

I. PARTIES

1. Plaintiff, THE PEOPLE OF THE STATE OF ILLINOIS, by LISA MADIGAN, Attorney General of the State of Illinois, is charged, inter alia, with the enforcement of the Consumer Fraud and Deceptive Business Practices Act, 815 ILCS 505/1 *et seq.* and the Illinois Fairness in Lending Act, 815 ILCS 120/1 *et seq.*
2. Defendant COUNTRYWIDE FINANCIAL CORPORATION is a thrift holding company.
3. Defendant COUNTRYWIDE HOME LOANS, INC., a wholly-owned subsidiary of Defendant COUNTRYWIDE FINANCIAL CORPORATION, is a registered foreign corporation in the State of Illinois and holds Illinois mortgage banker license MB.0000139, which is issued by the Illinois Department of Financial and Professional Regulations, Division of Banking.
4. Defendant FULL SPECTRUM LENDING, INC. was a registered foreign corporation in the State of Illinois from October 3, 1996 through April 25, 2005. FULL SPECTRUM LENDING, INC. was a licensed Illinois mortgage bank, holding mortgage banker license MB.0004910, which was issued by the Illinois Department of Professional Regulations, Division of Banking. Defendant FULL SPECTRUM LENDING, INC. became a division of Defendant COUNTRYWIDE HOME LOANS, INC. in 2004. In April 2005, FULL SPECTRUM LENDING, INC. withdrew as a registered foreign corporation and began operating in Illinois as Full Spectrum Lending, a division of COUNTRYWIDE HOME LOANS, INC.
5. COUNTRYWIDE HOME LOANS SERVICING, L.P., is a Texas limited partnership engaged exclusively in servicing loans, and, as of the date of this Final Judgment and Consent Decree, is a wholly-owned subsidiary of Bank of America, National Association.
6. For purposes of this Consent Decree, "CFC" means Defendant COUNTRYWIDE FINANCIAL CORPORATION, and "Countrywide" means Defendants CFC, COUNTRYWIDE

HOME LOANS, INC., FULL SPECTRUM LENDING, INC., and COUNTRYWIDE HOME LOANS SERVICING, LP, and their respective successors.

II. BACKGROUND

1. The State of Illinois, by and through Lisa Madigan, the Attorney General of the State of Illinois, filed a Complaint for a permanent injunction and other relief against Defendants Countrywide Financial Corporation, Countrywide Home Loans, Inc., Full Spectrum Lending, Countrywide Home Loans Servicing, LP, and Angelo R. Mozilo, individually and in his capacity as Chief Executive Officer of Defendant Countrywide Financial Corporation.¹
2. On July 1, 2008, Bank of America Corporation announced that it had completed its purchase of Countrywide Financial Corporation, which included Countrywide Home Loans, Inc., Full Spectrum Lending, and Countrywide Home Loans Servicing, LP. In connection with the acquisition, Bank of America Corporation announced that it would suspend offering subprime or higher-priced mortgages or nontraditional forward mortgages that may result in negative amortization – such as pay option ARMs. Bank of America Corporation also stated that it would place restrictions on offering “low documentation” and “no documentation” mortgage loans and set limits on mortgage broker compensation.
3. The State of Illinois and Countrywide have agreed to entry of this Final Judgment and Consent Decree to resolve all matters of dispute alleged in the Complaint.

¹ On June 25, 2008, the State of Illinois filed its initial Complaint in the Circuit Court of Cook County, Illinois against Defendants Countrywide Financial Corporation, Countrywide Home Loans, Inc., Full Spectrum Lending, Inc., Countrywide Home Loans Servicing, LP, and Angelo R. Mozilo, individually and in his capacity as Chief Executive Officer of Defendant Countrywide Financial Corporation (Case No. 08 CH 22994). On July 24, 2008, these Defendants removed Illinois’ Complaint to the United States District Court for the Northern District of Illinois (Case No. 08-cv-04210). The Judicial Panel on Multi-District Litigation subsequently consolidated Illinois’ action with other cases pending against Defendants and transferred the cases to the United States District Court for the Southern District of California (MDL No. 1988). After settlement negotiations, Illinois voluntarily dismissed Defendants Countrywide Financial Corporation, Countrywide Home Loans, Inc., Full Spectrum Lending, Inc., and Countrywide Home Loans Servicing, LP, from the pending federal court action for the purpose of re-filing its Complaint against these Defendants in the Circuit Court of Cook County, Illinois, where this Final Judgment and Consent Decree would be entered.

