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ORIGINAL FILED
Los Angeles Superior Court

Oct 14 2008
John A. Clarke, Clerk
By Sahak Guladzhyan, Deputy

**SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF LOS ANGELES
NORTHWEST DISTRICT**

THE PEOPLE OF THE STATE OF CALIFORNIA,

Plaintiff,

v.

COUNTRYWIDE FINANCIAL CORPORATION, a Delaware corporation;
COUNTRYWIDE HOME LOANS, INC., a New York corporation; and FULL SPECTRUM LENDING, INC., a California corporation,

Defendants.

LC083076
Case No.

STIPULATED JUDGMENT AND INJUNCTION

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It appearing to this Court that Plaintiff, the People of the State of California, by and through Edmund G. Brown Jr., Attorney General, and Defendants Countrywide Financial Corporation, Countrywide Home Loans, Inc., and Full Spectrum Lending, Inc. have resolved the matters in controversy between them and have consented to the terms of this judgment without the taking of evidence, and good cause having been shown, the Court hereby enters this

1 Stipulated Judgment and Injunction.

2 IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

3 1. This Court has jurisdiction of the subject matter hereof and the parties hereto.

4 2. Venue is proper in this Court.

5 3. For purposes of this Stipulated Judgment and Injunction:

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

8 B. "*Affordability Equation*" has the meaning given to such term in Section
9 6.3.4.

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

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

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

20 F. "*BAC*" means Bank of America Corporation.

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

25 H. "*CFC*" means Countrywide Financial Corporation.

26 I. "*CFC-Originated*" means, with respect to any residential mortgage loan,
27 that such residential mortgage loan is a first-lien residential mortgage that was originated
28 on a retail basis directly or indirectly by CFC or its subsidiaries or through brokers in their

1 wholesale lending channels. "CFC-Originated" residential mortgage loans do not
2 include CFC Purchased Loans.

3 J. "CFC Purchased Loans" means any first-lien residential mortgage loan
4 originated by unaffiliated third parties and directly or indirectly purchased by CFC or its
5 subsidiaries through their correspondent lending channels or otherwise, *provided* that such
6 loan is serviced by a CFC Servicer. "CFC Purchased Loans" do not include CFC-
7 Originated residential mortgage loans.

8 K. "CFC Residential Mortgage Loans" means any (a) CFC-Originated first-
9 lien residential mortgage loans, or (b) CFC Purchased Loans, so long as, in each case,
10 such loans are serviced by a CFC Servicer.

11 L. "CFC Servicer" means CFC or any Affiliate of CFC that services CFC
12 Residential Mortgage Loans.

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

17 N. "Commencement Date" means October 6, 2008.

18 O. "Countrywide Defendants" means Countrywide Financial Corporation,
19 Countrywide Home Loans, Inc., and Full Spectrum Lending, Inc.

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

25 Q. "Eligible Borrower" has the meaning given to such term in Section 6.3.1.

26 R. "Fannie Mae" means Federal National Mortgage Association.
27
28

1 S. "*Fannie Rate*" means, as of any date, the Fannie Mae 30-year fixed rate
2 60-day delivery required net yield as of such date or if such rate is for any reason not
3 available, a comparable rate published by another nationally recognized source.

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

10 U. "*Foreclosure Avoidance Budget*" has the meaning given to such term in
11 Section 6.3.4(a).

12 V. "*Foreclosure Relief Program*" means the program under which certain
13 Borrowers will be offered payments, as set forth in Section 6.5.

14 W. "*Freddie Mac*" means Federal Home Loan Mortgage Corporation.

15 X. "*GSE*" means a government-sponsored enterprise such as Fannie Mae or
16 Freddie Mac.

17 Y. "*Interest Rate Floor*" means, with respect to modification of a Qualifying
18 Mortgage hereunder, (a) a rate of 3.5% per annum if the modification results in an
19 interest-only payment; or (b) a rate of 2.5% per annum if the modification results in a fully
20 amortizing payment.

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

25 AA. "*Market Value*" means, with respect to any residential mortgage loan, the
26 value of the residential property that secures such mortgage loan as determined by a
27 lender or servicer in reliance on an appraisal (whether based on a appraisal report prepared
28 not more than 180 days before the date of determination, broker price opinion prepared

1 not more than 120 days before the date of determination or automated valuation model
2 prepared not more than 90 days before the date of determination).

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

6 CC. "*Qualifying Mortgage*" has the meaning given to such term in Section
7 6.3.2.

8 DD. "*Recast*" means, in the case of a Pay Option ARM, a contractual payment
9 recast based on a negative amortization trigger.

10 EE. "*Relocation Assistance payment*" has the meaning given to such term in
11 Section 6.4.1.

12 FF. "*Seriously Delinquent*" means, with respect to any residential mortgage
13 loan, that payments of interest or principal are 60 or more days delinquent.

14 GG. "*Seriously Delinquent Borrower*" means, with respect to any Borrower
15 that, on or before the Termination Date, the related CFC Residential Mortgage Loan is
16 Seriously Delinquent.

