al., case number 3:11-cv-30126, and Massachusetts Mutual Life Insurance Co. v. Merrill Lynch Pierce Fenner & Smith Inc. et al., case number 3:11-cv-30285, both in the U.S. District Court for the District of Massachusetts.

--Additional reporting by Stewart Bishop. Editing by Alyssa Miller.