EXHIBIT 12

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The Charlotte Observer

Found on Charlotte.com
Charlotte Observer (North Carolina)

December 15, 2010 Wednesday

LENGTH: 261 words

HEADLINE: Bank of America in mortgage talks

BYLINE: Rick Rothacker; rrothacker@charlotteobserver.com

DATELINE: December 15 2010

BODY:

Bank of America Corp. today said it's in talks with a law firm representing investors that want the Charlotte bank to buy back soured mortgage loans packaged into bonds by Countrywide Financial Corp.

The investors, which include money manager BlackRock Inc. and the Federal Reserve Bank of New York, sent a letter to the bank in October saying the bank didn't properly service the bonds. The bank had 60 days to respond.

With the deadline approaching Thursday, the bank today said the time period in the letter has been extended to "permit the parties to continue constructive dialogue around the concerns raised."

The move appears to be a reversal from the bank's previous stance that it would examine mortgage repurchase requests loan by loan to determine which ones were valid. Chief executive Brian Moynihan has likened the bank's stance to "hand-to-hand combat."

At the end of the third quarter, Bank of America said it had $12.9 billion in outstanding mortgage "putback" claims from investors, up from $11.2 billion in the previous three-month period. The bank set aside $872 million to cover these claims in the third quarter, down from $1.2 billion in the previous quarter. Overall, it has set aside total reserves of $4.4 billion.

When news of the letter first became public on Oct. 19, the bank's stock fell more than 4.4 percent. The New York Fed acquired mortgage-backed bonds in its 2008 bailouts of Bear Stearns Cos. and American International Group. Bank of America bought Countrywide in 2008 as the mortgage lender suffered in the nation's mortgage meltdown.

LOAD-DATE: December 15, 2010

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Newstex Web Blogs

FierceFinance

December 15, 2010 Wednesday 8:14 PM EST

LENGTH: 266 words

HEADLINE: Bank of America, MBS owners to negotiate

BYLINE: Jim Kim

BODY:

Dec. 15, 2010 (FierceMarkets, Inc. delivered by Newstex) --

One of the more intriguing battles in the foreclosure fiasco pits Bank of America (NYSE:BAC) (NYSE: BAC), the dominant player in the mortgage market, against a coalition of powerful MBS owners, like PIMCO, Blackrock and even the Federal Reserve Bank of New York. The latter think they have the right to putback a raft of MBS to Bank of America for various breaches of contracts, notes the TheStreet.com. Recall that Bank of America CEO Brian Moynihan has vowed "hand to hand combat" against these claims.

Despite public posturing, both sides may be settling in for an extended negotiation. The MBS owners had issued a 60-day deadline, which is about to pass.

But lawyers for the bank have reached out to the other side, according to media reports. Bank of America put out a press release stating the two sides had agreed to "extend any time periods commenced by the Oct. 18 letter," which was sent by the MBS holders.

My guess is that both sides will agree to some sort of settlement. The bigger issue right now is whether disputed foreclosures--and there is a chance that state courts and judges will reject at least some--will generate more putback claims. That idea initially seemed far-fetched. But I'm not so sure any more. This is going to take time.

For more:
- here's an article from TheStreet.com

Related Articles:Private-label MBS debt looms as huge risk
Does the foreclosure fiasco represent a systemic threat?
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Securitization made safe again?

Newstex ID: FRMK-6623-51741956

LOAD-DATE: December 16, 2010

TheStreet.com

TheStreet.com

December 15, 2010 Wednesday 17:14 PM EST

SECTION: NEWS & ANALYSIS; Financial Services

LENGTH: 241 words

HEADLINE: Bank of America Extends MBS Settlement Talks

BYLINE: Dan Freed, Senior Staff Reporter.

Disclosure: TheStreet's editorial policy prohibits staff editors, reporters and analysts from holding positions in any individual stocks.

BODY:

NEW YORK (TheStreet) -- **Bank of America**(BAC:NYSE) will have additional time to negotiate in a dispute with a large bondholder group over about $47 billion in soured mortgage backed securities (MBS), the bank indicated in a press release Wednesday afternoon.Attorneys representing the bondholders, which include Pacific Investment Management Co., **BlackRock**(BLK:NYSE), and the **New York Federal Reserve** wrote a letter to Bank of America and **Bank of New York Mellon**(BK:NYSE), the trustee on the MBS, saying the loans in the MBS were not properly serviced by Countrywide, and should bew put back to Bank of America, which acquired Countrywide in 2008.The letter argued the issues should be fixed in 60 days or Countrywide should be declared in default on its obligations.But the press release Wednesday stated that both parties had agreed to "extend any time periods commenced by the Oct. 18 letter," adding "this extension will permit the parties to continue constructive dialogue around the concerns raised."The dispute is one of many Bank of America and other MBS underwriters, including **Goldman Sachs**(GS:NYSE), **Morgan Stanley**(MS:NYSE), **Citigroup**(C:NYSE) and several European banks are expected to contend with in the coming months and possibly years.

Some analysts estimate for those institutions run well over $100 billion, though Bank of America is widely thought to have the greatest exposure to MBS putbacks. -- Written by Dan Freed in New York.

LOAD-DATE: December 16, 2010

December 16, 2010 Thursday 9:52 AM EST

LENGTH: 608 words

HEADLINE: Bank of America (NYSE: BAC) Changes Course and Begins Settlement Discussions with Mortgage Investors

BYLINE: Christopher

BODY:

Dec. 16, 2010 (American Banking and Market News delivered by Newstex) --

The Wall St. Journal is reporting that Bank of America Corp. (BAC), after vowing to fight requests that it repurchase certain loans, has begun potential settlement discussions with some of its largest mortgage investors.

The 17-member group now in talks with the nations largest bank as measured by assets includes the Federal Reserve Bank of New York, government-owned mortgage company Freddie Mac, BlackRock Inc. (NYSE:BNY) (NYSE:BLH) (NYSE:BNJ) (NYSE:BPK) (NYSE:BBF) (NYSE:BHK) (NYSE:BFZ) (NYSE:BJZ) (NYSE:BLK) , and Allianz SE (OOTC:AZSEY) s Pacific Investment Management Co., or Pimco.

The banks approach with this group appears to signal a change in tone for Chief Executive Brian Moynihan, who in November pledged to engage in oeday-to-day, hand-to-hand combat on investor requests to repurchase flawed mortgages made before the U.S. housing collapse.

Bank spokesman James Mahoney said the decision to engage in talks with the investor group isnt inconsistent with Mr. Moynihans previous approach.

oeOur strategy hasnt changed, he said. oeFor both Bank of America and the investors, resolving these issues quickly is in everybodys interest. Whether resolution comes through a protracted process or it can be expedited, time will tell.

The investors, some of whom are acting on behalf of clients, sent a letter in October alleging that a Bank of America unit didnt properly service 115 bond deals comprised of residential mortgages. It gave the bank 60 days to respond.

The disclosure of the letter sent Bank of Americas stock tumbling 4.4% on Oct. 19, as investors grappled with concerns that the bank could be overwhelmed with such investor requests. The group has since expanded and now includes 17 investors and 167 bond deals.

oeOur clients are obviously very pleased that weve been able to open this dialogue and we hope to move it forward in a constructive direction, said Kathy Patrick, an attorney for the bondholders. Ms. Patrick said that the initial extension in the time period for negotiations will be through Jan. 30, oebut it can obviously be extended if the discussions are productive.

