IN THE CIRCUIT COURT OF COOK COUNTY, STATE OF ILLINOIS
COUNTY DEPARTMENT – CHANCERY DIVISION

THE PEOPLE OF THE STATE OF ILLINOIS, Plaintiff, v. COUNTRYWIDE FINANCIAL CORPORATION, a Delaware corporation; COUNTRYWIDE HOME LOANS, INC., a New York corporation also d/b/a Full Spectrum Lending Division; and FULL SPECTRUM LENDING, INC. a California corporation formerly doing business in Illinois; Defendants.	)	Case No. 10 CH-27929

ENTERED
JUDGE CAROLYN QUINN-1880
DEC 21 2011
DOROTHY BROWN
CLERK OF THE CIRCUIT COURT
OF COOK COUNTY, IL
DEPUTY CLERK

FINAL JUDGMENT AND CONSENT DECREE

It appearing to this Court that Plaintiff, THE PEOPLE OF THE STATE OF ILLINOIS, by and through LISA MADIGAN, Illinois Attorney General and Defendants, COUNTRYWIDE FINANCIAL CORPORATION, and its subsidiary, COUNTRYWIDE HOME LOANS, INC., d/b/a Full Spectrum, and FULL SPECTRUM LENDING, INC., formerly an Illinois corporation, now a division of Defendant COUNTRYWIDE HOME LOANS, INC., on behalf of themselves and their successors, assigns, predecessors, and any future acquired or created corporations or other business entities, (collectively, "Defendants") have resolved the matters in controversy between them and have consented to the terms of this Final Judgment and Consent Decree (hereinafter "Consent Decree").

I. INTRODUCTION

This action was brought for and on behalf of THE PEOPLE OF THE STATE OF ILLINOIS, by LISA MADIGAN, Attorney General of the State of Illinois, acting in the public interest, alleging violations by the Defendants of the Illinois Human Rights Act, 775 ILCS 5/1 *et seq.*, and the Illinois Fairness in Lending Act, 815 ILCS 120/1 *et seq.* The Complaint alleges Defendants' engaged in a pattern and practice of unlawful discrimination through various business practices, including aggressive marketing to minorities, discretionary product selection and pricing policies, volume and product based compensation structures, and failure to implement effective controls that disparately impacted African-American and Latino borrowers as compared to similarly situated White borrowers. The alleged unlawful discrimination resulted in the steering of prime-eligible African-American and Latino borrowers into subprime mortgages. The Complaint also alleges that Defendants' practices resulted in African-American and Latino borrowers receiving mortgages that were more expensive than mortgages given to similarly situated White borrowers. The Defendants deny these allegations.

This Consent Decree is submitted jointly by the parties for approval of, and entry by, this Court concurrently with the filing of the United States' Complaint in *United States of America v. Countrywide Financial Corporation, et al.,* in the United States District Court for the Central District of California, alleging that certain of the Defendants, who are also party to this case, engaged in a pattern and practice of conduct in violation of the Fair Housing Act, 42 USC §§ 3601 – 3619 and the Equal Credit Opportunity Act, 15 U.S.C. §§1691 – 1691F, a copy of which is attached hereto as Exhibit A. The United States' Complaint is being filed simultaneously with a Consent Order between the parties; the United States' Consent Order resolves the matters alleged by the United States, together with the claims it raised in its Complaint. The United

States' Consent Order is attached hereto as Exhibit B. The United States' Consent Order provides for relief that effectively encompasses and fully resolves all issues with respect to the relief sought by the Illinois Attorney General in this action.

II. GENERAL PROVISIONS

1. This Consent Decree is entered into by Plaintiff and Defendants to avoid protracted and costly litigation and to bring about a prompt resolution to this controversy.

2. This Consent Decree is entered into only for the purpose of resolving the issues that were raised in the Complaint. It does not otherwise bind any other officers or agencies of the State of Illinois.