17 HH. "*Subprime 2, 3, 5, 7 and 10 Hybrid ARMs*" means Subprime Mortgage
18 Loans that are 2, 3, 5, 7 and 10 Hybrid ARMs.

19 II. "*Subprime Mortgage Loans*" means first-lien residential mortgage loans
20 that (a) combine higher risk features (such as low or no documentation, low equity,
21 adjustable interest rates, prepayment penalties, cash-out financing) with higher risk
22 borrower profiles (lower FICO scores, recent bankruptcies/foreclosures, major derogatory
23 credit), resulting in a loan that could not reasonably be underwritten and approved as a
24 "prime" loan. An existing CFC Residential Mortgage Loan would be a "*Subprime*
25 *Mortgage Loan*" if it is identified as such in connection with a securitization in which it is
26 part of the pool of securitized assets or, in the case of a CFC Residential Mortgage Loan
27 that is not included in a securitization, was classified as being "subprime" on the systems
28

1 of CFC and its subsidiaries on June 30, 2008. "*Subprime Mortgage Loans*" do not
2 include first-lien residential mortgage loans that are Federal Eligible.

3 JJ. "*Termination Date*" means June 30, 2012.

4 4. On July 1, 2008, Bank of America Corporation announced that it had completed its
5 purchase of Countrywide Financial Corporation, including Countrywide Home Loans. In
6 connection with the acquisition, Bank of America announced that the Countrywide Defendants
7 would suspend offering Subprime, higher-cost or nontraditional mortgages that may result in
8 negative amortization, including Pay Option ARMs. In addition, Bank of America also stated
9 that it would place restrictions on offering "low documentation" and "no documentation"
10 mortgage loans and set limits on mortgage broker compensation.

11 5. All relief under Paragraphs 6 through 12 of this Judgment is ordered pursuant to
12 the Court's powers, including the Court's powers under sections 17203 and 17535 of the
13 California Business and Professions Code.

14 6. *Agreements of the Parties.*

15 6.1 ***CFC SOLE OBLIGOR ON ALL OBLIGATIONS IN THIS SECTION 6 OF***
16 ***THIS STIPULATED JUDGMENT AND INJUNCTION.***

17 6.1.1 *Responsibility of CFC.* Until the Termination Date (or such earlier date as
18 is specified herein), CFC is responsible to the other parties hereto for performance of all
19 of the undertakings in Section 6 of this Stipulated Judgment and Injunction, including the
20 changes to the residential mortgage lending practices described in Section 6.2, the loan
21 modification programs described in Section 6.3, the Relocation Assistance payments
22 described in Section 6.4, the Foreclosure Relief Program described in Section 6.5 and the
23 reporting obligations described in Section 6.6.

24 6.1.2 *Absence of Defenses.* It is not a condition to the performance of the
25 obligations of CFC hereunder that it does not directly or indirectly engage in the business
26 of originating residential mortgage loans or in the business of servicing residential
27 mortgage loans. CFC is responsible for the conduct of CFC Affiliates and CFC Servicers
28 as specified hereunder whether or not it controls such CFC Affiliates or CFC Servicers

1 and the absence of such control shall not be a defense to or otherwise excuse CFC's
2 failure to perform hereunder.

3 6.1.3 *Remedies for Failure of CFC to Cause Performance.* If there is a
4 material failure to perform the obligations under the loan modification programs described
5 in Section 6.3, the Relocation Assistance payments described in Section 6.4, the
6 Foreclosure Relief Program described in Section 6.5 or the reporting obligations described
7 in Section 6.6 and such failure is not promptly cured after notice by the Office of the
8 Attorney General of the State of California, then the Office of the Attorney General may
9 terminate Section 6 of this Stipulated Judgment and Injunction and is no longer bound by
10 the release set forth in Section 10 of this Stipulated Judgment and Injunction.

11 **6.2 *SERVICER PRACTICES.***

12 Until the Termination Date, CFC shall be responsible for the implementation of the
13 following by CFC Affiliates with respect to CFC Residential Mortgage Loans with respect to
14 Borrowers in the State of California:

15 **6.2.1 *Enhanced Home Retention Practices.***

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

23 (b) ~~CFC Servicers will maintain the current practice of offering~~
24 Delinquent Borrowers who desire to remain in their homes and who can afford to
25 make reasonable mortgage payments loan modifications or other workout
26 solutions, subject to applicable investor guidance and approvals.

1 (c) CFC's reports to the State under this agreement will include
2 information on the numbers and types of workouts concluded on loans secured by
3 owner-occupied properties in the State of California.

4 (d) CFC Servicers will continue the current practice of regularly
5 monitoring the delinquency characteristics of the entire portfolio of CFC
6 Residential Mortgage Loans, including Alt-A Residential Mortgage Loans, loans
7 with interest-only features, and other loans to prime borrowers, to identify high-
8 delinquency segments that may be appropriate for loan modification campaigns.
9 CFC shall be responsible for providing reports to the Office of the Attorney
10 General of the State of California on the delinquency characteristics of such loans,
11 as provided herein.