The talks could still fall apart but the conversations are an attempt by the bank to put the matter behind it, said people familiar with the situation.

No U.S. bank (NYSE:USB) is more vulnerable to an array of political and financial threats posed by home-lending woes. Bank of America has more repurchase requests than any of its rivals. It services one of every five U.S. mortgages, many of them from Bank of Americas acquisition of lender Countrywide Financial Corp. in 2008.

oeThe goal Brian laid out is to put the Countrywide issues behind us as quickly as possible and in the best interests of the shareholders, bank spokesman Mr. Mahoney said.

Total new mortgage repurchase claims amounted to $12.8 billion at the end of the third quarter, up from $7.5 billion in the year-ago quarter. The bank has set aside $4.4 billion in reserves for these put back attempts.

Mr. Moynihan told analysts Oct. 19 he wasnt interested in a large lump sum payment to make the repurchase issue go away.

oeWere not going to put this behind us to make us feel good, he said. oeWere going to make sure that well pay when due but not just do a settlement to move the matter behind us.

This article (Bank of America (NYSE: BAC) Changes Course and Begins Settlement Discussions with Mortgage Investors) was originally developed by and is property of American Banking News. Checkout American Banking News for up-to-date banking news and peer to peer lending news.

Newstex ID: AMCN-7151-51745766

LOAD-DATE: December 16, 2010

The New York Times

December 16, 2010 Thursday
Late Edition - Final

SECTION: Section B; Column 0; Business/Financial Desk; Pg. 8

LENGTH: 325 words

HEADLINE: Bank of America Is in Talks on Soured Mortgages

BYLINE: By NELSON D. SCHWARTZ

BODY:

In a bid to turn down the temperature in what promises to be an extended legal battle, Bank of America has opened a dialogue with investors who want the bank to buy back tens of billions in soured mortgages.

But bank officials insisted on Wednesday the talks did not represent a shift in strategy by the company's chief executive, Brian T. Moynihan, who has promised "hand to hand combat," fighting the so-called put-back claims on a loan-by-loan basis.

In October, a group of investors including the Federal Reserve Bank of New York and the money management giants Pimco and BlackRock sent a letter to the bank demanding action, giving Bank of America 60 days to act. That deadline expires Thursday, but with the announcement of the talks, the deadline has been extended. Lawyers for the bank have reached out to Kathy Patrick, a Houston lawyer who is leading the effort, while also talking to BlackRock and Pimco as part of broader discussions between the companies.

Mr. Moynihan and other executives repeatedly promised a tough legal response, but bank executives played down talk that the new discussions represented a retreat from that stance. "This is not a change in strategy," said Larry Di Rita, a spokesman for the bank. "It stops a legal clock from ticking, for now." Bank of America shares jumped in after-hours trading on Wednesday on hopes that what had been a major worry hanging over the company might soon fade. Still, any compromise is a long way off. And even if talks with this group prove fruitful, hedge funds and other investors have been quietly buying up mortgage-backed bonds recently on the hope that the bank will be forced to buy a portion of them back. Bank of America is not the only financial giant facing a threat from put-back claims - other giants like Citigroup and JPMorgan Chase have also set aside billions to cover possible claims.

This is a more complete version of the story than the one that appeared in print.

URL: http://www.nytimes.com

LOAD-DATE: December 16, 2010

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Dow Jones Factiva

THE WALL STREET JOURNAL.
The Wall Street Journal

December 16, 2010 Thursday

SECTION: Pg. C1

LENGTH: 534 words

HEADLINE: BofA Has Started Talks on Mortgages

BYLINE: By Dan Fitzpatrick

BODY:

Bank of America Corp., after vowing to fight requests that it repurchase certain loans, has begun potential settlement discussions with some of its largest mortgage investors.

The 17-member group now in talks with the nation's largest bank as measured by assets includes the Federal Reserve Bank of New York, government-owned mortgage company Freddie Mac, BlackRock Inc., and Allianz SE's Pacific Investment Management Co., or Pimco.

The bank's approach with this group appears to signal a change in tone for Chief Executive Brian Moynihan, who in November pledged to engage in "day-to-day, hand-to-hand combat" on investor requests to repurchase flawed mortgages made before the U.S. housing collapse.

Bank spokesman James Mahoney said the decision to engage in talks with the investor group isn't inconsistent with Mr. Moynihan's previous approach.

"Our strategy hasn't changed," he said. "For both Bank of America and the investors, resolving these issues quickly is in everybody's interest. Whether resolution comes through a protracted process or it can be expedited, time will tell."

The investors, some of whom are acting on behalf of clients, sent a letter in October alleging that a Bank of

America unit didn't properly service 115 bond deals comprised of residential mortgages. It gave the bank 60 days to respond.

The disclosure of the letter sent Bank of America's stock tumbling 4.4% on Oct. 19, as investors grappled with concerns that the bank could be overwhelmed with such investor requests. The group has since expanded and now includes 17 investors and 167 bond deals.

"Our clients are obviously very pleased that we've been able to open this dialogue and we hope to move it forward in a constructive direction," said Kathy Patrick, an attorney for the bondholders. Ms. Patrick said that the initial extension in the time period for negotiations will be through Jan. 30, "but it can obviously be extended if the discussions are productive."

The talks could still fall apart but the conversations are an attempt by the bank to put the matter behind it, said people familiar with the situation.

No U.S. bank is more vulnerable to an array of political and financial threats posed by home-lending woes. Bank of America has more repurchase requests than any of its rivals. It services one of every five U.S. mortgages, many of them from Bank of America's acquisition of lender Countrywide Financial Corp. in 2008.

"The goal Brian laid out is to put the Countrywide issues behind us as quickly as possible and in the best interests of the shareholders," bank spokesman Mr. Mahoney said.

Total new mortgage repurchase claims amounted to $12.8 billion at the end of the third quarter, up from $7.5 billion in the year-ago quarter. The bank has set aside $4.4 billion in reserves for these put back attempts.

Mr. Moynihan told analysts Oct. 19 he wasn't interested in a large lump sum payment to make the repurchase issue go away. "We're not going to put this behind us to make us feel good," he said. "We're going to make sure that we'll pay when due but not just do a settlement to move the matter behind us."

Ruth Simon contributed to this article.

NOTES:
PUBLISHER: Dow Jones & Company, Inc.

LOAD-DATE: December 16, 2010

Associated Press Online

December 16, 2010 Thursday 3:01 AM GMT

SECTION: BUSINESS NEWS

LENGTH: 466 words

HEADLINE: BofA gets more time for talks over soured loans

DATELINE: CHARLOTTE N.C.

BODY:

Bank of America and a group of investors demanding the bank buy back soured mortgages it sold to them have agreed to extend talks aimed at resolving their dispute.

The bank and a law firm representing the investors said Wednesday they would go beyond a 60-day discussion period triggered by a letter sent to the bank in mid-October. The bank did not say whether there was a new time limit set on the talks.

Investors appeared to welcome the prospects of a negotiated settlement to the standoff and the possibility of the bank avoiding a costly, and potentially messy, legal battle. Following Bank of America's statement late Wednesday, its shares added 25 cents to $12.54 in aftermarket trading. The stock had slipped 11 cents to $12.29 during the regular session.

As the housing boom raged, many lenders sold off mortgages to investment banks that pooled the loans into securities and sold them to investors. However, in the housing and economic crisis that followed, many homeowners ended up defaulting on their loans, saddling investors with securities backed by bad loans.

