

COMMONWEALTH OF MASSACHUSETTS

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SUFFOLK, ss.

SUPERIOR COURT
CIVIL ACTION NO.

10-1169 C

COMMONWEALTH OF MASSACHUSETTS,

Plaintiff,

v.

COUNTRYWIDE FINANCIAL CORPORATION,
COUNTRYWIDE HOME LOANS, INC., COUNTRYWIDE
MORTGAGE VENTURES LLC AND
FULL SPECTRUM LENDING, INC.

Defendants.

FINAL JUDGMENT BY CONSENT

Whereas, the Commonwealth of Massachusetts ("the Commonwealth"), by and through its Attorney General, Martha Coakley, has brought this enforcement action pursuant to the Massachusetts Consumer Protection Act, G.L. c. 93A, § 4, and G.L. c. 12, § 10 seeking an order requiring defendants Countrywide Financial Corporation, Countrywide Home Loans, Inc., Countrywide Mortgage Ventures, LLC, and Full Spectrum Lending, Inc. (collectively, "the Defendants") to pay civil penalties, restitution and other compensation for damages arising from the alleged unfair origination of residential mortgage loans in Massachusetts.

Whereas, the Commonwealth and the Defendants have consented to the entry of this Final Judgment by Consent for the purposes of settlement, without this Final Judgment by Consent constituting evidence against, or any admission by, any Party, and without trial of any issue of fact or law;

DC1:799036.15

JUDGMENT ENTERED ON DOCKET March 24, 2010
PURSUANT TO THE PROVISIONS OF MASS. R. CIV. P. 38(b)
AND NOTICE SENT TO PARTIES PURSUANT TO THE PRO-
VISIONS OF MASS. R. CIV. P. 77(d) AS FOLLOWS

Notice
sent
3/24/10

NOW THEREFORE, upon the consent of the Parties, it is hereby ordered, adjudged, and decreed as follows:

PARTIES:

- (1) The Plaintiff is the Commonwealth of Massachusetts, represented by the Attorney General.
- (2) Defendant Countrywide Financial Corporation, a Delaware corporation (“CFC”), directly, or through subsidiaries, was engaged in the origination and servicing of residential mortgage loans in the Commonwealth of Massachusetts.
- (3) Defendant Countrywide Home Loans, Inc., a New York corporation and wholly-owned subsidiary of CFC, is or was a licensed mortgage banking organization.
- (4) Defendant Countrywide Mortgage Ventures, LLC, a New York Corporation and wholly-owned subsidiary of CFC, is or was a licensed mortgage banking organization.
- (5) Defendant Full Spectrum Lending, Inc., a California corporation and wholly-owned subsidiary of CFC, is or was a licensed mortgage banking organization.
- (6) On July 1, 2008, Bank of America Corporation, a Delaware corporation (“BAC”), announced that it had completed its purchase of CFC, including Countrywide Home Loans, Inc., Countrywide Mortgage Ventures, LLC, and Full Spectrum Lending. In connection with the acquisition, BAC announced that it would suspend offering subprime or high cost mortgages (as described in 15 U.S.C. 1602(aa)) and nontraditional forward mortgages (other than those that are Federal Eligible) that may result in negative amortization – such as Pay Option ARMs. BAC also stated that it would, for a time, place restrictions on offering “low documentation” and “no documentation” mortgage

loans (other than those that are Federal Eligible) and set limits on mortgage broker compensation.

JURISDICTION AND EFFECT OF FINAL JUDGMENT BY CONSENT

- (7) **Venue.** Venue is proper in Suffolk County pursuant to G.L. c. 223, § 5, and G.L. c. 93A, § 4.
- (8) **Public Interest.** Entry of this Final Judgment by Consent is in the public interest.
- (9) **Waiver of Right to Appeal.** The Parties, by executing their consents to this Final Judgment by Consent, waive any right to appeal, petition for certiorari, or move to reopen, reargue, or rehear this Final Judgment by Consent or any other aspect of this action as it relates to litigation of the Commonwealth's claims. This Final Judgment by Consent has no impact on the ongoing litigation of claims not released as set forth in Section 8.2.
- (10) **Waiver of Right to Findings of Fact.** CFC, Countrywide Home Loans, Inc., Countrywide Mortgage Ventures LLC, and Full Spectrum Lending, Inc. by executing their consents to this Final Judgment by Consent, waive the right to pursue final factual findings under Rule 52 of the Massachusetts Rules of Civil Procedure.

1. DEFINITIONS.

1.1 **Usage.** The following rules apply to the construction of this Final Judgment by Consent:

- (a) the singular includes the plural and the plural includes the singular;
- (b) "include" and "including" are not limiting;
- (c) the headings of the Sections and subsections are for convenience and shall not constitute a part of this Final Judgment by Consent, and shall not affect the meaning, construction or effect of the applicable provisions of this Final Judgment by Consent;
- (d) a reference in this Final Judgment by Consent or any Schedule to an Section, Exhibit, or Schedule without further reference is a reference to the relevant

Section, Exhibit, or Schedule to this Final Judgment by Consent; and

(e) words such as "hereunder", "hereto", "hereof" and "herein" and other words of like import shall, unless the context clearly indicates to the contrary, refer to the whole of this Final Judgment by Consent and not to any particular Section, subsection or clause hereof.

1.2 **Defined Terms.** The following capitalized terms shall have the following meanings in this Final Judgment by Consent unless otherwise required by the context or defined:

"2MP" means the Making Home Affordable Second Lien Modification Program described in MHA Supplemental Directive 09-05 (August 13, 2009) as the same may be promulgated and administered by Treasury and its agents, Fannie Mae and Freddie Mac, as 2MP may from time to time be changed, supplemented or amended by Treasury.

"Affiliate" means, with respect to any company, any company that controls, is under common control with, or is controlled by such company.

"Affordability Equation" has the meaning given to such term in Section 4.4.

"Alt-A Residential Mortgage Loans" means CFC Residential Mortgage Loans that are (a) not owned by a GSE; (b) not Subprime; (c) not a Pay Option ARM; (d) less than \$400,000 in original principal amount, and (e) including documentation or other characteristics that make such loans not Federal Eligible.

"AGO" means the Office of the Attorney General of the Commonwealth of Massachusetts.

"Annual Increase" means, with respect to any stated rate of interest, an annual increase in the stated rate of interest such that the aggregate scheduled payments of principal (if applicable) and interest in any year does not increase by more than 7.5% of the aggregate scheduled payments of principal and interest in the preceding year, subject to any stated interest rate cap.

"ARMs" means adjustable rate first-lien residential mortgage loans.

"BAC" means Bank of America Corporation.

"Borrower" means, with respect to any owner-occupied CFC Residential Mortgage Loan, the obligor(s) on such loan. No covenant or commitment herein is intended to require a CFC Servicer to deal with more than one obligor on behalf of any Borrowers with respect thereto.

"Borrower Notice" has the meaning given to such term in HAMP Supplemental Directive 09-08.

"CFC" means Defendant Countrywide Financial Corporation.

"CFC-Originated" means, with respect to any residential mortgage loan, that such residential mortgage loan is a first-lien residential mortgage that was originated on a retail basis directly or indirectly by CFC or its subsidiaries or through brokers in their wholesale lending channels. **"CFC-Originated"** residential mortgage loans do not include CFC Purchased Loans.

"CFC Pay Option ARMs" means a Pay Option ARM that is (a) a CFC Residential Mortgage Loan, and (b) owner-occupied.

"CFC Purchased Loans" means any first-lien residential mortgage loan originated by

unaffiliated third parties and directly or indirectly purchased by CFC or its subsidiaries through their correspondent lending channels or otherwise, *provided* that such loan is serviced by a CFC Servicer. “**CFC Purchased Loans**” do not include CFC-Originated residential mortgage loans.

“**CFC Residential Mortgage Loans**” means any (i) CFC-Originated first-lien residential mortgage loans, or (ii) CFC Purchased Loans, so long as, in each case, such loans are serviced by a CFC Servicer.

“**CFC Servicer**” means CFC or any Affiliate of CFC that services CFC Residential Mortgage Loans, including BAC Home Loans Servicing, L.P.

