



Reinhart Forms Securitized Mortgage and Fraud Team

MILWAUKEE – The law firm of Reinhart Boerner Van Deuren s.c. announced today that it has formed a multi-disciplinary team of lawyers devoted to handling issues facing its business clients stemming from the subprime mortgage crisis and the resulting turmoil in the credit markets. According to Reinhart Chairman and Chief Executive Officer Jerome Janzer, Reinhart sees a wave of litigation stemming from the credit crisis which started when homeowners could not make their mortgage payments as interest rates rose and, concurrently, as home prices declined.

"The issues surrounding this mortgage litigation can impact a wide range of players in the financial services industry - from mortgage brokers to investment banks, to hedge funds and other institutional investors," Janzer said. According to a recent report on Bloomberg.com, losses to credit investors are estimated to be as much as \$150 billion worldwide. "When investors and financial institutions feel they were misled about the risks on investments and when that leads to large losses, litigation is sure to follow," Janzer said. Reinhart has assembled a team of lawyers with a variety of backgrounds, including complex financial litigation, class actions, securities law, real estate and bankruptcy. "This litigation will involve a number of different legal subject areas," said Tim Muth, a Reinhart attorney who handles complex financial litigation and is a member of the newly formed securitized mortgage and loan fraud team. "By coordinating our traditional strengths in these areas into a team focused on the securitized mortgage and fraud issues, we believe we will offer our clients insightful analysis of the litigation issues and strategy."

Litigation can appear anywhere along the series of transactions originating with a homeowner with questionable credit history obtaining a mortgage, through the loan originators, to those who pool and package loans into investment vehicles on the secondary market as well as the investment banks and institutional investors involved in selling and buying these financial products. Litigation also may involve the professional advisors, including auditors, mortgage brokers and others involved in structuring these deals. Still more litigation will focus on the disclosures made to consumers regarding the working provisions of subprime adjustable rate mortgages. "If the securities markets suffer additional corrections related to the mortgage industry woes, there may be a round of claims by investors against their financial advisors for the suitability of various investment

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recommendations," Muth said.

Fraudulent mortgage loans are a leading source of the defaults which have made the value of some securitized mortgage pools uncertain, according to Bush Nielsen, a Reinhart attorney and editor of the widely-read *The Title Insurance Law Newsletter*. "Investors have demanded the repurchase of loans exhibiting the typical indicia of fraud: inflated valuations, immediate default, phony employment and asset information, and use of stolen identities. These loans get pushed back downstream. Unfortunately, in many cases, the originator or broker is insolvent or shut down. Lenders then seek recovery from mortgage and title insurers, settlement agents and others," says Nielsen. Nielsen leads the firm's title insurance practice.

Anne Reed, a jury consultant and director of Reinhart's Trial Practice Institute, commented that these cases will present unique challenges for communicating to juries who may be deciding the matters. "The jurors you are going to see are familiar with mortgages, and they have opinions on how the process is supposed to work. On the other hand, very few of them will have any idea what happens to their mortgage on the secondary market after their house closing. Understanding jurors' perspectives and the information with which they enter the jury room is important for any trial lawyer working in this area," she said.

Reinhart Boerner Van Deuren s.c. is a business-oriented law firm with offices in Milwaukee, Waukesha and Madison, Wisconsin and Rockford, Illinois and serves clients throughout the U.S. and internationally. The firm's more than 200 attorneys provide clients with a combination of legal intelligence, industry understanding and superior client service.

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