

Bank of America investing in Countrywide

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Countrywide Financial Corp. said Bank of America Corp. made a \$2 billion investment in the company Wednesday as the nation's largest mortgage lender tries to weather a credit crunch that's rocked Wall Street and the mortgage industry.

"Bank of America's investment in Countrywide represents a vote of confidence and strengthens our balance sheet, enabling us to position Countrywide for future growth and success," Angelo R. Mozilo, Countrywide's chairman and chief executive, said in a statement.

Under the terms of the deal, Charlotte, N.C.-based Bank of America acquired \$2 billion in the form of nonvoting, convertible preferred stock yielding 7.25 percent annually, Countrywide said. The shares can be converted into common shares of Countrywide at \$18 per share, with certain restrictions.

If Bank of America were to convert its shares under Countrywide's current share count, it would hold between 16 percent to 17 percent of Countrywide shares, said Robert Stickler, a Bank of America spokesman.

That would make Bank of America the company's largest shareholder. Currently, AllianceBernstein LP owns the most Countrywide shares — about 63.7 million, or 11 percent of the company — according to documents filed with the Securities and Exchange Commission.

The deal restricts Bank of America from trading any shares converted from preferred stock for a period of 18 months and from acquiring beneficial ownership of more voting shares in the company.

Countrywide shares jumped more than 20 percent to \$26.25 in after-hours trading. Before Countrywide's announcement, the shares had closed the regular session up 3 cents at \$21.82.

Kenneth D. Lewis, Bank of America's chairman and CEO, said in the statement that turmoil in the stock market has led some to underestimate the value in Countrywide's operations and assets.

"This investment reflects our confidence in their business and recognizes the importance of the company in providing home financing across the country," Lewis said.

Calabasas-based Countrywide said last Thursday it had borrowed \$11.5 billion from several dozen banks so it could keep making home loans.

As defaults increased on subprime mortgages to borrowers with shaky credit histories, and the problems stretched to other credit markets, Countrywide's shares plunged, hitting a 52-week low of \$15 last Thursday.

The stock rebounded after the Federal Reserve cut a key interest rate Friday. Even with the rally, Countrywide shares have lost about half their value so far this year.

Shares of Bank of America, which rose 35 cents in regular trading Wednesday to \$51.65, gained another 1.9 percent to \$52.63 in after-hours trading.