3. The undersigned representative for each party certifies that s/he is fully authorized by the party s/he represents to enter into the terms and conditions of this Consent Decree and legally bind the party s/he represents.

Now, therefore, on the basis of these findings and for the purpose of entering this Final Judgment and Consent Decree, **IT IS HEREBY ORDERED, ENTERED AND DECREED AS FOLLOWS:**

III. REMEDIAL ORDER

1. Unless otherwise stated herein, the remedial provisions of this Consent Decree shall be implemented not later than thirty (30) days after the Effective Date of this Consent Decree. The Effective Date of this Consent Decree is the date upon which it is approved and entered by the Court.

2. Defendants represent that Countrywide Financial Corporation and Countrywide Home Loans, Inc. (collectively, "Countrywide Defendants") no longer originate residential loans. In the event that the Defendants reenter the business of originating residential loans, Defendants shall adopt policies and practices designed to ensure compliance with the Illinois Human Rights

Act, 775 ILCS 5/1 *et seq.* and the Illinois Fairness in Lending Act, 815 ILCS 120/1 *et seq.* Defendants shall provide the Illinois Attorney General with the details of these policies, practices, and monitoring, forty-five (45) days prior to implementing such reentry. The Illinois Attorney General shall have thirty (30) days to review and agree or object to the proposed policies. In the event that any disputes arise about the interpretation of or compliance with the terms of this Consent Decree, the parties shall endeavor in good faith to resolve any such dispute between themselves before bringing it to this Court for resolution.

3. Pursuant to the United States' Department of Justice Consent Order in *United States of America v. Countrywide Financial Corporation, et al*, Defendants shall deposit in an interest-bearing escrow account funds to compensate aggrieved persons for monetary and other damages they may have suffered as a result of Defendants' alleged violations of law. From those funds deposited into said interest-bearing account per the United States' Consent Order, no less than $20 million will be used to compensate Illinois consumers for violations of the Illinois Human Rights Act and the Illinois Fairness in Lending Act to resolve Defendants pending litigation with the Illinois Attorney General in this matter, *People of The State of Illinois v. Countrywide, et al.*, 10 CH 27929. Any money remaining from the funds designated for Illinois borrowers shall be distributed to qualified organization(s) located in Illinois. Qualified Organization(s) are defined as organizations that provide services including credit and housing counseling (including assistance in obtaining loan modification and preventing foreclosure), financial literacy, and other related programs targeted at African-American and Hispanic potential and former homeowners in communities where the Complaint alleges significant discrimination occurred against African-American and Hispanic borrowers. Recipient(s) of such funds must not be related to Bank of America Corporation, but may include non-profit community organizations that provide education, counseling and other assistance to low-income and minority borrowers in connection with obtaining credit, loan modifications and other home retention activities to which Bank of America Corporation has furnished substantial support.

IV. COMPLIANCE

4. When Defendants submit semi-annual reports to the United States on Compliance pursuant to the United States' Consent Order, Defendants shall submit that report to the Illinois Attorney General. Each such report shall provide a complete account of the Defendants' and Administrator's material actions to comply with each requirement of this Consent Decree during the previous six months, an objective assessment of the extent to which each quantifiable obligation was met in all material respects, an explanation of why any particular component fell short of meeting their goal for the previous six months, and any recommendations for additional actions to achieve the goals of this Consent Decree. The Defendants shall submit their first report no later than one-hundred-eighty (180) days after the Effective Date of this Consent Decree, and every one-hundred-eighty (180) days thereafter for so long as the Consent Decree is in effect.

V. ADMINISTRATION

5. This Consent Decree shall expire in four (4) years or, if earlier, on the satisfaction of the conditions set forth in Paragraph 3 of this Consent Decree.

6. The parties enter into this Consent Decree to resolve fully and finally all claims asserted in the Complaint, *People of The State of Illinois v. Countrywide, et al.,* 10 CH 27929.