III. FINDINGS

1. On October 28, 2008, the State of Illinois filed its Complaint in this case pursuant to the provisions of the Illinois Consumer Fraud and Deceptive Business Practices Act, 815 ILCS 505/1 *et seq.*, and the Illinois Fairness in Lending Act, 815 ILCS 120/1, *et seq.*
2. The Illinois Attorney General is charged with, among other things, the responsibility of enforcing the Consumer Fraud and Deceptive Business Practices Act and the Illinois Fairness in Lending Act.
3. Countrywide Financial Corporation, Countrywide Home Loans, Inc. and Full Spectrum Lending, Inc. have, at all times relevant hereto, engaged in trade and commerce within the meaning of the Consumer Fraud and Deceptive Business Practices Act in the State of Illinois, including, but not limited to, Cook County, in that they advertised, solicited, offered for sale, and provided residential mortgages to Illinois consumers. The State of Illinois, by and through its Complaint, has alleged that Countrywide Home Loans Servicing, LP has, at all times relevant hereto, engaged in trade and commerce within the meaning of the Consumer Fraud and Deceptive Business Practices Act in the State of Illinois, including, but not limited to, Cook County, in that it provided services associated with residential mortgages to Illinois consumers.
4. The State of Illinois, by and through its Complaint, has alleged that Countrywide has engaged in unfair and deceptive acts or practices in the conduct of trade and commerce, in violation of Section 2 of the Illinois Consumer Fraud and Deceptive Business Practices Act, and has engaged in equity stripping in violation of Section 4 of the Illinois Fairness in Lending Act. Countrywide denies the allegations of the Complaint, denies that it engaged in unfair and deceptive acts or practices in the conduct of trade and commerce or in equity stripping in violation of these statutes and denies that it engaged in any wrongful or inappropriate conduct.

5. Entry of this Final Judgment and Consent Decree does not constitute a finding of liability against Countrywide and Countrywide denies any and all allegations. To avoid the delay, expense, inconvenience and uncertainty of protracted litigation of the State of Illinois' claim for injunctive and other relief, Countrywide has consented to the entry of the instant Consent Decree for the purposes of this settlement only, without this Consent Decree constituting evidence against or any admission by any Defendant, and without trial of any issue of fact or law on the issues specifically addressed and released herein.

6. This Court has jurisdiction over the subject matter of the Complaint filed herein and over the parties to this Final Judgment and Consent Decree.

IV. INJUNCTIVE RELIEF REGARDING LENDING PRODUCTS OFFERED BY COUNTRYWIDE

NOW THEREFORE, on the basis of these findings, and for the purpose of effecting this Final Judgment and Consent Decree,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED as follows:

1. DEFINITIONS.

1.1. Usage. The following rules apply to the construction of Article IV of this Final Judgment and Consent Decree:

- (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 Article IV of this Final Judgment and Consent Decree, and shall not affect the meaning, construction or effect of the applicable provision of Article IV of this Final Judgment and Consent Decree;

(d) a reference in Article IV of this Final Judgment and Consent Decree or any Schedule to an Section, Exhibit, or Schedule without further reference is a reference to the relevant Section, Exhibit, or Schedule to Article IV of this Final Judgment and Consent Decree; 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 Article IV of this Final Judgment and Consent Decree and not to any particular Section, subsection or clause hereof.

1.2. Defined Terms. The following capitalized terms shall have the following meanings in Article IV of this Final Judgment and Consent Decree 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 IV.4.4.

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

“**Annual Increase**” means, with respect to any stated rate of interest, an annual increase in the stated rate of interest such that the aggregate scheduled payments of principal (if applicable) and interest in any year does not increase by more than

7.5% of the aggregate scheduled payments of principal and interest in the preceding year, subject to any stated interest rate cap.

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

“*BAC*” means Bank of America Corporation.

“*Borrower*” means, with respect to any owner-occupied CFC Residential Mortgage Loan, the obligor(s) on such loan. No covenant or commitment herein is intended to require a CFC Servicer to deal with more than one obligor on behalf of any Borrower 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 the date on which this Consent Decree is entered by the Court.

“**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 IV.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 IV.4.4(a).

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

"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 a 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).

“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 IV.4.2.

