

**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLUMBIA**

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UNITED STATES OF AMERICA, <i>et. al.</i> ,	)	
	)	
Plaintiffs,	)	
	)	
v.	)	Civil Action No. 12-00361 (RMC)
	)	
BANK OF AMERICA CORP., <i>et. al.</i> ,	)	
	)	
Defendants.	)	
_____	)	

**MONITOR’S FINAL CONSUMER RELIEF REPORT REGARDING  
DEFENDANTS RESIDENTIAL CAPITAL, LLC, ALLY FINANCIAL, INC.,  
AND GMAC MORTGAGE, LLC**

The undersigned, Joseph A. Smith, Jr., in my capacity as Monitor under the Consent Judgment (12-cv-00361-RMC; Document 13) filed in the above-captioned matter on April 4, 2012 (“Consent Judgment”), respectfully files this Final Consumer Relief Report and Certification (“Report”), regarding the performance of Defendants Residential Capital, LLC, Ally Financial, Inc. and GMAC Mortgage, LLC in satisfying their consumer relief requirements and borrower solicitation obligations under the Consent Judgment, as such requirements and obligations are set forth with more particularity in Exhibits D, D-1, E and I to the Consent Judgment. This Report is filed in response to a request made to me by said Defendants pursuant to Section D.6 of Exhibit E to the Consent Judgment, and is in furtherance of my obligations under Exhibit I to the Consent Judgment.

In this Report, a reference to “Monitor” is to the person appointed under the Consent Judgment to oversee, among other obligations, the ResCap Parties’ satisfaction of the Consumer Relief Requirements, and the Monitor is Joseph A. Smith, Jr., who will be referred to in this Report in the first person. Also, in this Report, a reference to “Court” is to the United States District Court for the District of Columbia; a reference to “ResCap Parties” is to Residential

Capital LLC, GMAC Mortgage LLC and Residential Funding Company, LLC, individually, in combinations and collectively, as the context may require or otherwise indicate; a reference to “AFI” is to Ally Financial, Inc.; references to any one or more of Exhibit D, Exhibit D-1, Exhibit E and Exhibit I are to exhibits to the Consent Judgment; other capitalized terms used and defined in this Report will have the meanings given to them in this Report; and any capitalized terms used but not defined in this Report will have the meanings assigned to them in the Consent Judgment. For convenience, a copy of the Consent Judgment, without the signature pages of the Parties and including only Exhibit D, Exhibit D-1, Exhibit E and Exhibit I, is attached to this Report as Attachment 1.

## **I. Introduction**

### *A. ResCap Parties’ Obligations*

In the Consent Judgment, among their other obligations, the ResCap Parties, and, to the extent the ResCap Parties do not perform, AFI, are responsible for \$200,000,000 in consumer relief, allocated as follows: \$185,000,000 to borrowers who meet the eligibility requirements in paragraphs 1-8 of Exhibit D; and, \$15,000,000 of refinancing relief to borrowers who meet the eligibility requirements of paragraph 9 of Exhibit D. The ResCap Parties are required to provide this consumer relief through the ResCap Settlement Loan Modification Programs set out in Exhibit I and, as necessary, through forms of consumer relief set out in Exhibit D. In addition to Servicer’s creditable Consumer Relief Requirements, Servicer has certain Non-Creditable Requirements, as more fully discussed in Section III below.<sup>1</sup>

The ResCap Settlement Loan Modification Programs consist of a Rate Reduction Refinancing Program (“RRRP”) and a Principal Reduction Modification Program (“PRMP”).

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<sup>1</sup> The “Non-Creditable Requirements” are Servicer’s obligations or commitments pertaining to Consumer Relief Requirements pursuant to Exhibit D that are not subject to crediting.

The ResCap Parties are required to solicit and offer both the RRRP and the PRMP nationwide to eligible borrowers in the ResCap Parties' and AFI's first and second lien owned loan portfolios, with the exception of CMG loans owned as of March 1, 2012,<sup>2</sup> and loans included in asset sales in the normal course of business where the primary servicer is one of the ResCap Parties ("Loan Portfolio").<sup>3</sup> The RRRP has eligibility criteria for borrowers and an offer of relief that are unique to the RRRP and which are slightly different from the refinancing consumer relief available to borrowers under Exhibit D. The PRMP has eligibility criteria for borrowers and offers of relief that are unique to the PRMP and which are slightly different from the principal reduction consumer relief available to borrowers under Exhibit D. The PRMP eligibility criteria and offers of relief fall into four categories: Underwater with Credit Degradation, Payment Shock Relief, Principal Reduction for Delinquent Borrowers, and Second Lien Reduction.<sup>4</sup>

Under the ResCap Settlement Loan Modification Programs, the ResCap Parties are required to solicit and extend offers of relief to borrowers who meet the eligibility criteria for the RRRP or the PRMP as of March 1, 2012, and until completion of the solicitation process applicable to any borrower or the proper denial of such borrower for a relief, defer any foreclosure sale on the borrower ("ResCap Solicitation Programs").<sup>5</sup> Any borrower who accepts a modification offer under the RRRP or the PRMP within 180 days of the date the solicitation for that modification commenced is entitled to receive the modification offered, unless the ResCap Parties have, as of the date of the offer, extended at least \$250,000,000 of consumer relief under either the ResCap Settlement Loan Modification Programs or one or more of the forms of consumer relief set out in Exhibit D. If the ResCap Parties, at the date an offer of relief is made

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<sup>2</sup> CMG loans are open lines of credit with Ally Bank that are tied to a borrower's bank account with Ally Bank.

<sup>3</sup> Exhibit I, ¶ 4.a.

<sup>4</sup> Exhibit I, ¶ 5.a. and 5.b.

<sup>5</sup> Exhibit I, ¶ 4.a. and 4.b.

to a borrower, have extended \$250,000,000 or more of such consumer relief, then only those borrowers who accept an offer within 90 days of the date the solicitation for that modification commenced are entitled to receive the modification offered.<sup>6</sup>

*B. Monitor's Obligations*

The Consent Judgment requires that I determine and report to the Court whether the ResCap Parties have met their Consumer Relief Requirements.<sup>7</sup> It is my further responsibility to review and to report to the Court whether the ResCap Parties have complied with Exhibit I, specifically paragraphs 3, 4, 5 and 6.<sup>8</sup> The primary purpose of this Report, as set out in Section I.B.2. of this Report, is to report on whether the ResCap Parties have substantially complied with the material terms of paragraphs 4, 5 and 6 of Exhibit I – the borrower solicitation and foreclosure deferral requirements. As discussed below in Section I.B.1. of this Report, I have already reported to the Court on the ResCap Parties' satisfaction of their obligations under paragraph 3 of Exhibit I – the consumer relief obligations. In addition, in Section III of this Report, I will report on whether the ResCap Parties have substantially complied with the Non-Creditable Requirements.

1. Interim Consumer Relief Report. On February 14, 2013, I filed with the Court an Interim Consumer Relief Report ("Interim Report") regarding the ResCap Parties' satisfaction of their consumer relief obligations under the Consent Judgment. In the Interim Report, I found that:

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<sup>6</sup> Exhibit I, ¶ 6.a.i.

<sup>7</sup> Exhibit E, ¶ C.5.

<sup>8</sup> Exhibit I, ¶ 7.

(i) The ResCap Parties had satisfied the minimum requirements and obligations imposed upon them under Section III, paragraph 5 of the Consent Judgment to provide consumer relief under and pursuant to Exhibit D and Exhibit D-1;

(ii) The amount of consumer relief provided by the ResCap Parties was the Reported Credit Amount of \$257.4 million, as set out in the ResCap Parties' IRG Assertion dated January 18, 2013;

(iii) The ResCap Parties had established RRRP and PMRP and that such programs were in substantial compliance with the material terms of Exhibit I;

(iv) The ResCap Parties identification of 14,071 Eligible Borrowers for RRRP and PRMP was substantially correct and accurate when reviewed under the terms of Exhibit I, as supplemented by the Work Plan;<sup>9</sup>

(v) The ResCap Parties had solicited 5,463 Eligible Borrowers through November 30, 2012, and such solicitations were conducted in material compliance with the terms of Exhibit I; and

(vi) The ResCap Parties had not completed their obligations under the ResCap Solicitation Programs and, as a consequence, the ResCap Parties had additional obligations under Exhibit I.

With respect to my finding that the ResCap Parties had not completed their obligations under the ResCap Solicitation Programs, such finding accorded with the representations made to me by the ResCap Parties at the time of their request for me to perform the interim review that

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<sup>9</sup> In order to better accomplish the processes outlined in the preceding paragraph and as an aid to such processes, as I reported in the Interim Report, pursuant to Exhibit E, the ResCap Parties and I agreed upon, and the Monitoring Committee did not object to, a work plan ("Work Plan") that, among other things, sets out the testing methods, procedures and methodologies that are to be used relative to confirmatory due diligence and validation of the ResCap Parties' claimed compliance with their obligations relative to the Consumer Relief Requirements, including their obligations under the ResCap Solicitation Programs.

was the subject of the Interim Report. Specifically, the ResCap Parties represented to me that they had not completed soliciting all Eligible Borrowers<sup>10</sup> and did not anticipate completing solicitation of all Eligible Borrowers until the middle of 2013. Once the ResCap Parties had completed their solicitation of all Eligible Borrowers and a sufficient time had elapsed for Eligible Borrowers to accept offers made to them and to complete any necessary trial modification periods, the ResCap Parties intended to request that I undertake a final review of their compliance with the terms of Exhibit I.

2. ResCap Parties' Request for Final Certification. In October 2013, the ResCap Parties requested that I certify that the ResCap Parties, as of that time, had substantially complied with all of the material obligations imposed upon them under Exhibit I, specifically the ResCap Solicitation Programs as set out in paragraphs 4, 5 and 6 of Exhibit I.<sup>11</sup> In the ResCap Parties' request, or attendant thereto, the ResCap Parties represented to me that the ResCap Parties, at the time of their request for a review, had completed soliciting all Eligible Borrowers and a sufficient time had elapsed for Eligible Borrowers to accept offers made to them and to complete any necessary trial modification periods. In this Report, as shown below, I find that the ResCap Parties have substantially complied with all of the material obligations imposed upon them relative to the ResCap Solicitation Programs as set out in paragraphs 4, 5 and 6 of Exhibit I and the Non-Creditable Requirements, and, as a consequence, have met their Consumer Relief Requirements, including those requirements set out in Exhibit I.

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<sup>10</sup> Under Exhibit I, ¶ 4.a., an "Eligible Borrower" is any borrower under a loan in the Loan Portfolio who meets the Eligibility Criteria for any of the ResCap Settlement Loan Modification Programs. The "Eligibility Criteria" vary based on the loan modification program and are set out in the subparagraphs of Exhibit I, ¶ 5.

<sup>11</sup> Exhibit I, ¶ 4 requires that the ResCap Parties, pursuant to the ResCap Settlement Loan Modification Programs, extend offers of relief under those programs to all Eligible Borrowers who meet the Eligibility Criteria and to defer any foreclosure sales. Exhibit I, ¶ 5 sets out the requirements for RRRP and PMRP and the criteria for Eligible Borrowers. Exhibit I, ¶ 6 sets out the requirements for the ResCap Solicitation Programs.

## II. Certification and Review

### A. *Overview of Review Process*

It is my obligation to determine whether the ResCap Parties have substantially complied with all of the material obligations imposed upon them relative to the ResCap Solicitation Programs.<sup>12</sup> My determination is triggered by the ResCap Parties' assertion that they have satisfied such requirements. This assertion is then reviewed by the ResCap Parties' Internal Review Group (IRG).<sup>13</sup> Once the IRG completes its review and issues its assertion of substantial compliance, with the assistance of BDO USA, LLP, my Primary Professional Firm ("PPF"), I undertake the necessary confirmatory due diligence and validation of the ResCap Parties' claimed compliance as reflected in the IRG's assertion. If the PPF and I are satisfied as to the correctness and accuracy of the IRG's assertions, I certify the ResCap Parties' satisfaction of their obligations relative to the ResCap Solicitation Programs, which, as a result of my findings in the Interim Report, will mean that the ResCap Parties have met their Consumer Relief Requirements.

As contemplated in and in furtherance to the Work Plan, the ResCap Parties and I agreed upon a Testing Definition Template that outlines the testing methods and process flow to be utilized to assess whether, and the extent to which, the ResCap Parties satisfied their obligations relative to the ResCap Solicitation Programs. Based upon this Testing Definition Template, the IRG developed test plans tailored to the ResCap Parties' program for compliance with their

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<sup>12</sup> Exhibit I, ¶ 7.a. and 7.b.

<sup>13</sup> Exhibit E, ¶ C.7. ResCap Parties' Internal Review Group ("IRG") is an internal quality control group that is independent from the ResCap Parties' mortgage loan servicing business and is charged with performing Compliance Reviews and Satisfaction Reviews at the times and in the manner set out in Exhibit E and the Work Plan. Beginning in late February, 2013, after the sale of certain assets by the ResCap Parties to Ocwen Loan Servicing, LLC, the mortgage servicing arm of Ocwen Financial Corporation ("Ocwen"), the IRG became a part of Ocwen but continued to review the ResCap Parties' satisfaction of their obligations relative to consumer relief, including Exhibit I, even though Ocwen did not assume any of those obligations in connection with Ocwen's purchase of assets from the ResCap Parties. The IRG's qualifications and performance is subject to ongoing review by the Monitor, as set out in Exhibit E, C.10.

obligations relative to the ResCap Solicitation Programs. These test plans offered a step-by-step approach to testing the ResCap Solicitation Programs. These test plans were reviewed and commented on by me, professionals from the PPF, and other legal and accounting professionals engaged by me. Additionally, those professionals engaged in frequent discussions with the IRG in order to better understand the IRG's testing methodologies relative to the ResCap Solicitation Programs. During its own testing, the PPF had unfettered access to the IRG and the work papers the IRG developed in undertaking its confirmatory due diligence and validation of the ResCap Parties' assertion relative to the ResCap Solicitation Programs. This access included the ability to make inquiries as questions arose and to resolve those questions in a manner that strengthened the overall review process; it also included access to databases reflecting loan level information on the ResCap Solicitation Programs to the extent necessary for me to do my confirmatory work.

*B. ResCap Parties' Assertions*

With respect to Exhibit I and the ResCap Parties' compliance with the terms of Exhibit I relative to the ResCap Solicitation Programs, the ResCap Parties assert that their solicitations and the offers accompanying those solicitations substantially comply with the material terms of Exhibit I. In particular, as to the 14,071 loans eligible for mandatory solicitation pursuant to Exhibit I, the ResCap Parties assert that:

(i) The ResCap Parties deferred, postponed, or otherwise avoided a foreclosure sale on any Eligible Borrower before (1) the borrower executed a loan modification or the loan was extinguished, (2) the borrower was properly denied a loan modification, or (3) the Solicitation Requirements were met;

(ii) The ResCap Parties properly completed their obligations under the ResCap Solicitation Programs by soliciting and extending offers of relief to all Eligible Borrowers



relative to the ResCap Settlement Loan Modification Programs for which each may have been eligible; and

(iii) For Eligible Borrowers who received a Solicitation Package, the Solicitation Package contained the information required by Exhibit I, which information included an offer of relief for the ResCap Settlement Loan Modification Programs for which each may have been eligible.

*C. Internal Review Group's Assertion*

Following the ResCap Parties' request to the Monitor for a final review, the IRG submitted to me a report containing an assertion that concluded that the ResCap Parties had satisfied their obligations under Exhibit I relative to the ResCap Solicitation Programs. According to the IRG's report, its assertion of completion was based on a detailed review of relevant records of the ResCap Parties and on statistical sampling to a 99% confidence level.<sup>14</sup> The report of the IRG with regard to its assertion was accompanied by the IRG's work papers reflecting its review and analysis.