7. This Consent Decree shall be binding on the Defendants, including all its officers, employees, agents, representatives, assignees, and successors in interest, and all those in active concert or participation with any of them. In the event the Defendants seek to transfer or assign all or part of its operations, and the successor or assign intends on carrying on the same or similar use, as a condition of sale, the Defendants shall obtain the written agreement of the successor or assign to any obligations remaining under this Consent Decree for its remaining term to the extent compliance with such obligations would be transferred or assigned.

8. In the event that any of the provisions of this Consent Decree are found to be unenforceable for any reason, that portion shall be severed from the remainder and such finding will not affect the force or validity of the remaining provisions.

9. This Court shall retain jurisdiction for the duration of this Consent Decree to enforce the terms of the Consent Decree.

APPROVED BY DEFENDANT COUNTRYWIDE FINANCIAL CORPORATION

By:____________________ Date: 12-21-11

Michael Schloessmann
President
Countrywide Financial Corporation

APPROVED BY DEFENDANT COUNTRYWIDE HOME LOANS, INC., ON BEHALF OF ITSELF AND DEFENDANT FULL SPECTRUM LENDING, INC.

By:______________________________ Date: 12-21-11

Michael Schloessmann
President
Countrywide Home Loans, Inc.

APPROVED AS TO FORM:

By: ______________________ Date: 12/21/11

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APPROVED BY THE COURT:

ENTERED
JUDGE CAROLYN QUINN-1880
JUDGE

DEC 21 2011

DOROTHY BROWN
CLERK OF THE CIRCUIT COURT
OF COOK COUNTY, IL
DEPUTY CLERK

Date Entered: ______________

FILED

2011 DEC 21 AM 11: 11

CLERK U.S. DISTRICT COURT
CENTRAL DIST. OF CALIF.
LOS ANGELES

BY ______________________

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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA, Plaintiff, v. COUNTRYWIDE FINANCIAL CORPORATION; COUNTRYWIDE HOME LOANS, INC; COUNTRYWIDE BANK, Defendants.	CIVIL NO.: CV11 10540-PSG (AJWx) **COMPLAINT**

EXHIBIT
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A

Plaintiff, United States of America, alleges:

INTRODUCTION

1. The United States brings this action against Countrywide Financial Corporation, acting through its various divisions and subsidiaries (collectively, "Countrywide") for discriminating against more than 200,000 Hispanic and African-American borrowers in its residential mortgage lending. The action to enforce the Fair Housing Act, 42 U.S.C. §§ 3601-3619 ("FHA"), and the Equal Credit Opportunity Act, 15 U.S.C. §§ 1691-1691f ("ECOA"), is brought to redress the discrimination based on race and national origin that Countrywide engaged in from 2004 to 2008 during the mortgage boom.

2. Countrywide was one of the largest single-family mortgage lenders in the United States, if not the largest, between 2004 and 2008. During that period, Countrywide originated over 4.4 million residential mortgage loans through its retail loan offices and its wholesale division using mortgage brokers. Between 2004 and 2007, the total annual volume of these loans ranged between $110 billion and $243 billion. During that four-year period, Countrywide reported total net earnings of approximately $6.7 billion. Part of Countrywide's business strategy was to target local Hispanic and African-American markets in order to expand its lending and ultimately gain market dominance in making residential loans in those communities.

3. As a result of Countrywide's policies and practices, more than 200,000 Hispanic and African-American borrowers paid Countrywide higher loan fees and costs for their home mortgages than non-Hispanic White borrowers, not based on their creditworthiness or other objective criteria related to borrower risk, but because of their race or national origin.

4. Additionally, as a result of Countrywide's policies and practices, Hispanic and African-American borrowers were placed into subprime loans when similarly-

qualified non-Hispanic White borrowers received prime loans. Between 2004 and 2007, more than 10,000 Hispanic and African-American wholesale borrowers received subprime loans, with adverse terms and conditions such as high interest rates, excessive fees, prepayment penalties, and unavoidable future payment hikes, rather than prime loans from Countrywide, not based on their creditworthiness or other objective criteria related to borrower risk, but because of their race or national origin.