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

25 (f) Through July 1, 2009, a minimum of 3900 personnel shall be
26 employed to assist Borrowers with loan modifications and other foreclosure
27 avoidance measures.
28

1 6.2.2 *Compliance.* Understanding the circumstances and behaviors of lenders
2 and brokers that may have contributed, in part, to the current mortgage crises, CFC
3 recognizes its responsibility to ensure the very highest degree of ethical conduct on the
4 part of CFC's agents and employees. CFC shall ensure that (a) to the extent it resumes
5 subprime lending, it will design and implement an effective compliance management
6 program to provide reasonable assurance as to the identification and control of consumer
7 protection hazards associated with such subprime lending activities, and (b) to the extent
8 of its own lending activities (if any), it will create appropriate consumer safeguards to
9 avoid unfair or deceptive activities or practices arising in connection with its interaction
10 with brokers and other third parties.

11 6.3 ***LOAN MODIFICATIONS FOR SERIOUSLY DELINQUENT BORROWERS***
12 ***IN CERTAIN MORTGAGE PRODUCTS.***

13 Until the Termination Date, CFC shall be responsible for ensuring that CFC Servicers do
14 the following:

15 6.3.1 *Eligible Borrowers.* An "*Eligible Borrower*" is a Borrower who has a
16 Qualifying Mortgage with a first payment date on or before December 31, 2007, that (a) is
17 secured by an owner-occupied 1-4 unit residential property, (b) is serviced by a CFC
18 Servicer, and (c) in the event that it is determined that a condition described in Section
19 6.3.10 has occurred, the applicable CFC Servicer has determined that such Borrower is in
20 financial distress. Eligible Borrowers are potentially eligible for loan modification relief
21 under this Section 6.3. A Borrower who does not occupy the 1-4 unit residential property
22 that secures the Qualifying Mortgage is not an "*Eligible Borrower*."

23 6.3.2 *Qualifying Mortgages.* The following CFC Residential Mortgage Loans
24 are "*Qualifying Mortgages*" if the Borrower is an Eligible Borrower and the Borrower
25 meets one of the specified delinquency profiles:

26 (a) ***Subprime 2, 3, 5, 7 and 10 Hybrid ARMs.*** A Subprime 2, 3, 5, 7
27 and 10 Hybrid ARM shall be a Qualifying Mortgage if the Eligible Borrower
28

1 meets any one of the following delinquency profiles at the time considered for loan
2 modification:

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

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

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

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

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

14 (c) *Subprime First Mortgage Loans (Other than Hybrid 2, 3, 5, 7 and*
15 *10 ARMs).* A Subprime CFC Residential Mortgage Loan shall be a Qualifying
16 Mortgage if the Eligible Borrower is a Seriously Delinquent Borrower and the
17 LTV is 75% or more.

18 6.3.3 *Loan Modifications to Be Considered.* Each Eligible Borrower shall be
19 considered for a range of affordable loan modification options with respect to his or her
20 Qualifying Mortgage. The loan modification options will include those described below
21 and existing modification options currently undertaken by CFC, and are subject, as
22 applicable, to approval of the investor who owns the Qualifying Mortgage consistent with
23 the Affordability Equation, as set forth in Section 6.3.4. ~~Loan modification options for~~
24 each category of Qualifying Mortgages are as follows:

25 (a) *Subprime Hybrid 2, 3, 5, 7 and 10 ARMs.* Qualifying Mortgages
26 that are Subprime Hybrid 2, 3, 5, 7 and 10 ARMs will be eligible for loan
27 modifications as follows:
28

1 (1) To the extent the HOPE for Homeowners Program is
2 available, an FHA refinancing under the HOPE for Homeowners Program
3 under the underwriting criteria applicable to that program.

4 (2) For Eligible Borrowers who are Delinquent Borrowers, an
5 unsolicited (subject to Section 6.3.10) restoration of the introductory rate
6 for five years, without new loan documentation or an evaluation of the
7 Eligible Borrower's current income. Communications to Eligible
8 Borrowers informing them of this modification will invite Eligible
9 Borrowers to contact the applicable CFC Servicer if they do not believe
10 they will be able to afford the introductory rate in order to be considered
11 for more extensive relief under Section 6.3.3(a)(3).

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

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

17 (b) on the fifth anniversary of the loan modification, an
18 automatic conversion to a fixed rate mortgage for the remainder of
19 the loan term at the higher of (1) the Fannie Rate and (2) the
20 introductory rate. If the Fannie Rate option applies and would not
21 be affordable to the Eligible Borrower based on his or her income at
22 the time of conversion, the Eligible Borrower will be considered for
23 a single two year period of reduced-rate financing (in which case
24 the conversion to a fixed rate mortgage will occur at the end of the
25 seventh year).

