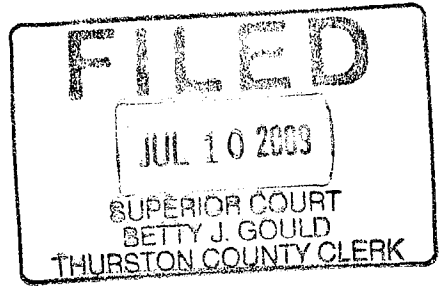


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EXPEDITE
 No Hearing Set
 Hearing is Set
Date:
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IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON
IN AND FOR THE COUNTY OF THURSTON

STATE OF WASHINGTON,

Plaintiff,

v.

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

Defendants.

NO. 09 2 01690 8

CONSENT JUDGMENT

JUDGMENT SUMMARY

Judgment Creditor:	State of Washington
Judgment Debtor:	Countrywide Financial Corporation, Countrywide Home Loans, Inc., and Full Spectrum Lending, Inc.
Costs & Attorneys Fees:	\$250,000.00
Total Judgment:	\$250,000.00
Attorney for Judgment Creditor:	David W. Huey Assistant Attorney General
Attorney for Judgment Debtor:	Brian D. Boyle, Esq. William H. Satchell, Esq. Attorneys of Record

1 Plaintiff, State of Washington ("Plaintiff"), having commenced this action pursuant to the
2 Unfair Business Practices--Consumer Protection Act ("Consumer Protection Act"), Chapter 19.86
3 RCW; and

4 Plaintiff, appearing by and through its attorneys, Robert M. McKenna, Attorney General,
5 and David W. Huey, Assistant Attorney General; and Defendants Countrywide Financial
6 Corporation, Countrywide Home Loans, Inc., and Full Spectrum Lending, Inc. (collectively,
7 "Defendants"), appearing by and through their attorneys, Brian D. Boyle and William H. Satchell,
8 and Tim J. Filer.

9
10 Defendants, enter into this Consent Judgment to avoid costly and protracted litigation, and
11 deny the allegations of the Complaint. Plaintiff and Defendants agree that this Consent Judgment
12 does not constitute evidence or an admission regarding the existence or nonexistence of any issue,
13 fact, or violation of any law alleged by Plaintiff; and

14
15 Defendants recognize and state that this Consent Judgment is entered into voluntarily and
16 that no promises or threats have been made by the Attorney General's Office or any member,
17 officer, agent, or representative thereof to induce them to enter into this Consent Judgment, except
18 as provided herein; and

19
20 Defendants waive any right they may have to appeal from entry of this Consent Judgment
21 and from any of its terms and conditions; and

22
23 Defendants further agree that they will not oppose the entry of this Consent Judgment for
24 any reason, including on the grounds it fails to comply with Rule 65(d) of the Rules of Civil
25 Procedure; and
26

1 Defendants further agree that this Court shall retain jurisdiction of this action to enter and
2 enforce this Consent Judgment; and

3 The Court finding no just reason for delay;

4 **NOW, THEREFORE,** it is hereby **ORDERED, ADJUDGED, AND DECREED** as
5 follows:
6

7 Jurisdiction. This Court has jurisdiction with respect to the entering into and
8 enforcing of this Consent Judgment. The Plaintiff's Complaint in this matter states claims upon
9 which relief may be granted under the provisions of the Consumer Protection Act, Chapter 19.86
10 RCW. This Consent Judgment is entered pursuant to RCW 19.86.020 and RCW 19.86.080.