“**CLTV**” means, with respect to a first-lien residential mortgage loan as of the time underwritten, the ratio of the sum of the unpaid principal balance of such mortgage loan *plus* the unpaid principal balance on any second-lien mortgage to the Market Value of the residential property that secures such mortgages.

“**Commencement Date**” means October 6, 2008.

“**Defendants**” means CFC, Countrywide Home Loans, Inc., Countrywide Mortgage Ventures, LLC, and Full Spectrum Lending, Inc.

“**Delinquent Borrower**” means, with respect to any Borrower, that the related CFC Residential Mortgage Loan (a) is Seriously Delinquent on or before the Termination Date, or (b) is subject to an imminent reset or Recast and, in the reasonable view of the CFC Servicer, as a result of such reset or Recast is reasonably likely to become Seriously Delinquent on or before the Termination Date.

“**DIL**” means, with respect to any first-lien residential mortgage, a deed-in-lieu of foreclosure.

“**Eligible Borrower**” has the meaning given to such term in Section 4.1.

“**Fannie Mae**” means Federal National Mortgage Association.

“**Fannie Rate**” means, as of any date, the Fannie Mae 30-year fixed rate 60-day delivery required net yield as of such date or if such rate is for any reason not available, a comparable rate published by another nationally recognized source.

“**Federal Eligible**” means, with respect to any first-lien residential mortgage loan that, at the time of origination, (a) such loan is or was eligible for sale to, or guaranty or insurance by, a federal agency, GSE or comparable federally-sponsored entity similar to a GSE, under then applicable guidelines of such agency, GSE or entity, or (b) such loan was made in connection with a program intended to qualify for credit under the Community Reinvestment Act of 1977.

“**Foreclosure Avoidance Budget**” has the meaning given to such term in Section 4.4(a).

“**Foreclosure Relief Program**” means the program under which certain Borrowers will be offered payments, as set forth in Section 6.

“**Freddie Mac**” means Federal Home Loan Mortgage Corporation.

“**Front-End DTI**” means the ratio of (a) first lien mortgage principal, interest, taxes, insurance (including homeowners insurance and hazard and flood insurance but excluding mortgage insurance premiums) and homeowners association or condominium fees, to (b) Monthly Gross Income, all as determined in accordance with HAMP.

“**GSE**” means a government-sponsored enterprise such as Fannie Mae or Freddie Mac.

“**HAFA**” means the Home Affordable Foreclosure Alternatives Program described in Making Home Affordable Supplemental Directive 09-09 (November 30, 2009) issued by Treasury, as HAFA may from time to time be changed, supplemented or amended by Treasury.

“**HAMP**” means the Home Affordable Modification Program as administered by Treasury and its agents, Fannie Mae and Freddie Mac, as HAMP may from time to time be changed, supplemented or amended by Treasury.

“**HAMP Eligible**” means, with respect to a first-lien residential mortgage loan, that it qualifies for a modification under HAMP and the guidelines and policies of Treasury therefor.

“**Imminent Default**” means, with respect to any Borrower, that the applicable CFC Servicer has determined, in accordance with applicable HAMP guidance, that default by the Borrower in making scheduled payments on his or her CFC Residential Mortgage Loan is reasonably foreseeable.

“**Interest Rate Floor**” means, with respect to modification of a Qualifying Mortgage hereunder, a rate of 2.5% per annum if the modification results in a fully amortizing payment.

“**LTV**” means, with respect to a first-lien residential mortgage loan as of the time reviewed for eligibility for modification, the ratio of the unpaid principal balance of such mortgage loan to the Market Value of the residential property that secures such mortgage.

“**Market Value**” means, with respect to any residential mortgage loan, the value of the residential property that secures such mortgage loan as determined by a lender or servicer in reliance on an appraisal (whether based on an appraisal report prepared not more than 180 days before the date of determination, broker price opinion prepared not more than 120 days before the date of determination or automated valuation model prepared not more than 90 days before the date of determination).

“**Mobile Customer Assistance Team**” has the meaning given to such term in Section 4.7(h)(i).

“**NegAm Eligible Mortgage**” means, with respect to any Borrower, a CFC Residential Mortgage Loan that is a Pay Option ARM originated on or before January 1, 2009, (a) that is secured by an owner-occupied 1-to-4 unit residential property, (b) that is serviced by a CFC Servicer, and (c) as to which the Borrower is 60-days or more delinquent or faces Imminent Default. If the Borrower does not occupy the 1-to-4 unit residential property that secures the applicable mortgage, the mortgage is not a “**NegAm Eligible Mortgage**.”

“**NPV test**” has the meaning given to such term in Treasury’s *Home Affordable Modification Program Guidelines* (March 4, 2009).

“**Pay Option ARMs**” means ARMs that, during an initial period (and subject to Recast), permit the borrower to choose among two or more payment options, including an interest-only payment and a minimum (or limited) payment.

“**PMMS**” means, with respect to a mortgage loan modification, the Freddie Mac Primary Mortgage Market Survey rate for 30-year fixed rate conforming mortgage loans, rounded to the nearest 0.125%, as of the date that the related modification document is prepared.

“**Prime 2 Hybrid ARMs**” means prime first-lien residential mortgage loans that are 2-

year hybrid ARMs.

“Qualifying Mortgage” has the meaning given to such term in Section 4.2.

“RASS” means a Request for Approval of a Short Sale complying with the requirements of HAFA.

“Recast” means, in the case of a Pay Option ARM, a contractual payment recast to a fully amortized payment based on a negative amortization trigger.

“Relocation Assistance payment” has the meaning given to such term in Section 5.1.

“Seriously Delinquent” means, with respect to any residential mortgage loan, that payments of interest or principal are 60 or more days delinquent.

“Seriously Delinquent Borrower” means, with respect to any Borrower that, on or before the Termination Date, the related CFC Residential Mortgage Loan is Seriously Delinquent.

“SSA” means a short-sale agreement in accordance with HAFA.

“SFO” means a CFC Residential Mortgage Loan that is serviced by a CFC Servicer and is beneficially owned all or in part by investors other than BAC or its subsidiaries.

“Subprime 2, 3, 5, 7 and 10 Hybrid ARMs” means Subprime Mortgage Loans that are 2, 3, 5, 7 and 10 Hybrid ARMs.

“Subprime Mortgage Loans” means first-lien residential mortgage loans that combine higher risk features (such as low or no documentation, low equity, adjustable interest rates, prepayment penalties, cash-out financing) with higher risk borrower profiles (lower FICO scores, recent bankruptcies/foreclosures, major derogatory credit), resulting in a loan that could not reasonably be underwritten and approved as a “prime” loan. An existing CFC Residential Mortgage Loan would be a **“Subprime Mortgage Loan”** if it is identified as such in connection with a securitization in which it is part of the pool of securitized assets or, in the case of a CFC Residential Mortgage Loan that is not included in a securitization, was classified as being “subprime” on the systems of CFC and its subsidiaries on June 30, 2008.

“Termination Date” means December 31, 2012.

“Treasury” means the United States Department of Treasury.

“UPB” means, with respect to any Qualifying Mortgage or NegAm Eligible Mortgage, the unpaid principal balance thereof after any capitalization of arrearages.

“Underwater” means, with respect to any Qualifying Mortgage, that the Qualifying Mortgage or NegAm Eligible Mortgage has an LTV of 120% or more.

2. CFC SOLE OBLIGOR ON ALL OBLIGATIONS IN THIS FINAL JUDGMENT BY CONSENT.

2.1 Responsibility of CFC. Until the Termination Date (or such earlier date as is specified herein), CFC is responsible to the other parties hereto for performance of all of the undertakings in this Final Judgment by Consent, including the changes to the residential mortgage lending practices described in Section 3, the loan modification programs described in Section 4, the Relocation Assistance payments described in Section 5, the Foreclosure Relief Program described in Section 6 and the reporting obligations described in Section 7.