Now, some of those investors are demanding that the lenders that sold them the now-troubled mortgages buy the loans back a practice known as "put-backs" on Wall Street.

Bank of America had previously rejected the claims and said last month it would not buy back bad mortgages, even as both sides engaged in talks.

The announcement that we're making today is consistent with our strategy all along that if there is a valid defect, Bank of America will act responsibly and buy back the loan, and in case of no evidence of a valid defect we will defend the interests of the company and of our shareholders," said Jerry Dubrowski, a BofA spokesman.

The group of eight investors seeking put-backs from Bank of America includes the Federal Reserve Bank of New York, Freddie Mac, Pimco Investment Management and Blackrock Financial Management.

The investors own interests in a slate of 115 transactions with an original principal balance of $104 billion. Now the balance is $46 billion.

The investors want Bank of America to buy back defaulted mortgages made by its Countrywide unit, which the Charlotte-based bank acquired in July 2008.

They argue that Countrywide's practice of modifying loans found to have faulty paperwork or those written outside of normal underwriting standards breached signed agreements with the investors.

By continuing to service bad loans rather than speeding up foreclosures, the group claims, Countrywide ran up servicing fees, enriching itself at the expense of investors.

Bank of America, however, has described the loan modifications as the "proper response to an unprecedented housing crisis and in furtherance of the stated policy of the federal government."

It called claims of poorly handled loans baseless.

LOAD-DATE: December 16, 2010

BN BofA Says Investors Extend Deadline in Mortgage Putback Dispute
Dec 15 2010 21:00:03

By Hugh Son, Jody Shenn and Laurel Brubaker Calkins

Dec. 16 (Bloomberg) -- Bank of America Corp., facing demands from institutional investors that it buy back billions of dollars in soured mortgages, said some bondholders will delay action as it conducts “constructive” talks.

Owners of some bonds linked to home loans created by Bank of America’s Countrywide Financial Corp. agreed to extend deadlines set in an Oct. 18 letter, the lender said yesterday in a statement, without identifying the holders. Pacific Investment Management Co., BlackRock Inc. and the Federal Reserve Bank of New York were among investors demanding that the bank repurchase loans packaged into $47 billion of bonds, people familiar with the letter said in October.

“The reason why settlement is a much-preferred alternative to litigation is to avoid extensive discovery,” said Manal Mehta, a co-founder of hedge fund Branch Hill Capital in San Francisco, which has bet against Bank of America shares and on those of bond insurers battling with the company over soured mortgages. “Who knows what sorts of skeletons lurk in the closets of Countrywide?”

Chief Executive Officer Brian T. Moynihan said in November the bank would engage in “hand-to-hand combat” to fend off unwarranted buyback demands from Fannie Mae and Freddie Mac, as well as bond insurers and private investors who want to return loans. Pending putback claims rose to $12.9 billion by Sept. 30 from $7.7 billion at the end of 2009, the lender has said.

Bank of America climbed 31 cents, or 2.5 percent, to $12.60 yesterday in extended New York trading. It has declined 18 percent this year, compared with an increase of about 16 percent for the 24-company KBW Bank Index.

Investor Group

The group pressing banks over bad mortgages has grown to 17 firms from the eight that signed the Oct. 18 letter, said Kathy Patrick, a lawyer for the investors. Investment managers, pension funds and insurers are among the group, said Patrick, who declined to name the firms.

“The extension will go on as long as the parties are engaged in a constructive discussion,” said Jerry Dubrowski, a spokesman for Charlotte, North Carolina-based Bank of America. “As we have said all along, if there is a valid claim, we will act responsibly. If there is no defect, we will defend our interests and the interests of our shareholders.”

Any settlement would disadvantage bondholders not part of it, meaning that investors not participating in Patrick’s group are finally realizing that they also need to act jointly, said Bill Frey, head of Greenwich, Connecticut-based securities firm Greenwich Financial Services LLC.

Free-For-All

"This says to investors, this is a free-for-all," said Frey, who is providing advice to a group of investors with more than $800 billion of mortgage bonds coordinating through a Dallas law firm.

MetLife Inc., the biggest U.S. life insurer, is part of the investor group with BlackRock, the world's largest money manager, and Pimco, which runs the biggest bond fund, people familiar with the matter said in October. They are represented by Gibbs & Bruns LLP.

Jack Gutt, spokesman for the New York Fed, declined to comment, as did Bobbie Collins of BlackRock and Mark Porterfield, a spokesman for Pimco.

"Our clients are pleased that all the interested parties are talking," Patrick said in an interview. The investors may still sue the banks if talks fall apart, she said.

The accord was reached among the bank's home-servicing unit, Gibbs & Bruns, and Bank of New York Mellon Corp., the debt's trustee, according to Bank of America's statement.

Claims, Defenses

"The claims and defenses of all parties are preserved," the company wrote in the statement.

The October letter and related deadline are tied to the bank's practices in managing, or servicing, mortgages. After notifying Bank of America of alleged servicing flaws, investors can after 60 days demand that BNY Mellon declare the bank in default of its servicing contract.

If that default isn't cured within an additional 60 days, investors can take action against Bank of America, BNY Mellon, or both, Patrick said in October. Typically, only trustees for mortgage bonds can demand sellers buy back loans whose quality failed to match contractual promises, and sue if they don't.

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--With assistance from, Sree Vidya Bhaktavatsalam in Boston and Caroline Salas in New York. Editors: Dan Reichl, Russell Ward

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BN BofA Says Investors Extend Deadline in Mortgage Putback Dispute
Dec 15 2010 21:00:03

[TAGINFO]

BAC US <Equity> CN

NI SCR
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Dow Jones Newswires
Dow Jones Chinese Financial Wire

December 16, 2010 Thursday 3:32 AM GMT

LENGTH: 429 words

HEADLINE: WSJ: Bank Of America In Discussions To Settle Dispute With Large Mortgage Investors

BODY:

=WSJ: Bank Of America In Talks To Settle Dispute With Large Mortgage Investors By Dan Fitzpatrick

Of THE WALL STREET JOURNAL

Bank of America Corp. (BAC), after vowing to fight requests that it repurchase certain loans, has begun potential settlement discussions with some of its largest mortgage investors, according to people familiar with the situation.

The group discussing a possible settlement with the nation's largest bank as measured by assets includes the Federal Reserve Bank of New York, government-owned mortgage company Freddie Mac (FMCC), Blackrock Inc. (BLK) and Allianz SE's (AZSEY, ALV.XE, ALIZF) Pacific Investment Management Co., or Pimco.

(This story and related background material will be available on The Wall Street Journal website, WSJ.com.)

The approach appears to be a major shift in strategy for Chief Executive Officer Brian Moynihan, who in November pledged to engage in 'day-to-day, hand-to-hand combat' on investor requests to repurchase flawed mortgages made before the U.S. housing collapse.

The investors, some of whom are acting on behalf of clients, sent a letter in October alleging that a Bank of America unit didn't properly service 115 bond deals comprised of residential mortgages. It gave the bank 60 days to respond. The disclosure of the letter sent Bank of America's stock tumbling 4.4% on Oct. 19 as investors grappled with concerns that the bank could be overwhelmed with such investor requests.

With the 60-day investor group deadline set to expire Thursday, the two sides agreed to begin 'constructive dialogue' about the group's concerns and what it wants, one person familiar with the matter said. The talks could still fall apart but the conversations are an attempt by the bank to put the matter behind it, said people familiar with the situation.

