STATE OF NORTH DAKOTA

BURLEIGH COUNTY

IN DISTRICT COURT

SOUTH CENTRAL JUDICIAL DISTRICT

STATE OF NORTH DAKOTA EX REL.
WAYNE STENEHJEM,
ATTORNEY GENERAL,

Plaintiff,

-vs-

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

Defendants.

Civil No. 09 C 739

CONSENT ORDER AND JUDGMENT

CPAT 080344.001

On this the 1st day of April, 2009, came before this court the STATE OF NORTH DAKOTA, Plaintiff, and Defendants COUNTRYWIDE FINANCIAL CORPORATION, COUNTRYWIDE HOME LOANS, INC., and FULL SPECTRUM LENDING, INC., Defendants in the above entitled and numbered cause. The STATE OF NORTH DAKOTA, on relation of Attorney General Wayne Stenehjem, by and through Assistant Attorney General Parrell D. Grossman, Director of the Consumer Protection and Antitrust Division, and Defendants, by and through their attorney of record, announced to the Court that all matters of fact and things in controversy between them had been fully and finally compromised and settled and presented to the Court this Consent Order and Judgment ("Final Judgment"). By their duly authorized

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signatures, the parties stipulated to the Court the following: that they understand the terms of this Final Judgment; that they agree to the terms of this Final Judgment; that they have waived all rights to service of process of this suit; that they have waived all rights of appeal from this Final Judgment; that they actively participated in the negotiations leading up to this Final Judgment and are aware of the duties placed upon them by it and are desirous and capable of carrying out those duties in full; that they acknowledge receipt of copies of this Final Judgment and have full and actual notice of the terms of this Final Judgment; that the issuance and service of writ of injunction are waived; that the terms of this Final Judgment are sufficiently detailed and specific to be enforceable by the Court in conformance with North Dakota law; that the persons signing this Final Judgment are legally and fully authorized to do so; that this Final Judgment represents a compromise and settlement of all matters arising out of facts alleged by the STATE OF NORTH DAKOTA in this cause.

Defendants deny the allegations of the Office of the Attorney General, and the parties agree and stipulate that neither this Final Judgment nor the payment of money by Defendants constitutes an admission by Defendants of any violation of the Consumer Fraud Law, N.D.C.C. ch. 51-15, or any other law.

Pursuant to the agreement between them, the parties submit to the jurisdiction of the Court and do not contest the entry of this Final Judgment.

It appearing to the Court that all parties agreed to the entry of this Final Judgment and that they have approved its entry by their duly authorized signatures and the signature of their respective attorneys below, the Court, upon the stipulations of the parties after being fully advised in this matter, finds as follows:

i. That it has jurisdiction of the parties and subject matter of this suit;

ii. That the settlement of this dispute is fair, reasonable, and just; and

iii. That it would be in the best interests of the parties if the Court approved the settlement and rendered judgment accordingly.

Based on these findings, and having heard and considered the representations made by the parties, the Court is of the opinion that a permanent injunction should be issued as granted in this Final Judgment and that Plaintiff STATE OF NORTH DAKOTA is entitled to recover of and from Defendants as set forth below.

The parties shall bear their own costs of court.

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 Final 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 Final 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 Final Judgment, and shall not affect the meaning, construction or effect of the applicable provisions of this Final Judgment;

(d) a reference in this Final 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 Final 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 Final 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 Final Judgment unless otherwise required by the context or defined:

"**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.

"**Agreement**" means the terms set forth in Sections 1.1 through 10.14 of this Final Judgment.

"**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.

"**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 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.

"**CFC**" means 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 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.

"**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.

"**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.

"**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.

"**Foundation**" has the meaning given to such term in Section 7.

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

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

"**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.

"**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).

"**Office of the Attorney General**" means the Office of the Attorney General of the State of North Dakota.

"**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.

"**Qualifying Mortgage**" has the meaning given to such term in Section 4.2.

"**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.

"**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 June 30, 2012.

2. CFC SOLE OBLIGOR ON ALL OBLIGATIONS IN THIS FINAL 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 Final 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 Final Judgment under Section 10.4, or, in the alternative, terminate this Agreement. If the Office of the Attorney General elects to terminate this Agreement, 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 North Dakota:

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 Final Judgment will include information on the numbers and types of workouts concluded on loans secured by Borrower-occupied properties in the State of North Dakota.