*D. IRG's Testing*

The ResCap Parties have asserted that they have satisfied their obligations under Exhibit I relative to the ResCap Solicitation Programs by, first, deferring foreclosures on Eligible Borrowers as and when required under Exhibit I, and, second, soliciting and extending offers of relief to borrowers initially determined to be Eligible Borrowers. The IRG has validated that the ResCap Parties did defer foreclosures as required under Exhibit I, that the Eligible Borrowers solicited were the correct population of borrowers that the ResCap Parties were required to

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<sup>14</sup> "Confidence level" is a measure of the reliability of the outcome of a sample. A confidence level of 99% in performing a test on a sample means there is a probability of at least 99% that the outcome from the testing of the sample is representative of the outcome that would be obtained if the testing had been performed on the entire population.

solicit and extend offers under Exhibit I, and that the solicitations of, and extension of offers to, these Eligible Borrowers have been completed as required under Exhibit I. In testing these loans, for each phase, the IRG selected a random and statistically valid sample of 322 loans from the population of 14,071 initially determined to be Eligible Borrowers. As applicable, for each loan in the sample, the IRG determined whether:

(i) Servicer deferred, postponed, or otherwise avoided a foreclosure sale before (a) the borrower executed a loan modification or the loan was extinguished; (b) Servicer denied the borrower for a loan modification; or (c) the Solicitation Requirements of Exhibit I were met;

(ii) For borrowers who received a Solicitation Package, the Solicitation Package contained all the information required by Exhibit I; and

(iii) Servicer properly completed the Solicitation Requirements as set for in Exhibit I for borrowers eligible for the RRRP or PRMP.

As was the case with consumer relief credit and solicitation population testing described in the Interim Report, the IRG conducted this testing by first accessing from the ResCap Parties' system of record the data inputs required to make the necessary determinations. It also, to the extent available, created screenshots from the system of record to evidence these determinations. The IRG documented its findings and included this evidence in its work papers.

*E. Monitor's Review of the IRG's Certification of Consumer Relief Credit*

1. Eligible Borrowers. In the Interim Report, based on the IRG's assertion and the PPF's validation of that assertion, I found that the ResCap parties had accurately identified the Eligible Borrowers to be included in its mandatory solicitation population. This finding was predicated upon the PPF's testing of a sample of loans excluded from the mandatory solicitation population. As set out in the Interim Report, the PPF determined that the size of a statistically valid sample of the entire 10,000 excluded loans tested by the IRG would be 319.

Nevertheless, the PPF decided to sample a total of 638 excluded loans – divided equally between the population of excluded first lien loans and the population of excluded second lien loans. The PPF then selected loans from each of those two populations by categorizing each loan based upon the reason provided by the IRG for its exclusion. The PPF then selected a random sample of loans from each of those categories. Once the sample of loans was selected for each population, the PPF tested each loan to determine whether the IRG had correctly determined that the loan should be excluded. The PPF determined that the ResCap Parties had correctly excluded from mandatory solicitation each of the loans in its sample testing population. In performing its work with respect to this Report, the PPF did not review any information that caused it to call into question the foregoing determination regarding the correctness of the ResCap Parties' mandatory solicitation population of Eligible Borrowers.

2. Solicitation of Eligible Borrowers. For the purposes of the Interim Report, the PPF reviewed and accepted as correct the IRG's testing in which the IRG validated that, through November 30, 2012, the ResCap Parties had correctly solicited, pursuant to Exhibit I, 5,463 borrowers in its mandatory solicitation population. Based upon the PPF's work, I found in the Interim Report that the IRG's conclusions relative to the 5,463 borrowers were correct and accurate in all material respects.

For the purpose of this Report, the PPF undertook a review of the IRG's testing in which the IRG validated each of the ResCap Parties' assertions that the ResCap Parties had substantially complied with the material terms of the ResCap Solicitation Programs by completing each of the items set out in Section II.B of this Report. In the PPF's review, using the testing processes and procedures it used for re-testing in connection with the Interim Report, the PPF re-tested the complete sample of 322 loans that were tested by the IRG. Based on this re-

testing, the PPF concluded that the IRG's validation of each of the ResCap Parties' assertions as to the ResCap Solicitation Programs was correct,<sup>15</sup> and on the basis of the PPF's re-testing and the PPF's conclusions regarding the work of the IRG, I too have determined that the IRG's validation of each of the ResCap Parties' assertions as to the ResCap Solicitation Programs was correct.

### **III. Monitor's Review of Non-Creditable Requirements of Exhibit D**

As part of my interim review of Servicer's Consumer Relief activities, I undertook an inquiry into whether Servicer complied with certain Non-Creditable Requirements of Exhibit D, as modified by Exhibit I. Specifically, Servicer agreed that:

1. Servicer "will not implement any of the Consumer Relief Requirements described [in Exhibit D to the Judgment] through policies that are intended to (1) disfavor a specific geography within or among states that are a party to the Judgment or (2) discriminate against any protected class of borrowers";<sup>16</sup>

2. Servicer "shall not, in the ordinary course, require a borrower to waive or release legal claims and defenses as a condition of approval for loss mitigation activities under these Consumer Relief Requirements";<sup>17</sup>

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<sup>15</sup> During the testing process, there were instances in which the PPF was unable to validate that the borrower was actually eligible for the relief being offered. To the extent that any non-eligible borrowers were solicited and offered relief, such solicitations and offers of relief did not cause the ResCap Parties to be non-compliant with the terms of Exhibit I; rather, it just meant that the ResCap Parties had solicited some borrowers for which they had no mandatory solicitation obligation. In all cases, however, the solicitation letters sent to the borrowers were complete and accurately set forth borrower information and relief offered, as reflected in the ResCap Parties' system of record.

<sup>16</sup> Exhibit D, Introduction.

<sup>17</sup> Exhibit D, Introduction. The Judgment contains an exception to this requirement that permits Servicer to require a waiver or release of legal claims and defenses with respect to a Consumer Relief activity offered in connection with the resolution of a contested claim, when the borrower would not otherwise have received as favorable terms or when the borrower receives additional consideration.

3. Servicer shall modify second lien mortgages pursuant to Section 2.c.i of Exhibit D when a Participating Servicer reduces principal on a first lien mortgage via its proprietary, non-HAMP modification process;<sup>18</sup>

4. Servicer shall “extinguish a second lien owned by Servicer behind a successful short sale/deed-in-lieu conducted by a Participating Servicer ... where the first lien is greater than 100% LTV and has an unpaid principal balance at or below the Applicable Limits, until the Servicer’s Consumer Relief Requirement credits are fulfilled”;<sup>19</sup>

5. Servicer will adjust the credits it claimed for consumer relief implemented pursuant to the Settlement by any incentive payments (federal or state funds) that are “the source of the Servicer’s credit claim”;<sup>20</sup>

6. Servicer will implement a refinancing program for all borrowers who meet the minimum eligibility criteria in Section 9.a. of Exhibit D, as modified by Exhibit I, and “use reasonable efforts to identify active servicemembers in its owned portfolio who would qualify and to solicit those individuals for the refinancing program”;<sup>21</sup>

7. Servicer will, in the case of an owned portfolio first lien, waive any deficiency amount remaining after an eligible servicemember sells his or her principal residence in a short sale conducted in accordance with Servicer’s then customary short sale process, so long as the deficiency amount is less than \$250,000.<sup>22</sup>

In order to assess Servicer’s compliance with the Non-Creditable Requirements, the PPF, at my direction, interviewed the Senior Vice President for Loan Servicing at Servicer. The focus

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<sup>18</sup> Exhibit D, ¶ 1.h.

<sup>19</sup> Exhibit D, ¶ 4.d.

<sup>20</sup> Exhibit D, ¶¶ 1.j.ii. and 2.d.i.

<sup>21</sup> Exhibit D, ¶¶ 8.c. and 9.a.

<sup>22</sup> Exhibit D, ¶ 8.b.i.

of this interview process was an inquiry into the processes and procedures that Servicer utilized to (i) select the borrowers to whom it provided the Consumer Relief for which it now seeks and would in the future seek credit pursuant to the Judgment and (ii) ensure that it is complying with the Non-Creditable Requirements.

Throughout my tenure as Monitor, my Professionals and I have interacted with the person who was interviewed and know him to have responsibilities related to Servicer's day-to-day compliance with the Consumer Relief requirements of the Judgment. As a result, I believe him to possess the requisite knowledge concerning Servicer's compliance with the Non-Creditable Requirements and have concluded that his responses to our inquiries have been credible and consistent with information obtained through the Consumer Relief credit testing and other procedures undertaken by my Professionals and me to ensure Servicer's compliance with the Judgment.

Based upon the interview of the foregoing persons, in conjunction with the loan-level testing undertaken by the PPF, as described in the Interim Report and this Report, I have no reason to believe that Servicer has:

1. Implemented any of the Consumer Relief Requirements through policies that are intended to (1) disfavor a specific geography within or among states that are a party to the Judgment or (2) discriminate against any protected class of borrowers;
2. Required borrowers to waive or release legal claims and defenses as a condition of approval for loss mitigation activities under these Consumer Relief Requirements, except where permitted under Exhibit D;

3. Failed to modify second lien mortgages pursuant to Section 2.c.i of Exhibit D when a Participating Servicer reduces principal on a first lien mortgage via its proprietary, non-HAMP modification process;

4. Failed to extinguish a second lien owned by Servicer behind a successful short sale/deed-in-lieu conducted by a Participating Servicer where the first lien is greater than 100% LTV and has an unpaid principal balance at or below the Applicable Limits;

5. Failed to adjust the credits it claimed for consumer relief implemented pursuant to the Settlement by any incentive payments (federal or state funds) that are the source of the Servicer's credit claim;

6. Failed to implement a refinancing program for all borrowers who meet the minimum eligibility criteria in Section 9.a. of Exhibit D, as modified by Exhibit I, and use reasonable efforts to identify active servicemembers in its owned portfolio who would qualify and solicit them for the program; or

7. In the case of an owned portfolio first lien, failed to waive any deficiency amount remaining after an eligible servicemember sells his or her principal residence in a short sale conducted in accordance with Servicer's then customary short sale process, so long as the deficiency amount is less than \$250,000.

#### **IV. Summary and Conclusions**

On the basis of the information submitted to me and the work of the IRG, the PPF and other professionals referred to above and contained in this Report, I find that:

(i) The ResCap Parties deferred, postponed, or otherwise avoided a foreclosure sale on each Eligible Borrower before (1) the borrower executed a loan modification or the loan was extinguished, (2) the borrower was properly denied a loan modification, or (3) the Solicitation Requirements were met;

(ii) The ResCap Parties properly completed their obligations under the ResCap Solicitation Programs by soliciting and extending offers of relief to all Eligible Borrowers relative to the ResCap Settlement Loan Modification Programs for which each may have been eligible;

(iii) For Eligible Borrowers who received a Solicitation Package, the Solicitation Package contained the information required by Exhibit I, which information included an offer of relief for the ResCap Settlement Loan Modification Programs for which each may have been eligible; and

(iv) I have no reason to believe that Servicer has failed to comply with all of the requirements of Exhibit D to the Judgment, as modified by Exhibit I, including the Non-Creditable Requirements.

Based on the findings in subparagraphs (i), (ii), (iii) and (iv) of this Section IV, and my findings in the Interim Report, I conclude that the ResCap Parties have substantially complied with the material terms of Exhibits D and I, in that the ResCap Parties have substantially complied with the requirements of the ResCap Borrower Solicitation Programs and the commitments made in the ResCap Settlement Loan Modification Programs and have satisfied the minimum requirements and obligations imposed upon them under Section III, paragraph 5 of the Consent Judgment to provide consumer relief under and pursuant to Exhibits D and D-1, as modified by Exhibit I.

Prior to the filing of this Report, I have conferred with the ResCap Parties and the Monitoring Committee about my findings and I have provided each with a copy of my Report. Immediately after filing this Report, I will provide a copy of this Report to the appropriate governing body of Residential Capital, LLC.



I respectfully submit this Report to the United States District Court for the District of Columbia, this 23rd day of January, 2014.

**MONITOR**

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**CERTIFICATE OF SERVICE**

I hereby certify that on this date I have filed a copy of the foregoing using the Court's CM/ECF system, which will send electronic notice of filing to the persons listed below at their respective email addresses.

This the 23rd day of January, 2014.

/s/ Joseph A. Smith, Jr.  
Joseph A. Smith, Jr.

**SERVICE LIST**

**John M. Abel**

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**STATE OF MISSOURI**  
*(Plaintiff)*

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**J.P. MORGAN CHASE  
& COMPANY**  
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**JPMORGAN CHASE  
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representing

**STATE OF ALABAMA**

*(Plaintiff)*

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**GMAC MORTGAGE,  
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*(Defendant)*

**RESIDENTIAL  
CAPITAL, LLC**  
*(Defendant)*

**OCWEN LOAN  
SERVICING, LLC**  
*(successors by assignment  
to Residential Capital, LLC  
and GMAC Mortgage, LLC)*

**GREEN TREE  
SERVICING LLC**  
*(successors by assignment  
to Residential Capital, LLC  
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**WELLS FARGO &  
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*Assigned: 11/02/2012*

representing

**UNITED STATES OF  
AMERICA**  
*(Plaintiff)*

**Simon Chongmin Whang**  
OREGON DEPARTMENT OF JUSTICE  
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**STATE OF OREGON**  
*(Plaintiff)*

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*(Plaintiff)*

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**WELLS FARGO BANK  
NATIONAL  
ASSOCIATION**  
*(Defendant)*

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**STATE OF SOUTH  
CAROLINA**  
*(Plaintiff)*

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**STATE OF MARYLAND**  
*(Plaintiff)*

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**CITIBANK, N.A.**  
*(Defendant)*

**CITIGROUP, INC.**  
*(Defendant)*

**CITIMORTGAGE, INC.**  
*(Defendant)*

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representing

**WELLS FARGO BANK  
NATIONAL  
ASSOCIATION**  
*(Defendant)*

**ATTACHMENT 1**

Consent Judgment (without the signature pages)

and

Exhibit D, Exhibit D-1, Exhibit E and Exhibit I



Servicemembers Civil Relief Act, and the Bankruptcy Code and Federal Rules of Bankruptcy Procedure;

WHEREAS, the parties have agreed to resolve their claims without the need for litigation;

WHEREAS, Defendant, by its attorneys, has consented to entry of this Consent Judgment without trial or adjudication of any issue of fact or law and to waive any appeal if the Consent Judgment is entered as submitted by the parties;

WHEREAS, Defendant, by entering into this Consent Judgment, does not admit the allegations of the Complaint other than those facts deemed necessary to the jurisdiction of this Court;

WHEREAS, the intention of the United States and the States in effecting this settlement is to remediate harms allegedly resulting from the alleged unlawful conduct of the Defendant;

AND WHEREAS, Defendant has agreed to waive service of the complaint and summons and hereby acknowledges the same;

NOW THEREFORE, without trial or adjudication of issue of fact or law, without this Consent Judgment constituting evidence against Defendant, and upon consent of Defendant, the Court finds that there is good and sufficient cause to enter this Consent Judgment, and that it is therefore ORDERED, ADJUDGED, AND DECREED:

#### **I. JURISDICTION**

1. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§ 1331, 1345, 1355(a), and 1367, and under 31 U.S.C. § 3732(a) and (b), and over Defendant. The Complaint states a claim upon which relief may be granted against Defendant. Venue is appropriate in this District pursuant to 28 U.S.C. § 1391(b)(2) and 31 U.S.C. § 3732(a).

## II. SERVICING STANDARDS

2. Defendant shall comply with the Servicing Standards, attached hereto as Exhibit A, in accordance with their terms and Section A of Exhibit E, attached hereto.

## III. FINANCIAL TERMS

3. *Payment Settlement Amounts.* Defendant shall pay into an interest bearing escrow account to be established for this purpose the sum of \$109,628,425, which sum shall be added to funds being paid by other institutions resolving claims in this litigation (which sum shall be known as the “Direct Payment Settlement Amount”) and which sum shall be distributed in the manner and for the purposes specified in Exhibit B. Defendant’s payment shall be made by electronic funds transfer no later than seven days after the Effective Date of this Consent Judgment, pursuant to written instructions to be provided by the United States Department of Justice. After Defendant has made the required payment, Defendant shall no longer have any property right, title, interest or other legal claim in any funds held in escrow. The interest bearing escrow account established by this Paragraph 3 is intended to be a Qualified Settlement Fund within the meaning of Treasury Regulation Section 1.468B-1 of the U.S. Internal Revenue Code of 1986, as amended. The Monitoring Committee established in Paragraph 8 shall, in its sole discretion, appoint an escrow agent (“Escrow Agent”) who shall hold and distribute funds as provided herein. All costs and expenses of the Escrow Agent, including taxes, if any, shall be paid from the funds under its control, including any interest earned on the funds.