It isn't known what the possible settlement terms could be. But the mere possibility is a reversal of a stance taken by Moynihan in October. He told analysts Oct. 19 he was not interested in a large lump sum payment to make the repurchase issue go away.

'We're not going to put this behind us to make us feel good,' he said. We're going to make sure that we'll pay when due but not just do a settlement to move the matter behind us.'

No U.S. bank is more vulnerable to an array of political and financial threats posed by home-lending woes. Bank of America has more repurchase requests than any of its rivals and it services one of every five U.S. mortgages, many of them picked up by California lender Countrywide Financial Corp. in 2008.

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NOTES:
PUBLISHER: Dow Jones & Company, Inc.

LOAD-DATE: December 16, 2010

Newstex Web Blogs

Market News Video

December 16, 2010 Thursday 4:04 PM EST

LENGTH: 180 words

HEADLINE: Bank of America Extends Deadline with Mortgage-Backed Investors

BODY:

View Video Dec. 16, 2010 (Market News Video delivered by Newstex) --
Bank of America (BAC) said late yesterday that it has agreed with the lawyers for a group of investors who demanded action on mortgage-backed securitizations to extend its deadline to respond to the letter.

In October, a group consisting of the New York Fed, Pimco and BlackRock (BLK) asked the bank and its trustee, Bank of New York Mellon (BK), to respond to its request within 60 days, which would have expired today without the extension.

Bank of America said the extension will permit the parties to continue constructive dialogue about the concerns raised in the letter, in which the investors suggested Bank of America (NYSE:BAC) buy back private label residential mortgage-backed securitizations that had been sold by Countrywide, which Bank of America bought in 2008.

Bank of America has previously indicated it would not do so.

The preceding is a transcript of the MarketNewsVideo.com video published at:
http://www.marketnewsvideo.com?id=201012BAC121610&mv=1.

View the video.

Newstex ID: MRNW-9070-51747241

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LOAD-DATE: December 16, 2010

NEW MEXICO BUSINESS WEEKLY

New Mexico Business Weekly (Albuquerque)

December 16, 2010 Thursday

LENGTH: 146 words

HEADLINE: Wall Street Journal: Bank of America in mortgage buyback talks

BODY:

Bank of America is holding talks with its largest mortgage investors over requests that it buy back certain loans, the Wall Street Journal reports.The bank has begun discussions with a 16-member group that includes the Federal Reserve Bank of New York, Freddie Mac, BlackRock Inc., and Allianz SE's Pacific Investment Management Co., or Pimco.

The investors claimed in a letter in October that BofA did not properly service 115 bond deals made up of residential mortgages.

Despite WikiLeaks challenges and BofA shares falling more than 18 percent during his tenure, Chief Executive Brian Moynihan told the New York Times in an interview last week that "It's been a great year and we've learned a lot," and "There's no better job in the world."

BofA is the second-largest bank in New Mexico with more than 14 percent of market share, according to the Federal Deposit Insurance Corp.

LOAD-DATE: December 31, 2010

LexisNexis®

TheStreet.com

TheStreet.com

December 16, 2010 Thursday 11:07 AM EST

SECTION: NEWS & ANALYSIS; Financial Services

LENGTH: 420 words

HEADLINE: BofA Reversal Could Hurt Cap One, Help Chimera

BYLINE: Dan Freed, Senior Staff Reporter.

Disclosure: TheStreet's editorial policy prohibits staff editors, reporters and analysts from holding positions in any individual stocks.

BODY:

NEW YORK (TheStreet) -- **Bank of America**(BAC:NYSE)'s possible reversal of a tough stance on mortgage "putbacks" may hurt **Capital One**(COF:NYSE), while helping **Chimera** (CIM:NYSE) and **MFA Financial**(MFA:NYSE), according to an analyst report Thursday.In a research note on Thursday, Sterne Agee analyst Henry Coffey argues concessions on so called "mortgage putbacks" by Bank of America could negatively impact Capital One, which, like Bank of America has exposure "tied to mortgages originated and sold by units of acquired companies, not originally under its control." One potential mitigating factor, Coffey writes, is that the mortgages were known to be of low quality at the outset.On the other hand, Coffey sees potential positives for Chimera and MFA, since they may be able to win concessions in disputes over MBS they bought from banks. Coffey cautioned, however, the issue is "still a long way off and hard to quantify."At issue are mortgages underwritten by **Countrywide Financial**, which Bank of America acquired in 2008. The mortgages were packaged and pooled into bonds called mortgage backed securities (MBS) that were sold to investors, and which have dropped sharply in value as a result of the housing crisis. Several large investors in the MBS, including **Pacific Investment Management Co**., **BlackRock** (BLK:NYSE)and the **Federal Reserve Bank of New York**, wrote a letter to Bank of America and **Bank of New York Mellon** (BK:NYSE)the trustee on the MBS, saying the loans in the MBS were not properly serviced by Countrywide, and should be put back to Bank of America.The letter argued the issues should be fixed in 60 days or Countrywide should be declared in default on its obligations.

However, on Wednesday Bank of America issued a press release stating the time period was being extended so talks could continue.Several news organizations have characterized the news as an indication Bank of America has shifted its stance, with The New York Times seizing on public comments several days ago by Bank of America chief executive Brian Moynihan, who said the bank was in "hand-to-hand combat" over the MBS putback issue.However, Bank of America says it has not changed its stance on the issue.If the bank has indeed changed its position, it could have implications across a wide range of companies, including **Citigroup**(C:NYSE), **Morgan Stanley**(MS:NYSE) and **Goldman Sachs**(GS:NYSE), all of which are thought to be exposed to billions in potential putbacks on MBS they sold to investors. -- Written by Dan Freed in New York.

LOAD-DATE: December 17, 2010

Columbia Daily Tribune (Missouri)

January 3, 2011 Monday

SECTION: BUSINESS; Pg. B.7

LENGTH: 342 words

HEADLINE: Lender to pay billions ; BofA to buy back sour mortgages.

BYLINE: Anonymous

BODY:

CHARLOTTE, N.C. (AP) -- Bank of America Corp. will take an approximately $2 billion charge in its fourth quarter as it settles buyback claims on home loans sold to Fannie Mae and Freddie Mac.

The bank said today that it also expects to take a provision of about $3 billion in the quarter related to repurchase obligations on the home loans.

Bank of America shares jumped 4.4 percent in premarket trading on the news.

On Friday, Bank of America, which is based in Charlotte, N.C., paid Fannie Mae $1.34 billion and Freddie Mac $1.28 billion as part of the settlements.

The deals with Fannie Mae and Freddie Mac are tied to Countrywide Financial Corp. residential mortgage loans. Bank of America bought Countrywide in July 2008.

Buyback claims are an ongoing issue for the financial industry, with Ally Financial Inc. announcing last week that it would pay $462 million to settle buyback claims on $292 billion in home loans that it sold to Fannie Mae.

And in December a group of eight investors, including Freddie Mac, Pimco Investment Management, Blackrock Financial Management and the Federal Reserve Bank of New York, extended talks with Bank of America over the group's demands that the bank buy back soured mortgages sold to them. The investors argue that Countrywide's practice of modifying loans found to have faulty paperwork or those written outside of normal underwriting standards breached signed agreements with the investors. By continuing to service bad loans rather than speeding up foreclosures, the group claims, Countrywide ran up servicing fees, enriching itself at the expense of investors.