2.2 ***Absence of Defenses.*** It is not an excuse to the performance of the obligations of CFC hereunder that it does not directly or indirectly engage in the business of originating residential mortgage loans or in the business of servicing residential mortgage loans. CFC is responsible for the conduct of CFC Affiliates and CFC Servicers as specified hereunder whether or not it controls such CFC Affiliates or CFC Servicers and the absence of such control shall not be a defense to or otherwise excuse CFC's failure to perform hereunder.

2.3 ***Remedies for Failure of CFC to Cause Performance.*** If there is a material failure to perform the obligations under the loan modification programs described in Section 4; the failure of CFC Servicers (after the consultation described in Section 4.8(b)) to participate in the programs described in Section 4.8(b); the Relocation Assistance payments described in Section 5; the Foreclosure Relief Program described in Section 6; or the reporting obligations described in Section 7, and in each case such failure is not promptly cured after notice by the AGO, then the AGO may seek enforcement of this Final Judgment by Consent under Section 9.4, or, in the alternative, terminate this Final Judgment by Consent. If the AGO elects to terminate this Final Judgment by Consent, it shall no longer be bound by the release set forth in Section 8.2.

3. **SERVICER PRACTICES.**

Until the Termination Date, CFC shall be responsible for the implementation of the following by CFC Affiliates with respect to CFC Residential Mortgage Loans with respect to Borrowers in the Commonwealth of Massachusetts:

3.1 ***Residential Mortgage Product Offerings.***

(a) CFC Servicers will maintain robust processes for early identification and contact with Borrowers who are having, or are reasonably expected to have, trouble making their payments on CFC Residential Mortgage Loans. Under these processes, when contact is made with such Borrowers, an individualized evaluation of the Borrowers' economic circumstances will be made to determine if alternatives to foreclosure are available, and consistent with the directions of the investors, if applicable.

(b) CFC Servicers will maintain the current practice of offering loan modifications or other workout solutions to Borrowers who are 30 days or more delinquent in their payments, who desire to remain in their homes and who can afford to make reasonable mortgage payments, subject to applicable investor guidance and approvals.

(c) CFC's reports to the AGO under this Final Judgment by Consent will include information on the numbers and types of workouts concluded on loans secured by Borrower-occupied properties in the Commonwealth of Massachusetts.

(d) CFC Servicers will continue the current practice of regularly monitoring the delinquency characteristics of the entire portfolio of CFC Residential Mortgage Loans, including Alt-A Residential Mortgage Loans, loans with interest-only features, and other loans to prime borrowers, to identify high-delinquency segments that may be appropriate for streamlined or non-streamlined loan modification campaigns. CFC shall be responsible for providing reports to the AGO on the delinquency characteristics of such loans, as provided herein.

(e) With respect to Alt-A Residential Mortgage Loans, CFC acknowledges that the AGO has expressed concerns about future delinquencies, and agrees to provide the AGO notification whenever the nationwide rate at which Borrowers on Alt-A Residential Mortgage Loans are 30 days or more delinquent in their payments exceeds 150% of the delinquency rate for comparably-aged FHA-insured loans serviced by CFC Servicers. If such notice is required, CFC agrees to confer with the AGO concerning Alt-A Residential Mortgage Loans delinquency trends, including whether delinquencies are isolated in certain segments of the Alt-A Residential Mortgage Loans portfolio (e.g., loans with interest-only features, loans originated at high CLTV), and concerning the possible deployment of streamlined foreclosure avoidance solutions for such Borrowers.

(f) CFC Servicers will ensure that the values in any AVM system used to generate electronic appraisals are regularly updated and periodically validated so as to provide reasonable assurance as to the accuracy of resulting valuations. Any validation will, as appropriate, include back-testing of a representative sample of valuations against market data on actual sales (where sufficient information is available).

(g) Although the scope of the loan modification program in this Final Judgment by Consent is limited to certain first lien Qualifying Mortgages and NegAm Eligible Mortgages, CFC acknowledges that (i) many Eligible Borrower-occupied 1-to-4 unit residential properties are subject to second lien mortgages and (ii) the existence of such junior liens may reduce the incentive of Borrowers to remain in their homes and may impair Eligible Borrowers' ability to refinance Qualifying Mortgages. CFC confirms that it is engaged in developing best servicing practices with respect to first lien Qualifying Mortgages secured by Eligible Borrower-occupied 1-to-4 unit residential properties that are subject to second lien mortgages.

3.2 **Reformation of Practices.** Understanding the circumstances and behaviors of lenders and brokers that may have contributed, in part, to the current mortgage crisis, CFC, Countrywide Home Loans, Inc., Countrywide Mortgage Ventures LLC, and Full Spectrum Lending, Inc. recognize their responsibility to ensure the very highest degree of ethical conduct on the part of their agents and employees. CFC agrees that, (a) to the extent that any of Defendants resume subprime lending, CFC will cause such Defendants to design and implement effective compliance management programs to provide reasonable assurance as to the identification and control of consumer protection hazards associated with such subprime lending activities, and (b) to the extent of such Defendants' lending activities (if any), CFC will cause such Defendants to create appropriate consumer safeguards to avoid unfair or deceptive activities or practices arising in connection with their interaction with brokers and other third parties.

4. LOAN MODIFICATIONS FOR DELINQUENT BORROWERS IN CERTAIN MORTGAGE PRODUCTS.

Until the Termination Date, CFC shall be responsible for ensuring that CFC Servicers exert reasonable efforts, on an ongoing basis, to qualify eligible Borrowers in specified mortgage products for affordable loan modifications in accordance with the following provisions:

4.1 **Eligible Borrowers.** An "**Eligible Borrower**" is a Borrower who has a Qualifying Mortgage or NegAm Eligible Mortgage originated on or before January 1, 2009, that (a) is secured by an owner-occupied 1-to-4 unit residential property, (b) is serviced by a CFC Servicer, and (c) the applicable CFC Servicer has determined that such Borrower is in financial

distress. Eligible Borrowers are potentially eligible for loan modification relief under this Section 4. A Borrower who does not occupy the 1-to-4 unit residential property that secures the Qualifying Mortgage or NegAm Eligible Mortgage is not an “*Eligible Borrower*.”

4.2 ***Qualifying Mortgages.*** The following CFC Residential Mortgage Loans are “*Qualifying Mortgages*” if the Borrower is an Eligible Borrower and the Borrower meets one of the specified delinquency profiles:

(a) ***Subprime 2, 3, 5, 7 and 10 Hybrid ARMs or Prime 2 Hybrid ARM.*** A Subprime 2, 3, 5, 7 and 10 Hybrid ARM or Prime 2 Hybrid ARM shall be a Qualifying Mortgage if the Eligible Borrower meets any one of the following delinquency profiles at the time considered for loan modification:

(i) The Eligible Borrower is a Seriously Delinquent Borrower and the LTV is 75% or more; or

(ii) The Eligible Borrower is a Delinquent Borrower and the LTV is 75% or more.

(b) ***Pay Option ARMs.*** A Pay Option ARM shall be a Qualifying Mortgage if the Eligible Borrower meets any one of the following delinquency profiles at the time considered for loan modification:

(i) The Eligible Borrower is Seriously Delinquent and the LTV is 75% or more; or

(ii) The Eligible Borrower is a Delinquent Borrower and the LTV is 75% or more.

(c) ***Subprime First Mortgage Loans (Other than Subprime 2, 3, 5, 7 and 10 Hybrid ARMs).*** A Subprime CFC Residential Mortgage Loan shall be a Qualifying Mortgage if the Eligible Borrower is a Seriously Delinquent Borrower and the LTV is 75% or more.

4.3 ***Loan Modifications to Be Considered.*** Each Eligible Borrower shall be considered for a range of affordable loan modification options with respect to his or her Qualifying Mortgage or, in the case of NegAm Eligible Mortgages, the loan modification option specified in Section 4.3(d)(ii). The loan modification options will include those described below and existing modification options, subject in each case to approval of the investor who owns the Qualifying Mortgage or NegAm Eligible Mortgage and, except as specifically otherwise provided, the Affordability Equation as set forth in Section 4.4. Loan modification options for each category of Qualifying Mortgages or NegAm Eligible Mortgages are as follows:

(a) ***Prime 2 Hybrid ARMs and Subprime 2, 3, 5, 7 and 10 Hybrid ARMs.*** Qualifying Mortgages that are Prime 2 Hybrid ARMs or Subprime 2, 3, 5, 7 and 10 Hybrid ARMs will be eligible for loan modifications as follows, in no particular order (except as specified in Section 4.3(a)(i) and subject to Section 4.3(d)):

(i) To the extent the Qualifying Mortgage is HAMP Eligible, the CFC Servicer will first seek to effect a modification solution with respect to the Qualifying Mortgage under HAMP.