(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 Final 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 lien mortgages.

3.2 **Compliance.** Understanding the circumstances and behaviors of lenders and brokers that may have contributed, in part, to the current mortgage crisis, CFC recognizes its responsibility to ensure the very highest degree of ethical conduct on the part of CFC's agents and employees. CFC shall ensure that, (a) to the extent it resumes subprime lending, it will design and implement an effective compliance management program 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 its own lending activities (if any), it will create appropriate consumer safeguards to avoid unfair or deceptive activities or practices arising in connection with its 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 attempt, 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 with a first payment date on or before December 31, 2007, that (a) is secured by an owner-occupied 1-to-4 unit residential property, (b) is serviced by a CFC Servicer, and (c) in the event that it is determined that a condition described in Section 4.10 has occurred, 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 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**. A Subprime 2, 3, 5, 7 and 10 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. 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 and the Affordability Equation as set forth

in Section 4.4. Loan modification options for each category of Qualifying Mortgages are as follows:

(a) **Subprime 2, 3, 5, 7 and 10 Hybrid ARMs**. Qualifying Mortgages that are Subprime 2, 3, 5, 7 and 10 Hybrid ARMs will be eligible for loan modifications as follows, in no particular order:

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

(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 Section 4.10) 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).

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

(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 as provided below in Section 4.3(a)(iv)(C); and

(C) 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:

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

(ii) A streamlined, fully-amortizing (except as provided in Section 4.3(b)(ii)(B)) loan modification subject to the Affordability Equation consisting of:

(A) elimination of the negative amortization feature;

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

(C) 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

(D) 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:

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

(ii) A streamlined, fully-amortizing (except as provided in Section 4.3(c)(ii)(A)) loan modification within the limits of the Affordability Equation consisting of:

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

(B) 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)(C); and

(C) 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.

4.4 **Affordability Equation**. Qualifying Mortgages will be considered for loan modifications in accordance with the following Affordability Equation, 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 reduction of their interest rates pursuant to Section 4.3(a)(ii), a Foreclosure Avoidance Budget will be prepared with respect to the Eligible Borrower and the Qualifying Mortgage. The "**Foreclosure Avoidance Budget**" 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 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, 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 and/or a payment under the Foreclosure Relief Program, all as provided in Sections 5 and 6.

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 December 31, 2007, 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.

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

(a) The foreclosure process for a Qualifying 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 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 under this Final Judgment.

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 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 that is a Subprime Mortgage Loan or Pay Option ARM that (i) had a first payment due date between January 1, 2004 and December 31, 2007, (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 that are Subprime Mortgage Loans 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 who have earlier received loan modifications or other workouts, whether or not pursuant to this Final Judgment, will be eligible to be considered for new loan modification offers under this Final Judgment 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 for a substantial majority of Qualifying Mortgages. If CFC Servicers do not have discretion to pursue these foreclosure avoidance measures, best efforts will be used to obtain appropriate investor authorization.

4.8 **Commitment to Implement Relief Measures Authorized by Federal Government.** 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, such relief measures will be pursued in modifying such Qualifying Mortgages to the full extent of such authorization.

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 (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 **Response to Intentional Nonperformance by Borrowers.** If CFC detects material levels of intentional nonperformance by Eligible Borrowers that appears to be attributable to the introduction of the loan modification program, it reserves the right to require objective prequalification of Eligible Borrowers for loan modifications under the program by obtaining verification of all sources of income and the application of funds and to take other reasonable steps. Such prequalification could result in the elimination of unsolicited interest rate reductions, inhibit streamlined solutions and could otherwise significantly slow implementation of the loan modification program.

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

4.12 **Number of Loan Modification Offers before March 31, 2009.** On or before March 31, 2009, loan modifications will be offered by CFC Servicers in accordance with this Final Judgment to not fewer than 50,000 Delinquent Borrowers on a nationwide basis. The Office of the Attorney General may terminate the Agreement and no longer be bound by the release set forth in Section 9.2 if there is a material failure to satisfy this commitment. If the Office of the Attorney General terminates this Agreement, any unspent portion of the Foreclosure Relief Program

allocation that has been reserved by the Office of the Attorney General for purposes other than making payments to Borrowers as provided in Section 6 of this Final Judgment will be repaid to CFC.