26 (4) A streamlined loan modification subject to the Affordability
27 Equation consisting of:
28

1 (a) modification of the Qualifying Mortgage to include a
2 ten-year interest-only period;

3 (b) reduction of the interest rate to a rate no lower than
4 the Interest Rate Floor, with an Annual Increase subject to an
5 interest-rate cap as provided below in Section 6.3.3(a)(4)(c); and

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

9 (b) *Pay Option ARMs*. Qualifying Mortgages that are Pay Option
10 ARMs are eligible for the following loan modifications:

11 (1) To the extent the HOPE for Homeowners Program is
12 available, an FHA refinancing under the HOPE for Homeowners Program
13 under the underwriting criteria applicable to that program; or

14 (2) A streamlined loan modification subject to the Affordability
15 Equation consisting of:

16 (a) elimination of the negative amortization feature;

17 (b) optional introduction of a ten-year interest-only
18 period on the loan;

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

22 (d) if the Eligible Borrower owns only one residential
23 property and the LTV is 95% or higher, a write down of the
24 principal balance of the Qualifying Mortgage (but any write down
25 of principal would not be in an amount greater than necessary to
26 achieve an LTV of 95%).
27
28

1 (c) *Subprime Loans (Other than Hybrid 2, 3, 5, 7 and 10 ARMs).*

2 Qualifying Mortgages that are Subprime Loans (Other than Hybrid 2, 3, 5, 7 and
3 10 ARMs) are eligible for the following loan modifications:

4 (1) To the extent the HOPE for Homeowners Program is
5 available, an FHA refinancing under the HOPE for Homeowners Program
6 under the underwriting criteria applicable to that program; or

7 (2) A streamlined loan modification within the limits of the
8 Affordability Equation consisting of:

9 (a) optional introduction of a ten-year interest-only
10 period on the loan;

11 (b) reduction of the interest rate on the mortgage to a
12 rate no lower than the Interest Rate Floor, with an Annual Increase
13 subject to an interest rate cap as provided below in Section
14 6.3.3(c)(2)(c); and

15 (c) an interest-rate cap for the remaining term of the
16 Qualifying Mortgage at an annual interest rate equal to (i) the fixed
17 interest rate *less* 200 basis points, in the case of fixed-rate loans,
18 and (ii) the remainder of the sum of the contractual index amount
19 *plus* spread immediately before the first loan modification, *minus*
20 200 basis points, in the case of an ARM.

21 6.3.4 *Affordability Equation.* Qualifying Mortgages will be considered for loan
22 modifications in accordance with the following Affordability Equation, which establishes
23 a Foreclosure Avoidance Budget that is a cap on the cost of the loan modification.

24 (a) *Foreclosure Avoidance Budget.* Except for Eligible Borrowers
25 who receive a streamlined reduction of their interest rates pursuant to Section
26 6.3.3(a)(2), a Foreclosure Avoidance Budget will be prepared with respect to the
27 Eligible Borrower and the Qualifying Mortgage. The "*Foreclosure Avoidance*
28 *Budget*" at any time is the difference between (i) the likelihood and severity of the

1 projected loss in a foreclosure sale and (ii) the likelihood and severity of the
2 projected loss in the event that there was a loan modification with respect to the
3 Qualifying Mortgage and a later foreclosure sale. For purposes of determining the
4 Foreclosure Avoidance Budget for a Qualifying Mortgage, the LTV will be based
5 on the Market Value.

6 (b) *Affordability Criteria.*

7 (1) Subject to the Foreclosure Avoidance Budget, if tax and
8 insurance escrows are maintained with respect to the Qualifying Mortgage,
9 the Eligible Borrower will be offered a loan modification that produces a
10 first-year payment of principal (if applicable), interest, taxes and insurance
11 equating to 34% of the Eligible Borrower's income, or as close to 34% of
12 the Eligible Borrower's income as the Foreclosure Avoidance Budget
13 permits without exceeding 42% of the Eligible Borrower's income.

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

21 (c) *Borrowers Who Cannot Afford a Loan Modification.* There is no
22 obligation to offer loan modifications with respect to Qualifying Mortgages if the
23 Eligible Borrower cannot be qualified under the Affordability Equation. Such
24 Eligible Borrowers may be eligible for a Relocation Assistance payment or a
25 payment under the Foreclosure Relief Program, all as provided in Sections 6.4 and
26 6.5.

6.3.5 *Outreach to Borrowers at Risk of Delinquency.* Borrowers under
Subprime Mortgage Loans or Pay Option ARMs with first-payment due dates between

1 January 1, 2004 and December 31, 2007, whose payments are scheduled to change as a
2 result of an interest-rate reset; Recast, or expiration of an interest-only term, will be sent a
3 communication approximately ninety (90) days before the payment change inviting them
4 to contact their CFC Servicer if they believe they will not be able to afford their new
5 payments. In the event that a borrower responds to this communication, the borrower will
6 be considered for loan modifications under the eligibility criteria in Section 6 of this
7 Stipulated Judgment and Injunction.