(ii) For Eligible Borrowers (A) who become Seriously Delinquent

following a reset, or (B) who are subject to an imminent reset and, in the reasonable view of the CFC Servicer, as a result of such reset are reasonably likely to become Seriously Delinquent on or before the Termination Date (even though they are not Seriously Delinquent at the time of the modification), an unsolicited (subject to the last sentence of this Section 4.3(a)(ii)) restoration of the introductory rate for five years, without new loan documentation or an evaluation of the Eligible Borrower's current income. Communications to Eligible Borrowers informing them of this modification will invite Eligible Borrowers to contact the applicable CFC Servicer if they do not believe they will be able to afford the introductory rate in order to be considered for more extensive relief under Sections 4.3(a)(iii) or 4.3(a)(iv). If the Eligible Borrower has been delinquent at least once in the preceding six months or more than once in the **preceding twelve months, then any such modification shall be offered on an** unsolicited basis subject to (a) verification of borrower income demonstrating a likelihood that the Eligible Borrower will be able to pay in accordance with the revised terms, and (b) conclusion of an appropriate trial period.

(iii) A streamlined, fully-amortizing loan modification subject to the Affordability Equation consisting of:

(A) until the fifth anniversary of the loan modification, a reduction of the interest rate to the (1) introductory rate or (2) lower (but not less than 3.5%); and

(B) on the fifth anniversary of the loan modification, an automatic conversion to a fixed rate mortgage for the remainder of the loan term at the higher of (1) the Fannie Rate and (2) the introductory rate. If the new payment would not be affordable to the Eligible Borrower based on his or her income at the time of conversion, the Eligible Borrower will be considered for a single two year period of reduced-rate financing (in which case the conversion to a fixed rate mortgage will occur at the end of the seventh year).

(iv) A streamlined loan modification subject to the Affordability Equation consisting of:

(A) reduction of the interest rate to a rate no lower than the Interest Rate Floor, with an Annual Increase subject to an interest-rate cap as provided below in Section 4.3(a)(iv)(B); and

(B) an interest-rate cap for the remaining, fully-amortizing term of the Qualifying Mortgage at an annual interest rate equal to the introductory rate.

(b) **Pay Option ARMs.** Qualifying Mortgages that are Pay Option ARMs are eligible for the following loan modifications, in no particular order (except as provided in Section 4.3(b)(i) and subject to Section 4.3(d)):

(i) To the extent the Qualifying Mortgage is HAMP Eligible, the CFC Servicer will first seek to effect a modification solution with respect to the Qualifying Mortgage under HAMP; or

(ii) A streamlined, fully-amortizing loan modification subject to the Affordability Equation consisting of:

(A) elimination of the negative amortization feature;

(B) reduction of the interest rate to a rate no lower than the Interest Rate Floor, with an Annual Increase subject to an interest rate cap of 7%; and

(C) if the Eligible Borrower owns only one residential property and the LTV is 95% or higher, a write down of the principal balance of the Qualifying Mortgage (but any write down of principal would not be in an amount greater than necessary to achieve an LTV of 95%).

(c) **Subprime Loans (Other than 2, 3, 5, 7 and 10 Hybrid ARMs).** Qualifying Mortgages that are Subprime Loans (Other than 2, 3, 5, 7 and 10 Hybrid ARMs) are eligible for the following loan modifications, in no particular order (except as provided in Section 4.3(c)(i) and subject to Section 4.3(d)):

(i) To the extent the Qualifying Mortgage is HAMP Eligible, the CFC Servicer will first seek to effect a modification solution with respect to the Qualifying Mortgage under HAMP; or

(ii) A streamlined, fully-amortizing loan modification within the limits of the Affordability Equation consisting of:

(A) reduction of the interest rate on the mortgage to a rate no lower than the Interest Rate Floor, with an Annual Increase subject to an interest rate cap as provided below in Section 4.3(c)(ii)(B); and

(B) an interest-rate cap for the remaining term of the Qualifying Mortgage at an annual interest rate equal to (i) the fixed interest rate *less* 200 basis points, in the case of fixed-rate loans, and (ii) the remainder of the sum of the contractual index amount *plus* spread immediately before the first loan modification, *minus* 200 basis points, in the case of an ARM.

(d) **Certain Underwater Mortgages.** Certain Underwater Qualifying Mortgages or NegAm Eligible Mortgages (as described) that are HAMP Eligible to the extent eligible for the modifications described in Sections 4.3(d)(i) or 4.3(d)(ii), would be considered first for such modification and, if eligible for both, would be offered the modification that yields the more favorable result to the Eligible Borrower.

(i) **Underwater Prime 2 Hybrid ARMs, Subprime Mortgage Loans or Pay Option ARMs that are HAMP Eligible.** Subject to the limitations and requirements of HAMP:

(A) Qualifying Mortgages that are Underwater Prime 2 Hybrid ARMs, Subprime Mortgage Loans or Pay Option ARMs that are HAMP Eligible:

(I) are Seriously Delinquent,

(II) have a current LTV of 120% or more, and

(III) are not SFO mortgages followed by a second lien,

(B) are eligible to be considered, before any other modification described as part of this Final Judgment by Consent (other than in Section 4.3(d)(ii)), for a fully-amortizing modification determined by applying the following steps in order:

(I) capitalize any arrearage;

(II) solve for a 31% Front-End DTI in the order specified:

(i) to the extent that it results in an NPV test result better than that realized in respect of a traditional HAMP modification, forbear principal by not more than 30% of UPB to not less than 100% LTV to the extent required to achieve a 31% Front-End DTI at the PMMS rate assuming a term equal to the greater of (a) the remaining term of the Qualifying Mortgage, and (b) the amortization period permitted to be considered under HAMP), with forgiveness of the principal forbearance amount in installments (to the extent accrued) as described in Section 4.3(d)(i)(C); and

(ii) thereafter take such steps to modify the terms of the Qualifying Mortgage as are consistent with the resulting modification being HAMP Eligible.

(C) Borrowers will be eligible to accrue forgiveness of the forbearance amount described in Section 4.3(d)(i)(B)(II)(i) over five years on a basis substantially the same as the accrual of borrower "pay for success" payments under HAMP (potentially as much as 20% of such forbearance amount in each year) so long as they are in "good standing" (as defined under HAMP); *provided, however*, beginning with the fourth annual installment, forgiveness will occur only to the extent that the resulting UPB would not be less than 100% of the Market Value of the real property collateral for the Qualifying Mortgage. Any principal forbearance amounts that are not forgiven will be noninterest-bearing and a balloon payment of the forbearance amount will be due on the maturity date, upon sale of the property, or upon payoff of the interest bearing balance.

(ii) ***Pay Option ARMs that are HAMP Eligible.*** Subject to the limitations and requirements of HAMP:

(A) NegAm Eligible Mortgages that are not SFO mortgages followed by a second lien are eligible to be considered, before any other modification described as part of this Final Judgment by Consent (other than in Section 4.3(d)(i)), for a fully-amortizing modification determined by applying the following steps in order:

(I) capitalize any arrearage;

(II) solve for a 31% Front-End DTI in the order specified:

(i) forgive principal to the extent of the negative amortization amount to not less than 95% LTV to the extent required to achieve a 31% Front-End DTI at the PMMS rate;

(ii) reduce the interest rate to reach a 31% Front-End DTI (subject to a floor of 2%) in accordance with HAMP. If the resulting modified interest rate is below the PMMS rate, the resulting modified interest rate will be in effect for the first five years, followed by annual increases of 1% (100 basis points) per year or such lesser amount as may be needed until the interest rate reaches the applicable PMMS rate, at which time it will be fixed for the remaining term of the mortgage; and

(iii) if the 31% Front-End DTI has not been reached, extend the term of the Qualifying Mortgage up to 40 years. If term extension is not permitted, extend amortization. The 40-year term begins at the start of the modification (after the borrower successfully completes the trial period under HAMP).

