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AP

American Home Hires Stars for Rescue

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By Jeremy Herron, AP Business Writer

Cooper, Ross Ride to the Rescue at American Home Mortgage

NEW YORK (AP) -- American Home Mortgage Investment Corp. is down for the count, but at least two prominent businessmen don't think it's out.

Turnaround specialist Stephen F. Cooper and bankruptcy financier Wilbur L. Ross Jr. are going to take a crack at rescuing what was once the 10th-largest U.S. mortgage lender, after American Home filed for bankruptcy protection Monday.

Cooper, who was named chief restructuring officer, has held similar jobs at one-time heavyweights Enron and Trans World Airways.

Ross, the billionaire investor behind WL Ross & Co., made his fortune picking over the smoldering wreckage of burned-out industries such as steel and textiles, bundling together promising assets and resuscitating them. His company agreed to lend American Home Mortgage \$50 million to finance its operations and pay legal fees during the bankruptcy process.

A WL Ross spokesman said Ross was traveling Monday and could not be immediately reached for comment. Representatives for Cooper's firm, Kroll Zolfo Cooper, did not return calls seeking comment.

While hiring such well-known corporate saviors may be a good sign for American Home creditors, industry watchers warn that their involvement doesn't mean the dire situation in the ailing mortgage market will improve any time soon.

"It doesn't matter how good of a person you hire, the problem is nobody wants to give the lenders any money anymore," said Axel Merk, manager of the Merk Hard Currency Fund.

"The reason these companies got into trouble in the first place is that people bought houses that were too big for them," Merk said. "The real problem -- high home prices -- has not gone away, and that's not going to heal itself overnight."

American Home investors will have to go to court to see if they can recover any money, and their success will depend primarily on Cooper.

"Stephen is one of the best there is in the business, and he is also one of the most expensive," said Harlan Platt, a professor at Northeastern University who follows corporate turnarounds.

American Home is not exactly Enron, though, and there has been no indication of any wrongdoing. In fact, the company isn't much like any of the others that Cooper has turned around.

"This wasn't a case of a bad business decision or a bad product, where you can just clean that up and move on," Merk said. "Its market is in collapse, and when the market returns it'll be with new players and new price levels."

When industries are given up for dead like that, it's not unusual to see Wilbur Ross riding in to buy up assets others deride as worthless. He made a fortune when he scooped up parts of bankrupt steel mills all across the Midwest at fire-

sale prices, most notably former giant Bethlehem Steel. In 2005, he sold his steel holdings, known as International Steel Group, for \$4.5 billion.

The money Ross is providing for American Home is called debtor-in-possession financing, and it means he will be the first creditor repaid under the company's restructuring plan.

"Given the quality of its loans and portfolio, the feeling is there could be some recovery of value," said Steven DeLaney, an analyst with JMP Securities. That's because the loans on American Home's books -- primarily loans to people with good credit -- do generate interest income and cash. "Normally they could sell these loans for a profit, but all the buyers went away," DeLaney said. "We're in a crisis mode right now on the mortgage and debt capital markets."

AP Business Writer Ieva M. Augstums in Charlotte, N.C. contributed to this report.

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