8 **6.3.6 Restrictions on Initiation or Advancement of Foreclosure Process for**
9 **Eligible Borrowers.**

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

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

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

20 (2) it is or has been determined that the Borrower cannot be
21 qualified for, or has refused, a loan modification under Section 6 of this
22 Stipulated Judgment and Injunction within the limits of the Affordability
23 Equation, as applicable; or

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

1 6.3.7 *Miscellaneous Provisions Related to Loan Modification Program.*

2 (a) *Commitment to Waive Late/Delinquency Fees.* Any
3 late/delinquency fees associated with overdue loan payments remaining unpaid as
4 of the date immediately before modification of the Qualifying Mortgage under
5 Section 6 of this Stipulated Judgment and Injunction will be waived.

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

10 (c) *Prepayment Penalty Waivers.* Prepayment penalties will be
11 waived in connection with any payoff or refinancing (even if refinanced by a
12 person not Affiliated with CFC) of a Qualifying Mortgage that is a Subprime
13 Mortgage Loan or Pay Option ARM that (i) had a first payment due date between
14 January 1, 2004 and December 31, 2007, (ii) was directly or indirectly held by
15 CFC on June 30, 2008, and (iii) which at the time of the payoff or refinancing is
16 held by CFC or any Affiliate. Investor owners or their representatives of
17 Qualifying Mortgages that are Subprime Mortgage Loans or Pay Option ARMs
18 serviced by a CFC Servicer will be encouraged to waive prepayment penalties in
19 such circumstances.

20 (d) *Commitment to Consider Additional Relief for Borrowers*
21 *Receiving Modifications and Later Becoming Delinquent.* Eligible Borrowers
22 with respect to Qualifying Mortgages who have earlier received loan modifications
23 or other workouts, whether or not pursuant to Section 6 of this Stipulated
24 Judgment and Injunction, will be eligible to be considered for new loan
25 modification offers under Section 6 of this Stipulated Judgment and Injunction if
26 they otherwise satisfy the eligibility criteria.

27 (e) *Representation Concerning Investor Delegation and Approval.*
28 CFC represents that CFC Servicers currently have, or reasonably expect to obtain,

1 discretion to pursue the foreclosure avoidance measures outlined in Section 6 of
2 this Stipulated Judgment and Injunction for a substantial majority of Qualifying
3 Mortgages. If CFC Servicers do not have discretion to pursue these foreclosure
4 avoidance measures, best efforts will be used to obtain appropriate investor
5 authorization.

6 **6.3.8 *Commitment to Implement Relief Measures Authorized by Federal***
7 ***Government.***

8 (a) ***Government Acquisition of Qualifying Mortgages.*** To the extent
9 the federal government acquires any Qualifying Mortgages and, as the owner of
10 these mortgages, authorizes loan modifications that offer borrower benefits greater
11 than those associated with the modifications outlined in Section 6 of this
12 Stipulated Judgment and Injunction, relief measures will be pursued in modifying
13 such Qualifying Mortgages to the full extent of such authorization.

14 (b) ***Government-Issued Guidelines Relating to Loan Modifications.***
15 To the extent any federal agency, in connection with its intervention in the
16 secondary mortgage market or otherwise having jurisdiction, issues guidelines
17 relating to modifications of delinquent mortgages, Section 6 of this Stipulated
18 Judgment and Injunction will be implemented in a manner that, to the maximum
19 extent feasible, produces modifications consistent with such guidelines.

20 **6.3.9 *Timeframe for Loan Modification Process.*** The loan modification
21 process will be managed to ensure that offers of loan modifications under Section 6 of this
22 Stipulated Judgment and Injunction (other than unsolicited interest rate reductions) are
23 made to Eligible Borrowers, on average, no more than 60 days after such Eligible
24 Borrowers make contact with the applicable CFC Servicer and provide any required
25 information concerning a possible modification.

26 **6.3.10 *Response to Intentional Nonperformance by Borrowers.*** If CFC detects
27 material levels of intentional nonperformance by Eligible Borrowers that appears to be
28 attributable to the introduction of the loan modification program, it reserves the right to

1 require objective prequalification of Eligible Borrowers for loan modifications under the
2 program by obtaining verification of all sources of income and the application of funds,
3 and to take other reasonable steps. Such prequalification could result in the elimination of
4 unsolicited interest rate reductions, inhibit streamlined solutions and could otherwise
5 significantly slow implementation of the loan modification program.

6 6.3.11 *No Releases with Respect to Loan Modifications.* There will be no
7 requirement that Eligible Borrowers release claims against CFC or any CFC Affiliate in
8 connection with loan modifications offered under Section 6 of this Stipulated Judgment
9 and Injunction.

10 6.3.12 *Number of Loan Modification Offers before March 31, 2009.* On or
11 before March 31, 2009, loan modifications will be offered by CFC Servicers in
12 accordance with Section 6 of this Stipulated Judgment and Injunction to not fewer than
13 50,000 Seriously Delinquent Borrowers on a nationwide basis. The Office of the Attorney
14 General of the State of California may terminate Section 6 of this Stipulated Judgment and
15 Injunction and no longer be bound by the release set forth in Section 10 of this Stipulated
16 Judgment and Injunction if there is a material failure to satisfy this commitment. If the
17 Office of the Attorney General terminates Section 6, any portion of the Foreclosure Relief
18 Program allocation that has not been paid to Eligible Borrowers as provided in Section
19 6.5.2 of this Stipulated Judgment and Injunction will revert to CFC.