11 **Recitals.**

- 12
- 13 (1) Countrywide Financial Corporation ("**CFC**") is a Delaware corporation.
 - 14 (2) Countrywide Home Loans, Inc., a New York corporation and wholly-owned subsidiary
15 of CFC, is or was a licensed mortgage banking organization.
 - 16 (3) Full Spectrum Lending, Inc., a California corporation and wholly-owned subsidiary of
17 CFC, is or was a licensed mortgage banking organization.
 - 18 (4) Countrywide Home Loans Servicing, L.P., is a Texas limited partnership engaged in
19 servicing loans, and as of the Consent Judgment Date is a wholly-owned subsidiary of
20 Bank of America, National Association.
 - 21 (5) On July 1, 2008, Bank of America Corporation, a Delaware corporation ("**BAC**"),
22 announced that it had completed its purchase of CFC, including Countrywide Home
23 Loans, Inc., Full Spectrum Lending, and Countrywide Home Loans Servicing, L.P. In
24 connection with the acquisition, BAC announced that it would suspend offering
25
26

1 subprime or high cost mortgages (as described in 15 U.S.C. 1602(aa)) and
2 nontraditional forward mortgages (other than those that are Federal Eligible) that may
3 result in negative amortization – such as Pay Option ARMs. BAC also stated that it
4 would, for a time, place restrictions on offering “low documentation” and “no
5 documentation” mortgage loans (other than those that are Federal Eligible) and set
6 limits on mortgage broker compensation.
7

8 **1. DEFINITIONS.**

9 1.1 *Usage.* The following rules apply to the construction of this Consent Judgment:

10 (a) the singular includes the plural and the plural includes the singular;

11 (b) “include” and “including” are not limiting;

12 (c) the headings of the Sections and subsections are for convenience and
13 shall not constitute a part of this Consent Judgment, and shall not affect the meaning,
14 construction, or effect of the applicable provisions of this Consent Judgment;

15 (d) a reference in this Consent Judgment or any Schedule to a Section,
16 Exhibit, or Schedule without further reference is a reference to the relevant Section,
17 Exhibit, or Schedule to this Consent Judgment; and
18

19 (e) words such as “hereunder,” “hereto,” “hereof,” and “herein” and other
20 words of like import shall, unless the context clearly indicates to the contrary, refer to
21 the whole of this Consent Judgment and not to any particular Section, subsection, or
22 clause hereof.
23

24 1.2 *Defined Terms.* The following capitalized terms shall have the following
25 meanings in this Consent Judgment unless otherwise required by the context or defined:
26

1 “*Affiliate*” means, with respect to any company, any company that controls, is under
2 common control with, or is controlled by such company.

3
4 “*Affordability Equation*” has the meaning given to such term in Section 4.4.

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

9
10 “*Annual Increase*” means, with respect to any stated rate of interest, an annual increase
11 in the stated rate of interest such that the aggregate scheduled payments of principal (if
12 applicable) and interest in any year does not increase by more than 7.5% of the aggregate
13 scheduled payments of principal and interest in the preceding year, subject to any stated
14 interest rate cap.

15
16 “*ARMs*” means adjustable rate first-lien residential mortgage loans.

17 “*BAC*” means Bank of America Corporation.

18
19 “*Borrower*” means, with respect to any owner-occupied CFC Residential Mortgage
20 Loan, the obligor(s) on such loan. No covenant or commitment herein is intended to require a
21 CFC Servicer to deal with more than one obligor on behalf of any Borrowers with respect
22 thereto.

23 “*CFC*” means Countrywide Financial Corporation.

24
25 “*CFC-Originated*” means, with respect to any residential mortgage loan, that such
26 residential mortgage loan is a first-lien residential mortgage that was originated on a retail

1 basis directly or indirectly by CFC or its subsidiaries or through brokers in their wholesale
2 lending channels. "*CFC-Originated*" residential mortgage loans do not include CFC
3 Purchased Loans.

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

10
11 "*CFC Residential Mortgage Loans*" means any (i) CFC-Originated first-lien
12 residential mortgage loans, or (ii) CFC Purchased Loans, so long as, in each case, such loans
13 are serviced by a CFC Servicer.

14
15 "*CFC Servicer*" means CFC or any Affiliate of CFC that services CFC Residential
16 Mortgage Loans.

17
18 "*CLTV*" means, with respect to a first-lien residential mortgage loan as of the time
19 underwritten, the ratio of the sum of the unpaid principal balance of such mortgage loan *plus*
20 the unpaid principal balance on any second-lien mortgage to the Market Value of the
21 residential property that secures such mortgages.