Bank of America, however, has described the loan modifications as the "proper response to an unprecedented housing crisis and in furtherance of the stated policy of the federal government."

This article was published on page B7 of the Monday, January 3, 2011 edition of The Columbia Daily Tribune. Click here to Subscribe.

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Dow Jones News Service

January 3, 2011 Monday 9:26 PM GMT

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HEADLINE: Bank Of America Settlement May Break Mortgage-Buyback Logjam

BYLINE: By Prabha Natarajan, Of DOW JONES NEWSWIRES

BODY:

NEW YORK (Dow Jones)--It seems as if banks and bondholders want the same thing: to settle on those pesky, poorly underwritten home loans made before the credit crisis.

On Monday, Fannie Mae (FNMA) and Freddie Mac (FMCC) announced a $2.8 billion total settlement with Bank of America Merrill Lynch to buy back loans, mostly originated by its Countrywide Financial unit that the bank acquired in 2008.

This follows the deal last week between Fannie and Ally Financial's mortgage unit, ResCap, for $462 million of loans serviced by GMAC Mortgage before June 30, 2010. Ally had entered a similar agreement with Freddie last March.

The agreement is a strong indication of the interest from the banks to resolve the tens of billions of dollars worth of put-back claims, said Mike Mayo, banking analyst with CLSA Asia-Pacific Markets.

"This is a step in the right direction," he said.

Banks, led by the big four of Citigroup (C), Wells Fargo & Co. (WFC), Bank of America (BAC) and J.P. Morgan (JPM), are expected to pay a hefty price--as much as $33.5 billion, analysts at Keefe, Bruyette & Woods estimate--to buy back mortgages issued during the boom years, and consequently packaged and sold to investors as bonds before defaulting.

Buyers of these bonds are now claiming that banks misled them on the quality of the underlying collateral--the mortgages--and that the loans don't conform to descriptions in the documents that accompanied these bonds.

As a result, there are two classes of claims. One is by the government-sponsored enterprises Fannie and Freddie that guarantee the mortgage bonds that are backed by conforming home loans, which make up 75% of the claims. The other includes lawsuits and claims by investors who seek redress from issuers of private-label mortgages.

Fannie and Freddie, so far, have been the only ones successful at getting banks to repurchase bad loans. They buy loans delinquent by 120 days or more from investors at par, or face value, then petition the banks that originally made the loans to buy them back.

With the latest Bank of America agreement, the big four mortgage banks' total 2010 repurchases rose to about $8.1 billion, according to RBS analysts. These banks already bought $7.3 billion in 2008 and 2009, and are expected to buy $10.8 billion this year and next, these analysts say.

However, in the current deal, only Freddie's $1.28 billion agreement covers outstanding and potential future repurchase claims, while Fannie's $1.52 billion agreement covers existing claims but doesn't resolve the issue with the $397 billion outstanding balance of loans.

Investors hope that this is a sign that banks are ready to resolve similar claims by investors in private-label mortgages. The largest claims against Bank of America include the one led by Pimco, the Federal Reserve Bank of New York and BlackRock, which now alleges that 167 residential mortgage securities weren't serviced properly. Both sides are said to be in the midst of talks to resolve the issue.

"It seems like originators are trying to get through this as quick as possible," said Jesse Litvak, managing director and head of mortgage trading at Jefferies & Co. He expects most of this to be resolved this year.

-By Prabha Natarajan, Dow Jones Newswires; 212-416-2468; prabha.natarajan@dowjones.com [01-03-11 1626ET]

NOTES:
PUBLISHER: Dow Jones & Company, Inc.

LOAD-DATE: January 5, 2011

RTT News (United States)

January 3, 2011 Monday

LENGTH: 637 words

HEADLINE: Bank Of America Settles With Freddie, Fannie On Home Loan Claims

BODY:

(RTTNews) - Financial services firm Bank of America Corp. (BAC) on Monday reached agreements with Freddie Mac (FMCC.OB) and Fannie Mae (FNMA.OB) to resolve repurchase claims related of certain sour residential mortgage loans. These loans were sold to them by entities related to the bank's mortgage unit Countrywide Financial Corp.

Charlotte, North Carolina-based Bank of America said it will record a goodwill impairment charge of about $2 billion in the fourth quarter on the settlement reached with Freddie Mac and Fannie Mae related to its home loans and insurance business.

The agreements will also see the bank make loan provision of about $3 billion related to repurchase obligations for residential mortgage loans in the fourth quarter. The bank noted that the charge will have no impact to reported Tier 1 and tangible equity capital ratios.

"These actions resolve substantial legacy issues in the best interest of our shareholders. Our goals remain the same: put these issues behind us; focus on serving customers and clients; and continue to help distressed homeowners facing difficult times," Bank of America President and CEO Brian Moynihan said in a statement.

Bank of America became the largest U.S. mortgage servicer after buying Countrywide Financial Corp. in 2008 at the peak of the financial crisis. Bank of America affiliates directly sold residential mortgage loans to the two Government Sponsored Entities or GSEs, Freddie Mac and Fannie Mae.

The agreement will address outstanding repurchase claims for residential mortgage loans with an unpaid principal balance of about $3.9 billion delivered to Fannie Mae by affiliates of Countrywide.

"The agreement substantially resolves outstanding repurchase requests on 12,045 loans sold to us by Countrywide, addresses 5,760 other loans sold to us by Countrywide and permits us to bring claims for any additional breaches of our representations and warranties that are identified with respect to those loans," Fannie Mae President and CEO Michael Williams revealed in a separate statement.

The settlement with Fannie Mae was reached for a resolution amount of about $1.52 billion, consisting of a cash payment of $1.34 billion made by Bank of America on December 31, 2010, and credits for payments recently made or to be made by them.

Fannie Mae noted that the agreement addresses about 44% of the $7.7 billion in repurchase requests it had outstanding with all of its seller servicers as of September 30, 2010.

The agreement also provides for a cash payment to Freddie Mac of $1.28 billion, which was made by Bank of America on December 31, 2010 to settle all claims related to 787,000 mortgages sold by Countrywide.

In mid-December, Bank Of America said it is in settlement talks with some of its largest mortgage investors related to the repurchase of certain sour residential mortgage loans.

The 17-member investor group sent a letter to Bank Of America in mid-October alleging that the bank's mortgage unit Countrywide did not service properly 115 bond deals tied to residential mortgages. The investors gave 60 days to Countrywide to resolve the problems or face a lawsuit, on an event of default, which has since been extended to enable them to continue settlement talks.

The investor group has charged Bank of America of selling them bad mortgage securities, and have been pushing for the bank to repurchase what they said were mortgage loans that were wrongly characterized.

The investor group includes Allianz SE's Pacific Investment Management Co., or Pimco, BlackRock Inc., Federal Reserve Bank of New York, as well as the two government-owned mortgage companies Freddie Mac and Fannie Mae, both of who have now reached a settlement agreement now.

For comments and feedback: contact editorial@rttnews.com

LOAD-DATE: January 5, 2011

Monterey County Herald (California)

January 4, 2011 Tuesday

SECTION: BUSINESS

LENGTH: 635 words

HEADLINE: BofA settles buyback claims

BYLINE: The Monterey County Herald

BODY:

CHARLOTTE, N.C. (AP) Bank of America Corp. is settling some buyback claims on bad home loans sold to Fannie Mae and Freddie Mac as it attempts to separate itself further from one of the housing downturn's biggest headaches.