(iv) if the 31% Front-End DTI has not been reached, forbear additional principal in an amount not more than the greater of (i) 30% of the UPB, and (ii) the amount necessary to achieve 100% LTV. A balloon payment of the principal forbearance amount will be due on the maturity date, on sale of the property, or on payoff of the interest bearing balance.

(e) **Preemptive Modification.** The following unsolicited offer would be made with respect to Eligible Borrowers with CFC Pay Option ARMs owned by Bank of America Corporation or its subsidiaries that face imminent Recast:

(i) without regard to affordability or net present value, but subject to Section 4.3(e)(iv), elimination of the negative amortization feature and modification into a 30-year fully amortizing mortgage market rate loan; and

(ii) if the borrower cannot afford the resulting payment, to the extent required to achieve a 31% Front-end DTI, extend the term of the Pay Option ARM to up to 40 years. If for some reason a term extension is not permitted, extend amortization. The extended term begins at the start of the modification (after the borrower successfully completes any required trial period); and

(iii) if the borrower cannot afford the resulting payment, the borrower will be considered for other modification solutions, subject to the Affordability Equation (or, in the case of HAMP Eligible Qualifying Mortgages, comparable provisions under HAMP).

(iv) Any such modification shall be offered subject to (a) verification of borrower income demonstrating a likelihood that the Eligible Borrower will be able to pay in accordance with the revised terms, and (b) conclusion of an appropriate trial period.

4.4 ***Affordability Equation.*** Except as otherwise expressly provided in Sections 4.3(a)(ii) and 4.3(e), Qualifying Mortgages or NegAm Eligible Mortgages will be considered for loan modifications in accordance with the following Affordability Equation (or, in the case of HAMP Eligible Qualifying Mortgages or NegAm Eligible Mortgages, comparable provisions under HAMP), which establishes a Foreclosure Avoidance Budget that is a cap on the cost of the loan modification.

(a) ***Foreclosure Avoidance Budget.*** Except for Eligible Borrowers who receive an unsolicited modification pursuant to Sections 4.3(a)(ii) or 4.3(e), a Foreclosure Avoidance Budget will be prepared with respect to the Eligible Borrower and the Qualifying Mortgage. The “***Foreclosure Avoidance Budget***,” which is consistent with the NPV test, at any time is the difference between (i) the likelihood and severity of the projected loss in a foreclosure sale and (ii) the likelihood and severity of the projected loss in the event that there was a loan modification with respect to the Qualifying Mortgage and a later foreclosure sale. For purposes of determining the Foreclosure Avoidance Budget for a Qualifying Mortgage, the LTV will be based on the Market Value.

(b) ***Affordability Criteria.***

(i) Subject to the Foreclosure Avoidance Budget, if tax and insurance escrows are maintained with respect to the Qualifying Mortgage, the Eligible Borrower will be offered a loan modification that produces a first-year payment of principal (if applicable), interest, taxes, homeowners association and/or condominium fees and insurance equating to 34% of the Eligible Borrower’s income, or as close to 34% of the Eligible Borrower’s income as the Foreclosure Avoidance Budget permits without exceeding 42% of the Eligible Borrower’s income.

(ii) Subject to the Foreclosure Avoidance Budget, if tax and insurance escrows are not maintained with respect to a Qualifying Mortgage or required as a condition of the modification, the Eligible Borrower will be offered a loan modification that produces a first-year payment of principal (if applicable) and interest equating to 25% of the Eligible Borrower’s income, or as close to 25% of the Eligible Borrower’s income as the Foreclosure Avoidance Budget permits without exceeding 34% of the Eligible Borrower’s income.

(c) ***Borrowers Who Cannot Afford a Loan Modification.*** There is no obligation to offer loan modifications with respect to Qualifying Mortgages if the Eligible Borrower cannot be qualified under the Affordability Equation. Such Eligible Borrowers may be eligible for a Relocation Assistance payment, an SSA, a DIL or a payment under the Foreclosure Relief Program.

4.5 ***Outreach to Borrowers at Risk of Delinquency.*** Borrowers with Subprime Mortgage Loans or Pay Option ARMs with first-payment due dates between January 1, 2004 and

January 1, 2009, whose payments are scheduled to change as a result of an interest-rate reset, Recast, or expiration of an interest-only term, will be sent a communication approximately ninety (90) days before the payment change inviting them to contact their CFC Servicer if they believe they will not be able to afford their new payments. In the event that a borrower responds to this communication, the borrower will be considered for loan modifications under the eligibility criteria in this Final Judgment by Consent.

4.6 *Restrictions on Initiation or Advancement of Foreclosure Process for Eligible Borrowers.*

(a) The foreclosure process for a Qualifying Mortgage or NegAm Eligible Mortgage of an Eligible Borrower will not be initiated or advanced for the period necessary to determine such Eligible Borrower's interest in retaining ownership and ability to afford the revised mortgage terms, as well as the investor's willingness to accept a loan modification.

(b) Any such foreclosure process will be initiated or advanced only if:

(i) it is determined, based on communication with the Borrower or based on the Borrower's abandonment of the residential property that secures the mortgage loan, that the Borrower does not wish to retain ownership of the residence that secured the mortgage loan;

(ii) it is or has been determined that the Borrower cannot be qualified for, or has refused, a loan modification under this Final Judgment by Consent within the limits of the Affordability Equation, as applicable; or

(iii) despite reasonable efforts, servicing agents have been unable to make contact with the borrower to determine his or her preferences with regard to home ownership, or to obtain information concerning his or her income and ability to afford a mortgage payment under a modification.

4.7 *Miscellaneous Provisions Related to Loan Modification Program.*

(a) ***Commitment to Waive Late/Delinquency Fees.*** Late/delinquency fees will be waived to the extent they arise with respect to past due loan payments that remain unpaid as of the date immediately before modification of the Qualifying Mortgage or NegAm Eligible Mortgage under this Final Judgment by Consent. Late/delinquency fees will not be waived to the extent they arise with respect to loan payments that were previously past due but were subsequently paid prior to the date immediately before modification.

(b) ***Commitment Not to Charge Loan Modification Fees.*** Except to the extent required in connection with the HOPE for Homeowners Program, Eligible Borrowers will not be charged loan modification fees in connection with loan modifications of Qualifying Mortgages or NegAm Eligible Mortgages hereunder.

(c) ***Prepayment Penalty Waivers.*** Prepayment penalties will be waived in connection with any payoff or refinancing (even if refinanced by a person not Affiliated with CFC) of a Qualifying Mortgage or NegAm Eligible Mortgage that is a Subprime Mortgage Loan, Prime 2 Hybrid ARM or Pay Option ARM that (i) had a first payment due date on or after January 1, 2004 and were originated on or before January 1, 2009,

(ii) was directly or indirectly held by CFC on June 30, 2008, and (iii) which at the time of the payoff or refinancing is held by CFC or any Affiliate. Investor owners or their representatives of Qualifying Mortgages or NegAm Eligible Mortgages that are Subprime Mortgage Loans, Prime 2 Hybrid ARMs or Pay Option ARMs serviced by a CFC Servicer will be encouraged to waive prepayment penalties in such circumstances.

(d) ***Commitment to Consider Additional Relief for Borrowers Receiving Modifications and Later Becoming Delinquent.*** Eligible Borrowers with respect to Qualifying Mortgages or NegAm Eligible Mortgages who have earlier received loan modifications or other workouts, whether or not pursuant to this Final Judgment by Consent, will be eligible to be considered for new loan modification offers under this Final Judgment by Consent if they otherwise satisfy the eligibility criteria.