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

“Relocation Assistance Payment” has the meaning given to such term in Section IV.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 (a) 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. "*Subprime Mortgage Loans*" do not include first-lien residential mortgage loans that are Federal Eligible.

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

2. CFC SOLE OBLIGOR ON ALL OBLIGATIONS IN ARTICLE IV OF THIS FINAL JUDGMENT AND CONSENT DECREE.

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 Article IV of this Final Judgment and Consent Decree, including the changes to the residential mortgage lending practices described in Section IV.3, the loan modification programs described in Section IV.4, the Relocation Assistance Payments described in Section IV.5, the Foreclosure Relief Program described in Section IV.6 and the reporting obligations described in Section IV.8.

2.2. *Absence of Defenses.* It is not a condition 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 IV.4, the Relocation Assistance Payments described in Section IV.5, the Foreclosure Relief Program described in Section IV.6 or the reporting obligations described in Section IV.8 and such failure is not promptly cured after notice by the State of Illinois, then the State of Illinois may seek enforcement of this Final Judgment and Consent Decree under Section IV.10.8, or, in the alternative, terminate this Final Judgment and Consent Decree. If the State of Illinois elects to terminate this Final Judgment and Consent Decree, it shall no longer be bound by the release set forth in Section IV.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 Illinois:

3.1. Enhanced Home Retention Practices.

(a) CFC Servicers will maintain robust processes for early identification and contact with Borrowers who are having, or may have, trouble making their payments on CFC Residential Mortgage Loans. Under these processes, when contact is made with Delinquent 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 Delinquent Borrowers who desire to remain in their homes and who can afford to make reasonable mortgage payments loan modifications or other workout solutions, subject to applicable investor guidance and approvals.

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

(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 loan modification campaigns. CFC shall be responsible for providing reports to the State of Illinois on the delinquency characteristics of such loans, as provided herein.

(e) With respect to Alt-A Residential Mortgage Loans, CFC acknowledges that the State of Illinois has expressed concerns about future delinquencies, and agrees to provide the State of Illinois a 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 State of Illinois 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.

3.2. Compliance. Understanding the circumstances and behaviors of lenders and brokers that may have contributed, in part, to the current mortgage crises, 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 do the following:

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 1-4 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 IV.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 IV.4. A Borrower who does not occupy the 1-4 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 Hybrid 2, 3, 5, 7 and 10 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 at least those described below and existing modification options currently undertaken by CFC, and are subject, as applicable, to approval of the investor who owns the Qualifying Mortgage consistent with the Affordability Equation, as set forth in Section IV.4.10. Loan modification options for each category of Qualifying Mortgages are as follows:

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

(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 Recast, or (B) who are subject to an imminent reset or Recast and, in the reasonable view of the CFC Servicer, as a result of such reset or Recast 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 IV.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 IV.4.3(a)(iii) and IV.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 amount 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 IV.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:

(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 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 Hybrid 2, 3, 5, 7 and 10 ARMs).*

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

(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 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 IV.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 a streamlined reduction of their interest rates pursuant to Section IV.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 or a payment under the Foreclosure Relief Program, all as provided in Sections IV.5 and IV.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 Article IV of this Final Judgment and Consent Decree.

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 Section IV.4 of this Stipulated Judgment and Injunction 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. Any late/delinquency fees associated with overdue loan payments remaining unpaid as of the date immediately before modification of the Qualifying Mortgage under Article IV of this Final Judgment and Consent Decree will be waived.

(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 Article IV of this Final Judgment and Consent Decree, will be eligible to be considered for new loan modification offers under Article IV of this Final Judgment and Consent Decree 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 Article IV of this Final Judgment and Consent Decree 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.*

(a) Government Acquisition of Qualifying Mortgages. 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 Article IV of this Final Judgment and Consent Decree, relief

measures will be pursued in modifying such Qualifying Mortgages to the full extent of such authorization.

(b) *Government-Issued Guidelines Relating to Loan Modifications.*

To the extent any federal agency, in connection with its intervention in the secondary mortgage market or otherwise having jurisdiction, issues guidelines relating to modifications of delinquent mortgages, Article IV of this Final Judgment and Consent Decree will be implemented in a manner that, to the maximum extent feasible, produces modifications consistent with such guidelines.