4.13 **Second or Junior Liens.** Loan modifications contemplated in Section 4 of this Final Judgment 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.

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 under CFC Residential Mortgage Loans who (a) were serviced by a CFC Servicer on June 30, 2008 (whether or not they are Qualifying Mortgages), (b) occupy a 1-to-4 unit residential property subject to servicing by a CFC Servicer on the date of determination of eligibility hereunder, and (c) are 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 Borrower's 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 Borrower's 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**. The amount of Relocation Assistance payments offered to any Borrower will be 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).

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

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

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 $63,685.00 for payments to borrowers within the State of North Dakota, or otherwise for foreclosure relief/mitigation or related programs consistent with this Section 6.

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

(a) Has 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 Office of the Attorney General 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. If the Office of the Attorney General elects to expand or contract the program, the amount allocated to the State of North Dakota will remain the same. The Office of the Attorney General may reserve as much as 50% of the sum allocated to the State of North Dakota for foreclosure relief/mitigation or related programs other than payments to defaulted Borrowers, including purchasing or rehabilitating foreclosed properties.

6.4 **Communications.** CFC and the Office of the Attorney General 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 State of North Dakota who choose not to participate in the Foreclosure Relief Program or who cannot be located after commercially reasonable efforts shall be available to the Office

of the Attorney General for re-allocation to Borrowers under this program at the direction of the Office of the Attorney General.

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 9.1. 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. BANK OF AMERICA FOUNDATION COMMUNITY INVESTMENT ACTIVITIES

The parties understand that, while the Bank of America Foundation (**"Foundation"**) is not a party to, or in any way bound by, this Final Judgment, the Foundation intends to work actively with non-profit organizations, community development corporations, and others in addressing the adverse effects of the current housing crisis, particularly by promoting community redevelopment and facilitating the application of Housing and Economic Recovery Act funds to beneficial usage of real estate owned properties. CFC commits to collaborate in good faith with the Office of the Attorney General to identify ways in which CFC can support or complement the Foundation's efforts.

8. REPORTING REQUIREMENTS.

8.1 Eligible Borrowers in Qualifying Mortgages.

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

(i) The names and addresses of Eligible Borrowers in the State of North Dakota in Qualifying Mortgages who received loan modification offers under this Final Judgment, and for whom loan modifications were

concluded;

(ii) For loan modifications offered and concluded under this Final Judgment, 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

(iii) For all loan modifications under this Final Judgment concluded within the reporting period in the State of North Dakota, 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;

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

(v) The number and total amount of Relocation Assistance payments or Foreclosure Relief payments made to Borrowers in the State of North Dakota during the reporting period;

(vi) Delinquency data on active loans with first payment due dates between January 1, 2004 and December 31, 2007 that are secured by Borrower-occupied residential property in the State of North Dakota, broken down by type of loan; and

(vii) Aggregated delinquency/default data on all loans modified under this Final Judgment for Eligible Borrowers in the State of North Dakota, separated by type of modification.

(b) CFC shall provide annual reports to the Office of the Attorney General, that include the information specified in Section 8.1(a) for the periods July 1, 2010 through June 30, 2011, and July 1, 2011 through June 30, 2012.

8.2 **Other Loan Modifications.** With the same frequency as specified in Section 8.1, CFC will provide to the Office of the Attorney General a report detailing the numbers and types of modifications concluded on first-lien residential mortgage loans secured by Borrower-occupied property in the State of North Dakota (other than Qualifying Mortgages) and the total unpaid principal balance of such modified loans.

8.3 **Best Servicing Practices for Modifying First Lien Qualifying Mortgages on Residential Property Subject to Second Lien Mortgages.** CFC will

periodically report to the Office of the Attorney General on its progress in developing best servicing practices as described in Section 3.1(h).

8.4 **Compliance Monitor.** CFC will appoint an employee as the Compliance Monitor for this Final Judgment. The Compliance Monitor will be responsible for (a) making reports to the Office of the Attorney General under this Final Judgment and (b) receiving and responding to complaints from the Office of the Attorney General or from individual borrowers concerning the operation of the loan modification program.