(e) ***Representation Concerning Investor Delegation and Approval.*** CFC represents that CFC Servicers currently have, or reasonably expect to obtain, discretion to pursue the foreclosure avoidance measures outlined in this Final Judgment by Consent for a substantial majority of Qualifying Mortgages and NegAm Eligible Mortgages. If CFC Servicers do not have discretion to pursue these foreclosure avoidance measures, best efforts will be used to obtain appropriate investor authorization.

(f) ***2MP.*** CFC represents that BAC Home Loans Servicing, L.P., has entered into a servicer participation agreement with respect to 2MP, and will participate in modifications of second lien mortgage loans in accordance with the terms of 2MP.

(g) ***HABA.*** CFC covenants that:

(i) Each CFC Servicer, will implement HABA commencing on the effective date thereof, currently April 5, 2010 (HABA requires participating servicers to follow certain procedures for facilitating short-sales and DILs).

(ii) In connection with SSAs with Eligible Borrowers, each CFC Servicer will include the optional DIL language and will accept DILs in accordance with the terms of the SSAs when the term of the SSAs expire without sales of the covered properties.

(iii) Each CFC Servicer will comply with HABA on the following terms:

(A) When it makes the determination with respect to an Eligible Borrower who requested consideration of a HABA short sale or DIL that a HABA short sale or DIL is not available, the CFC Servicer will promptly communicate the decision in writing to such Eligible Borrower. The notice will explain why a short sale or DIL under HABA cannot be offered and provide a toll free telephone number that the customer may call to discuss the decision.

(B) Within ten business days of receipt of the RASS and all required attachments from an Eligible Borrower, it will indicate its approval or disapproval of the proposed sale by signing the appropriate section of the RASS and mailing it to the Eligible Borrower.

(h) ***Mobile Customer Assistance Teams.***

(i) A mobile customer assistance team (“**Mobile Customer Assistance Team**”) consisting of 5 associates who will provide face-to-face assistance in distressed New England markets to delinquent borrowers will be established.

(ii) The Mobile Customer Assistance Team will travel within New England visiting troubled markets to work with distressed borrowers to try to find modification solutions. The Mobile Customer Assistance Team will be available approximately 40 hours a week during hours that are reasonably determined to maximize borrower yield.

(iii) A visit to a particular market by the Mobile Customer Assistance Team will be preceded by at least two-weeks’ advance written notice (which may be combined with other notices), to 60-day or more delinquent borrowers under Qualifying Mortgages who are eligible to be considered for a modification under HAMP or this Final Judgment by Consent or for a foreclosure alternative solution under HAFA, of the times, dates and places at which the Mobile Customer Assistance Team will be accessible over at least a one-month period. Such mailings shall include details regarding the types of documents required for consideration and websites where required forms can be downloaded.

(iv) Personnel of the Mobile Customer Assistance Team (a) will give borrowers who furnish documentation a dated receipt therefor, (b) will, insofar as is reasonably practicable, identify in writing documents that are required to be delivered by the borrower, and (c) will be given sufficient resources and information effectively to assist delinquent borrowers under Qualifying Mortgages to be considered for modification of such Qualifying Mortgages hereunder.

4.8 *Commitment to Implement Relief Measures Authorized by Federal Government.*

(a) To the extent the federal government acquires any Qualifying Mortgages and, as the owner of these mortgages, authorizes loan modifications that offer borrower benefits greater than those associated with the modifications outlined in this Final Judgment by Consent, such relief measures will be pursued in modifying such Qualifying Mortgages to the full extent of such authorization.

(b) If Treasury issues public guidelines that would establish a Making Home Affordable program or modifies an existing Making Home Affordable program under the terms of which a participating servicer would be required, in the event of a principal reduction on a first-lien residential mortgage under HAMP, to make no more than a proportional principal reduction (subject to the equivalent conditions) to the related second-lien mortgage, CFC will (i) promptly notify the AGO of the issuance of such guidelines or modifications, and (ii) timely inform the AGO as to whether CFC Servicers will participate in such programs and the expected impact of such programs on the modification of Qualifying Mortgages and NegAm Eligible Mortgages (and, in particular, SFO mortgage loans followed by second-lien mortgage loans). If CFC Servicers fail to participate in such programs, then CFC shall consult with the AGO concerning the reasons for such failure.

4.9 ***Timeframe for Loan Modification Process.*** The loan modification process will be managed to ensure that offers of loan modifications under this Final Judgment by Consent (other than unsolicited interest rate reductions) are made to Eligible Borrowers, on average, no more than 60 days after such Eligible Borrowers make contact with the applicable CFC Servicer and provide any required information concerning a possible modification.

4.10 ***No Releases with Respect to Loan Modifications.*** In connection with loan modifications offered under this Final Judgment by Consent, no releases of claims will be solicited or required from Eligible Borrowers.

4.11 ***Second or Junior Liens.*** Except as otherwise provided in Section 4.3(d), loan modifications contemplated in Section 4 of this Final Judgment by Consent shall be made without consideration of second or junior liens on mortgaged properties. CFC does not expect that the presence of second or junior liens will impede Eligible Borrowers from receiving a loan modification offer under Section 4 of this Final Judgment by Consent.

5. RELOCATION ASSISTANCE PROGRAM.

Through the Termination Date, payments will be provided to borrowers who are unable to retain their homes in accordance with this Section 5.

5.1 ***Eligibility.*** Borrowers or tenants occupying real estate collateral with respect to a CFC Residential Mortgage Loan (a) serviced by a CFC Servicer on June 30, 2008 (whether or not the mortgage is a Qualifying Mortgage), (b) collateralized by a 1-to-4 unit residential property and subject to servicing by a CFC Servicer on the date of determination of eligibility hereunder, and (c) subject to a foreclosure sale date on or before the Termination Date, will be offered an agreement under which they can receive a cash payment to assist with the Borrowers' or tenants' transition to a new place of residence ("***Relocation Assistance payment***") in exchange for voluntarily and appropriately surrendering the residence that, at the time of the foreclosure sale, secured the related mortgage loan. Borrowers who are eligible for, or receive, payments under the Foreclosure Relief Program may also receive a Relocation Assistance payment.

5.2 ***Amount.*** CFC Servicers will make Relocation Assistance payments to both tenants and borrowers with respect to foreclosed mortgages as provided in Section 5.1 in an amount in the discretion of CFC or its delegee according to its or their assessment of the individual circumstances of the Borrower (e.g., number of dependents or amount of moving expenses), but such amount shall not be less than \$2,000 per loan.

5.3 ***Timing of Payments.*** Relocation Assistance payments shall be made to a Borrower or tenant no later than fourteen days following the Borrower's or tenant's voluntary and appropriate surrender of the residence that secured the mortgage loan.

6. FORECLOSURE RELIEF PROGRAM.

Payments shall be made available to borrowers who experienced a foreclosure sale, or who were 120 days or more delinquent in making mortgage payments soon after their loans were originated or after an interest rate reset, in accordance with this Section 6.

6.1 ***Payment.*** CFC shall make available \$2,420,019 for payments to borrowers within the Commonwealth of Massachusetts, or otherwise for foreclosure relief/mitigation or related programs consistent with this Section 6.

6.2 **Individual Allocation.** Unless otherwise directed by the AGO in accordance with Section 6.3, a Borrower will be eligible for payments under the Foreclosure Relief Program if the Borrower:

- (a) Has or had a CFC-Originated Residential Mortgage Loan secured by owner-occupied property;
- (b) The first payment on the CFC-Originated Residential Mortgage Loan was due between January 1, 2004 and December 31, 2007;
- (c) Six or fewer payments were made on the CFC-Originated Residential Mortgage Loan; and
- (d) The CFC-Originated Residential Mortgage Loan was foreclosed or is 120 days or more delinquent as of the Commencement Date.

6.3 **Expansion or Contraction of the Foreclosure Relief Program; Reservation of Funds for Other Purposes.** The AGO may expand the Foreclosure Relief Program to cover additional Borrowers or limit the Foreclosure Relief Program to cover a narrower range of Borrowers, provided that at least those eligible Borrowers who made three or fewer payments over the life of the CFC-Originated Residential Mortgage Loan are covered, subject to communications between CFC and the AGO. If the AGO elects to expand or contract the program, the amount allocated to the Commonwealth of Massachusetts will remain the same. If the Attorney General determines, in her discretion, that the public interest is better served by an alternative distribution of the payment allocated to the Attorney General pursuant to the Foreclosure Relief program, she may direct as much as 50% of the sum allocated to the Commonwealth of Massachusetts for foreclosure relief/mitigation or related other programs other than, except with the consent of CFC, payments to defaulted Borrowers.