4. *Payments to Foreclosed Borrowers.* In accordance with written instructions from the State members of the Monitoring Committee, for the purposes set forth in Exhibit C, the Escrow Agent shall transfer from the escrow account to the Administrator appointed under

Exhibit C \$1,489,813,925.00 (the “Borrower Payment Amount”) to enable the Administrator to provide cash payments to borrowers whose homes were finally sold or taken in foreclosure between and including January 1, 2008 and December 31, 2011; who submit claims for harm allegedly arising from the Covered Conduct (as that term is defined in Exhibit G hereto); and who otherwise meet criteria set forth by the State members of the Monitoring Committee. The Borrower Payment Amount and any other funds provided to the Administrator for these purposes shall be administered in accordance with the terms set forth in Exhibit C.

5. *Consumer Relief.* Defendant shall provide \$185,000,000 of relief to consumers who meet the eligibility criteria in the forms and amounts described in Paragraphs 1-8 of Exhibit D, and \$15,000,000 of refinancing relief to consumers who meet the eligibility criteria in the forms and amounts described in Paragraph 9 of Exhibit D, to remediate harms allegedly caused by the alleged unlawful conduct of Defendant. Defendant shall receive credit towards such obligation as described in Exhibit D.

#### **IV. ENFORCEMENT**

6. The Servicing Standards and Consumer Relief Requirements, attached as Exhibits A and D, are incorporated herein as the judgment of this Court and shall be enforced in accordance with the authorities provided in the Enforcement Terms, attached hereto as Exhibit E.

7. The Parties agree that Joseph A. Smith, Jr. shall be the Monitor and shall have the authorities and perform the duties described in the Enforcement Terms, attached hereto as Exhibit E.

8. Within fifteen (15) days of the Effective Date of this Consent Judgment, the participating state and federal agencies shall designate an Administration and Monitoring Committee (the “Monitoring Committee”) as described in the Enforcement Terms. The



Monitoring Committee shall serve as the representative of the participating state and federal agencies in the administration of all aspects of this and all similar Consent Judgments and the monitoring of compliance with it by the Defendant.

#### **V. RELEASES**

9. The United States and Defendant have agreed, in consideration for the terms provided herein, for the release of certain claims, and remedies, as provided in the Federal Release, attached hereto as Exhibit F. The United States and Defendant have also agreed that certain claims, and remedies are not released, as provided in Paragraph 11 of Exhibit F. The releases contained in Exhibit F shall become effective upon payment of the Direct Payment Settlement Amount by Defendant.

10. The State Parties and Defendant have agreed, in consideration for the terms provided herein, for the release of certain claims, and remedies, as provided in the State Release, attached hereto as Exhibit G. The State Parties and Defendant have also agreed that certain claims, and remedies are not released, as provided in Part IV of Exhibit G. The releases contained in Exhibit G shall become effective upon payment of the Direct Payment Settlement Amount by Defendant.

#### **VI. SERVICEMEMBERS CIVIL RELIEF ACT**

11. The United States and Defendant have agreed to resolve certain claims arising under the Servicemembers Civil Relief Act ("SCRA") in accordance with the terms provided in Exhibit H. Any obligations undertaken pursuant to the terms provided in Exhibit H, including any obligation to provide monetary compensation to servicemembers, are in addition to the obligations undertaken pursuant to the other terms of this Consent Judgment. Only a payment to

an individual for a wrongful foreclosure pursuant to the terms of Exhibit H shall be reduced by the amount of any payment from the Borrower Payment Amount.

## VII. OTHER TERMS

12. The United States and any State Party may withdraw from the Consent Judgment and declare it null and void with respect to that party if the Defendant does not make the Consumer Relief Payments (as that term is defined in Exhibit F (Federal Release)) required under this Consent Judgment and fails to cure such non-payment within thirty days of written notice by the party.

13. This Court retains jurisdiction for the duration of this Consent Judgment to enforce its terms. The parties may jointly seek to modify the terms of this Consent Judgment, subject to the approval of this Court. This Consent Judgment may be modified only by order of this Court.

14. The Effective Date of this Consent Judgment shall be the date on which the Consent Judgment has been entered by the Court and has become final and non-appealable. An order entering the Consent Judgment shall be deemed final and non-appealable for this purpose if there is no party with a right to appeal the order on the day it is entered.

15. This Consent Judgment shall remain in full force and effect for three and one-half years from the date it is entered (“the Term”), at which time the Defendants’ obligations under the Consent Judgment shall expire, except that, pursuant to Exhibit E, Defendants shall submit a final Quarterly Report for the last quarter or portion thereof falling within the Term and cooperate with the Monitor's review of said report, which shall be concluded no later than six months after the end of the Term. Defendant shall have no further obligations under this Consent Judgment six months after the expiration of the Term, but the Court shall retain

jurisdiction for purposes of enforcing or remedying any outstanding violations that are identified in the final Monitor Report and that have occurred but not been cured during the Term.

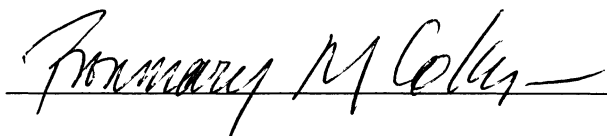
16. Except as otherwise agreed in Exhibit B, each party to this litigation will bear its own costs and attorneys' fees associated with this litigation.

17. Nothing in this Consent Judgment shall relieve Defendant of its obligation to comply with applicable state and federal law.

18. The parties further agree to the additional terms contained in Exhibit I hereto.

19. The sum and substance of the parties' agreement and of this Consent Judgment are reflected herein and in the Exhibits attached hereto. In the event of a conflict between the terms of the Exhibits and paragraphs 1-18 of this summary document, the terms of the Exhibits shall govern.

SO ORDERED this 4 day of April, 2012



UNITED STATES DISTRICT JUDGE

# EXHIBIT D

### **Consumer Relief Requirements**

Any Servicer as defined in the Servicing Standards set forth in Exhibit A to this Consent Judgment (hereinafter “Servicer” or “Participating Servicer”) agrees that it will not implement any of the Consumer Relief Requirements described herein through policies that are intended to (i) disfavor a specific geography within or among states that are a party to the Consent Judgment or (ii) discriminate against any protected class of borrowers. This provision shall not preclude the implementation of pilot programs in particular geographic areas.

Any discussion of property in these Consumer Relief Requirements, including any discussion in Table 1 or other documents attached hereto, refers to a 1-4 unit single-family property (hereinafter, “Property” or collectively, “Properties”).

Any consumer relief guidelines or requirements that are found in Table 1 or other documents attached hereto, are hereby incorporated into these Consumer Relief Requirements and shall be afforded the same deference as if they were written in the text below.

For the avoidance of doubt, subject to the Consumer Relief Requirements described below, Servicer shall receive credit for consumer relief activities with respect to loans insured or guaranteed by the U.S. Department of Housing and Urban Development, U.S. Department of Veterans Affairs, or the U.S. Department of Agriculture in accordance with the terms and conditions herein, provided that nothing herein shall be deemed to in any way relieve Servicer of the obligation to comply with the requirements of the U.S. Department of Housing and Urban Development, U.S. Department of Veterans Affairs, and the U.S. Department of Agriculture with respect to the servicing of such loans.

Servicer shall not, in the ordinary course, require a borrower to waive or release legal claims and defenses as a condition of approval for loss mitigation activities under these Consumer Relief Requirements. However, nothing herein shall preclude Servicer from requiring a waiver or release of legal claims and defenses with respect to a Consumer Relief activity offered in connection with the resolution of a contested claim, when the borrower would not otherwise have received as favorable terms or when the borrower receives additional consideration.

Programmatic exceptions to the crediting available for the Consumer Relief Requirements listed below may be granted by the Monitoring Committee on a case-by-case basis.

To the extent a Servicer is responsible for the servicing of a mortgage loan to which these Consumer Relief Requirements may apply, the Servicer shall receive credit for all consumer relief and refinancing activities undertaken in connection with such

mortgage loan by any of its subservicers to the same extent as if Servicer had undertaken such activities itself.\*

1. First Lien Mortgage Modifications

- a. Servicer will receive credit under Table 1, Section 1, for first-lien mortgage loan modifications made in accordance with the guidelines set forth in this Section 1.
- b. First liens on occupied<sup>1</sup> Properties with an unpaid principal balance (“UPB”) prior to capitalization at or below the highest GSE conforming loan limit cap as of January 1, 2010 shall constitute at least 85% of the eligible credits for first liens (the “Applicable Limits”).
- c. Eligible borrowers must be at least 30 days delinquent or otherwise qualify as being at imminent risk of default due to borrower’s financial situation.
- d. Eligible borrowers’ pre-modification loan-to-value ratio (“LTV”) is greater than 100%.
- e. Post-modification payment should target a debt-to-income ratio (“DTI”)<sup>2</sup> of 31% (or an affordability measurement consistent with HAMP guidelines) and a modified LTV<sup>3</sup> of no greater than 120%, provided that eligible borrowers receive a modification that meets the following terms:
  - i. Payment of principal and interest must be reduced by at least 10%.
  - ii. Where LTV exceeds 120% at a DTI of 31%, principal shall be reduced to a LTV of 120%, subject to a minimum DTI of 25% (which minimum may be waived by Servicer at Servicer’s sole

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\* If a Servicer holds a mortgage loan but does not service or control the servicing rights for such loan (either through its own servicing operations or a subservicer), then no credit shall be granted to that Servicer for consumer relief and refinancing activities related to that loan.

<sup>1</sup> Servicer may rely on a borrower’s statement, at the time of the modification evaluation, that a Property is occupied or that the borrower intends to rent or re-occupy the property.

<sup>2</sup> Consistent with HAMP, DTI is based on first-lien mortgage debt only. For non-owner-occupied properties, Servicer shall consider other appropriate measures of affordability.

<sup>3</sup> For the purposes of these guidelines, LTV may be determined in accordance with HAMP PRA.

discretion), provided that for investor-owned loans, the LTV and DTI need not be reduced to a level that would convert the modification to net present value (“NPV”) negative.

- f. DTI requirements may be waived for first lien mortgages that are 180 days or more delinquent as long as payment of principal and interest is reduced by at least 20% and LTV is reduced to at least 120%.
- g. Servicer shall also be entitled to credit for any amounts of principal reduction which lower LTV below 120%.
- h. When Servicer reduces principal on a first lien mortgage via its proprietary modification process, and a Participating Servicer owns the second lien mortgage, the second lien shall be modified by the second lien owning Participating Servicer in accordance with Section 2.c.i below, provided that any Participating Servicer other than the five largest servicers shall be given a reasonable amount of time, as determined by the Monitor, after that Participating Servicer’s Start Date to make system changes necessary to participate in and implement this requirement. Credit for such second lien mortgage write-downs shall be credited in accordance with the second lien percentages and cap described in Table 1, Section 2.
- i. In the event that, in the first 6 months after Servicer’s Start Date (as defined below), Servicer temporarily provides forbearance or conditional forgiveness to an eligible borrower as the Servicer ramps up use of principal reduction, Servicer shall receive credit for principal reduction on such modifications provided that (i) Servicer may not receive credit for both the forbearance and the subsequent principal reduction and (ii) Servicer will only receive the credit for the principal reduction once the principal is actually forgiven in accordance with these Consumer Relief Requirements and Table 1.
- j. Eligible modifications include any modification that is made on or after Servicer’s Start Date, including:
  - i. Write-offs made to allow for refinancing under the FHA Short Refinance Program;
  - ii. Modifications under the Making Home Affordable Program (including the Home Affordable Modification Program (“HAMP”) Tier 1 or Tier 2) or the Housing Finance Agency Hardest Hit Fund (“HFA Hardest Hit Fund”) (or any other federal program) where principal is forgiven, except to the extent that state or federal funds paid to Servicer in its capacity as an investor are the source of a Servicer’s credit claim.

- iii. Modifications under other proprietary or other government modification programs, provided that such modifications meet the guidelines set forth herein.<sup>4</sup>

2. Second Lien Portfolio Modifications

- a. Servicer is required to adhere to these guidelines in order to receive credit under Table 1, Section 2.
- b. A write-down of a second lien mortgage will be creditable where such write-down facilitates either (a) a first lien modification that involves an occupied Property for which the borrower is 30 days delinquent or otherwise at imminent risk of default due to the borrower’s financial situation; or (b) a second lien modification that involves an occupied Property with a second lien which is at least 30 days delinquent or otherwise at imminent risk of default due to the borrower’s financial situation.

<sup>4</sup> Two examples are hereby provided. Example 1: on a mortgage loan at 175% LTV, when a Servicer (in its capacity as an investor) extinguishes \$75 of principal through the HAMP Principal Reduction Alternative (“PRA”) modification in order to bring the LTV down to 100%, if the Servicer receives \$28.10 in PRA principal reduction incentive payments from the U.S. Department of the Treasury for that extinguishment, then the Servicer may claim \$46.90 of principal reduction for credit under these Consumer Relief Requirements:

LTV Reduction Band:	HAMP-PRA Incentive Amount Received:	Allowable Settlement Credit:
175% LTV to 140% LTV	\$10.50 (35% LTV * \$0.30)	\$24.50 ((35% LTV-\$10.50) * \$1.00)
140% LTV to 115% LTV	\$11.30 (25% LTV * \$0.45)	\$13.70 ((25% LTV-\$11.30) * \$1.00)
115% LTV to 105% LTV	\$6.30 (10% LTV * \$0.63)	\$3.70 ((10% LTV-\$6.30) * \$1.00)
105% LTV to 100% LTV	None (no credit below 105% LTV)	\$5.00 (5% LTV * \$1.00)
<b>Total:</b>	<b>\$28.10</b>	<b>\$46.90</b>

Example 2: on a mortgage loan at 200% LTV, when a Servicer (in its capacity as an investor) extinguishes \$100 of principal through a HAMP-PRA modification in order to bring the LTV down to 100%, if the Servicer receives \$35.60 in PRA principal reduction incentive payments from Treasury for that extinguishment, then although the Servicer would have funded \$64.40 in principal reduction on that loan, the Servicer may claim \$55.70 of principal reduction for credit under these Consumer Relief Requirements:

LTV Reduction Band:	HAMP-PRA Incentive Amount Received:	Allowable Settlement Credit:
200% LTV to 175% LTV	\$7.50 (25% LTV * \$0.30)	\$8.80 ((25% LTV-\$7.50) * \$0.50)
175% LTV to 140% LTV	\$10.50 (35% LTV * \$0.30)	\$24.50 ((35% LTV-\$10.50) * \$1.00)
140% LTV to 115% LTV	\$11.30 (25% LTV * \$0.45)	\$13.70 ((25% LTV-\$11.30) * \$1.00)
115% LTV to 105% LTV	\$6.30 (10% LTV * \$0.63)	\$3.70 ((10% LTV-\$6.30) * \$1.00)
105% LTV to 100% LTV	None (no credit below 105% LTV)	\$5.00 (5% LTV * \$1.00)
<b>Total:</b>	<b>\$35.60</b>	<b>\$55.70</b>



c. Required Second Lien Modifications:

i. Servicer agrees that it must write down second liens consistent with the following program until its Consumer Relief Requirement credits are fulfilled:

1. A write-down of a second lien mortgage will be creditable where a successful first lien modification is completed by a Participating Servicer via a servicer's proprietary, non-HAMP modification process, in accordance with Section 1, with the first lien modification meeting the following criteria:

- a. Minimum 10% payment reduction (principal and interest);
- b. Income verified;
- c. A UPB at or below the Applicable Limits; and
- d. Post-modification DTI<sup>5</sup> between 25% and 31%.

2. If a Participating Servicer has completed a successful proprietary first lien modification and the second lien loan amount is greater than \$5,000 UPB and the current monthly payment is greater than \$100, then:

- a. Servicer shall extinguish and receive credit in accordance with Table 1, Section 2.iii on any second lien that is greater than 180 days delinquent.
- b. Otherwise, Servicer shall solve for a second lien payment utilizing the HAMP Second Lien Modification Program ("2MP") logic used as of January 26, 2012.
- c. Servicer shall use the following payment waterfall:
  - i. Forgiveness equal to the lesser of (a) achieving 115% combined loan-to-value ratio ("CLTV") or (b) 30% UPB (subject to minimum forgiveness level); then
  - ii. Reduce rate until the 2MP payment required by 2MP logic as of January 26, 2012; then

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<sup>5</sup> Consistent with HAMP, DTI is based on first-lien mortgage debt only. For non-owner-occupied properties, Servicer shall consider other appropriate measures of affordability.