9. RELEASES; MORE FAVORABLE SETTLEMENTS.

9.1 **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 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 in any such deficiency action.

9.2 **Release.** As to CFC and its Affiliates, this Final Judgment effects a full resolution, complete settlement, and release by the Office of the Attorney General of all claims relating to the business practices alleged in the Complaint in this matter for conduct occurring before entry of this Final Judgment that are within the authority of the Office of the Attorney General to release, except for (i) any claims that the State of North Dakota might have as an investor in CFC securities; (ii) any regulatory or enforcement proceedings by or on behalf of another State of North Dakota officer or agency; (iii) any claims or investigations identified to CFC by the Office of the Attorney General; and (iv) any criminal investigations or proceedings. This Final Judgment does not resolve or release, but instead specifically preserves, any claims the State of North Dakota may have against Angelo Mozilo or David Sambol.

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

10. OTHER TERMS AND CONDITIONS

10.1 **No Admission.** The Agreement shall not constitute an admission of wrongdoing by BAC or CFC, nor shall it be cited as such by the Office of the Attorney General. The Agreement shall not be admissible in any other proceeding as evidence of wrongdoing or a concession of responsibility.

10.2 **Confidentiality.** The Office of the Attorney General 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 8, shall be kept confidential; provided, however, that the following information reported to the Office of the Attorney General on a periodic basis shall not be deemed confidential to the extent aggregated for Borrowers in the State of North Dakota 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 to Borrowers. The Office of the Attorney General 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).

10.3 **Submission to Jurisdiction for Limited Purpose.** CFC submits to the jurisdiction of the court in the State of North Dakota for the limited purpose of entering into and enforcing this Final Judgment 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 State of North Dakota for any purpose whatsoever.

10.4 **Enforcement.** This Court shall retain jurisdiction over this matter for the purposes of (a) enabling the Office of the Attorney General to apply, at any time, for enforcement of any provision of this Final Judgment and for sanctions or other remedies for any violation of this Final Judgment; and (b) enabling any party to this Final Judgment 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 Final Judgment or for the modification or termination of one or more injunctive provisions of this Final Judgment.

10.5 **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, the provisions of the law shall govern.

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

10.7 **Service of Notices and Process.** Service of notices and process required or permitted by this Final Judgment 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:

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

For the Office of the Attorney General:

Parrell D. Grossman
Assistant Attorney General
Director, Consumer Protection and Antitrust Division
Office of Attorney General
4205 State Street
PO Box 1054
Bismarck, ND 58502-1054

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.

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

10.9 **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.

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

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

10.12 **Integration.** This Final Judgment 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.

10.13 **Amendment.** This Final Judgment may be amended solely by written agreement signed by the Office of the Attorney General and CFC.

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

SIGNED on the 1st day of April, 2009.

H Gail Hagerty
JUDGE PRESIDING

SIGNATURES ARE ON THE FOLLOWING PAGE

APPROVED AS TO FORM AND SUBSTANCE AND ENTRY REQUEST

COUNTRYWIDE FINANCIAL CORPORATION

By: _____
Name: JAMES CICCONE
Title: Executive Vice President + Deputy General Counsel.

DEFENDANTS
COUNTRYWIDE FINANCIAL CORPORATION,
COUNTRYWIDE HOME LOANS, INC.,
AND FULL SPECTRUM LENDING, INC.

By: _____
Patrick W. Durick (ND ID 03141)
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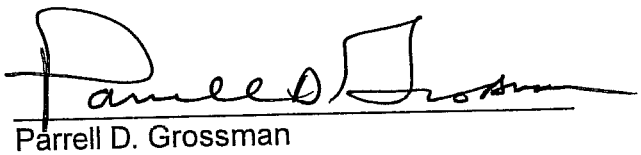
P.O. Box 400
Bismarck, ND 58502-0400
pwd@pearce-durick.com
(701) 223-2890
(701) 223-7865 (Fax)

Counsel for Defendants
Countrywide Financial Corporation,
Countrywide Home Loans, Inc., and
Full Spectrum Lending, Inc.

FOR THE STATE OF NORTH DAKOTA:
Wayne Stenehjem
Attorney General of North Dakota

By: 

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