6.4 **Communications.** CFC and the AGO shall consult as to the form and content of any communication sent to Borrowers who are to receive Foreclosure Relief Program payments.

6.5 **Unallocated Funds.** Funds allocated to Borrowers in the Commonwealth of Massachusetts who choose not to participate in the Foreclosure Relief Program or who cannot be located after commercially reasonable efforts shall be available to the AGO for re-allocation to Borrowers under this program at the direction of the AGO.

6.6 **Release.** In order to receive payments under the Foreclosure Relief Program, Borrowers will be required to execute a release in accordance with Section 8.1. Borrowers offered payments under this Foreclosure Relief Program whose loans have not yet been foreclosed shall be afforded at least a three month period to decide whether to execute the release to permit them to determine whether they wish to raise claims covered by the release.

7. REPORTING REQUIREMENTS.

7.1 **Eligible Borrowers in Qualifying Mortgages or NegAm Eligible Mortgages.**

(a) On a quarterly basis through March 31, 2013, CFC shall report the following information to the AGO:

- (i) The names and addresses of Eligible Borrowers in the Commonwealth of Massachusetts in Qualifying Mortgages or NegAm Eligible Mortgages who received loan modification offers under this Final Judgment by

Consent, and for whom loan modifications were concluded;

(ii) For loan modifications offered or concluded under this Final Judgment by Consent, (A) the total dollar amount of interest that would be saved, (B) the total dollar amount of principal forgiveness (including forbearance subject to forgiveness), and (C) the total dollar amount of principal forbearance (but not including forbearance subject to forgiveness), as a result of such modifications over the lives of such modified loans;

(iii) For Eligible Borrowers who received a loan modification under this Final Judgment by Consent with respect to Qualifying Mortgages and NegAm Eligible Mortgages under HAMP and who have related second lien residential mortgage loans serviced by a CFC Servicer, with respect to each such second lien modified under 2MP (A) the total dollar amount of interest that would be saved, (B) the total dollar amount of principal forgiveness (including forbearance subject to forgiveness), and (C) the total dollar amount of principal forbearance (but not including forbearance subject to forgiveness), as a result of such modifications over the lives of such second lien mortgage loans;

(iv) For all loan modifications under this Final Judgment by Consent concluded within the reporting period in the Commonwealth of Massachusetts, the original and modified loan terms, and the amounts of late/delinquency fees waived, loan modification fees waived, and prepayment penalties waived by CFC pursuant to this Final Judgment by Consent;

(v) For a random sample of Eligible Borrowers in Qualifying Mortgages and NegAm Eligible Mortgages for whom CFC was unable to procure a loan modification offer under this Final Judgment by Consent during the reporting period (which sample shall be no less than 5% of all such Eligible Borrowers), the factors preventing a loan modification offer;

(vi) By each of the "Not Approved/Not Accepted Reason Codes" described in Schedule IV of HAMP Supplemental Directive 09-06, the number of Borrowers who have been evaluated by CFC Servicers for HAMP but have not been offered a HAMP Trial Period Plan or an official HAMP modification and received a Borrower Notice setting forth the "Not Approved/Not Accepted Reason Codes" as the reason for declination;

(vii) The number and total amount of Relocation Assistance payments or Foreclosure Relief payments made to Borrowers in the Commonwealth of Massachusetts during the reporting period;

(viii) Delinquency data on active loans with a first payment due date on or after January 1, 2004 and originated on or before January 1, 2009, that are secured by Borrower-occupied residential property in the Commonwealth of Massachusetts, broken down by type of loan;

(ix) Aggregated delinquency/default data on all loans modified under this Final Judgment by Consent for Eligible Borrowers in the Commonwealth of Massachusetts, separated by type of modification;

(x) The number of Borrowers in the Commonwealth of Massachusetts

with respect to CFC Residential Mortgage Loans serviced by CFC Servicers (A) as to which an SSA was approved, (B) as to which an SSA was declined, (C) completing short sales under HAFA, (D) completing short sales other than under HAFA, (E) completing DILs under HAFA, and (F) completing DILs other than under HAFA; and

(xi) The number of (A) newly initiated foreclosures, and (B) completed foreclosure sales.

7.2 Other Loan Modifications. With the same frequency as specified in Section 7.1, CFC will provide to the AGO a report detailing the numbers and types of modifications concluded on first-lien residential mortgage loans secured by Borrower-occupied property in the Commonwealth of Massachusetts (other than Qualifying Mortgages and NegAm Eligible Mortgages) and the total unpaid principal balance of such modified loans.

7.3 Best Servicing Practices for Modifying First Lien Qualifying Mortgages or NegAm Eligible Mortgages on Residential Property Subject to Second Lien Mortgages. CFC will periodically report to the AGO:

(a) On its progress in developing best servicing practices as described in Section 3.1(g).

(b) On the progress of CFC Servicers implementing 2MP as described in Section 3.1(g) and 7.1(a)(iii).

7.4 Compliance Monitor. CFC will appoint an employee as the Compliance Monitor for this Final Judgment by Consent. The Compliance Monitor will be responsible for (a) making reports to the AGO under this Final Judgment by Consent and (b) receiving and responding to complaints from the AGO or from individual borrowers concerning the operation of the loan modification program and, with the written consent of the affected borrower, sharing data concerning the borrower's circumstances with the AGO.

8. RELEASES; MORE FAVORABLE SETTLEMENTS.

8.1 Releases from Borrowers. Borrowers to whom payments under the Foreclosure Relief Program are offered shall, as a condition of receiving such payments, be required to execute and return to CFC a release of claims that includes the following language:

In consideration for the payment we are to receive under the Foreclosure Relief Program, we release Countrywide Financial Corporation and its affiliates and their respective directors, officers, employees and agents (except brokers) from all civil claims, causes of action, any other right to obtain any type of monetary damages (including punitive damages), expenses, attorneys' and other fees, rescission, restitution or any other remedies of whatever kind at law or in equity, in contract, in tort (including, but not limited to, personal injury and emotional distress), arising under any source whatsoever, including any statute, regulation, rule, or common law, whether in a civil, administrative, arbitral or other judicial or non-judicial proceeding, whether known or unknown, whether or not alleged, threatened or asserted by us or by any other person or entity on our behalf, including any currently pending or future purported or certified class action in which we are now or may hereafter become a class member, that arise from or are in any way related to CFC Residential Mortgage Loan No. [] and any loans originated directly or indirectly by Countrywide Financial Corporation or its affiliates in connection

therewith that are secured by a second mortgage, including, without limitation, the origination of any such loan (and any representations or omissions made during that origination process), the terms and conditions of any such loan, and the servicing or administration of any such loan after its origination; provided, however, that nothing herein shall bar the assertion of any released claim solely as an affirmative defense to any claim against us for a deficiency in respect of any such loan, but in no event shall we be permitted to obtain an affirmative recovery, with the exception of attorney's fees and costs that may otherwise be recoverable, in any such deficiency action.

8.2 **Release.** As to CFC, its Affiliates and their respective current and former employees, officers, directors and agents (except brokers), this Final Judgment by Consent effects a full resolution, complete settlement, and release by the AGO of all claims arising out of the residential mortgage origination or servicing activities of CFC and its subsidiaries occurring before entry of this Final Judgment by Consent that are within the authority of the AGO to release, except for (i) any claims that the Commonwealth of Massachusetts might have as an investor in CFC securities; (ii) any regulatory or enforcement proceedings by or on behalf of another Commonwealth of Massachusetts officer or agency; (iii) any claims or investigations identified to CFC by the AGO; and (iv) any criminal investigations or proceedings.