The nation's largest bank also said Monday that the Federal Reserve has confirmed it no longer has any obligations under the government's Troubled Asset Relief Program, as it made good on a promise to increase equity by $3 billion.

The announcements sent the company's stock up 68 cents, or 5.1 percent, to $14.02 in morning trading.

Bank of America's deal with Fannie Mae and Freddie Mac are linked to Countrywide Financial Corp. residential mortgage loans. The Charlotte, N.C.-based bank purchased Countrywide in July 2008. But Calabasas-based Countrywide spiraled downward during the financial crisis when it became clear many of its borrowers wouldn't be able to repay mortgages that had required no proof of income or down payment, and contained adjustable rates that quickly made monthly payments unaffordable.

Chief Financial Officer Charles Noski said during a conference call that Bank of America had been in "vigorous" negotiations with Fannie Mae and Freddie Mac to resolve the matter.

As part of the settlements, Bank of America made a $1.34 billion cash payment to Fannie Mae and a $1.28 billion payment to Freddie Mac on Friday. Noski estimates that the agreements reached with the companies leaves Bank of America with approximately $2.7 billion in outstanding claims for Fannie Mae and Freddie Mac.

Bank of America said it will take a fourth-quarter impairment charge of about $2 billion.

Noski described the deal with Freddie Mac as more of a global settlement that includes future claims, while the agreement with Fannie Mae specifically relates to the existing pipeline and does not cover future claims.

The bank's anticipated fourth-quarter provision of about $3 billion relates to repurchase obligations on the home loans, but Noski said the provision should be "meaningfully reduced" in future quarters.

Buyback claims are an ongoing issue for the financial industry, with Ally Financial Inc. announcing last week that it would pay $462 million to settle buyback claims on $292 billion in home loans that it sold to Fannie Mae.

And in mid-December a group of eight investors including Freddie Mac, Pimco Investment Management, Blackrock Financial Management and the Federal Reserve Bank of New York extended talks with Bank of America over the group's demands that the bank buy back soured mortgages sold to them.

The investors argue that Countrywide's practice of modifying loans found to have faulty paperwork or those written outside of normal underwriting standards breached signed agreements with the investors. By continuing to service bad loans rather than speeding up foreclosures, the group claims, Countrywide ran up servicing fees, enriching itself at the expense of investors.

Bank of America, however, has described the loan modifications as the "proper response to an unprecedented housing crisis and in furtherance of the stated policy of the federal government."

The deals with Freddie Mac and Fannie Mae don't cover loan servicing obligations, other contractual obligations or loans contained in private label securitizations. But the agreements are a sign that the bank is working quickly to deal with buyback claims.

"These actions resolve substantial legacy issues in the best interest of our shareholders," Bank of America CEO Brian Moynihan said in a statement.

Fannie Mae said in a statement that the Bank of America deal was a "fair and responsible resolution" of the outstanding claims. The company said the agreement accounts for about 44 percent of the $7.7 billion in repurchase requests outstanding with all of its seller servicers as of Sept. 30, 2010.

GRAPHIC:

LOAD-DATE: January 4, 2011

The Charlotte Observer
Found on Charlotte.com
Charlotte Observer (North Carolina)

January 4, 2011 Tuesday

LENGTH: 1071 words

HEADLINE: Bank of America pays $2.8 billion to settle home loan buyback claims

BYLINE: Rick Rothacker; rrothacker@charlotteobserver.com

DATELINE: January 4 2011

BODY:

Looking to resolve one of its major mortgage troubles, Bank of America said Monday it has paid $2.8 billion to settle claims related to soured Countrywide Financial mortgage loans.

The agreements with mortgage giants Freddie Mac and Fannie Mae reduce some uncertainty facing the nation's biggest bank over potential losses tied to home loans it sold to the government-controlled entities. But Bank of America still faces billions in claims from other investors who bought questionable loans from Countrywide and the Charlotte bank during the housing boom.

Banks sold off to investors many of the home loans they made, allowing them to pump out even more loans. In certain circumstances, however, the investors who bought the mortgages can force banks to buy them back when the mortgages go bad.

For Bank of America, the settlements with Freddie and Fannie are the latest example of the high cost of its 2008 Countrywide acquisition. Buying the troubled lender for an initial price of $4 billion has led to quarterly losses, legal settlements and an ongoing investigation of foreclosure practices.

The agreements are somewhat surprising because Bank of America chief executive Brian Moynihan has previously said he planned to battle claims by mortgage investors "loan by loan." But he has also repeatedly expressed his desire to put "legacy issues" behind the bank.

In a conference call with analysts Monday, chief financial officer Chuck Noski said the agreements should not be seen as a "departure" from the bank's previous stance. Noski said the bank has pledged to "act responsibly" in cases where investors meet the standard for requiring mortgage buybacks. But, he said, Bank of America will continue to "vigorously defend" claims that do not meet that benchmark.

Analyst: Settlement a 'gift'

The settlements involve three institutions that became major beneficiaries of taxpayer bailouts during the financial crisis. The U.S. government took control of Freddie (Federal Home Loan Mortgage Corporation) and Fannie (Federal National Mortgage Association) in September 2008 as their mortgage losses mounted. Months later, Bank of America accepted $45 billion in loans as it struggled with its Merrill Lynch purchase.

In a blog post Monday, bank analyst Chris Whalen called the agreements a "gift" to Bank of America from the U.S. government, suggesting the bank got off light in the settlements. He said taxpayers will now pay for more of Freddie and Fannie's losses, rather than the bank's investors.

Bank of America said it will set aside $3 billion in the fourth quarter of 2010 to cover the settlements and other potential losses related to mortgage loans sold to Freddie and Fannie. Noski said the bank has now "largely addressed" its remaining exposure to those two entities with the settlements and the amount it has set aside for losses.

Investors cheered, sending Bank of America shares up more than 6 percent to $14.19, a level not seen since August.

In a report Monday, Jeff Harte, an analyst with Sandler O'Neill & Partners, said $3 billion was a "large number" but in line with estimates for what the total would have been over the next few years. Analysts said the agreements will reduce future quarterly losses related to Freddie and Fannie, but noted more mortgage-related losses lie ahead. The bank is scheduled to give a more in-depth report on its fourth-quarter results on Jan. 21.

Including the settlements and previous losses, the bank has now incurred $6.3 billion in losses from repurchase claims on mortgage loans originated from 2004 to 2008. After the agreements, the bank said it has $2.7 billion in remaining Freddie and Fannie claims from all years

At the end of the third quarter, Bank of America said it faced $12.9 billion in outstanding mortgage repurchase requests, about $6.8 billion from Freddie and Fannie. The remaining requests are from so-called "monoline insurers" and private investors who bought Countrywide and Bank of America loans.

In the face of potential legal action, the bank last month said it was in discussions with a group of private investors that includes money manager BlackRock and the Federal Reserve Bank of New York, which inherited a batch of Countrywide loans during the 2008 bank bailouts.

The Freddie and Fannie settlements both cover Countrywide loans, but differ substantially. Bank of America paid Freddie $1.28 billion to cover "any alleged" breaches related to mortgage purchases through 2008.

The $1.52 billion Fannie settlement covers only claims made through Sept. 20, 2010.

Banks can be required to buy back loans for a number of reasons. In its latest quarterly filing, Bank of America said successful claims were primarily related to compliance with underwriting standards, including "borrower misrepresentation" and "credit exceptions."

Private investors generally face a higher burden than Freddie and Fannie in requiring buybacks, the filing said. The bank has stressed that loans don't have to be bought back simply because the borrowers defaulted.