- iii. Extend term to “2MP Term” (greater of modified first or remaining second).
      - d. Servicer shall maintain an I/O product option consistent with 2MP protocols.
    - d. Eligible second lien modifications include any modification that is made on or after Servicer’s Start Date, including:
      - i. Principal reduction or extinguishments through the Making Home Affordable Program (including 2MP), the FHA Short Refinance Second Lien (“FHA2LP”) Program or the HFA Hardest Hit Fund (or any other federal program), except (to the extent) that state or federal funds are the source of a Servicer’s credit claim.
      - ii. Second lien write-downs or extinguishments completed under proprietary modification programs, are eligible, provided that such write-downs or extinguishments meet the guidelines as set forth herein.
    - e. Extinguishing balances of second liens to support the future ability of individuals to become homeowners will be credited based on applicable credits in Table 1.
- 3. Enhanced Borrower Transitional Funds

Servicer may receive credit, as described in Table 1, Section 3, for providing additional transitional funds to homeowners in connection with a short sale or deed-in-lieu of foreclosure to homeowners for the amount above \$1,500.
- 4. Short Sales
  - a. As described in the preceding paragraph, Servicer may receive credit for providing incentive payments for borrowers on or after Servicer’s Start Date who are eligible and amenable to accepting such payments in return for a dignified exit from a Property via short sale or similar program. Credit shall be provided in accordance with Table 1, Section 3.i.
  - b. To facilitate such short sales, Servicer may receive credit for extinguishing second liens on or after Servicer’s Start Date under Table 1, Section 4.
  - c. Short sales through the Home Affordable Foreclosure Alternatives (HAFA) Program or any HFA Hardest Hit Fund program or proprietary programs closed on or after Servicer’s Start Date are eligible.
  - d. Servicer shall be required to extinguish a second lien owned by Servicer behind a successful short sale/deed-in-lieu conducted by a Participating Servicer (provided that any Participating Servicer other than the five largest servicers shall be given a reasonable amount of time, as determined

by the Monitor, after their Start Date to make system changes necessary to participate in and implement this requirement) where the first lien is greater than 100% LTV and has a UPB at or below the Applicable Limits, until Servicer's Consumer Relief Requirement credits are fulfilled. The first lien holder would pay to the second lien holder 8% of UPB, subject to a \$2,000 floor and an \$8,500 ceiling. The second lien holder would then release the note or lien and waive the balance.

5. Deficiency Waivers

- a. Servicer may receive credit for waiving deficiency balances if not eligible for credit under some other provision, subject to the cap provided in the Table 1, Section 5.i.
- b. Credit for such waivers of any deficiency is only available where Servicer has a valid deficiency claim, meaning where Servicer can evidence to the Monitor that it had the ability to pursue a deficiency against the borrower but waived its right to do so after completion of the foreclosure sale.

6. Forbearance for Unemployed Borrowers

- a. Servicer may receive credit for forgiveness of payment of arrearages on behalf of an unemployed borrower in accordance with Table 1, Section 6.i.
- b. Servicer may receive credit under Table 1, Section 6.ii., for funds expended to finance principal forbearance solutions for unemployed borrowers as a means of keeping them in their homes until such time as the borrower can resume payments. Credit will only be provided beginning in the 7th month of the forbearance under Table 1, Section 6.ii.

7. Anti-Blight Provisions

- a. Servicer may receive credit for certain anti-blight activities in accordance with and subject to caps contained in Table 1, Section 7.
- b. Any Property value used to calculate credits for this provision shall have a property evaluation meeting the standards acceptable under the Making Home Affordable programs received within 3 months of the transaction.

8. Benefits for Servicemembers

- a. Short Sales
  - i. Servicer shall, with respect to owned portfolio first liens, provide servicemembers who qualify for SCRA benefits ("Eligible Servicemembers") a short sale agreement containing a predetermined minimum net proceeds amount ("Minimum Net Proceeds") that Servicer will accept for short sale transaction upon receipt of the listing agreement and all required third-party approvals. The Minimum Net Proceeds may be expressed as a

fixed dollar amount, as a percentage of the current market value of the property, or as a percentage of the list price as approved by Servicer. After providing the Minimum Net Proceeds, Servicer may not increase the minimum net requirements above the Minimum Net Proceeds amount until the initial short sale agreement termination date is reached (not less than 120 calendar days from the date of the initial short sale agreement). Servicer must document subsequent changes to the Minimum Net Proceeds when the short sale agreement is extended.

- ii. Eligible Servicemembers shall be eligible for this short sale program if: (a) they are an active duty full-time status Eligible Servicemember; (b) the property securing the mortgage is not vacant or condemned; (c) the property securing the mortgage is the Eligible Servicemember's primary residence (or, the property was his or her principal residence immediately before he or she moved pursuant to a Permanent Change of Station ("PCS") order dated on or after October 1, 2010; (d) the Eligible Servicemember purchased the subject primary residence on or after July 1, 2006 and before December 31, 2008; and (e) the Eligible Servicemember relocates or has relocated from the subject property not more than 12 months prior to the date of the short sale agreement to a new duty station or home port outside a 50-mile radius of the Eligible Servicemember's former duty station or home port under a PCS. Eligible Servicemembers who have relocated may be eligible if the Eligible Servicemember provides documentation that the property was their principal residence prior to relocation or during the 12-month period prior to the date of the short sale agreement.

b. Short Sale Waivers

- i. If an Eligible Servicemember qualifies for a short sale hereunder and sells his or her principal residence in a short sale conducted in accordance with Servicer's then customary short sale process, Servicer shall, in the case of an owned portfolio first lien, waive the additional amount owed by the Eligible Servicemember so long as it is less than \$250,000.
  - ii. Servicer shall receive credit under Table 1, Section 4, for mandatory waivers of amounts under this Section 8.b.
- c. With respect to the refinancing program described in Section 9 below, Servicer shall use reasonable efforts to identify active servicemembers in its owned portfolio who would qualify and to solicit those individuals for the refinancing program.

9. Refinancing Program

- a. Servicer shall create a refinancing program for current borrowers. Servicer shall provide notification to eligible borrowers indicating that they may refinance under the program described herein. The minimum occupied Property eligibility criteria for such a program shall be:
  - i. The program shall apply only to Servicer-owned first lien mortgage loans.
  - ii. Loan must be current with no delinquencies in past 12 months.
  - iii. Fixed rate loans, ARMS, or I/Os are eligible if they have an initial period of 5 years or more.
  - iv. Current LTV is greater than 100%.
  - v. Loans must have been originated prior to January 1, 2009.
  - vi. Loan must not have received any modification in the past 24 months.
  - vii. Loan must have a current interest rate of at least 5.25 % or PMMS + 100 basis points, whichever is greater.
  - viii. The minimum difference between the current interest rate and the offered interest rate under this program must be at least 25 basis points or there must be at least a \$100 reduction in monthly payment.
  - ix. Maximum UPB will be an amount at or below the Applicable Limits.
  - x. The following types of loans are excluded from the program eligibility:
    1. FHA/VA
    2. Property outside the 50 States, DC, and Puerto Rico
    3. Loans on Manufactured Homes
    4. Loans for borrowers who have been in bankruptcy anytime within the prior 24 months
    5. Loans that have been in foreclosure within the prior 24 months
- b. The refinancing program shall be made available to all borrowers fitting the minimum eligibility criteria described above in 9.a. Servicer will be free to extend the program to other customers beyond the minimum eligibility criteria provided above and will receive credit under this Agreement for such refinancings, provided that such customers have an

LTV of over 80%, and would not have qualified for a refinance under Servicer's generally-available refinance programs as of September 30, 2011. Notwithstanding the foregoing, Servicer shall not be required to solicit or refinance borrowers who do not satisfy the eligibility criteria under 9.a above. In addition, Servicer shall not be required to refinance a loan under circumstances that, in the reasonable judgment of the Servicer, would result in Troubled Debt Restructuring ("TDR") treatment. A letter to the United States Securities and Exchange Commission regarding TDR treatment, dated November 22, 2011, shall be provided to the Monitor for review.

- c. The structure of the refinanced loans shall be as follows:
  - i. Servicer may offer refinanced loans with reduced rates either:
    1. For the life of the loan;
    2. For loans with current interest rates above 5.25% or PMMS + 100 basis points, whichever is greater, the interest rate may be reduced for 5 years. After the 5 year fixed interest rate period, the rate will return to the preexisting rate subject to a maximum rate increase of 0.5% annually; or
    3. For loans with an interest rate below 5.25% or PMMS + 100 basis points, whichever is greater, the interest rate may be reduced to obtain at least a 25 basis point interest rate reduction or \$100 payment reduction in monthly payment, for a period of 5 years, followed by 0.5% annual interest rate increases with a maximum ending interest rate of 5.25% or PMMS + 100 basis points.
  - ii. The original term of the loan may be changed.
  - iii. Rate reduction could be done through a modification of the existing loan terms or refinance into a new loan.
  - iv. New term of the loan has to be a fully amortizing product.
  - v. The new interest rate will be capped at 100 basis points over the PMMS rate or 5.25%, whichever is greater, during the initial rate reduction period.
- d. Banks fees and expenses shall not exceed the amount of fees charged by Banks under the current Home Affordable Refinance Program ("HARP") guidelines.
- e. The program shall be credited under these Consumer Relief Requirements as follows:

- i. Credit will be calculated as the difference between the preexisting interest rate and the offered interest rate times UPB times a multiplier.
- ii. The multiplier shall be as follows:
  1. If the new rate applies for the life of the loan, the multiplier shall be 8 for loans with a remaining term greater than 15 years, 6 for loans with a remaining term between 10 and 15 years and 5 for loans with a remaining term less than 10 years.
  2. If the new rate applies for 5 years, the multiplier shall be 5.
- f. Additional dollars spent by each Servicer on the refinancing program beyond that Servicer's required commitment shall be credited 25% against that Servicer's first lien principal reduction obligation and 75% against that Servicer's second lien principal reduction obligation, up to the limits set forth in Table 1.

#### 10. Timing, Incentives, and Payments

- a. For the consumer relief and refinancing activities imposed by this Agreement, Servicer shall be entitled to receive credit against Servicer's outstanding settlement commitments for activities taken on or after Servicer's start date, March 1, 2012 (such date, the "Start Date").
- b. Servicer shall receive an additional 25% credit against Servicer's outstanding settlement commitments for any first or second lien principal reduction and any amounts credited pursuant to the refinancing program within 12 months of Servicer's Start Date (e.g., a \$1.00 credit for Servicer activity would count as \$1.25).
- c. Servicer shall complete 75% of its Consumer Relief Requirement credits within two years of the Servicer's Start Date.
- d. If Servicer fails to meet the commitment set forth in these Consumer Relief Requirements within three years of Servicer's Start Date, Servicer shall pay an amount equal to 125% of the unmet commitment amount; except that if Servicer fails to meet the two year commitment noted above, and then fails to meet the three year commitment, the Servicer shall pay an amount equal to 140% of the unmet three-year commitment amount; provided, however, that if Servicer must pay any Participating State for failure to meet the obligations of a state-specific commitment to provide Consumer Relief pursuant to the terms of that commitment, then Servicer's obligation to pay under this provision shall be reduced by the amount that such a Participating State would have received under this provision and the Federal portion of the payment attributable to that

Participating State. The purpose of the 125% and 140% amounts is to encourage Servicer to meet its commitments set forth in these Consumer Relief Requirements.

#### 11. Applicable Requirements

The provision of consumer relief by the Servicer in accordance with this Agreement in connection with any residential mortgage loan is expressly subject to, and shall be interpreted in accordance with, as applicable, the terms and provisions of the Servicer Participation Agreement with the U.S. Department of Treasury, any servicing agreement, subservicing agreement under which Servicer services for others, special servicing agreement, mortgage or bond insurance policy or related agreement or requirements to which Servicer is a party and by which it or its servicing affiliates are bound pertaining to the servicing or ownership of the mortgage loans, including without limitation the requirements, binding directions, or investor guidelines of the applicable investor (such as Fannie Mae or Freddie Mac), mortgage or bond insurer, or credit enhancer, provided, however, that the inability of a Servicer to offer a type, form or feature of the consumer relief payments by virtue of an Applicable Requirement shall not relieve the Servicer of its aggregate consumer relief obligations imposed by this Agreement, i.e., the Servicer must satisfy such obligations through the offer of other types, forms or features of consumer relief payments that are not limited by such Applicable Requirement.



# EXHIBIT D-1

Table 1<sup>1</sup>

Menu Item	Credit Towards Settlement	Credit Cap
<b>Consumer Relief Funds</b>		
<i>1. First Lien Mortgage Modification<sup>2</sup></i>		<i>Minimum 30% for First Lien Mods<sup>3</sup> (which can be reduced by 2.5% of overall consumer relief funds for excess refinancing program credits above the minimum amount required)</i>
<u>PORTFOLIO LOANS</u>		
<i>i. First lien principal forgiveness modification</i>	LTV <= 175%: \$1.00 Write-down=\$1.00 Credit  LTV > 175%: \$1.00 Write-down=\$0.50 Credit (for only the portion of principal forgiven over 175%)	
<i>ii. Forgiveness of forbearance amounts on existing modifications</i>	\$1.00 Write-down=\$0.40 Credit	<i>Max 12.5%</i>

<sup>1</sup> Where applicable, the number of days of delinquency will be determined by the number of days a loan is delinquent at the start of the earlier of the first or second lien modification process. For example, if a borrower applies for a first lien principal reduction on February 1, 2012, then any delinquency determination for a later second lien modification made pursuant to the terms of this Agreement will be based on the number of days the second lien was delinquent as of February 1, 2012.

<sup>2</sup> Credit for all modifications is determined from the date the modification is approved or communicated to the borrower. However, no credits shall be credited unless the payments on the modification are current as of 90 days following the implementation of the modification, including any trial period, except if the failure to make payments on the modification within the 90 day period is due to unemployment or reduced hours, in which case Servicer shall receive credit provided that Servicer has reduced the principal balance on the loan. Eligible Modifications will include any modification that is completed on or after the Start Date, as long as the loan is current 90 days after the modification is implemented.

<sup>3</sup> All minimum and maximum percentages refer to a percentage of total consumer relief funds.