4.9. *Timeframe for Loan Modification Process.* The loan modification process will be managed to ensure that offers of loan modifications under Article IV of this Final Judgment and Consent Decree (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. There will be no requirement that Eligible Borrowers release claims against CFC or any CFC Affiliate in connection with loan modifications offered under Article IV of this Final Judgment and Consent Decree.

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 Article IV of this Final Judgment and Consent Decree to not fewer than 50,000 Delinquent Borrowers on a nationwide basis. The State of Illinois may terminate this Final Judgment and Consent Decree and no longer be bound by the release set forth in Section IV.9.2 of this Final Judgment and Consent Decree if there is a material failure to satisfy this commitment. If the State of Illinois terminates this Final Judgment and Consent Decree, the State of Illinois will repay to CFC any portion of the Foreclosure Relief Program allocation that the State has directed be paid to it or on its behalf (other than to Eligible Borrowers) as provided in Section IV.6.

4.13. Second or Junior Liens. Loan modifications contemplated in Section IV.4.3 of this Stipulated Judgment and Injunction 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 Article IV of this Final Judgment and Consent Decree.

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 IV.5.

5.1. Eligibility. Borrowers under CFC Residential Mortgage Loans that were serviced by a CFC Servicer on June 30, 2008 (whether or not they are Qualifying Mortgages), are currently serviced by a CFC Servicer and 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 secures the mortgage loan at the time of the foreclosure sale. 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 secures 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 in a total amount of more than \$70,000,000 on a nationwide basis.

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 IV.6.

6.1. Payment. CFC will make available \$8,481,307 to the Office of the Illinois Attorney General for allocation under this Foreclosure Relief Program.

6.2. Individual Allocation. A Borrower may 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.

The State of Illinois may expand the Foreclosure Relief Program to cover additional Borrowers or limit the Foreclosure Relief Program to restrict the participation of Borrowers (provided that at least those borrowers who made three or fewer payments over the life of the CFC-Originated Residential Mortgage Loan are covered). The Office of the Illinois Attorney General may reserve as much as 25% of the \$8,481,307 for foreclosure relief, foreclosure mitigation or related programs other than payments to defaulted borrowers.

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

6.4. Unallocated Funds. Funds allocated to Borrowers in the State of Illinois 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 Illinois Attorney General for re-allocation to Borrowers under this program at the direction of the Office of the Illinois Attorney General.

6.5. Communications to Borrowers. CFC and the State of Illinois shall consult as to the form of any communication sent to Borrowers who are to receive Foreclosure Relief Program payments.

7. BANK OF AMERICA FOUNDATION COMMUNITY INVESTMENT ACTIVITIES.

The Office of the Illinois Attorney General understands that, while the Bank of America Foundation is not a party to this agreement, it intends to work actively with non-profits, 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 Illinois

Attorney General to identify ways in which it 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 State of Illinois:

(i) The names and addresses of Eligible Borrowers in the State of Illinois in Qualifying Mortgages who received loan modification offers under Article IV of this Final Judgment and Consent Decree, and for whom loan modifications were concluded;

(ii) For all loan modifications under Article IV of this Final Judgment and Consent Decree concluded within the reporting period in the State of Illinois, 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 Article IV of this Final Judgment and Consent Decree;

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

(iv) The number and total amount of Relocation Assistance Payments made to borrowers in the State of Illinois during the reporting period;

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

(vi) Aggregated delinquency data on all loans modified under Article IV of this Final Judgment and Consent Decree for Eligible Borrowers in the State of Illinois.

(b) CFC shall provide annual reports to the State of Illinois that include the information specified in Section IV.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 IV.8.1, CFC will provide to the State of Illinois a report detailing the numbers and types of modifications concluded on first-lien residential mortgage loans secured by owner-occupied property in the State of Illinois (other than Qualifying Mortgages) and the total unpaid principal balance of such modified loans.

8.3. Compliance Monitor. CFC will appoint an employee as the Compliance Monitor for this Final Judgment and Consent Decree. The Compliance Monitor will be responsible for (i) making reports to the State of Illinois under this Final Judgment and Consent Decree and (ii) receiving and responding to complaints

from the State of Illinois 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. _____, including, without limitation, the origination of that loan.

(and any representations or omissions made during that origination process), the terms and conditions of that loan, and the servicing or administration of that loan following its origination.

