

# Lehman Settles Freddie Mac Claim for \$767 Million

by Erik Larson

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Feb. 13 (Bloomberg) -- Lehman Brothers Holdings Inc. asked a judge to approve a \$767 million settlement with Freddie Mac to pay off a \$1.2 billion bankruptcy claim, one of the biggest remaining against the defunct bank.

The deal with the government-controlled mortgage-finance company will make hundreds of millions of dollars available for “prompt distribution” to creditors after being held in reserve as a result of the dispute, Lehman said yesterday in a filing in U.S. Bankruptcy Court in New York.

“Absent the settlement agreement, this cash would remain trapped,” Lehman’s lawyers said in the filing. The dispute stemmed partly from Freddie Mac’s attempt to give its claim a higher priority than those of other creditors.

Lehman on Jan. 31 won court approval of a similar deal with Fannie Mae, a related mortgage company, agreeing to a value of \$2.15 billion for its \$18.9 billion claim. The accords will speed up payments to creditors more than five years after the New York-based bank filed the biggest U.S. bankruptcy at the peak of the financial crisis.

Freddie Mac filed the claim over a loan it made to Lehman in 2008, which the bank never repaid as a result of the Chapter 11 filing. The settlement doesn’t resolve Freddie Mac’s derivatives claim against Lehman, amounting to \$16.4 million, according to the filing.

Fannie Mae brought claims against Lehman over mortgages the bank packaged and sold. The companies’ accord required Fannie Mae to provide documents and information that would allow an administrator to sue third-party mortgage originators and sellers for breaches of representations and warranties made to Lehman, according to a court filing at the time.

Lehman filed for bankruptcy in September 2008. A Chapter 11 plan for units other than its brokerage was implemented in March 2012.

The case is *In re Lehman Brothers Holdings Inc.*, 08-bk-13555, U.S. Bankruptcy Court, Southern District of New York (Manhattan).