Menu Item	Credit Towards Settlement	Credit Cap
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| <p>iii. Earned forgiveness over a period of no greater than 3 years – provided consistent with PRA</p> | <p>LTV &lt;= 175%: \$1.00 Write-down=\$.85 Credit</p> <p>LTV &gt; 175%: \$1.00 Write-down=\$0.45 Credit (for only the portion of principal forgiven over 175%)</p> |  |
|--|--|--|

SERVICE FOR OTHERS

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| <p>iv. First lien principal forgiveness modification on investor loans (forgiveness by investor)</p> | <p>\$1.00 Write-down=\$0.45 Credit</p>   |  |
| <p>v. Earned forgiveness over a period of no greater than 3 years – provided consistent with PRA</p> | <p>LTV &lt;= 175%: \$1.00 Write-down=\$.40 Credit</p> <p>LTV &gt; 175%: \$1.00 Write-down=\$0.20 Credit (for only the portion of principal forgiven over 175%)</p> |  |

**2. Second Lien Portfolio Modifications**

*Minimum of 60% for 1<sup>st</sup> and 2<sup>nd</sup> Lien Mods (which can be reduced by 10% of overall consumer relief funds for excess refinancing program credits above the minimum amounts required)*

- |  |  |  |
|--|--|--|
| <p>i. Performing Second Liens (0-90 days delinquent)</p> | <p>\$1.00 Write-down=\$0.90 Credit</p> |  |
|--|--|--|

Menu Item	Credit Towards Settlement	Credit Cap
ii. Seriously Delinquent Second Liens (>90-179 days delinquent)	\$1.00 Write-down=\$0.50 Credit	
iii. Non-Performing Second Liens (180 or more days delinquent)	\$1.00 Write-down=\$0.10 Credit	
<b>3. Enhanced Borrower Transitional Funds</b>		<i>Max 5%</i>
i. Servicer Makes Payment	\$1.00 Payment=\$1.00 Credit (for the amount over \$1,500)	
ii. Investor Makes Payment (non-GSE)	\$1.00 Payment=0.45 Credit (for the amount over the \$1,500 average payment established by Fannie Mae and Freddie Mac)	
<b>4. Short Sales/Deeds in Lieu</b>		
i. Servicer makes payment to unrelated 2 <sup>nd</sup> lien holder for release of 2 <sup>nd</sup> lien	\$1.00 Payment=\$1.00 Credit	
ii. Servicer forgives deficiency and releases lien on 1 <sup>st</sup> lien Portfolio Loans	\$1.00 Write-down=\$0.45 Credit	
iii. Investor forgives deficiency and releases lien on 1 <sup>st</sup> Lien investor loans	\$1.00 Write-down=\$0.20 Credit	
iv. Forgiveness of deficiency balance and release of lien on		

Menu Item	Credit Towards Settlement	Credit Cap
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Portfolio Second Liens

Performing Second Liens (0-90 days delinquent)

\$1.00 Write-down=\$0.90  
Credit

Seriously Delinquent Second Liens (>90-179 days delinquent)

\$1.00 Write-down=\$0.50  
Credit

Non-Performing Second Liens (180 or more days delinquent)

\$1.00 Write-down=\$0.10  
Credit

**5. Deficiency Waivers**

*Max 10%*

i. Deficiency waived on 1<sup>st</sup> and 2<sup>nd</sup> liens loans

\$1.00 Write-down=\$0.10  
Credit

**6. Forbearance for unemployed homeowners**

i. Servicer forgives payment arrearages on behalf of borrower

\$1.00 new forgiveness=\$1.00  
Credit

ii. Servicer facilitates traditional forbearance program

\$1.00 new forbearance =  
\$0.05 Credit

**7. Anti-Blight Provisions**

*Max 12%*

i. Forgiveness of principal associated with a property where Servicer does not pursue foreclosure

\$1.00 property value=\$0.50  
Credit

<b>Menu Item</b>	<b>Credit Towards Settlement</b>	<b>Credit Cap</b>
ii. Cash costs paid by Servicer for demolition of property	\$1.00 Payment=\$1.00 Credit	
iii. REO properties donated to accepting municipalities or non-profits or to disabled servicemembers or relatives of deceased servicemembers	\$1.00 property value=\$1.00 Credit	

# EXHIBIT E

### **Enforcement Terms**

- A. Implementation Timeline.** Servicer anticipates that it will phase in the implementation of the Servicing Standards and Mandatory Relief Requirements (i) through (iv), as described in Section C.12, using a grid approach that prioritizes implementation based upon: (i) the importance of the Servicing Standard to the borrower; and (ii) the difficulty of implementing the Servicing Standard. In addition to the Servicing Standards and any Mandatory Relief Requirements that have been implemented upon entry of this Consent Judgment, the periods for implementation will be: (a) within 60 days of entry of this Consent Judgment; (b) within 90 days of entry of this Consent Judgment; and (c) within 180 days of entry of this Consent Judgment. Servicer will agree with the Monitor chosen pursuant to Section C, below, on the timetable in which the Servicing Standards and Mandatory Relief Requirements (i) through (iv) will be implemented. In the event that Servicer, using reasonable efforts, is unable to implement certain of the standards on the specified timetable, Servicer may apply to the Monitor for a reasonable extension of time to implement those standards or requirements.
- B. Monitoring Committee.** A committee comprising representatives of the state Attorneys General, State Financial Regulators, the U.S. Department of Justice, and the U.S. Department of Housing and Urban Development shall monitor Servicer's compliance with this Consent Judgment (the "Monitoring Committee"). The Monitoring Committee may substitute representation, as necessary. Subject to Section F, the Monitoring Committee may share all Monitor Reports, as that term is defined in Section D.2 below, with any releasing party.

**C. Monitor**

**Retention and Qualifications and Standard of Conduct**

1. Pursuant to an agreement of the parties, Joseph A. Smith Jr. is appointed to the position of Monitor under this Consent Judgment. If the Monitor is at any time unable to complete his or her duties under this Consent Judgment, Servicer and the Monitoring Committee shall mutually agree upon a replacement in accordance with the process and standards set forth in Section C of this Consent Judgment.
2. Such Monitor shall be highly competent and highly respected, with a reputation that will garner public confidence in his or her ability to perform the tasks required under this Consent Judgment. The Monitor shall have the right to employ an accounting firm or firms or other firm(s) with similar capabilities to support the Monitor in carrying out his or her duties under this Consent Judgment. Monitor and Servicer shall agree on the selection of a "Primary Professional Firm," which must have adequate capacity and resources to perform the work required under this agreement.



The Monitor shall also have the right to engage one or more attorneys or other professional persons to represent or assist the Monitor in carrying out the Monitor's duties under this Consent Judgment (each such individual, along with each individual deployed to the engagement by the Primary Professional Firm, shall be defined as a "Professional"). The Monitor and Professionals will collectively possess expertise in the areas of mortgage servicing, loss mitigation, business operations, compliance, internal controls, accounting, and foreclosure and bankruptcy law and practice. The Monitor and Professionals shall at all times act in good faith and with integrity and fairness towards all the Parties.

3. The Monitor and Professionals shall not have any prior relationships with the Parties that would undermine public confidence in the objectivity of their work and, subject to Section C.3(e), below, shall not have any conflicts of interest with any Party.
  - (a) The Monitor and Professionals will disclose, and will make a reasonable inquiry to discover, any known current or prior relationships to, or conflicts with, any Party, any Party's holding company, any subsidiaries of the Party or its holding company, directors, officers, and law firms.
  - (b) The Monitor and Professionals shall make a reasonable inquiry to determine whether there are any facts that a reasonable individual would consider likely to create a conflict of interest for the Monitor or Professionals. The Monitor and Professionals shall disclose any conflict of interest with respect to any Party.
  - (c) The duty to disclose a conflict of interest or relationship pursuant to this Section C.3 shall remain ongoing throughout the course of the Monitor's and Professionals' work in connection with this Consent Judgment.
  - (d) All Professionals shall comply with all applicable standards of professional conduct, including ethics rules and rules pertaining to conflicts of interest.
  - (e) To the extent permitted under prevailing professional standards, a Professional's conflict of interest may be waived by written agreement of the Monitor and Servicer.
  - (f) Servicer or the Monitoring Committee may move the Court for an order disqualifying any Professionals on the grounds that such Professional has a conflict of interest that has inhibited or could inhibit the Professional's ability to act in good faith and with integrity and fairness towards all Parties.

4. The Monitor must agree not to be retained by any Party, or its successors or assigns, for a period of 2 years after the conclusion of the terms of the engagement. Any Professionals who work on the engagement must agree not to work on behalf of Servicer, or its successor or assigns, for a period of 1 year after the conclusion of the term of the engagement (the “Professional Exclusion Period”). Any Firm that performs work with respect to Servicer on the engagement must agree not to perform work on behalf of Servicer, or its successor or assigns, that consists of advising Servicer on a response to the Monitor’s review during the engagement and for a period of six months after the conclusion of the term of the engagement (the “Firm Exclusion Period”). The Professional Exclusion Period and Firm Exclusion Period, and terms of exclusion may be altered on a case-by-case basis upon written agreement of Servicer and the Monitor. The Monitor shall organize the work of any Firms so as to minimize the potential for any appearance of, or actual, conflicts.

Monitor’s Responsibilities

5. It shall be the responsibility of the Monitor to determine whether Servicer is in compliance with the Servicing Standards and the Mandatory Relief Requirements (as defined in Section C.12) and whether Servicer has satisfied the Consumer Relief Requirements, in accordance with the authorities provided herein and to report his or her findings as provided in Section D.3, below.
6. The manner in which the Monitor will carry out his or her compliance responsibilities under this Consent Judgment and, where applicable, the methodologies to be utilized shall be set forth in a work plan agreed upon by Servicer and the Monitor, and not objected to by the Monitoring Committee (the “Work Plan”).

Internal Review Group

7. Servicer will designate an internal quality control group that is independent from the line of business whose performance is being measured (the “Internal Review Group”) to perform compliance reviews each calendar quarter (“Quarter”) in accordance with the terms and conditions of the Work Plan (the “Compliance Reviews”) and satisfaction of the Consumer Relief Requirements after the (A) end of each calendar year (and, in the discretion of the Servicer, any Quarter) and (B) earlier of the Servicer assertion that it has satisfied its obligations thereunder and the third anniversary of the Start Date (the “Satisfaction Review”). For the purposes of this provision, a group that is independent from the line of business shall be one that does not perform operational work on mortgage servicing, and ultimately reports to a Chief Risk Officer, Chief Audit

- Executive, Chief Compliance Officer, or another employee or manager who has no direct operational responsibility for mortgage servicing.
8. The Internal Review Group shall have the appropriate authority, privileges, and knowledge to effectively implement and conduct the reviews and metric assessments contemplated herein and under the terms and conditions of the Work Plan.
  9. The Internal Review Group shall have personnel skilled at evaluating and validating processes, decisions, and documentation utilized through the implementation of the Servicing Standards. The Internal Review Group may include non-employee consultants or contractors working at Servicer's direction.
  10. The qualifications and performance of the Internal Review Group will be subject to ongoing review by the Monitor. Servicer will appropriately remediate the reasonable concerns of the Monitor as to the qualifications or performance of the Internal Review Group.

Work Plan

11. Servicer's compliance with the Servicing Standards shall be assessed via metrics identified and defined in Schedule E-1 hereto (as supplemented from time to time in accordance with Sections C.12 and C.23, below, the "Metrics"). The threshold error rates for the Metrics are set forth in Schedule E-1 (as supplemented from time to time in accordance with Sections C.12 and C.23, below, the "Threshold Error Rates"). The Internal Review Group shall perform test work to compute the Metrics each Quarter, and report the results of that analysis via the Compliance Reviews. The Internal Review Group shall perform test work to assess the satisfaction of the Consumer Relief Requirements within 45 days after the (A) end of each calendar year (and, in the discretion of the Servicer, any Quarter) and (B) earlier of (i) the end of the Quarter in which Servicer asserts that it has satisfied its obligations under the Consumer Relief Provisions and (ii) the Quarter during which the third anniversary of the Start Date occurs, and report that analysis via the Satisfaction Review.
12. In addition to the process provided under Sections C.23 and 24, at any time after the Monitor is selected, the Monitor may add up to three additional Metrics and associated Threshold Error Rates, all of which (a) must be similar to the Metrics and associated Threshold Error Rates contained in Schedule E-1, (b) must relate to material terms of the Servicing Standards, or the following obligations of Servicer: (i) after the Servicer asserts that it has satisfied its obligation to provide a refinancing program under the framework of the Consumer Relief Requirements ("Framework"), to provide notification to eligible borrowers indicating

that such borrowers may refinance under the refinancing program described in the Framework, (ii) to make the Refinancing Program available to all borrowers fitting the minimum eligibility criteria described in 9.a of the Framework, (iii) when the Servicer owns the second lien mortgage, to modify the second lien mortgage when a Participating Servicer (as defined in the Framework) reduces principal on the related first lien mortgage, as described in the Framework, (iv) with regard to servicer-owned first liens, to waive the deficiency amounts less than \$250,000 if an Eligible Servicemember qualifies for a short sale under the Framework and sells his or her principal residence in a short sale conducted in accordance with Servicer's then customary short sale process, or (v) without prejudice to the implementation of pilot programs in particular geographic areas, to implement the Framework requirements through policies that are not intended to disfavor a specific geography within or among states that are a party to the Consent Judgment or discriminate against any protected class of borrowers (collectively, the obligations described in (i) through (v) are hereinafter referred to as the "Mandatory Relief Requirements"), (c) must either (i) be outcomes-based (but no outcome-based Metric shall be added with respect to any Mandatory Relief Requirement) or (ii) require the existence of policies and procedures implementing any of the Mandatory Relief Requirements or any material term of the Servicing Standards, in a manner similar to Metrics 5.B-E, and (d) must be distinct from, and not overlap with, any other Metric or Metrics. In consultation with Servicer and the Monitoring Committee, Schedule E-1 shall be amended by the Monitor to include the additional Metrics and Threshold Error Rates as provided for herein, and an appropriate timeline for implementation of the Metric shall be determined.

13. Servicer and the Monitor shall reach agreement on the terms of the Work Plan within 90 days of the Monitor's appointment, which time can be extended for good cause by agreement of Servicer and the Monitor. If such Work Plan is not objected to by the Monitoring Committee within 20 days, the Monitor shall proceed to implement the Work Plan. In the event that Servicer and the Monitor cannot agree on the terms of the Work Plan within 90 days or the agreed upon terms are not acceptable to the Monitoring Committee, Servicer and Monitoring Committee or the Monitor shall jointly petition the Court to resolve any disputes. If the Court does not resolve such disputes, then the Parties shall submit all remaining disputes to binding arbitration before a panel of three arbitrators. Each of Servicer and the Monitoring Committee shall appoint one arbitrator, and those two arbitrators shall appoint a third.

14. The Work Plan may be modified from time to time by agreement of the Monitor and Servicer. If such amendment to the Work Plan is not objected to by the Monitoring Committee within 20 days, the Monitor shall proceed to implement the amendment to the Work Plan. To the extent possible, the Monitor shall endeavor to apply the Servicing Standards uniformly across all Servicers.
15. The following general principles shall provide a framework for the formulation of the Work Plan:
  - (a) The Work Plan will set forth the testing methods and agreed procedures that will be used by the Internal Review Group to perform the test work and compute the Metrics for each Quarter.
  - (b) The Work Plan will set forth the testing methods and agreed procedures that will be used by Servicer to report on its compliance with the Consumer Relief Requirements of this Consent Judgment, including, incidental to any other testing, confirmation of state-identifying information used by Servicer to compile state-level Consumer Relief information as required by Section D.2.
  - (c) The Work Plan will set forth the testing methods and procedures that the Monitor will use to assess Servicer's reporting on its compliance with the Consumer Relief Requirements of this Consent Judgment.
  - (d) The Work Plan will set forth the methodology and procedures the Monitor will utilize to review the testing work performed by the Internal Review Group.
  - (e) The Compliance Reviews and the Satisfaction Review may include a variety of audit techniques that are based on an appropriate sampling process and random and risk-based selection criteria, as appropriate and as set forth in the Work Plan.
  - (f) In formulating, implementing, and amending the Work Plan, Servicer and the Monitor may consider any relevant information relating to patterns in complaints by borrowers, issues or deficiencies reported to the Monitor with respect to the Servicing Standards, and the results of prior Compliance Reviews.
  - (g) The Work Plan should ensure that Compliance Reviews are commensurate with the size, complexity, and risk associated with the Servicing Standard being evaluated by the Metric.

- (h) Following implementation of the Work Plan, Servicer shall be required to compile each Metric beginning in the first full Quarter after the period for implementing the Servicing Standards associated with the Metric, or any extension approved by the Monitor in accordance with Section A, has run.

Monitor's Access to Information

16. So that the Monitor may determine whether Servicer is in compliance with the Servicing Standards and Mandatory Relief Requirements, Servicer shall provide the Monitor with its regularly prepared business reports analyzing Executive Office servicing complaints (or the equivalent); access to all Executive Office servicing complaints (or the equivalent) (with appropriate redactions of borrower information other than borrower name and contact information to comply with privacy requirements); and, if Servicer tracks additional servicing complaints, quarterly information identifying the three most common servicing complaints received outside of the Executive Office complaint process (or the equivalent). In the event that Servicer substantially changes its escalation standards or process for receiving Executive Office servicing complaints (or the equivalent), Servicer shall ensure that the Monitor has access to comparable information.
17. So that the Monitor may determine whether Servicer is in compliance with the Servicing Standards and Mandatory Relief Requirements, Servicer shall notify the Monitor promptly if Servicer becomes aware of reliable information indicating Servicer is engaged in a significant pattern or practice of noncompliance with a material aspect of the Servicing Standards or Mandatory Relief Requirements.
18. Servicer shall provide the Monitor with access to all work papers prepared by the Internal Review Group in connection with determining compliance with the Metrics or satisfaction of the Consumer Relief Requirements in accordance with the Work Plan.
19. If the Monitor becomes aware of facts or information that lead the Monitor to reasonably conclude that Servicer may be engaged in a pattern of noncompliance with a material term of the Servicing Standards that is reasonably likely to cause harm to borrowers or with any of the Mandatory Relief Requirements, the Monitor shall engage Servicer in a review to determine if the facts are accurate or the information is correct.
20. Where reasonably necessary in fulfilling the Monitor's responsibilities under the Work Plan to assess compliance with the Metrics or the satisfaction of the Consumer Relief Requirements, the Monitor may request information from Servicer in addition to that provided under

Sections C.16-19. Servicer shall provide the requested information in a format agreed upon between Servicer and the Monitor.

21. Where reasonably necessary in fulfilling the Monitor's responsibilities under the Work Plan to assess compliance with the Metrics or the satisfaction of the Consumer Relief Requirements, the Monitor may interview Servicer's employees and agents, provided that the interviews shall be limited to matters related to Servicer's compliance with the Metrics or the Consumer Relief Requirements, and that Servicer shall be given reasonable notice of such interviews.

