

Banks Sued in Thornburg Bankruptcy

By REUTERS

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WILMINGTON, Del. (Reuters) — The bankruptcy trustee for Thornburg Mortgage has sued [Goldman Sachs](#), [Barclays](#) and other big banks for a combined \$2.2 billion, blaming them for its bankruptcy.

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The trustee filed four separate lawsuits, the most extensive of which blames a “collusive scheme” by units of [JPMorgan Chase & Company](#), [Citigroup](#), the [Royal Bank of Scotland](#), [Credit Suisse](#) and [UBS](#) for driving the company into bankruptcy.

The trustee, Joel Sher, accused the five banks of acting together to use a series of unjustified margin calls to extend their control over Thornburg, which was once a leading provider of “jumbo” home loans.

The lawsuit seeks to recover \$2 billion for fraudulent conveyances and transfers by the banks, which had financed Thornburg’s mortgage-backed securities.

The trustee said the banks eventually drove Thornburg into Chapter 11 in May 2009. It sought protection from creditors with \$36.5 billion in assets, making it one of the largest bankruptcies during the financial crisis.

Citigroup said the lawsuit was without merit. Credit Suisse and UBS declined to comment. JPMorgan and RBS did not immediately return a call for comment.

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Mr. Sher was appointed to run Thornburg after the company's executives were accused of using Thornburg's staff and offices, without creditors' approval, to start a new company.

The trustee also sued Barclays, claiming it improperly seized mortgage bonds from Thornburg in 2007 by undervaluing the securities in a series of margin calls. The trustee is seeking at least \$94 million.

Barclays declined to comment.

Mr. Sher sued Goldman Sachs, seeking at least \$71 million and accusing the bank of scheming to seize hundreds of millions of dollars of investment-grade mortgage bonds that Thornburg had pledged as collateral.

Goldman Sachs declined to comment.

The final lawsuit claims Countrywide Home Loans, which was acquired by [Bank of America](#), breached representations and warranties on the loans it sold to a unit of Thornburg.

That lawsuit was also brought on behalf of a group of investors known as the Zuni Investors, who were represented by David Grais of Grais & Ellsworth.

Mr. Grais has brought numerous "putback" lawsuits that seek to have originators like Countrywide repurchase mortgages that fell short of promised standards.

Bank of America did not immediately return a call for comment.

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