22 "*Commencement Date*" means October 6, 2008.

23
24 "*Delinquent Borrower*" means, with respect to any Borrower, that the related CFC
25 Residential Mortgage Loan (a) is Seriously Delinquent on or before the Termination Date, or
26 (b) is subject to an imminent reset or Recast and, in the reasonable view of the CFC Servicer,

1 as a result of such reset or Recast is reasonably likely to become Seriously Delinquent on or
2 before the Termination Date.

3
4 *“Eligible Borrower”* has the meaning given to such term in Section 4.1.

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

6 *“Fannie Rate”* means, as of any date, the Fannie Mae 30-year fixed rate 60-day
7 delivery required net yield as of such date or if such rate is for any reason not available, a
8 comparable rate published by another nationally recognized source.
9

10 *“Federal Eligible”* means, with respect to any first-lien residential mortgage loan that,
11 at the time of origination, (a) such loan is or was eligible for sale to, or guaranty or insurance
12 by, a federal agency, GSE or comparable federally-sponsored entity similar to a GSE, under
13 then applicable guidelines of such agency, GSE or entity, or (b) such loan was made in
14 connection with a program intended to qualify for credit under the Community Reinvestment
15 Act of 1977.
16

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

18
19 *“Foreclosure Relief Program”* means the program under which certain Borrowers will
20 be offered payments, as set forth in Section 6.

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

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

23
24 *“GSE”* means a government-sponsored enterprise such as Fannie Mae or Freddie Mac.
25
26

1 “*Interest Rate Floor*” means, with respect to modification of a Qualifying Mortgage
2 hereunder, (a) a rate of 3.5% per annum if the modification results in an interest-only payment;
3 or (b) a rate of 2.5% per annum if the modification results in a fully amortizing payment.
4

5 “*LTV*” means, with respect to a first-lien residential mortgage loan as of the time
6 reviewed for eligibility for modification, the ratio of the unpaid principal balance of such
7 mortgage loan to the Market Value of the residential property that secures such mortgage.
8

9 “*Market Value*” means, with respect to any residential mortgage loan, the value of the
10 residential property that secures such mortgage loan as determined by a lender or servicer in
11 reliance on an appraisal (whether based on an appraisal report prepared not more than 180 days
12 before the date of determination, broker price opinion prepared not more than 120 days before
13 the date of determination, or automated valuation model prepared not more than 90 days before
14 the date of determination).
15

16 “*Office of the Attorney General*” means the Office of the Attorney General of the State
17 of Washington.

18 “*Pay Option ARMs*” means ARMs that, during an initial period (and subject to Recast),
19 permit the borrower to choose among two or more payment options, including an interest-only
20 payment and a minimum (or limited) payment.
21

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

23 “*Recast*” means, in the case of a Pay Option ARM, a contractual payment recast to a
24 fully amortized payment based on a negative amortization trigger.
25

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

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

3
4 “*Seriously Delinquent Borrower*” means, with respect to any Borrower that, on or
5 before the Termination Date, the related CFC Residential Mortgage Loan is Seriously
6 Delinquent.

7 “*Subprime 2, 3, 5, 7, and 10 Hybrid ARMs*” means Subprime Mortgage Loans that are
8 2, 3, 5, 7, and 10 Hybrid ARMs.

9
10 “*Subprime Mortgage Loans*” means first-lien residential mortgage loans that combine
11 higher risk features (such as low or no documentation, low equity, adjustable interest rates,
12 prepayment penalties, cash-out financing) with higher risk borrower profiles (lower FICO
13 scores, recent bankruptcies/foreclosures, major derogatory credit), resulting in a loan that could
14 not reasonably be underwritten and approved as a “prime” loan. An existing CFC Residential
15 Mortgage Loan would be a “*Subprime Mortgage Loan*” if it is identified as such in connection
16 with a securitization in which it is part of the pool of securitized assets or, in the case of a CFC
17 Residential Mortgage Loan that is not included in a securitization, was classified as being
18 “subprime” on the systems of CFC and its subsidiaries on June 30, 2008.