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

9.3. More Favorable Terms. Should Countrywide resolve matters specifically set forth in the allegations of the Complaint filed in this action for conduct which occurred before the entry of this Consent Decree in actions brought by Attorneys General of other states on terms that are different than those contained in this Consent Decree (other than terms offered by the Countrywide but not accepted by the State of Illinois), Countrywide will provide a copy of those terms to the Illinois Attorney General for review. If, after review, the Illinois Attorney General determines the terms of such resolutions are, taken as a whole, more

favorable than those contained in this Consent Decree, then Countrywide shall stipulate that this Consent Decree shall be amended to reflect all of such terms in place of the terms hereof.

10. MISCELLANEOUS

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

10.2. *Confidentiality.* The State of Illinois agrees that all information marked as confidential and disclosed to it by BAC or CFC or any of their Affiliates, including but not limited to any such information included in the periodic reports that will be provided pursuant to Section IV.8, shall be kept confidential, 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. *Termination.* Except to the extent an early date is specified or the provisions of Article IV of this Final Judgment and Consent Decree are earlier terminated according to the terms hereof, the obligations of CFC under Article IV of this Final Judgment and Consent Decree shall terminate on the Termination Date. Provided, however, that no termination of the obligations under Article IV of this Final Judgment and Consent Decree shall change or terminate the terms of any loan modification entered into pursuant to Section IV.4 of this Final Judgment and Consent Decree.

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

If to Defendants:

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

If to the Attorney General:

Veronica Spicer
Office of the Illinois Attorney General
Consumer Fraud Bureau
100 West Randolph St., 12th Floor
Chicago, IL 60601

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

10.5. Payment. Within ten days of the Commencement Date, CFC shall pay \$1.7 million to the Office of the Illinois Attorney General, to cover attorney's fees and investigative costs, consumer education, litigation, public protection, consumer protection purposes or local consumer aid funds or any other purpose permitted by state law at the sole discretion of the Illinois Attorney General. CFC will pay this amount to the "Attorney General Court-Ordered and Voluntary Compliance Payment Project Fund."

10.6. Ongoing Litigation. CFC and Countrywide Home Loans, Inc. shall maintain and provide information to and cooperate fully with the Attorney General in connection with the prosecution of the separate action, *People of the State of Illinois v. Countrywide Financial Corporation, et al.*, initially filed in this court and assigned case number 08 CH 22994, as to Defendant Angelo Mozilo. This shall include, but is not necessarily limited to, attending depositions, trials or hearings with 25 days notice (without the necessity of a subpoena or personal service); providing any documents and other tangible things requested by the Attorney General on 30-days notice (without the necessity of a subpoena or personal service and without objection); not objecting to efforts by the Attorney General to obtain documents or other discovery from any other named defendant to this action or any third party; and protecting, preserving and maintaining all records and correspondence which are now in or later come into its possession, custody or control, that were sent to, received from, or in any way relate to Angelo Mozilo or any of his representatives.

10.7. Nothing in this Consent Decree is to be construed as a bar to the State of Illinois continuing its separate action against Defendant Angelo Mozilo.

10.8. This Court shall ^{to and including December 31, 2012} retain jurisdiction over this matter for the purposes of (a) enabling the Attorney General to apply, at any time, for enforcement of any provision of this Consent Decree and for sanctions or other punishment for any violation of this Consent Decree; and (b) enabling any party to this Consent Decree 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

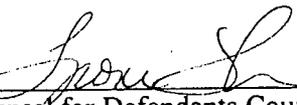
construction or carrying out of this Consent Decree or for the modification or termination of one or more injunctive provisions of this Consent Decree.

APPROVED:

PLAINTIFF, The People of the State of Illinois

DEFENDANTS Countrywide Financial Corporation, Countrywide Home Loans, Inc., Full Spectrum Lending, Inc., and Countrywide Home Loans Servicing, LP

By: 
James D. Kole, Bureau Chief
Illinois Attorney General's Office
Consumer Fraud Bureau
100 West Randolph
Chicago, IL 60601

By: 
Counsel for Defendants Countrywide Financial Corporation, Countrywide Home Loans, Inc., Full Spectrum Lending, Inc., and Countrywide Home Loans Servicing, LP

Date Entered: _____ JUDGE

ENTERED
JUDGE MARY ANNE MASON-1810
OCT 31 2008
DOROTHY BROWN
CLERK OF THE CIRCUIT COURT
OF COOK COUNTY, IL
DEPUTY CLERK _____