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SUPERIOR COURT OF NEW JERSEY
CHANCERY DIVISION, MERCER COUNTY
DOCKET NO.: MER-C- C-33-09

ANNE MILGRAM, Attorney General of
the State of New Jersey, and DAVID
SZUCHMAN, Director of the New Jersey
Division of Consumer Affairs,

Plaintiffs,

v.

COUNTRYWIDE FINANCIAL
CORPORATION, COUNTRYWIDE
HOME LOANS, INC., and FULL
SPECTRUM LENDING, INC.,

Defendants

FINAL CONSENT JUDGMENT

WHEREAS the parties to this Action are Plaintiffs Anne Milgram, Attorney General of the State of New Jersey ("Attorney General") and David Szuchman, Director of the New Jersey Division of Consumer Affairs, ("Division") (collectively, "Plaintiffs"), and Countrywide Financial Corporation, Countrywide Home Loans, Inc., and Full Spectrum Lending, Inc. (collectively "Countrywide" or "Defendants"). (Plaintiffs and Defendants shall be referred to collectively as the, "Parties"). As evidenced by their signatures below, the Parties consent to the entry of this Final Consent Judgment ("Consent Judgment") and its provisions without trial or adjudication of any issue of fact or law, and without an admission

of any liability or wrongdoing of any kind.

WHEREFORE, IT IS ON THIS 31st DAY OF MARCH, 2009 (the "Effective Date") HEREBY ORDERED, ADJUDGED AND AGREED AS FOLLOWS:

RECITALS

1. Countrywide Financial Corporation, a Delaware corporation ("*CFC*") is a thrift holding company.
2. Countrywide Home Loans, Inc., a New York corporation and wholly-owned subsidiary of CFC, is or was a licensed mortgage banking organization.
3. Full Spectrum Lending, Inc., a California corporation and wholly-owned subsidiary of CFC, is or was a licensed mortgage banking organization.
4. Countrywide Home Loans Servicing, L.P., is a Texas limited partnership engaged in servicing loans, and as of the Consent Judgment Date is a wholly-owned subsidiary of Bank of America, National Association.
5. 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., Full Spectrum Lending, and Countrywide Home Loans Servicing, LP. 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.

1. DEFINITIONS

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

- 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 Consent Judgment, and shall not affect the meaning, construction or effect of the applicable provisions of this Consent Judgment;
- d a reference in this Consent Judgment or any Schedule to an Section, Exhibit, or Schedule without further reference is a reference to the relevant Section, Exhibit, or Schedule to this Consent Judgment; 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 Consent Judgment 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 Consent Judgment unless otherwise required by the context or defined:

- a “Affiliate” means, with respect to any company, any company that controls, is under common control with, or is controlled by such company.
- b “Affordability Equation” has the meaning given to such term in Section 4.4.
- c “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.

d “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.

e “ARMs” means adjustable rate first-lien residential mortgage loans.

f “BAC” means Bank of America Corporation

g “Borrower” means, with respect to any owner-occupied CFC Residential Mortgage Loan, the obligors(s) on such loan. No covenants 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.

h “CFC” means Countrywide Financial Corporation.

i “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.

j “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.

k “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.

l “CFC Servicer” means CFC or any Affiliate of CFC that services CFC Residential Mortgage Loans.

m “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.

n “Commencement Date” means October 6, 2008.

o “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.

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

q “Fannie Mae” means Federal National Mortgage Association.

r “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.

s “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.

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

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

v “Foundation” has the meaning given to such term in Section 7.

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

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

y “Interest Rate Floor” means, with respect to modification of a Qualifying Mortgage hereunder, (a) a rate of 3.5% per annum if the modification results in an interest-only payment; or (b) a rate of 2.5% per annum if the modification results in a fully amortizing payment.

z “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.

aa “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).

bb “Office of the Attorney General” means the Department of Law and Public Safety of the State of New Jersey.

- cc “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.
- dd “Qualifying Mortgage” has the meaning given to such term in Section 4.2.
- ee “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.
- ff “Relocation Assistance payment” has the meaning given to such term in Section 5.1.
- gg “Seriously Delinquent” means, with respect to any residential mortgage loan, that payments of interest or principal are 60 or more days delinquent.
- hh “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.
- ii “Subprime 2, 3, 5, 7 and 10 Hybrid ARMs” means Subprime Mortgage Loans that are 2, 3, 5, 7 and 10 Hybrid ARMs.
- jj “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.

kk “Termination Date” means June 30, 2012.

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

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 Consent Judgment, 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 8.

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 Relocation Assistance payments described in Section 5, the Foreclosure Relief Program described in Section 6 or the reporting obligations described in Section 8 and such failure is not promptly cured after notice by the Office of the Attorney General, then the Office of the Attorney General may seek enforcement of this Consent Judgment under Section 10.4, or, in the alternative, terminate this Consent Judgment. If the Office of the Attorney General elects to terminate this Consent Judgment, it shall no longer be bound by the release set forth in Section 9.2.

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 State of New Jersey:

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 Office of the Attorney General under this Consent Judgment will include information on the numbers and types of workouts concluded on loans secured by Borrower-occupied properties in the State of New Jersey.
- 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 Office of the Attorney General on the delinquency characteristics of such loans, as provided herein.
- e With respect to Alt-A Residential Mortgage Loans, CFC acknowledges that the Office of

the Attorney General has expressed concerns about future delinquencies, and agrees to provide the Office of the Attorney General 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 Office of the Attorney General 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 Through July 1, 2009, a minimum of 3900 personnel shall be employed to assist Borrowers with loan modifications and other foreclosure avoidance measures.

g 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).

h Although the scope of the loan modification program in this Consent Judgment is limited to certain first lien Qualifying 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