20 6.3.13 *Second or Junior Liens.* Loan modifications contemplated in Section 6 of
21 this Stipulated Judgment and Injunction shall be made without consideration of second or
22 junior liens on mortgaged properties. CFC does not expect that the presence of second or
23 junior liens will impede Eligible Borrowers from receiving a loan modification offer
24 under Section 6 of this Stipulated Judgment and Injunction.

25 **6.4 RELOCATION ASSISTANCE PROGRAM.**

26 Through the Termination Date, payments will be provided to borrowers who are unable to
27 retain their homes in accordance with this Section 6.4.

1 6.4.1 *Eligibility.* Borrowers under CFC Residential Mortgage Loans that were
2 serviced by a CFC Servicer on June 30, 2008 (whether or not they are Qualifying
3 Mortgages), are currently serviced by a CFC Servicer and are subject to a foreclosure sale
4 date on or before the Termination Date, will be offered an agreement under which they
5 can receive a cash payment to assist with the Borrower's transition to a new place of
6 residence ("*Relocation Assistance payment*") in exchange for voluntarily and
7 appropriately surrendering the residence that secures the mortgage loan at the time of the
8 foreclosure sale. Borrowers who are eligible for, or receive, payments under the
9 Foreclosure Relief Program may also receive a Relocation Assistance payment.

10 6.4.2 *Amount.* The amount of Relocation Assistance payments offered to any
11 Borrower will be in the discretion of CFC or its delegee according to its or their
12 assessment of the individual circumstances of the Borrower (e.g., number of dependents
13 or amount of moving expenses).

14 6.4.3 *Timing of Payments.* Relocation Assistance payments shall be made to a
15 Borrower no later than fourteen days following the Borrower's voluntary and appropriate
16 surrender of the residence that secures the mortgage loan.

17 6.4.4 *Payment Projection.* CFC projects that, from October 1, 2008, through
18 December 31, 2010, Relocation Assistance payments will be made to 35,000 borrowers on
19 a nationwide basis in a total amount of more than \$70,000,000.

20 **6.5 FORECLOSURE RELIEF PROGRAM.**

21 Payments shall be made available to borrowers who experienced a foreclosure sale, or
22 who were 120 days or more delinquent in making mortgage payments soon after their loans were
23 originated, in accordance with this Section 6.5.

24 6.5.1 *Payment.* California is allocated \$27,950,101.

25 6.5.2 *Individual Allocation.* A Borrower will be eligible for payments under the
26 Foreclosure Relief Program if the Borrower:

27 (a) Has a CFC-Originated Residential Mortgage Loan secured by
28 owner-occupied property;

1 (b) The first payment on the CFC-Originated Residential Mortgage
2 Loan was due between January 1, 2004 and December 31, 2007;

3 (c) Six or fewer payments were made on the CFC-Originated
4 Residential Mortgage Loan; and

5 (d) The CFC-Originated Residential Mortgage Loan was foreclosed or
6 is 120 days or more delinquent as of the Commencement Date.

7 6.5.3 *Expansion of the Foreclosure Relief Program.* The Office of the
8 Attorney General of the State of California may expand the Foreclosure Relief Program to
9 cover additional Borrowers or limit the Foreclosure Relief Program to restrict the
10 participation of Borrowers (provided that at least those borrowers who made three or
11 fewer payments over the life of the CFC-Originated Residential Mortgage Loan are
12 covered).

13 6.5.4 *Communications.* CFC and the Office of the Attorney General of the State
14 of California shall consult as to the form of any communication sent to Borrowers who are
15 to receive Foreclosure Relief Program payments.

16 6.5.5 *Unallocated Funds.* Funds allocated to Borrowers in the State of
17 California who choose not to participate in the Foreclosure Relief Program or who cannot
18 be located after commercially reasonable efforts shall be available to the Office of the
19 Attorney General for re-allocation to Borrowers under this program at the direction of the
20 Office of the Attorney General.

21 6.5.6 *Release.* In order to receive payments under the Foreclosure Relief
22 Program, Borrowers will be required to execute a release in accordance with Section

23 6.7.1. Borrowers offered payments under this Foreclosure Relief Program whose loans
24 have not yet been foreclosed shall be afforded at least a three month period to decide
25 whether to execute the release to permit them to determine whether they wish to raise
26 claims covered by the release.

