



MBIA Surplus Note Payment Approved by New York Regulator

By Mary Childs - Jul 16, 2012

[MBIA Inc. \(MBI\)](#) received regulatory approval for its insurance unit that backed soured mortgage debt to make an interest payment on notes scheduled for today.

The New York State Department of Financial Services approved the payment on MBIA Insurance Corp.'s 14 percent surplus notes due 2033 and "will make such payment as scheduled," according to a filing with the U.S. Securities and Exchange Commission. The shares climbed 3.4 percent to \$10.76 at 10:08 a.m. in New York.

The shares [dropped](#) last week after the Armonk, [New York](#)-based bond insurer said the regulator hadn't decided whether to allow the payment, fueling concern that the unit's financial standing was worse than investors had anticipated. The guarantor sold the notes in 2008 to bolster capital amid soaring defaults on subprime home loans, delaying a reduction of its then-top credit ratings.

[Kevin Brown](#), an MBIA spokesman, declined to comment beyond the filing.

Surplus notes are bonds issued by insurance companies that state insurance regulators consider equity. In the event of a bankruptcy, the notes are repaid after other creditors and before stockholders.

MBIA, which was shut out of the business of backing municipal debt because of the losses on home-loan and commercial-mortgage securities, split its MBIA Insurance subsidiary in 2009 with the blessing of the regulator in an effort to revive the muni business.

Lenders including Bank of America Corp. and Societe Generale SA, which bought protection against losses on mortgage- debt from MBIA, sued the insurer and regulator to reverse the split. That case is now being considered by a [New York](#) State Supreme Court judge after a four-week trial that concluded June 7. The banks claimed the restructuring exposed policyholders to losses by transferring \$5 billion in assets out of MBIA Insurance and into the municipal unit.

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