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Q&A: **Scott Humphries** on Gibbs & Bruns' big mortgage cases

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NEW YORK (Reuters) - **Scott Humphries** is a managing partner at the Houston-based litigation boutique Gibbs & Bruns.

Gibbs & Bruns represents institutional investors in proposed multibillion settlements with Bank of America Corp and JPMorgan Chase and Co over mortgage-backed securities trusts issued before the financial crisis.

Reuters asked Humphries how the firm developed the lucrative niche. The questions and answers have been edited for clarity and brevity.

Reuters: How did a little firm like Gibbs & Bruns get involved in these huge mortgage securities settlements?

Humphries: I think the genesis goes back to a case in the early 1990s where a number of institutional investors were defrauded in a bond deal that dealt with prisons in Texas. (Partners) Robin Gibbs and Kathy (Patrick) won a huge verdict in the case against a number of investment banks and law firms. That introduced us to the institutional investment community.

Reuters: Is that when you developed a relationship with Pimco, the giant bond manager you represent in the mortgage-backed securities cases?

Humphries: No, we were introduced to Pimco a little later. Our first substantial work for Pimco and our entry into the asset-backed world was a case we filed in 2003 in healthcare securities, a security that went from AAA to bankrupt in 30 days. Pimco and 25 other institutional investors hired us to go and chase the bad guys in that case, National Century Financial Enterprises. They were the largest holder of this healthcare paper.

Reuters: One might expect the world's biggest investors to hire an established New York firm. Why come to a small Texas boutique?

Humphries: Most of the litigators who work on sophisticated securities matters either do predominantly class action work, which we don't really do, or are defense counsel. If you're an institutional investor and need to sue Credit Suisse, like we did in NCFE, or JPMorgan, you're going to have a hard time finding sophisticated counsel that's not conflicted out. We get a lot of work where a bigger firm says we can't handle this because we represent one of the potential defendants.

Reuters: How old is the firm and how many lawyers do you have?

Humphries: We just had our 30th anniversary. Over time, the firm has grown steadily but slowly. When I joined in 1997, I was the 18th lawyer and now we have just over 30. Our firm has not grown and shrunk with the economy.

Reuters: How does a firm with so few lawyers handle these big mortgage-backed securities cases?

Humphries: We've devoted a significant number of the firm's lawyers to these cases. There's probably four of us that work on it pretty much full-time and probably a half dozen in the background on an as-needed basis. Kathy (Patrick) and my partner Bob Madden handled the public spotlight in the Countrywide trial. Kathy's been all things RMBS for some time.

Reuters: How did the firm first get involved in them?

Humphries: In early 2010, I guess it coalesced. Pimco and BlackRock and some other folks were casting about for what to do about the mortgage-backed securities problem for some time. When they talked to us about it, our view of the world was - there has to be some sort of collective action because the documents don't provide for Pimco to go out and sue on its own as a securities holder. There are a lot of contractual impediments to that. So we got together people who had sufficient leverage where they'd pay attention.

Reuters: You needed 25 percent of the voting rights in each of the Countrywide trusts to demand action, right?

Humphries: We had 25 percent of 250 or 300 or so of the 530 trusts. At some point in negotiations, we began to talk about relief for all of them.

Reuters: Your basic premise is that the banks breached their representations and warranties on mortgages underlying the securities.

Humphries: Yes.

Reuters: Why do you think your approach has been successful?

Humphries: One of the hardest parts was getting the institutional investors into a litigation mindset. These are people who are traditionally defendants. They are reluctant litigants and so keeping that group together and singularly focused on the RMBS troubles they have is a difficult job. Kathy's very good at keeping them informed and moving forward. Once you've got that group of investors, trustees take your phone calls and banks take your phone calls. And certainly after the Countrywide deal was disclosed back in June 2011, that made life a little easier for moving on to the next couple of deals.

Reuters: You sought court approval for the \$8.5 billion Countrywide/Bank of America settlement in June 2011. Did you anticipate that you'd still be waiting for a judge to rule?

Humphries: No, we thought the approval procedure would be quicker. We spent a substantial amount of time on the removal in federal court. That slowed us down a bit.

Reuters: The trustee overseeing the Countrywide securities was involved in negotiations. That's not the case with the \$4.5 billion agreement between investors in securities issued by JPMorgan and Bear Stearns & Co, which JPMorgan acquired during the crisis. Why the change in strategy?

Humphries: I can't comment on that.

Reuters: How have the JPMorgan trustees reacted to the deal since it was announced last month?

Humphries: My perception is that they have undertaken to study it quickly and, it appears, thoroughly.

Reuters: A \$7.3 billion Residential Capital claim was okayed by the bankruptcy judge. How do you feel about that?

Humphries: We're very pleased clients are going to get their money.

Reuters: You may be in for some Texas-sized pay days, especially if the Bank of America and JPMorgan settlements go through.

Humphries: No comment.

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Company: BLACKROCK INC; JPMORGAN CHASE AND CO; RESIDENTIAL CAPITAL LLC; NATIONAL CENTURY FINL ENTERPRISES INC; CREDIT SUISSE AG; BANK OF AMERICA CORP

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