27 6.6 **REPORTING REQUIREMENTS.**

28 6.6.1 *Eligible Borrowers in Qualifying Mortgages.*

1 (a) On a quarterly basis through June 30, 2010, CFC shall report the
2 following information to the Office of the Attorney General of the State of
3 California:

4 (1) The names and addresses of Eligible Borrowers in the State
5 of California in Qualifying Mortgages who received loan modification
6 offers under Section 6 of this Stipulated Judgment and Injunction, and for
7 whom loan modifications were concluded;

8 (2) For all loan modifications under Section 6 of this Stipulated
9 Judgment and Injunction concluded within the reporting period in the State
10 of California, the original and modified loan terms, and the amounts of
11 late/delinquency fees waived, loan modification fees waived, and
12 prepayment penalties waived by CFC pursuant to Section 6 of this
13 Stipulated Judgment and Injunction;

14 (3) For a sample of Eligible Borrowers in Qualifying Mortgages
15 for whom CFC was unable to procure a loan modification offer under
16 Section 6 of this Stipulated Judgment and Injunction during the reporting
17 period (which sample shall be no less than 5% of all such Eligible
18 Borrowers), the factors preventing a loan modification offer;

19 (4) The number and total amount of Relocation Assistance
20 payments made to borrowers in the State of California during the reporting
21 period;

22 (5) Delinquency data on active loans with first payment due
23 dates between January 1, 2004, and December 31, 2007, that are secured
24 by owner occupied residential property in the State of California, broken
25 down by type of loan; and

26 (6) Aggregated delinquency data on all loans modified under
27 Section 6 of this Stipulated Judgment and Injunction for Eligible
28 Borrowers in the State of California.

1 (b) CFC shall provide annual reports to the Office of the Attorney
2 General of the State of California that include the information specified in Section
3 6.6.1(a) for the periods July 1, 2010 through June 30, 2011, and July 1, 2011
4 through June 30, 2012.

5 6.6.2 *Other Loan Modifications.* With the same frequency as specified in
6 Section 6.6.1, CFC will provide to the Office of the Attorney General of the State of
7 California a report detailing the numbers and types of modifications concluded on first-
8 lien residential mortgage loans secured by owner-occupied property in the State of
9 California (other than Qualifying Mortgages) and the total unpaid principal balance of
10 such modified loans.

11 6.6.3 *Compliance Monitor.* CFC will appoint an employee as the Compliance
12 Monitor for this agreement. The Compliance Monitor will be responsible for (a) making
13 reports to the Office of the Attorney General of the State of California under this
14 Stipulated Judgment and Injunction and (b) receiving and responding to complaints from
15 States or from individual borrowers concerning the operation of the loan modification
16 program.

17 **6.7 RELEASES**

18 6.7.1 *Releases from Borrowers.* Borrowers to whom payments under the
19 Foreclosure Relief Program are offered shall, as a condition of receiving such payments,
20 be required to execute and return to CFC a release of claims that includes the following
21 language:

22 In consideration for the payment we are to receive under the Foreclosure Relief
23 Program, we release Countrywide Financial Corporation and its affiliates and their
24 respective directors, officers, employees and agents (except brokers) from all civil
25 claims, causes of action, any other right to obtain any type of monetary damages
26 (including punitive damages), expenses, attorneys' and other fees, rescission,
27 restitution or any other remedies of whatever kind at law or in equity, in contract,
28 in tort (including, but not limited to, personal injury and emotional distress).

1 arising under any source whatsoever, including any statute, regulation, rule, or
2 common law, whether in a civil, administrative, arbitral or other judicial or non-
3 judicial proceeding, whether known or unknown, whether or not alleged,
4 threatened or asserted by us or by any other person or entity on our behalf,
5 including any currently pending or future purported or certified class action in
6 which we are now or may hereafter become a class member, that arise from or are
7 in any way related to CFC Loan No. _____, including, without limitation,
8 the origination of that loan (and any representations or omissions made during that
9 origination process), the terms and conditions of that loan, and the servicing or
10 administration of that loan following its origination.

11 **6.8 Miscellaneous.**

12 **6.8.1 No Third Party Beneficiaries Intended.** Section 6 of this Stipulated
13 Judgment and Injunction is not intended to confer upon any person any rights or remedies,
14 including rights as a third party beneficiary. Section 6 of this Stipulated Judgment and
15 Injunction is not intended to create a private right of action on the part of any person or
16 entity other than the parties hereto.

17 **6.8.2 Confidentiality.** The Office of the Attorney General of the State of
18 California agrees that all confidential information disclosed to it by BAC or CFC or any of
19 their Affiliates shall be kept confidential, except to the extent required by law, regulation
20 or court order (and in such case, only upon prior written notice to the disclosing party).
21 The periodic reports to be provided pursuant to Section 6.6 of this Stipulated Judgment
22 and Injunction shall be considered records of an investigation conducted by the Office of
23 the Attorney General.

24 **7.** Except to the extent an earlier date is specified or the provisions of Section 6 of
25 this Stipulated Judgment and Injunction are earlier terminated according to the terms hereof, the
26 obligations of CFC under Section 6 of this Stipulated Judgment and Injunction shall terminate
27 on the Termination Date. Provided, however, that no termination of the obligations under
28 Section 6 of this Stipulated Judgment and Injunction shall modify or terminate the terms of any

1 loan modification entered into pursuant to Section 6.3 of this Stipulated Judgment and
2 Injunction.