19
20 “*Termination Date*” means June 30, 2012.

21
22 **2. CFC SOLE OBLIGOR ON ALL OBLIGATIONS IN THIS CONSENT**
23 **JUDGMENT.**

24 2.1 *Responsibility of CFC.* Until the Termination Date (or such earlier date as is
25 specified herein), CFC is responsible to the other parties hereto for performance of all of the
26 undertakings in this Consent Judgment, including the changes to the residential mortgage

1 | lending practices described in Section 3, the loan modification programs described in Section
2 | 4, the Relocation Assistance payments described in Section 5, the Foreclosure Relief Program
3 | described in Section 6, and the reporting obligations described in Section 8.

4 | 2.2 *Absence of Defenses.* It is not an excuse to the performance of the obligations
5 | of CFC hereunder that it does not directly or indirectly engage in the business of originating
6 | residential mortgage loans or in the business of servicing residential mortgage loans. CFC is
7 | responsible for the conduct of CFC Affiliates and CFC Servicers as specified hereunder
8 | whether or not it controls such CFC Affiliates or CFC Servicers and the absence of such
9 | control shall not be a defense to or otherwise excuse CFC's failure to perform hereunder.
10 |

11 | 2.3 *Remedies for Failure of CFC to Cause Performance.* If there is a material
12 | failure to perform the obligations under the loan modification programs described in Section 4,
13 | the Relocation Assistance payments described in Section 5, the Foreclosure Relief Program
14 | described in Section 6, or the reporting obligations described in Section 8, and such failure is
15 | not promptly cured after notice by the Office of the Attorney General, then the Office of the
16 | Attorney General may seek enforcement of this Consent Judgment under Section 10.4, or, in
17 | the alternative, terminate this Consent Judgment. If the Office of the Attorney General elects
18 | to terminate this Consent Judgment, it shall no longer be bound by the release set forth in
19 | Section 9.2.
20 |

21 |
22 | **3. SERVICER PRACTICES.**

23 | Until the Termination Date, CFC shall be responsible for the implementation of the
24 | following by CFC Affiliates with respect to CFC Residential Mortgage Loans with respect to
25 | Borrowers in the State of Washington:
26 |

1 3.1 *Residential Mortgage Product Offerings.*

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

9
10 (b) CFC Servicers will maintain the current practice of offering loan
11 modifications or other workout solutions to Borrowers who are 30 days or more
12 delinquent in their payments, who desire to remain in their homes and who can afford
13 to make reasonable mortgage payments, subject to applicable investor guidance and
14 approvals.

15
16 (c) CFC's reports to the Office of the Attorney General under this Consent
17 Judgment will include information on the numbers and types of workouts concluded on
18 loans secured by Borrower-occupied properties in the State of Washington.

19 (d) CFC Servicers will continue the current practice of regularly monitoring
20 the delinquency characteristics of the entire portfolio of CFC Residential Mortgage
21 Loans, including Alt-A Residential Mortgage Loans, loans with interest-only features,
22 and other loans to prime borrowers, to identify high-delinquency segments that may be
23 appropriate for streamlined or non-streamlined loan modification campaigns. CFC
24
25
26

1 shall be responsible for providing reports to the Office of the Attorney General on the
2 delinquency characteristics of such loans, as provided herein.

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

16
17 (f) Through July 1, 2009, a minimum of 3900 personnel shall be employed
18 to assist Borrowers with loan modifications and other foreclosure avoidance measures.

19 (g) CFC Servicers will ensure that the values in any AVM system used to
20 generate electronic appraisals are regularly updated and periodically validated so as to
21 provide reasonable assurance as to the accuracy of resulting valuations. Any validation
22 will, as appropriate, include back-testing of a representative sample of valuations
23 against market data on actual sales (where sufficient information is available).
24

25 (h) Although the scope of the loan modification program in this Consent
26