In a statement Monday, Freddie Mac CEO Charles Haldeman Jr. said the settlement was "in all parties' best interest." Fannie CEO Michael Williams said it was a "fair and responsible resolution." Fannie continues to work to resolve other claims, including ones related to Bank of America-originated loans, he said.

'Goodwill' charge in 4Q

Bank of America on Monday also disclosed that it will take an additional $2 billion charge in the fourth quarter as it writes down the value of its home loans unit. The "goodwill impairment" charge is not related to the settlements but shows the decline in value of the bank's mortgage unit since the Countrywide acquisition.

At the end of the third quarter, the bank said the value of the "goodwill" associated with the mortgage unit was $4.8 billion. Goodwill is an accounting term that refers to the amount a company paid above the fair value of an acquired company's assets. Most of the mortgage unit's goodwill was tied to the Countrywide deal.

Separately, Bank of America announced Monday that the Federal Reserve Board has confirmed that the bank has successfully raised $3 billion in capital by selling off assets and through other transactions. The Fed required the bank to raise the amount by Dec. 31 as part of a 2009 agreement to pay back its $45 billion in bailout loans. Noski said the bank has now met all requirements for exiting the Troubled Asset Relief Program.

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THE WALL STREET JOURNAL.
The Wall Street Journal

January 4, 2011 Tuesday

SECTION: Pg. C1

LENGTH: 774 words

HEADLINE: BofA Pays for Soured Loans --- Lender Gives Nearly $3 Billion to Fannie, Freddie Over Countrywide Mortgages

BYLINE: By Dan Fitzpatrick

BODY:

Bank of America Corp. began to put one of its most vexing problems behind it by paying Fannie Mae and Freddie Mac almost $3 billion to cover bad mortgages the government agencies purchased from the bank's Countrywide Financial mortgage unit.

For several years, requests have been piling up for the nation's largest bank by assets to repurchase mortgages that allegedly ran afoul of its own underwriting standards. Total new mortgage repurchase claims amounted to $12.8 billion at the end of the third quarter, and about $6.8 billion of that amount was from Fannie and Freddie. The settlement on Monday, which began to thin the cloud of uncertainty over the bank, helped to allay investors' concerns that the mounting requests could overwhelm the bank.

Investors pushed shares up 85 cents, or 6.4%, to close at $14.19 as the amounts paid to Fannie and Freddie were largely in line with what many had expected.

But the settlement doesn't affect the roughly $6 billion in repurchase requests from insurers and private investors who purchased Countrywide and Bank of America loans. Compounding the problem of uncertainty, analysts are divided about how damaging the private requests could be. Their estimates of the bank's ultimate exposure vary wildly, ranging from $8 billion to $35 billion.

Some think the Fannie-Freddie settlement puts a ceiling on what the private-label exposure may be. That is because Fannie and Freddie have better access to documents, better relationships with the banks and stronger underwriting standards, said John McDonald of Sanford C. Bernstein & Co. His estimate of Bank of America's put-back losses from private-label investors is $8 billion, although he noted in a report that the ultimate costs "will remain a wild card" in 2011 and 2012.

The settlements are part of a larger move by the bank to rid itself of many home-lending woes. Since vowing in the fall of 2010 to fight repurchase requests in "day-to-day, hand-to-hand combat," Chief Executive Brian Moynihan has taken a more conciliatory tone in trying to resolve the conflicts with investors. The payments to Fannie and Freddie, he said Monday, "resolve substantial legacy issues in the best interest of our shareholders."

No U.S. bank is more vulnerable to an array of threats posed by home-lending woes. BofA has more repurchase requests than any rival and it services one of every five mortgages, many of them from BofA's acquisition of lender Countrywide in 2008.

The bank has set aside $4.4 billion in reserves for these repurchase requests. It will set aside another $3 billion in the fourth quarter of 2010. It also intends to take a separate $2 billion charge relating to a drop in the value of its home-lending unit.

Counting the new settlements with Fannie and Freddie, the bank has now taken a combined $6.3 billion in losses from repurchase claims on loans made between 2004 and 2008.

Other banks also are looking to reach similar deals. Last week, Ally Financial Inc. agreed to pay Fannie $462 million to cover repurchase requests related to its mortgage unit. Bose George, an analyst with Keefe, Bruyette & Woods, said the Ally settlement suggests total losses across the industry could be roughly $33 billion, down from an earlier estimate of $57 billion.

Mr. George said that the private repurchase requests won't be crippling to Bank of America. "Some of these lawsuits might be successful but it will take a very long time and losses will be pretty negligible on the private-label side," he said.

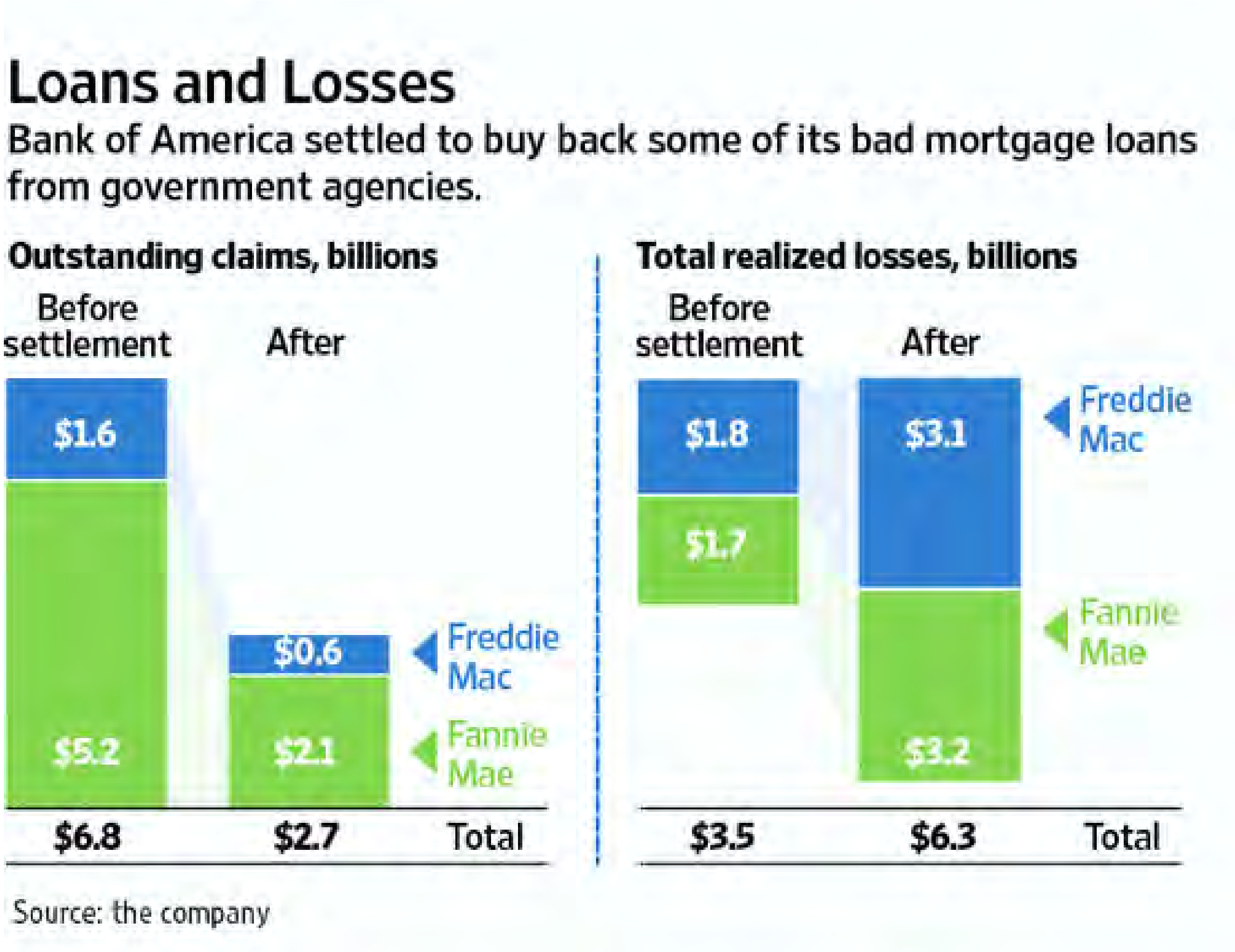
BofA is negotiating a potential settlement with a large group of private investors that threatened the bank over mortgage loans they purchased. The investors include BlackRock Inc. and Allianz SE's Pacific Investment Management Co., or Pimco. Kathy Patrick, a lawyer representing the group, said "Our discussions with Bank of America on those securitizations continue."