3 8. On entry of this Stipulated Judgment and Injunction, CFC shall pay the sum of
4 \$1,700,000 to the Office of the Attorney General, to cover the costs of investigating and
5 prosecuting this matter.

6 9. All documents and notices to be provided to any party under this Judgment are
7 sufficient if given by nationally recognized overnight courier service or personal delivery to the
8 named party at the address below:

9 A. If to Defendants:

10 John Beisner
11 Brian Boyle
12 O'MELVENY & MYERS LLP
13 1625 Eye Street, N.W.
Washington, D.C. 20006

14 B. If to the Attorney General:

15 Benjamin G. Diehl
16 Office of the California Attorney General
17 300 S. Spring St., Ste. 1702
18 Los Angeles, CA 90013

19 and

20 Kathrin Sears
21 Office of the California Attorney General
455 Golden Gate Ave., Ste. 11000
San Francisco, CA 94102

22 Notice is effective when delivered personally or on the business day after it is sent by nationally
23 recognized courier service for next day delivery. Any party may designate some other person to
24 receive Reports or notices or change its notice address by giving notice in accordance with this
25 paragraph.

26 10. This Stipulated Judgment and Injunction constitutes a full resolution, complete
27 settlement, and release of all claims as between Plaintiff the People the State of California and
28 the Countrywide Defendants regarding the business practices identified in the above captioned

1 action for events occurring before the entry of this Stipulated Judgment and Injunction. This
2 Stipulated Judgment and Injunction does not resolve or release, but instead specifically
3 preserves, any claims Plaintiff the People of the State of California may have as to Angelo
4 Mozilo or David Sambol.

5 11. The Countrywide Defendants shall maintain and provide information to and
6 cooperate fully with the Attorney General in connection with the prosecution of the separate
7 action, *People of the State of California v. Countrywide Financial Corporation, et al.*, initially
8 filed in this court and assigned case number LC081846, as to defendants Angelo Mozilo and
9 David Sambol. This shall include, but is not necessarily limited to, attending depositions, trials
10 or hearings on 25-days notice, without the necessity of a subpoena or personal service;
11 providing any documents and other tangible things requested by the Attorney General on 30-
12 days notice, without the necessity of a subpoena or personal service and without objection; not
13 objecting to efforts by the Attorney General to obtain documents or other discovery from any
14 other named defendant to this action or any third party; and protecting, preserving and
15 maintaining all records and correspondence which are now in or later come into their
16 possession, custody or control, that were sent to, received from, or in any way relate to Angelo
17 Mozilo, David Sambol, or any of their representatives.

18 12. Plaintiff and the Countrywide Defendants agree that nothing in this Stipulated
19 Judgment and Injunction as to such defendants is to be construed as a bar to Plaintiff continuing
20 its separate action against defendants Angelo Mozilo, David Sambol, and Does 1-100,
21 inclusive.

22 13. Should any of the Countrywide Defendants resolve matters specifically set forth
23 in the allegations of the Complaint filed in this action for conduct which occurred before the
24 entry of this Stipulated Judgment and Injunction in actions brought by Attorneys General of
25 other states on terms that are different than those contained in this Stipulated Judgment and
26 Injunction (other than terms offered by CFC but not accepted by the Office of the Attorney
27 General of the State of California), the Countrywide Defendants will provide a copy of those
28 terms to the Office of the Attorney General for review. If, after review, the Office of the

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Attorney General determines the terms of such resolutions are, taken as a whole, more favorable than those contained in this Stipulated Judgment and Injunction, then the Countrywide Defendants shall stipulate that this Stipulated Judgment and Injunction shall be amended to reflect all of such terms in place of the terms hereof.

14. Nothing in this Stipulated Judgment and Injunction shall be construed as relieving any of the parties subject to this Stipulated Judgment and Injunction of their obligation to comply, or as prohibiting any of those parties from complying, with all applicable state and federal laws, regulations or rules, nor shall any of the provisions of this Stipulated Judgment and Injunction be deemed to be permission to engage in any acts or practices prohibited by such laws, regulations, or rules.

15. This Court shall retain jurisdiction over this matter for the purposes of (a) enabling the Attorney General to apply, at any time, for enforcement of any provisions of this Stipulated Judgment and Injunction and for sanctions or other punishment for any violation of this Stipulated Judgment and Injunction; and (b) enabling any party to this Stipulated Judgment and Injunction 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 carrying out of this Stipulated Judgment and Injunction or for the modification or termination of one or more injunctive provisions of this Stipulated Judgment and Injunction.

16. This Stipulated Judgment and Injunction shall take effect immediately upon entry by the clerk, and the clerk is ordered to enter it forthwith.

Richard B. Wolfe

Dated: **OCT 20 2008**

Hon. _____
Judge, California Superior Court
RICHARD B. WOLFE
JUDGE