Monitor's Powers

22. Where the Monitor reasonably determines that the Internal Review Group's work cannot be relied upon or that the Internal Review Group did not correctly implement the Work Plan in some material respect, the Monitor may direct that the work on the Metrics (or parts thereof) be reviewed by Professionals or a third party other than the Internal Review Group, and that supplemental work be performed as necessary.
23. If the Monitor becomes aware of facts or information that lead the Monitor to reasonably conclude that Servicer may be engaged in a pattern of noncompliance with a material term of the Servicing Standards that is reasonably likely to cause harm to borrowers or tenants residing in foreclosed properties or with any of the Mandatory Relief Requirements, the Monitor shall engage Servicer in a review to determine if the facts are accurate or the information is correct. If after that review, the Monitor reasonably concludes that such a pattern exists and is reasonably likely to cause material harm to borrowers or tenants residing in foreclosed properties, the Monitor may propose an additional Metric and associated Threshold Error Rate relating to Servicer's compliance with the associated term or requirement. Any additional Metrics and associated Threshold Error Rates (a) must be similar to the Metrics and associated Threshold Error Rates contained in Schedule E-1, (b) must relate to material terms of the Servicing Standards or one of the Mandatory Relief Requirements, (c) must either (i) be outcomes-based (but no outcome-based Metric shall be added with respect to any Mandatory Relief Requirement) or (ii) require the existence of policies and procedures required by the Servicing Standards or the Mandatory Relief Requirements, in a manner similar to Metrics 5.B-E, and (d) must be distinct from, and not overlap with, any other Metric or Metrics. Notwithstanding the foregoing, the Monitor may add a Metric that satisfies (a)-(c) but does not satisfy (d) of the preceding sentence if the Monitor first asks the Servicer to propose, and then implement, a Corrective Action Plan, as defined below, for the material

term of the Servicing Standards with which there is a pattern of noncompliance and that is reasonably likely to cause material harm to borrowers or tenants residing in foreclosed properties, and the Servicer fails to implement the Corrective Action Plan according to the timeline agreed to with the Monitor.

24. If Monitor proposes an additional Metric and associated Threshold Error Rate pursuant to Section C.23, above, Monitor, the Monitoring Committee, and Servicer shall agree on amendments to Schedule E-1 to include the additional Metrics and Threshold Error Rates provided for in Section C.23, above, and an appropriate timeline for implementation of the Metric. If Servicer does not timely agree to such additions, any associated amendments to the Work Plan, or the implementation schedule, the Monitor may petition the court for such additions.
25. Any additional Metric proposed by the Monitor pursuant to the processes in Sections C.12, C.23, or C.24 and relating to provision VIII.B.1 of the Servicing Standards shall be limited to Servicer's performance of its obligations to comply with (1) the federal Protecting Tenants at Foreclosure Act and state laws that provide comparable protections to tenants of foreclosed properties; (2) state laws that govern relocation assistance payments to tenants ("cash for keys"); and (3) state laws that govern the return of security deposits to tenants.

#### **D. Reporting**

##### Quarterly Reports

1. Following the end of each Quarter, Servicer will report the results of its Compliance Reviews for that Quarter (the "Quarterly Report"). The Quarterly Report shall include: (i) the Metrics for that Quarter; (ii) Servicer's progress toward meeting its payment obligations under this Consent Judgment; (iii) general statistical data on Servicer's overall servicing performance described in Schedule Y. Except where an extension is granted by the Monitor, Quarterly Reports shall be due no later than 45 days following the end of the Quarter and shall be provided to: (1) the Monitor, and (2) the Board of Servicer or a committee of the Board designated by Servicer. The first Quarterly Report shall cover the first full Quarter after this Consent Judgment is entered.
2. Following the end of each Quarter, Servicer will transmit to each state a report (the "State Report") including general statistical data on Servicer's servicing performance, such as aggregate and state-specific information regarding the number of borrowers assisted and credited activities conducted pursuant to the Consumer Relief Requirements, as described in Schedule Y. The State Report will be delivered simultaneous with the



submission of the Quarterly Report to the Monitor. Servicer shall provide copies of such State Reports to the Monitor and Monitoring Committee.

Monitor Reports

3. The Monitor shall report on Servicer's compliance with this Consent Judgment in periodic reports setting forth his or her findings (the "Monitor Reports"). The first three Monitor Reports will each cover two Quarterly Reports. If the first three Monitor Reports do not find Potential Violations (as defined in Section E.1, below), each successive Monitor Report will cover four Quarterly Reports, unless and until a Quarterly Report reveals a Potential Violation (as defined in Section E.1, below). In the case of a Potential Violation, the Monitor may (but retains the discretion not to) submit a Monitor Report after the filing of each of the next two Quarterly Reports, provided, however, that such additional Monitor Report(s) shall be limited in scope to the Metric or Metrics as to which a Potential Violation has occurred.
4. Prior to issuing any Monitor Report, the Monitor shall confer with Servicer and the Monitoring Committee regarding its preliminary findings and the reasons for those findings. Servicer shall have the right to submit written comments to the Monitor, which shall be appended to the final version of the Monitor Report. Final versions of each Monitor Report shall be provided simultaneously to the Monitoring Committee and Servicers within a reasonable time after conferring regarding the Monitor's findings. The Monitor Reports shall be filed with the Court overseeing this Consent Judgment and shall also be provided to the Board of Servicer or a committee of the Board designated by Servicer.
5. The Monitor Report shall: (i) describe the work performed by the Monitor and any findings made by the Monitor's during the relevant period, (ii) list the Metrics and Threshold Error Rates, (iii) list the Metrics, if any, where the Threshold Error Rates have been exceeded, (iv) state whether a Potential Violation has occurred and explain the nature of the Potential Violation, and (v) state whether any Potential Violation has been cured. In addition, following each Satisfaction Review, the Monitor Report shall report on the Servicer's satisfaction of the Consumer Relief Requirements, including regarding the number of borrowers assisted and credited activities conducted pursuant to the Consumer Relief Requirements, and identify any material inaccuracies identified in prior State Reports. Except as otherwise provided herein, the Monitor Report may be used in any court hearing, trial, or other proceeding brought pursuant to this Consent Judgment pursuant to Section J, below, and shall be admissible in evidence in a proceeding brought under this Consent Judgment pursuant to Section J, below. Such admissibility shall not prejudice Servicer's right

and ability to challenge the findings and/or the statements in the Monitor Report as flawed, lacking in probative value or otherwise. The Monitor Report with respect to a particular Potential Violation shall not be admissible or used for any purpose if Servicer cures the Potential Violation pursuant to Section E, below.

Satisfaction of Payment Obligations

6. Upon the satisfaction of any category of payment obligation under this Consent Judgment, Servicer, at its discretion, may request that the Monitor certify that Servicer has discharged such obligation. Provided that the Monitor is satisfied that Servicer has met the obligation, the Monitor may not withhold and must provide the requested certification. Any subsequent Monitor Report shall not include a review of Servicer's compliance with that category of payment obligation.

Compensation

7. Within 120 days of entry of this Consent Judgment, the Monitor shall, in consultation with the Monitoring Committee and Servicer, prepare and present to Monitoring Committee and Servicer an annual budget providing its reasonable best estimate of all fees and expenses of the Monitor to be incurred during the first year of the term of this Consent Judgment, including the fees and expenses of Professionals and support staff (the "Monitoring Budget"). On a yearly basis thereafter, the Monitor shall prepare an updated Monitoring Budget providing its reasonable best estimate of all fees and expenses to be incurred during that year. Absent an objection within 20 days, a Monitoring Budget or updated Monitoring Budget shall be implemented. Consistent with the Monitoring Budget, Servicer shall pay all fees and expenses of the Monitor, including the fees and expenses of Professionals and support staff. The fees, expenses, and costs of the Monitor, Professionals, and support staff shall be reasonable. Servicer may apply to the Court to reduce or disallow fees, expenses, or costs that are unreasonable.

**E. Potential Violations and Right to Cure**

1. A "Potential Violation" of this Consent Judgment occurs if the Servicer has exceeded the Threshold Error Rate set for a Metric in a given Quarter. In the event of a Potential Violation, Servicer shall meet and confer with the Monitoring Committee within 15 days of the Quarterly Report or Monitor Report indicating such Potential Violation.
2. Servicer shall have a right to cure any Potential Violation.
3. Subject to Section E.4, a Potential Violation is cured if (a) a corrective action plan approved by the Monitor (the "Corrective Action Plan") is determined by the Monitor to have been satisfactorily completed in

accordance with the terms thereof; and (b) a Quarterly Report covering the Cure Period reflects that the Threshold Error Rate has not been exceeded with respect to the same Metric and the Monitor confirms the accuracy of said report using his or her ordinary testing procedures. The Cure Period shall be the first full quarter after completion of the Corrective Action Plan or, if the completion of the Corrective Action Plan occurs within the first month of a Quarter and if the Monitor determines that there is sufficient time remaining, the period between completion of the Corrective Action Plan and the end of that Quarter.

4. If after Servicer cures a Potential Violation pursuant to the previous section, another violation occurs with respect to the same Metric, then the second Potential Violation shall immediately constitute an uncured violation for purposes of Section J.3, provided, however, that such second Potential Violation occurs in either the Cure Period or the quarter immediately following the Cure Period.
5. In addition to the Servicer's obligation to cure a Potential Violation through the Corrective Action Plan, Servicer must remediate any material harm to particular borrowers identified through work conducted under the Work Plan. In the event that a Servicer has a Potential Violation that so far exceeds the Threshold Error Rate for a metric that the Monitor concludes that the error is widespread, Servicer shall, under the supervision of the Monitor, identify other borrowers who may have been harmed by such noncompliance and remediate all such harms to the extent that the harm has not been otherwise remediated.
6. In the event a Potential Violation is cured as provided in Sections E.3, above, then no Party shall have any remedy under this Consent Judgment (other than the remedies in Section E.5) with respect to such Potential Violation.

## **F. Confidentiality**

1. These provisions shall govern the use and disclosure of any and all information designated as "CONFIDENTIAL," as set forth below, in documents (including email), magnetic media, or other tangible things provided by the Servicer to the Monitor in this case, including the subsequent disclosure by the Monitor to the Monitoring Committee of such information. In addition, it shall also govern the use and disclosure of such information when and if provided to the participating state parties or the participating agency or department of the United States whose claims are released through this settlement ("participating state or federal agency whose claims are released through this settlement").

2. The Monitor may, at his discretion, provide to the Monitoring Committee or to a participating state or federal agency whose claims are released through this settlement any documents or information received from the Servicer related to a Potential Violation or related to the review described in Section C.19; provided, however, that any such documents or information so provided shall be subject to the terms and conditions of these provisions. Nothing herein shall be construed to prevent the Monitor from providing documents received from the Servicer and not designated as “CONFIDENTIAL” to a participating state or federal agency whose claims are released through this settlement.
3. The Servicer shall designate as “CONFIDENTIAL” that information, document or portion of a document or other tangible thing provided by the Servicer to the Monitor, the Monitoring Committee or to any other participating state or federal agency whose claims are released through this settlement that Servicer believes contains a trade secret or confidential research, development, or commercial information subject to protection under applicable state or federal laws (collectively, “Confidential Information”). These provisions shall apply to the treatment of Confidential Information so designated.
4. Except as provided by these provisions, all information designated as “CONFIDENTIAL” shall not be shown, disclosed or distributed to any person or entity other than those authorized by these provisions. Participating states and federal agencies whose claims are released through this settlement agree to protect Confidential Information to the extent permitted by law.
5. This agreement shall not prevent or in any way limit the ability of a participating state or federal agency whose claims are released through this settlement to comply with any subpoena, Congressional demand for documents or information, court order, request under the Right of Financial Privacy Act, or a state or federal public records or state or federal freedom of information act request; provided, however, that in the event that a participating state or federal agency whose claims are released through this settlement receives such a subpoena, Congressional demand, court order or other request for the production of any Confidential Information covered by this Order, the state or federal agency shall, unless prohibited under applicable law or the unless the state or federal agency would violate or be in contempt of the subpoena, Congressional demand, or court order, (1) notify the Servicer of such request as soon as practicable and in no event more than ten (10) calendar days of its receipt or three calendar days before the return date of the request, whichever is sooner, and (2) allow the Servicer ten (10) calendar days from the receipt of the notice to obtain a protective order or stay of production for the

documents or information sought, or to otherwise resolve the issue, before the state or federal agency discloses such documents or information. In all cases covered by this Section, the state or federal agency shall inform the requesting party that the documents or information sought were produced subject to the terms of these provisions.

- G. Dispute Resolution Procedures.** Servicer, the Monitor, and the Monitoring Committee will engage in good faith efforts to reach agreement on the proper resolution of any dispute concerning any issue arising under this Consent Judgment, including any dispute or disagreement related to the withholding of consent, the exercise of discretion, or the denial of any application. Subject to Section J, below, in the event that a dispute cannot be resolved, Servicer, the Monitor, or the Monitoring Committee may petition the Court for resolution of the dispute. Where a provision of this agreement requires agreement, consent of, or approval of any application or action by a Party or the Monitor, such agreement, consent or approval shall not be unreasonably withheld.
- H. Consumer Complaints.** Nothing in this Consent Judgment shall be deemed to interfere with existing consumer complaint resolution processes, and the Parties are free to bring consumer complaints to the attention of Servicer for resolution outside the monitoring process. In addition, Servicer will continue to respond in good faith to individual consumer complaints provided to it by State Attorneys General or State Financial Regulators in accordance with the routine and practice existing prior to the entry of this Consent Judgment, whether or not such complaints relate to Covered Conduct released herein.
- I. Relationship to Other Enforcement Actions.** Nothing in this Consent Judgment shall affect requirements imposed on the Servicer pursuant to Consent Orders issued by the appropriate Federal Banking Agency (FBA), as defined in 12 U.S.C. § 1813(q), against the Servicer. In conducting their activities under this Consent Judgment, the Monitor and Monitoring Committee shall not impede or otherwise interfere with the Servicer's compliance with the requirements imposed pursuant to such Orders or with oversight and enforcement of such compliance by the FBA.
- J. Enforcement**
- 1. Consent Judgment.** This Consent Judgment shall be filed in the U.S. District Court for the District of Columbia (the "Court") and shall be enforceable therein. Servicer and the Releasing Parties shall waive their rights to seek judicial review or otherwise challenge or contest in any court the validity or effectiveness of this Consent Judgment. Servicer and the Releasing Parties agree not to contest any jurisdictional facts, including the Court's authority to enter this Consent Judgment.
  - 2. Enforcing Authorities.** Servicer's obligations under this Consent Judgment shall be enforceable solely in the U.S. District Court for the

District of Columbia. An enforcement action under this Consent Judgment may be brought by any Party to this Consent Judgment or the Monitoring Committee. Monitor Report(s) and Quarterly Report(s) shall not be admissible into evidence by a Party to this Consent Judgment except in an action in the Court to enforce this Consent Judgment. In addition, unless immediate action is necessary in order to prevent irreparable and immediate harm, prior to commencing any enforcement action, a Party must provide notice to the Monitoring Committee of its intent to bring an action to enforce this Consent Judgment. The members of the Monitoring Committee shall have no more than 21 days to determine whether to bring an enforcement action. If the members of the Monitoring Committee decline to bring an enforcement action, the Party must wait 21 additional days after such a determination by the members of the Monitoring Committee before commencing an enforcement action.

3. **Enforcement Action.** In the event of an action to enforce the obligations of Servicer and to seek remedies for an uncured Potential Violation for which Servicer's time to cure has expired, the sole relief available in such an action will be:
  - (a) **Equitable Relief.** An order directing non-monetary equitable relief, including injunctive relief, directing specific performance under the terms of this Consent Judgment, or other non-monetary corrective action.
  - (b) **Civil Penalties.** The Court may award as civil penalties an amount not more than \$1 million per uncured Potential Violation; or, in the event of a second uncured Potential Violation of Metrics 1.a, 1.b, or 2.a (*i.e.*, a Servicer fails the specific Metric in a Quarter, then fails to cure that Potential Violation, and then in subsequent Quarters, fails the same Metric again in a Quarter and fails to cure that Potential Violation again in a subsequent Quarter), where the final uncured Potential Violation involves widespread noncompliance with that Metric, the Court may award as civil penalties an amount not more than \$5 million for the second uncured Potential Violation.