8.3 **Duties.** Nothing in this Final Consent Judgment shall be construed as relieving CFC of any obligation to comply with any applicable federal, state, or local laws, regulations, rules, and permits.

8.4 **More Favorable Terms.** The parties agree that should CFC resolve allegations concerning the conduct covered by this Final Judgment by Consent which occurred before the date of this Final Judgment by Consent in actions brought by Attorneys General of other states on terms that are different than those contained in this Final Judgment by Consent (other than terms offered by CFC but not accepted by the AGO), then CFC will provide a copy of those terms to the AGO for review. If, after review, the AGO determines the terms of such resolutions are, taken as a whole, more favorable than those contained in this Final Judgment by Consent, then CFC shall stipulate that this Final Judgment by Consent shall be amended to reflect all of such terms in place of the terms hereof.

9. OTHER TERMS AND CONDITIONS

9.1 **No Admission.** This Final Judgment by Consent shall not constitute an admission of wrongdoing by BAC or CFC, nor shall it be cited as such by the AGO. The Agreement shall not be admissible in any other proceeding as evidence of wrongdoing or a concession of responsibility.

9.2 **Confidentiality.** The AGO agrees that all confidential information disclosed to it by BAC or CFC or any of their Affiliates, including but not limited to the periodic reports that will be provided pursuant to Section 7, shall be kept confidential; provided, however, that the following information reported to the AGO on a periodic basis shall not be deemed confidential to the extent aggregated for Borrowers in the Commonwealth of Massachusetts for a full reporting period: (a) the total number of loans modified, (b) the total number of loans modified, by type of loan, (c) the total dollar amount of interest and principal expected to be saved by Borrowers as a result of such modifications over the life of the loans, and (d) the total dollar amount of payments under Sections 5 and 6 of this Final Judgment by Consent to Borrowers. The AGO shall not disclose or use any confidential information without the prior written consent

of the disclosing party, except to the extent required by law, regulation or court order (and in such case, only upon prior written notice to the disclosing party).

9.3 ***Submission to Jurisdiction for Limited Purpose.*** CFC submits to the jurisdiction of the court in the Commonwealth of Massachusetts for the limited purpose of entering into and enforcing this Final Judgment by Consent only. Any acts, conduct or appearance by CFC does not constitute and shall not be construed as a submission to the general jurisdiction of any court in the Commonwealth of Massachusetts for any purpose whatsoever.

9.4 ***Enforcement.*** Suffolk Superior Court shall retain jurisdiction over this matter for the purposes of (a) enabling the AGO to apply, at any time, for enforcement of any provision of this Final Judgment by Consent and for sanctions or other remedies for any violation of this Final Judgment by Consent; (b) enabling any party to this Final Judgment by Consent to apply, upon giving 45 days written notice to all other parties, for such further orders and directions as might be necessary or appropriate either for the construction or enforcement of this Final Judgment by Consent or for the modification or termination of one or more injunctive provisions of this Final Judgment by Consent; and (c) enabling any party to this Final Judgment by Consent to request information from a party or third party in accordance with Mass. R. Civ. P. 45, with notice to counsel for the parties and subject to the parties' and any third parties' right to object and to move to quash. The parties further agree with respect to the foregoing Section 9.4(c) that (i) any such Rule 45 process shall provide at least 30 days for compliance therewith, and (ii) in response to any objection or motion to quash, the requesting party shall be required to show that there is good reason to believe that CFC has in any material respect failed to comply with this Final Judgment by Consent and that the information sought in the request is in accordance with Mass. R. Civ. P. 45. Subject to applicable law, nothing in this paragraph affects the AGO's authority to seek information from a party or third party pursuant to G.L. c. 93A § 6.

9.5 ***Conflict with Subsequent Law.*** In the event that any applicable law conflicts with any provision hereof, making it impossible for CFC to comply both with the law and with the provisions of this Final Judgment by Consent, the provisions of the law shall govern.

9.6 ***No Third Party Beneficiaries Intended.*** This Final Judgment by Consent is not intended to confer upon any person any rights or remedies, including rights as a third party beneficiary. This Final Judgment by Consent is not intended to create a private right of action on the part of any person or entity other than the parties hereto.

9.7 ***Payment.*** Within 10 days of entry of this Final Judgment by Consent, CFC will pay \$1,700,000 to the AGO pursuant to G.L. c. 12, sec. 4A, relating to the costs of the investigation of the residential mortgage origination and servicing activities of CFC and its subsidiaries for the claims released in Section 8.2. The Attorney General, in her sole discretion, may direct this amount to cover the costs of implementing and monitoring implementation of this Final Judgment by Consent and assisting the AGO in the discharge of its duties.

9.8 ***Service of Notices and Process.*** Service of notices and process required or permitted by this Final Judgment by Consent or its enforcement shall be in writing and delivered or served (as appropriate) on the following persons, or any person subsequently designated by the parties:

For BAC and CFC:

Brian Boyle
Bill Satchell
O'MELVENY & MYERS LLP
1625 Eye Street, N.W.
Washington, D.C. 20006

For the AGO:

Scott Schafer
Chief, Consumer Protection Division
Office of the Attorney General Martha Coakley
One Ashburton Place
Boston, Massachusetts 02108

Any party may change the designated persons and address for delivery with respect to itself by giving notice to the other parties as specified herein.

9.9 **Waiver.** The failure of any party to exercise any rights under this Final Judgment by Consent shall not be deemed a waiver of any right or any future rights.

9.10 **Severability.** If any part hereof shall for any reason be found or held invalid or unenforceable by any court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder hereof, which shall survive and be construed as if such invalid or unenforceable part had not been contained herein.

9.11 **Counterparts.** This Final Judgment by Consent may be signed in one or more counterparts, each of which shall be deemed an original. Facsimile copies of this Final Judgment by Consent and the signatures hereto may be used with the same force and effect as an original.

9.12 **Inurement.** This Final Judgment by Consent is binding and inures to the benefit of the parties hereto and their respective successors and assigns.

9.13 **Integration.** This Final Judgment by Consent constitutes the entire Agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings relating to the subject matter hereof.

9.14 **Amendment.** This Final Judgment by Consent may be amended solely by written agreement signed by the AGO and CFC.

9.15 **Termination.** Except to the extent an early date is specified or the provisions of this Final Judgment by Consent are earlier terminated according to the terms hereof, the obligations of CFC under this Final Judgment by Consent shall terminate on the Termination Date. Provided, however, that no termination of the obligations under this Final Judgment by Consent shall change or terminate the terms of any loan modification entered into pursuant to Section 4 of this Final Judgment by Consent.

IT IS ORDERED AND ENTERED AS THE FINAL JUDGMENT OF THE COURT:

Hon: _____



Justice of the Superior Court

Dated: March 24, 2010

NOTICE

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COMMONWEALTH OF MASSACHUSETTS

SUFFOLK, ss.

SUPERIOR COURT
CIVIL ACTION NO.

10-1169 (

COMMONWEALTH OF MASSACHUSETTS,

Plaintiff,

v.

COUNTRYWIDE FINANCIAL CORPORATION,
COUNTRYWIDE HOME LOANS, INC., COUNTRYWIDE
MORTGAGE VENTURES LLC AND
FULL SPECTRUM LENDING, INC.

Defendants.

3/24/10
Allowed.
Settle Final
Judgment by
Consent
signed
to day.

JOINT MOTION FOR ENTRY OF FINAL JUDGMENT BY CONSENT

The Plaintiff Commonwealth of Massachusetts and Defendants Countrywide Financial Corporation, Countrywide Home Loans, Inc., Countrywide Mortgage Ventures LLC, and Full Spectrum Lending, Inc. jointly move, pursuant to Mass. R. Civ. P. 54, for entry of the Final Judgment by Consent, filed herewith, as the final judgment in this action.

As grounds therefor, the parties state that they have reached an agreement to resolve both the above-captioned litigation and to incorporate into the terms of the Final Judgment by Consent a settlement of matters within the scope of the release set forth therein. Except as provided in the Final Judgment by Consent, the judgment is without costs or attorneys' fees to either party, and with each party waiving all rights to appeal from the entry of the Final Judgment by Consent.

Justice