

PUBLICATION

Congress Considers Sweeping Market Stabilization Measure

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At press time, congressional leaders and the Bush Administration were still laboring over a multi-billion dollar market stabilization package that continues to suffer from uncertain political support and public skepticism. Talks will continue through the weekend and resume next week in the hope that a final resolution is reached. While the outcome is uncertain, immediate and near-term government intervention is still expected to address mortgage-related assets that have impaired liquidity and destabilized the financial services sector in recent months. Baker, Donelson, Bearman, Caldwell and Berkowitz, PC is actively monitoring the legal, regulatory and policy implications of these fast-breaking developments on the nation's financial and housing markets, assessing the ramifications for its large and diverse client base, and preparing for the coming debate in the 111th Congress on what will likely be the most far reaching regulatory reform initiatives since the Glass-Steagall Act of 1933 and the Securities Exchange Act of 1934.

The federal government will continue to take action to address the lack of liquidity in the financial markets caused by distressed mortgage-related assets held by financial institutions, such as mortgage-backed securities and subordinated mortgage securities, including collateralized debt obligations (CDOs) and collateralized mortgage obligations (CMOs). Three weeks ago, the Treasury Department and the Federal Housing Finance Agency (FHFA) took action to prevent the collapse of Fannie Mae and Freddie Mac, which collectively hold \$5.3 trillion in MBS and other forms of debt. The sale of Bear Stearns, the takeover of A.I.G. and Secretary Paulson's \$700 billion market stabilization proposal sent to Congress this week demonstrate the increased role the government will play in the market place in the purchase, management and sale of distressed assets.

Baker Donelson is uniquely equipped to provide sound advice, effective counsel and diligent legal representation to companies and individuals affected by changes wrought by the uncertain legal, regulatory and political environment in the following ways:

Provide advice on the impact of newly enacted and pending legislative, regulatory and legal proposals on the housing, lending and financial services industry, particularly as a new Congress and President gear up next year for major regulatory reform legislation associated with the Gramm Leach Bliley Act (GLBA) of 1999, the Housing and Economic Recovery Act (HERA) of 2008 and the Securities Exchange Act of 1934.

Assist in restructuring, reorganizing, streamlining and consolidating business units and operations in the new and evolving competitive environment affecting the housing, lending, credit and debt sectors and in taking advantage of new market opportunities created by - and advise on the risks associated with - the acquisition, management and disposition of distressed financial assets and securities by the United States Government; and

Assist in minimizing legal exposure for companies and individuals subject to increased government regulation, investigation, prosecution and oversight at the federal, state and local levels of government, such as the recently announced criminal investigations of Fannie Mae, Freddie Mac, Lehman Brothers, and A.I.G. by the U.S. Justice Department.

Baker Donelson represents more than 100 mortgage lenders and servicers, mortgage investors, banks, savings and loans, finance companies, credit unions, their holding companies, and other financial institutions in connection with litigation, transactional, structural, regulatory, legislative and corporate matters unique to such businesses. From litigation prevention to representation in the most complex matters, our experience includes the ability to provide advice on regulatory compliance, track and advance financial institution client interests before local, state and federal legislative bodies, provide quality control/quality assurance training, offer creative cost-effective ideas for loss mitigation and alternatives to litigation, and when necessary, provide a team of litigators who are focused on the client's best interests, whether the issue is lender or servicer liability, bankruptcy litigation, white collar crime, government and internal investigations, class actions with potential punitive damages, or state or federal regulatory issues. In addition, Baker Donelson's Washington, D.C. office is led by a team of seasoned veterans of the federal legislative, regulatory and policy-making environment who are currently monitoring and advising on developments affecting the financial markets as they unfold.