Nothing in this Section shall limit the availability of remedial compensation to harmed borrowers as provided in Section E.5.

- (c) Any penalty or payment owed by Servicer pursuant to the Consent Judgment shall be paid to the clerk of the Court or as otherwise agreed by the Monitor and the Servicer and distributed by the Monitor as follows:

1. In the event of a penalty based on a violation of a term of the Servicing Standards that is not specifically related to conduct in bankruptcy, the penalty shall be allocated, first, to cover the costs incurred by any state or states in prosecuting the violation, and second, among the participating states according to the same allocation as the State Payment Settlement Amount.
2. In the event of a penalty based on a violation of a term of the Servicing Standards that is specifically related to conduct in bankruptcy, the penalty shall be allocated to the United States or as otherwise directed by the Director of the United States Trustee Program.
3. In the event of a payment due under Paragraph 10.d of the Consumer Relief requirements, 50% of the payment shall be allocated to the United States, and 50% shall be allocated to the State Parties to the Consent Judgment, divided among them in a manner consistent with the allocation in Exhibit B of the Consent Judgment.

**K. Sunset.** This Consent Judgment and all Exhibits shall retain full force and effect for three and one-half years from the date it is entered (the “Term”), unless otherwise specified in the Exhibit. Servicer shall submit a final Quarterly Report for the last quarter or portion thereof falling within the Term, and shall cooperate with the Monitor’s review of said report, which shall be concluded no later than six months following the end of the Term, after which time Servicer shall have no further obligations under this Consent Judgment.

# EXHIBIT I



## Addendum to Federal and State Settlement Agreements

The Federal Parties, the State Parties, Residential Capital LLC (“ResCap”), GMAC Mortgage, LLC (“GMACM”), Residential Funding Company, LLC (“Residential Funding” and, together with ResCap and GMACM, the “ResCap Parties”), and Ally Financial, Inc. (“AFI”) have agreed to enter into the Consent Judgment. Capitalized terms used herein but not defined herein have the meanings assigned to them in the relevant portion or exhibit of the Consent Judgment.

In recognition of the financial situation of the ResCap Parties, the agreements of AFI with respect to the payment of settlement funds in the event the ResCap Parties do not perform certain obligations, and the agreement of the ResCap Parties to establish the ResCap Settlement Loan Modification Programs set forth below, in addition to the terms agreed elsewhere in the Consent Judgment, the Parties agree to the following:

1. Pursuant to Paragraph 3 of the Consent Judgment, the ResCap Parties shall pay a Direct Payment Settlement Amount of \$109,628,425, by electronic funds transfer no later than seven days after the Effective Date of the Consent Judgment, in accordance with written instructions to be provided by the United States Department of Justice and, in furtherance of such payment, AFI has undertaken the obligations specified in Paragraph 8 of this Addendum, including, without limitation, entering into the Earmark and Indemnification Agreement.
2. In addition, the ResCap Parties and AFI agree that the United States shall not be responsible for attorney’s fees for the relator in United States ex rel. Szymoniak v. [SEALED], Civ No. 0:10-cv-01465 (D.S.C.) or in United States ex rel. Szymoniak v. [SEALED], Civ No. 3:10-cv-575 (W.D.N.C.) in connection with the settlement of those matters.
3. The ResCap Parties (and to the extent the ResCap Parties do not perform such obligations, AFI) shall be responsible for \$200,000,000 in consumer relief as set forth in the Consumer Relief Requirements, credited pursuant to the terms therein and this Addendum.
  - a. Notwithstanding anything to the contrary in the Consent Judgment or the Exhibits thereto, the ResCap Parties and AFI, jointly and severally, will be obligated to make the payments specified in Paragraph 10.d of Exhibit D to the Consent Judgment (Consumer Relief Requirements), Exhibit H (SCRA), and Paragraph 7 of this Addendum in the event and to the extent that the ResCap Parties, AFI, or their successors in interest do not complete the Consumer Relief Activities set forth in Exhibit D to the Consent Judgment; provided, however, that any successor or purchaser of all or a substantial portion of the assets of the ResCap Parties shall not be obligated to pay any of the amounts owed by the ResCap Parties or AFI under the Consent Judgment or the Exhibits thereto.
  - b. Notwithstanding the terms of Exhibit D of the Consent Judgment (Consumer Relief Requirements), the ResCap Parties shall receive credit toward their Consumer Relief commitment, up to a total of \$1.6 million, for the ResCap Parties’ out of pocket costs of contributions to a national borrower portal and partnering with third parties for

document delivery as contemplated by the servicing standards in Exhibit A of the Consent Judgment.

- c. The releases contained in Exhibits F and G of the Consent Judgment shall become effective upon payment of the Direct Payment Settlement Amount by Defendant. The United States and any State Party may withdraw from the Consent Judgment and declare it null and void with respect to that party and all released entities if the Consumer Relief Payments (as that term is defined in Exhibit F (Federal Release)) required under this Consent Judgment are not completed within the time specified and any payment required under Paragraph 10.d of Exhibit D to the Consent Judgment is not cured within thirty days of written notice by the party.
4. The ResCap Parties shall establish the following ResCap Settlement Loan Modification Programs: The ResCap Parties and AFI shall conduct nationwide modification programs to be offered to underwater borrowers with economic hardship on first-lien and second-lien loans (“ResCap Settlement Loan Modification Programs”).
- a. The ResCap Parties shall solicit, in accordance with the ResCap Settlement Loan Modification Program Solicitation Requirements, all borrowers in the owned loan portfolios of the ResCap Parties, AFI and its affiliates with the exception of Ally Bank-owned CMG loans as of March 1, 2012 or loans included in asset sales in the normal course of business where the primary servicer is a ResCap Party (the “Loan Portfolio”) who meet the Eligibility Criteria for any of the Program (“Eligible Borrowers”), as set forth in more detail below.
  - b. From the date of Entry of the Consent Judgment by the Court until completion of the Solicitation Requirements or proper denial of the borrower for relief under this agreement, whichever is earlier, the ResCap Parties will defer any foreclosure sales on any Eligible Borrower.
  - c. The ResCap Parties will extend offers of relief under the ResCap Settlement Loan Modification Programs to all Eligible Borrowers in the Loan Portfolio who meet the Eligibility Criteria for any of the Programs as set forth below.
5. The ResCap Settlement Loan Modification Programs shall include the following:
- a. Rate Reduction Refinancing Program (“RRRP”): the Rate Reduction Refinancing Program will offer a restructured mortgage to current borrowers who would benefit from a refinancing but are currently precluded from refinancing due to a negative equity position on their property.
    - i. The ResCap Parties will offer a Rate Reduction Refinancing to all borrowers in the Loan Portfolio who meet the RRRP Eligibility Criteria.
    - ii. Eligibility Criteria. The Eligibility Criteria for the RRRP are the following:
      - 1) The loan was originated prior to January 1, 2009;

- 2) The borrower is current on his or her first lien and has only been delinquent 30 days once during the past 12 months;
  - 3) The borrower's current interest rate is greater than or equal to 5.25% (including, but not limited to mortgage loans that are interest-only and non-interest only); and
  - 4) The borrower's LTV is greater than 100% or the borrower's LTV is greater than 80% and the borrowers FICO score is less than 660.
- iii. Offer of Relief. Borrowers meeting the Eligibility Criteria will be offered a modification that includes:
- 1) modification to a new fixed rate mortgage at current conforming rates (Primary Mortgage Market Survey Rate as of March 1<sup>st</sup>, 2012);
  - 2) minimum payment relief of at least \$100/month; and
  - 3) no future interest rate increases, changes in term, or additional costs to the borrower.
- iv. Credit. Credit for the RRRP against the ResCap Parties obligation to provide Consumer Relief shall be consistent with the crediting set forth in the Consumer Relief Requirements in Exhibit D to the Consent Judgment.
- b. Principal Reduction Modification Program ("PRMP"): the PRMP program will offer Eligible Borrowers a HAMP PRA or a Proprietary PRA modification programs, as follows<sup>1</sup>:
- i. The ResCap Parties will offer a Principal Reduction Modification to all borrowers in the Loan Portfolio who meet the PRMP Eligibility Criteria.
    - 1) For all PRMP Programs, payment relief through the reduction in principal balance will be the first step in the waterfall.
    - 2) All borrowers shall have their 1st liens reduced to an LTV of 105% or lower, as set forth below.
  - ii. The PRMP Programs are fourfold:
    - 1) Underwater with Credit Degradation.
      - a. Eligibility Criteria. The Eligibility Criteria for the Underwater with Credit Degradation Program are the following:
        - i. Must not be an interest Only Loan; and
        - ii. The borrower is current and has been 30 days delinquent at least twice in the past year or 60 days delinquent at least once in the past year; or the borrower's FICO score is less than 675; or the borrower's FICO has reduced more than 10% since origination of the loan; and
        - iii. The loan was originated prior to January 1, 2009; and
        - iv. The borrower's LTV is greater than 100%.
        - v. Borrowers for this program will not need to have underwriting based on income.

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<sup>1</sup> An existing HAMP modification shall not receive principal reduction if such principal reduction would result in that modification losing good standing under HAMP.

- b. Offer of Relief. The ResCap Parties shall offer a loan modification to all such Eligible Borrowers that includes:
    - i. Payment relief through the reduction in principal balance being the first step in the waterfall; and
    - ii. Minimum payment reduction of at least 10%; and
    - iii. Reduction of principal balance to no more than 100% LTV.
  - c. Credit. Credit for this Program against the ResCap Parties obligation to provide Consumer Relief shall be consistent with the crediting set forth in the Consumer Relief Requirements in Exhibit D, except that the ResCap parties will receive (1) credit for principal reduction that results in an LTV below 100% and (2) credit will be effective 90 days after the implementation of the modification provided that the borrower is still current at that time, or, in the event that borrower liquidates the property prior to the expiration of the 90 days, credit shall be calculated as provided in Section 4.ii of Table 1 to Exhibit D (Consumer Relief Requirements).
- 2) Payment Shock Relief.
- a. Eligibility Criteria. The Eligibility Criteria for the Payment Shock Relief Program are:
    - i. The borrower is current; and
    - ii. The loan was originated prior to January 1, 2009; and
    - iii. The borrower's LTV is greater than 100%; and
    - iv. The loan is an interest only loan or other high-risk mortgage product that will reset, resulting in a payment shock to the borrower (such borrowers shall be deemed to be in imminent risk of default consistent with Paragraph 1.c of the Consumer Relief Requirements).
    - v. Borrowers for this program will not need to have underwriting based on income.
  - b. Offer of Relief. For all such Eligible Borrowers, the ResCap parties shall offer a loan modification that includes:
    - i. Reduction of principal balance to a maximum of 100% LTV;
    - ii. Conversion to a fully amortizing fixed rate mortgage;
    - iii. A monthly payment that is no higher than the borrower's current payment, achieved through reduction of principal balance.
  - c. Credit. Credit for this Program against the ResCap Parties obligation to provide Consumer Relief shall be consistent with the crediting set forth in the Consumer Relief Requirements in Exhibit D, except that the ResCap Parties will receive (1) credit for principal reduction that results in an LTV below 100% and (2) credit will be effective 90 days after the implementation of the modification, provided that the borrower is still current at that time, or, in the event that borrower liquidates the property prior to the expiration of the 90 days, credit shall be calculated as provided in Section 4.ii of Table 1 to Exhibit D (Consumer Relief Requirements).
- 3) Principal Reduction for Delinquent Borrowers

- a. Eligibility Criteria. The Eligibility Criteria for the Principal Reduction for Delinquent Borrowers Program are:
    - i. The borrower is at least 30 days delinquent or otherwise qualifies as being at imminent risk of default due to the borrower's financial situation; and
    - ii. The borrower's LTV is greater than 100%.
  - b. Offer of Relief. For all such Eligible Borrowers, the ResCap Parties shall provide a modification that includes:
    - i. Reduction of principal to between 85% LTV and 105% LTV;
    - ii. If the borrower is in an adjustable rate mortgage, conversion into a fully amortizing fixed rate mortgage;
    - iii. Reduction in monthly payment of no less than 30%; and
    - iv. Reduction of monthly payment to no more than 31% DTI.
    - v. Borrowers for this program will need to have underwriting based on HAMP guidelines.
  - c. Credit. Credit for this Program against the ResCap Parties obligation to provide Consumer Relief shall be consistent with the crediting set forth in the Consumer Relief Requirements in Exhibit D, except that the ResCap Parties will receive (1) credit for principal reduction that results in an LTV below 100% and (2) credit will be effective 90 days after the implementation of the modification, provided that the borrower is still current at that time, or, in the event that borrower liquidates the property prior to the expiration of the 90 days, credit shall be calculated as provided in Section 4.ii of Table 1 to Exhibit D (Consumer Relief Requirements).
- 4) Second Lien Reduction Program
- a. Eligibility Criteria. The Eligibility Criteria for the Second Lien Reduction Program are the following:
    - i. The borrower's first lien is modified in accordance with Section 2 of the Consumer Relief Requirements or
    - ii. The borrower is 30 or more days delinquent on the second lien regardless of whether the first lien is delinquent or has been modified; and
    - iii. The borrower's CLTV is greater than 115%.
  - b. Offer of Relief. For all such Eligible Borrowers, the ResCap Parties shall provide a second lien modification that includes:
    - i. Reduction of the borrower's CLTV to maximum of 115%;
    - ii. Reduction of principal on the second lien at the top of the waterfall, followed by rate reduction and term extension; and
    - iii. Reduction of monthly payment consistent with the methodology used in the 2MP program.
  - c. Credit. Credit for this Program against the ResCap Parties obligation to provide Consumer Relief shall be consistent with the crediting set forth in Section 2.c of the Consumer Relief Requirements in Exhibit D.

- c. Borrowers eligible for both the RRRP and the PRMP will be proactively solicited for the RRRP. In order to put Eligible Borrowers in a sustainable mortgage, such Eligible Borrowers will be asked to provide financial information per HAMP guidelines in order to be evaluated under the PRMP if the borrower indicates the RRRP payment is not sustainable.
- d. Notwithstanding the success or failure of the RRRP and the PRMP in putting borrowers in sustainable mortgages, the ResCap Parties shall be obligated to satisfy the commitment set forth in Paragraph 3 above; failure to satisfy the commitment set forth in Paragraph 3 shall result in an additional payment as set forth in Paragraph 10 of the Consumer Relief Requirements contained in Exhibit D.
- e. In the event that the implementation of the RRRP and PRMP programs results in the ResCap Parties completing more Consumer Relief than the commitment set forth in Paragraph 3, as credited pursuant to the Consumer Relief Requirements and subject to the requirements set forth therein, the ResCap Parties shall nonetheless be obligated to comply with Paragraph 6 (including continuing to make offers to Eligible Borrowers during the solicitation period) and satisfy any RRRP and the PRMP offers that are accepted, including continuing to provide modifications or refinancing consistent with those programs to all borrowers meeting the Eligibility and solicitation period Criteria as contemplated herein.