Some think comparing the Fannie and Freddie exposure to what the bank may have to pay a private-label investor "is apples and oranges," said David Grais, a New York lawyer who represents investors seeking the purchase of troubled loans packaged into mortgage-backed securities.

Other analysts warned that BofA's exposure to private-label losses is still large enough to be damaging. Chris Gamaitoni, vice president with Washington-based Compass Point Research & Trading LLC, has the most pessimistic view of BofA's exposure to repurchase requests. He said losses could be $35 billion.

"It seems the market is not overly concerned about it anymore," he said. "I think it's a real concern."

Ruth Simon contributed to this article.



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Banking Information Services

SNL Bank & Thrift Weekly

January 10, 2011

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HEADLINE: BofA deal with Freddie, Fannie a net positive

BYLINE: Dobb, Kevin

BODY:

Bank of America Corp.'s decision to take a $3 billion provision and $2 billion fourth-quarter charge to buy back problematic home loans from Freddie Mac and Fannie Mae and cover other mortgage-related costs likely plunges it into the red for the quarter. [...] Wall Street welcomed the move, with investors driving up the Charlotte, N.C.-based company's shares and analysts saying it marks an important step toward clearing up the embedded mortgage mess BofA plunged into when it agreed to acquire Countrywide Financial Corp. and its risk-laden loan books in 2008.

FULL TEXT:

Bank of America Corp.'s decision to take a $3 billion provision and $2 billion fourth-quarter charge to buy back problematic home loans from Freddie Mac and Fannie Mae and cover other mortgage-related costs likely plunges it into the red for the quarter.

But Wall Street welcomed the move, with investors driving up the Charlotte, N.C.-based company's shares and analysts saying it marks an important step toward clearing up the embedded mortgage mess BofA plunged into when it agreed to acquire Countrywide Financial Corp. and its risk-laden loan books in 2008.

BofA's shares rose more than 5% in intraday trading following the company's Jan. 3 announcement that it would settle home-loan buyback claims with Fannie and Freddie. BofA said that on the final day of 2010, it finalized a deal with Freddie that effectively puts an end to outstanding potential buyback claims tied to troubled Countrywide loans sold to the government-sponsored enterprise. BofA made a $1.28 billion cash payment to Freddie as part of the deal. BofA separately paid Fannie $1.34 billion in cash, after applying certain credits to the agreed-upon amount of $1.52 billion, in what the bank labeled a move to substantially resolve Fannie claims.

BofA's deals with the GSEs do not cover loans or loan servicing and other contractual obligations in private-label securitizations. But observers said the agreements show that BofA is moving aggressively to deal with buyback claims to leave most of that problem in 2010.

"There has been a lot of fear that has held back the company, but investors see [BofA] is working hard to put this thing behind it," Sam Pappas, president and CEO of Mystic Asset Management Inc., told SNL, referencing the fact that BofA's shares sunk about 12% in 2010. "The hope is that this puts the problem, the bulk of it anyway, in the rear-view mirror."

BofA's $3 billion reserve build in the wake of the deal will cover Freddie's outstanding and potential repurchase claims. It covers Fannie's outstanding repurchase claims and additional reserves for GSE claims not covered under the deal. "We believe we have largely addressed the remaining GSE repurchase exposure," BofA CFO Charles Noski said on a conference call to discuss the matter.

Jeffery Harte, an analyst at Sandler O'Neill & Partners, said in a note that $3 billion "is a large number," and he said it would reduce his estimate of 20 cents per share in fourth-quarter profit to roughly a loss of 20 cents per share. But he said the reserve build was in line with his expectations, and the clarity provided by BofA "should be a net positive" for the company's stock.

Analyst Chris Kotowski of Oppenheimer & Co. said BofA's deal with the GSEs, while saddling the company with a fourth-quarter loss, "effectively front ends what we had expected to be a quarterly charge in 2011. ... All other things being equal, that would add" 17 cents to 23 cents to the company's per-share bottom line in 2011. "We think this is good news ... as it confirms that the GSE put-back risk is bounded and substantially smaller than what some very prominent bearish reports projected," he added.

Observers said the agreement with the GSEs shows that BofA's exposure is not nearly as severe as some initially predicted.

Chris Gamaitoni, an analyst at Compass Point Research & Trading LLC, said the Freddie settlement implies cumulative GSE repurchase losses for BofA of between $9.4 billion and $11.8 billion. Gamaitoni, however, cautioned that the obligations in private-label securitizations could prove a festering problem for BofA.

"Those losses are still in their infancy," Gamaitoni told SNL. "They still face a lot of risk there."

BofA, the largest mortgage servicer in the U.S., has found itself at the center of the housing crisis since it bought Countrywide in July 2008. Countrywide was in steep financial peril at the time as its mortgages began to sour en masse. BofA acquired Countrywide's troubles and went on to post a loss in 2009 in part because of credit losses on legacy Countrywide loans.

In 2010, the bank faced accusations of selling faulty mortgages, and in October 2010, it briefly stopped foreclosures to address critics' allegations that it failed to provide accurate documentation on homes it repossessed.

Then, in December 2010, BofA began to negotiate with a group of investors including Freddie, PIMCO, BlackRock Inc. and the Federal Reserve Bank of New York about the investors' push to have BofA buy back troubled mortgages sold to the group. The investors said Countrywide either failed to fully document loans or failed to use normal underwriting standards, a breach of agreements with the investors.

BofA's Noski sought to assure during his call with analysts that the company will not simply roll over when claims are made against it.

"As we've said previously, we will act responsibly in satisfying our repurchase obligations in those cases where investors sustain their contractual burden of proving breaches of representations and warranties, but we will vigorously defend ourselves against all other claims which fail to meet the agreed upon standard for repurchase," Noski said. "We believe that the terms of our agreements with the GSEs are beneficial to Bank of America shareholders and are consistent with this principle."

All that noted, investors' positive reaction Jan. 3 indicates that the market is setting aside the alarmist view of Branch Hill, Pappas said.

"You never know for sure what comes next or what could happen in the courts, but this does seem to be a big step in the right direction," Pappas said. "And while [BofA] made substantial payments, they weren't as bad as some feared."

LOAD-DATE: September 9, 2011