6. Borrower Solicitation Requirements. The ResCap Parties will solicit all borrowers in the Loan Portfolio who meet the Eligibility Criteria for the RRRP or the PRMP as of March 1, 2012 as follows:

- a. General Loan Modification Program Solicitation Requirements.
  - i. Such solicitation shall commence as soon as reasonably practicable following the entry of the Consent Judgment and solicitations shall be sent to all Eligible Borrowers in accordance with the timeline set forth in the ResCap work plan. Any borrower who accepts a modification offer made under the RRRP or PRMP within 3 months from the date the solicitation commences (which shall be the first calendar day of the month following the date written communication is first sent pursuant to b.i or c.i below) shall receive the modification. Further, any borrower who accepts a modification offer made under the RRRP or PRMP within 180 days of the offer being made shall, unless the ResCap Parties have, as of the date of the offer, exceeded their obligations under Paragraph 3 by \$50,000,000, receive the modification. The minimum solicitation period for a modification offer made under the RRRP or PRMP shall be 3 months from the date the solicitation commences (which shall be the first calendar day of the month following the date written communication is first sent pursuant to b.i or c.i below). Upon commencement of this solicitation of any individual Eligible Borrower, ResCap Parties shall complete all of the solicitation requirements described below until the earlier of the following occurs: (a) exhaustion of relevant solicitation steps (such as attempted Right Party Contact) described in 6.b or 6.c below, without success, or (b) proper acceptance or denial of an

- Eligible Borrower for the RRRP and/or PRMP (the “Borrower Solicitation Period”).
- ii. After the completion of the Borrower Solicitation Period the ResCap Parties may, but shall not be required to, make further solicitations of an Eligible Borrower in respect of the RRRP, the PRMP and other modification programs and the obligation to defer foreclosure sales shall terminate, except that the ResCap Parties will continue to include any loss mitigation or modification information in notices to such borrowers as required by the Servicing Standards.
  - iii. The Borrower Solicitation Requirements shall not apply to solicitations for modification programs other than RRRP or PRMP (which may be conducted contemporaneously) or to solicitations to a particular Eligible Borrower for the RRRP or PRMP that occur after that particular Eligible Borrower has been previously solicited, in compliance with this agreement, through the termination of the Borrower Solicitation Period.
  - iv. For the avoidance of doubt, loans that are prohibited by law or government agency insurance programs from receiving principal reduction payments are excluded from all solicitation requirements.
- b. The ResCap Loan Modification Program Solicitation Requirements for delinquent borrowers under the PRMP shall include:
- i. Written communication clearly describing or offering programs specific to the Settlement Loan Modification Programs shall be mailed to each Eligible Borrower (the “Solicitation Package”). The Solicitation Package may also identify other options potentially available to help the borrower cure any delinquency and retain homeownership.
  - ii. Unless Right Party Contact is achieved in fewer calls, The ResCap Parties shall make a minimum of 4 telephone calls over a period of at least thirty days, at different times of the day following the mailing of the first Solicitation Package.
  - iii. If no Right Party Contact, as defined in Chapter II of the MHA Handbook, is established with the borrower 30 days after mailing of the first Solicitation Package, the ResCap Parties shall send a second Solicitation Package and shall make a minimum of 4 telephone calls (unless Right Party Contact is achieved in fewer calls) over a period of at least thirty days, at different times of the day following the mailing of the second Solicitation Package.<sup>2</sup>
  - iv. If no Right Party Contact, is established with the borrower 30 days after mailing of the second Solicitation Package, the ResCap Parties shall send a third Solicitation Package and shall make a minimum of 4 telephone calls (unless Right Party Contact is achieved in fewer calls) over a period of at least thirty days, at different times of the day following the mailing of the third Solicitation Package.
  - v. Any contact with borrowers, whether by telephone, mail or otherwise, shall (1) advise borrowers that they may be eligible for the Settlement Loan Modification

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<sup>2</sup> Solicitation Packages shall be sent to the last address of record and at least one of the first two Solicitation Packages shall be sent via certified/express mail or via overnight delivery service (such as UPS) with return receipt/delivery confirmation.

Programs; (2) clearly describe the Required Documentation required to be submitted by the borrower and state what other information the servicer needs to complete the modification analysis; and (3) provide a toll-free telephone number through which the borrower can reach a Single Point of Contact for any follow up questions. All contact attempts must be documented in the servicing file.

- vi. If Right Party Contact is established over the phone and the borrower expresses interest in the Settlement Loan Modification Programs, the ResCap Parties shall send one reactive package with a fifteen-day response period. If the borrower does not respond by submitting the Required Documentation, the ResCap Parties shall send another reactive package with a fifteen-day response period.
- vii. If Right Party Contact is established and the borrower expresses an interest in the Settlement Loan Modification Programs, the ResCap Parties must send a written communication to the borrower via regular or electronic mail that clearly describes the Initial Package required to be submitted by the borrower to request a HAMP modification. The communication should: Describe the income evidence required to be evaluated for the Settlement Loan Modification Program; provide a financial information form substantially similar in content to the HAMP RMA and, if necessary, a Hardship Affidavit; and include an Internal Revenue Service (IRS) Form 4506T-EZ (or IRS Form 4506-T, if necessary).
- viii. The post-Right Party Contact communication should also state that during the Settlement Loan Modification Program evaluation the home will not: (1) be referred to foreclosure; or (2) be sold at a foreclosure sale if the foreclosure process has already been initiated. In the communication, the servicer must include a specific date by which the Initial Package must be returned, which must be no less than 15 calendar days from the date of the communication. Electronic mail for this purpose may only be sent to an email address provided by the borrower when right party contact was made. Such email address must be documented in the servicing file.
- ix. If Right Party Contact is established but the borrower does not submit an Initial Package, the ResCap Parties must resend the Initial Package communication. Again, the ResCap Parties must include a specific date by which the Initial Package must be returned, which must be no less than 15 calendar days from the date of the second communication. If the borrower does not respond by providing an Initial Package within the required time period set forth in the second communication, the ResCap Parties may determine the borrower to be ineligible for the Settlement Loan Modification Program.
- x. If Right Party Contact is established but the borrower submits an incomplete Initial Package within the required time period, the ResCap Parties must comply with the notice requirements set forth in the Settlement's Servicing Standards. If the borrower does not respond to the notice of incomplete information by providing a complete Initial Package within the required time period, the ResCap Parties may determine the borrower to be ineligible for the Settlement Loan Modification Program.



- xii. In addition to meeting these solicitation requirements, ResCap Parties shall seek input from state attorneys general and NGOs (e.g. housing counseling agencies) regarding best practices for borrower solicitation, and shall partner with those state attorneys general or NGO's to establish adequate response rates to meet ResCap Parties' solicitation obligations.
- c. The ResCap Loan Modification Program Solicitation Requirements for borrowers eligible for (1) RRRP, (2) Under Water with Credit Degradation under PRMP or (3) Payment Shock Relief under PRMP (i.e., borrowers who are not delinquent) shall include:
    - i. The ResCap Parties shall issue a Solicitation Package that includes a pre-approved modification agreements for payment reductions and/or principal reductions which the borrower can execute without the ResCap Parties requiring any further due diligence except in cases where the Rescap Parties are required to assess borrowers' financial distress due to potentially adverse credit issues in order to determine proper accounting treatment related to Trouble Debt Restructuring or where borrowers' consent is required to mail pre-approved modification agreements.
    - ii. The Solicitation Package shall clearly describe the Settlement Loan Modification Programs and the pre-approved modification agreement. The solicitation may also identify other options potentially available to help the borrower cure any delinquency and retain homeownership. Eligible Borrowers may submit a modification package for review if they want to evaluate alternative programs that may be available.
    - iii. If no Right Party Contact, as defined in Chapter II of the MHA Handbook, is established with the borrower 30 days after mailing of the first Solicitation Package, the ResCap Parties shall send a second Solicitation Package and shall make a minimum of 4 telephone calls (unless Right Party Contact is achieved in fewer calls) over a period of at least thirty days, at different times of the day following the mailing of the second Solicitation Package.<sup>3</sup>
    - iv. If no Right Party Contact, is established with the borrower 30 days after mailing of the second Solicitation Package, the ResCap Parties shall send a third Solicitation Package and shall make a minimum of 4 telephone calls (unless Right Party Contact is achieved in fewer calls) over a period of at least thirty

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<sup>3</sup> Solicitation Packages shall be sent to the last address of record and at least one of the first two Solicitation Packages shall be sent via certified/express mail or via overnight delivery service (such as UPS) with return receipt/delivery confirmation

days, at different times of the day following the mailing of the third Solicitation Package.

- v. Any contact with borrowers, whether by telephone, mail or otherwise, shall (1) advise borrowers that they may be eligible for the Settlement Loan Modification Programs; and (2) clearly describe the Required Documentation required to be submitted by the borrower and state what other information, if any, the ResCap Parties need to complete the modification analysis.

7. Role of the Monitor

- a. Following entry of the Consent Judgment, the Monitor shall annually review the ResCap Parties' compliance with this Addendum, specifically paragraphs 3, 4, 5, and 6, to ensure compliance with the Borrower Solicitation requirements and the commitments made in the ResCap Borrower Relief programs. It shall be the responsibility of the Monitor to verify that the conditions set forth herein have been satisfied, using methods consistent with Exhibit E of the Consent Judgment (Enforcement Provisions). The Monitor and the ResCap Parties shall work together in good faith to resolve any disagreements or discrepancies. In the event that a dispute cannot be resolved, the ResCap Parties may petition the Court for resolution in accordance with Section G of Exhibit E of the Consent Judgment (Enforcement Provisions).
- b. If the Monitor determines that the ResCap Parties have failed to substantially comply with the material terms set forth herein, he or she shall issue a Notice of Non-Compliance to the ResCap Parties detailing those areas of non-compliance. For example, if the ResCap Parties fail to conduct the Borrower Solicitation activities set forth in the Borrower Solicitation requirements in all material respects or fail to give offers of principal reduction or refinancing to borrowers consistent with the terms of the programs set forth herein such that the Monitor determines that the ResCap Parties have failed to substantially comply with the material terms of paragraphs 3, 4, 5 and 6 of this Addendum, the Monitor shall detail such failings in a Notice of Non-Compliance.
- c. Notices of Non-Compliance shall have the following consequences:
  - i. If the Monitor issues a Notice of Non-Compliance at the end of the first year of the Consent Judgment or the second year of the Consent Judgment (provided no prior uncured Notice of Non-Compliance has been issued with regard to paragraphs 3, 4, 5, and 6 of the Addendum), the ResCap Parties shall have an opportunity to cure such non-compliance within 90 days of issuance of the Notice.
    - 1) Following issuance of such Notice, the ResCap Parties shall submit a report detailing the steps taken to cure the non-compliance within 120 days of the issuance of such Notice.
    - 2) It shall be the responsibility of the Monitor to verify that the ResCap Parties have cured issues identified in the Notice, using methods consistent with Exhibit E of the Consent Judgment (Enforcement Provisions). The Monitor and the ResCap parties shall work together in good faith to resolve any disagreements or discrepancies. In the event that

a dispute cannot be resolved, the ResCap parties may petition the Court for resolution in accordance with Section G of Exhibit E of the Consent Judgment (Enforcement Provisions).

- 3) In the event that the ResCap Parties fail to cure such material non-compliance, the Monitor may impose an assessment of up to \$15 million, to be paid in accordance with instructions from the United States Department of Justice. In setting the size of such an assessment, the Monitor shall take account of the effort made by the ResCap Parties to comply, the level of non-compliance and the impact of the non-compliance on borrowers.
- ii. If the Monitor issues a Notice of Non-Compliance at the end of the second year of the Consent Judgment and the ResCap Parties have not cured a prior Notice of Non-Compliance with regard to paragraphs 3, 4, 5 and 6, the steps set forth in subparagraph i.1-3 shall be followed except that the Monitor may impose an assessment that in combination with the prior assessment(s), if any, aggregates to up to \$25 million. In setting the size of such an assessment, the Monitor shall take account of the effort made by the ResCap Parties to comply, the level of non-compliance and the impact of the non-compliance on borrowers.
- iii. If, at the end of the third year of the Consent Judgment, the Monitor issues a Notice of Non-Compliance, there shall be no opportunity to cure and the Monitor may impose an assessment of up to \$25 million. In setting the size of such an assessment, the Monitor shall take account of the effort made by the ResCap Parties to comply, the level of non-compliance and the impact of the non-compliance on borrowers.

## 8. Representations and Warranties

- a. The ResCap Parties agree that, in the event of a transformative transaction involving the ResCap Parties, including, without limitation, a change of control transaction, a sale of all or substantially all of their assets (or assets that together are material to the performance of the obligations of the ResCap Parties under the Consent Judgment) or a reorganization or similar transaction (including in connection with any legal or regulatory proceeding) (a “Transformative Transaction”), the ResCap Parties will ensure the continued performance of their obligations under the Consent Judgment, including requiring any successor or purchaser of substantially all the assets (or assets that together are material to the performance of the obligations of the ResCap Parties under the Consent Judgment) of a ResCap Party to honor and perform the obligations (in the case of a purchase or other acquisition of assets, to honor and perform the obligations with respect to those assets) under the Consent Judgment.
- b. AFI has entered into, with the United States, an Earmark and Indemnification Agreement. The executed Earmark and Indemnification Agreement will be accompanied by an AFI board of directors’ resolution authorizing AFI to enter into the Earmark and Indemnification Agreement.
- c. The ResCap Parties and AFI represent and agree that the ResCap Parties have agreed with AFI that they will not enter into a Transformative Transaction without the consent of AFI; and AFI represents and agrees that AFI will not consent to any such

Transformative Transaction (or provide financial support in connection with any such transaction) unless the ResCap Parties (including any successor to or purchaser of the assets from a ResCap Party) agree to ensure the continued performance of the obligations under the Consent Judgment, including, without limitation, the Consumer Relief Activities (in the case of a purchase or other acquisition of assets, to honor and perform the obligations with respect to those assets) and the obligations under this Addendum; provided, however, that any successor or purchaser of all or a substantial portion of the assets of the ResCap Parties shall not be obligated to pay any of the amounts owed by the ResCap Parties or AFI under the Consent Judgment or the Exhibits thereto.

9. Other Matters.

Menu Items. With respect to Table 1 “Credit Towards Settlement,” the following modification and amendments shall apply:

- i. For first lien mortgage modifications with principal reduction credit will be effective 90 days after the implementation of the modification, provided that the borrower is still current at that time, or, in the event that borrower liquidates the property prior to the expiration of the 90 days, credit shall be calculated as provided in Section 4.ii of Table 1 to Exhibit D (Consumer Relief Requirements).

10. State Release.

- a. With respect to the State Release in the Settlement Agreement, the following paragraph is deemed to be included and applies to the ResCap Parties and AFI:

**V. Cooperation**

Residential Capital LLC (“ResCap”), GMAC Mortgage, LLC (“GMACM”), Residential Funding Company, LLC (“Residential Funding” and, together with ResCap and GMAC Mortgage, the “ResCap Parties”), agree that in the event of a transformative transaction involving the ResCap Parties, including, without limitation, a change of control transaction, a sale of all or substantially all of their assets (or assets that together are material to the performance of the obligations of the ResCap Parties under the Consent Judgment) or a reorganization or similar transaction (including in connection with any legal or regulatory proceeding) (a “Transformative Transaction”), the ResCap Parties will ensure the continued performance of their obligations under the Consent Judgment, including requiring any successor or purchaser of substantially all the assets (or assets that together are material to the performance of the obligations of the ResCap Parties under the Consent Judgment) of a ResCap Party to honor and perform the obligations (in the case of a purchase or other acquisition of assets, to honor and perform the obligations with respect to those assets) under the Consent Judgment; provided, however, that any successor or purchaser of all or a substantial portion of the assets of the ResCap Parties shall not be obligated to pay any of the amounts owed by the ResCap Parties or AFI under the Consent Judgment or the Exhibits thereto. In addition, the ResCap Parties have agreed with AFI that they will not enter into a Transformative Transaction without the consent of AFI; and AFI

represents and agrees that AFI will not consent to any such Transformative Transaction (or provide financial support in connection with any such transaction) unless the ResCap Parties (including any successor to or purchaser of substantially all the assets from a ResCap Party) agree to ensure the continued performance of the obligations under the Consent Judgment, including, without limitation, the Consumer Relief Activities (in the case of a purchase or other acquisition of assets, to honor and perform the obligations with respect to those assets); provided, however, that any successor or purchaser of all or a substantial portion of the assets of the ResCap Parties shall not be obligated to pay any of the amounts owed by the ResCap Parties or AFI under the Consent Judgment or the Exhibits thereto.

Subject to compliance by the ResCap Parties, their Successors and AFI with the foregoing, in the event of a Transformative Transaction, the State Mortgage Regulators agree that it is in the public's best interest to expedite new licenses for the Successors in a Transformative Transaction. Accordingly, State Mortgage Regulators agree that, subject to applicable state law, they will expeditiously process applications for change of control and/or new licenses for any such successors of the ResCap Parties and for individual mortgage loan originators to be employed by any such successors in order to complete a Transformative Transaction.

Furthermore, subject to applicable state law, the State Mortgage Regulators shall make all efforts to enable ResCap Parties to continue to operate under the licenses active at the time of the transaction pending the completion of the Transformative Transaction.

The ResCap Parties and Successors shall use their best efforts to comply with all applicable requirements of licensure in each state. The State Mortgage Regulators agree that neither the Res Cap Parties' entry into the Settlement Agreements nor any alleged or admitted conduct by the ResCap Parties that is described in or forms a basis of the Settlement Agreements shall be a basis for denying, delaying or imposing non-standard conditions upon a change of control or new license application necessary to complete a Transformative Transaction. The covered conduct subject to this Agreement shall not unduly prejudice ResCap Parties and successors or otherwise limit access to licensure by the State Mortgage Regulators.

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