5. The victims of Countrywide's discrimination were located in more than 180 geographic markets across at least 41 states and the District of Columbia. For example, the statistical analyses discussed below found high numbers of potential victims in metropolitan markets throughout the country. The top twenty markets with the highest number of victims are: Los Angeles; Riverside; Chicago; Houston; Miami; Atlanta; New York; Washington, DC; Phoenix; San Diego; Las Vegas; Fort Lauderdale; Orlando; Santa Ana; Dallas; Denver; Oxnard; Newark; Long Island; and Detroit. More than two-thirds of the victims of Countrywide's discrimination are Hispanic, and nearly one-third of all Countrywide's discrimination victims were located in California.

6. Countrywide's home mortgage lending policies allowed its employees and mortgage brokers both to set the loan prices charged to borrowers and to place borrowers into loan products in ways that were not connected to a borrower's creditworthiness or other objective criteria related to borrower risk. Countrywide's policies created financial incentives for its employees and mortgage brokers by sharing increased revenues with them.

7. Countrywide knew or had reason to know based on its own internal monitoring and reporting that its policies of giving unguided discretion to its own loan officers as well as to brokers was resulting in discrimination. Countrywide did not act to adequately compensate borrowers who were victims of discrimination nor did it

take effective action to change the discriminatory policies or practices to eliminate the discrimination.

8. The higher borrowing costs Countrywide charged to hundreds of thousands of Hispanic and African-American families – whether paid as higher up-front fees, higher interest rates, prepayment penalties, or otherwise – put increased economic burdens on those families. For the Hispanic and African-American families Countrywide placed in subprime loans when those same families could have received prime loans, the economic burdens and risks, including the increased risk of delinquency or foreclosure, were particularly high. A recent survey of large national lenders by the Office of the Comptroller of the Currency reported that as of June 30, 2011, 28.1% of subprime loans nationwide are seriously delinquent or in foreclosure compared to only 5.5% of prime loans. Similarly, as of the second quarter of 2011, Bank of America reported that of the residential loans it services, approximately 74% of which were originated by Countrywide, about 33% of its subprime loans were seriously delinquent or in foreclosure compared to about 10% of its prime loans.

9. In addition, Countrywide engaged in discrimination on the basis of marital status by encouraging married borrowers applying for credit in one spouse's name to have their non-applicant spouses give up all their rights and interests in the property securing the loan at the time the loans were originated.

10. The United States brings this lawsuit to hold Countrywide accountable for its serious violations of law and remedy the substantial and widespread harmful consequences of Countrywide's discriminatory lending policies and practices.

11. This Court has jurisdiction over this action pursuant to 28 U.S.C. § 1345, 42 U.S.C. § 3614, and 15 U.S.C. § 1691e(h). Venue is appropriate pursuant to 28 U.S.C. § 1391(b) and (c).

PARTIES

12. During the period of time relevant to the events at issue in this Complaint through July 1, 2008, Defendant Countrywide Financial Corporation ("CFC") was a Delaware-incorporated financial holding company or savings and loan holding company with its principal business office in Calabasas, California. CFC created, authorized, and/or ratified the lending-related policies and practices at issue in this Complaint that its divisions and subsidiaries implemented.

13. On July 1, 2008, Bank of America Corporation ("BAC"), a Delaware-incorporated financial holding company, acquired ownership of CFC, including all of its subsidiary business entities. Since that acquisition, CFC has remained a Delaware-incorporated company with its principal business office in Calabasas, California, as a direct, wholly-owned subsidiary of BAC.

14. Defendant Countrywide Home Loans, Inc. ("CHL") is a New York-incorporated wholly-owned subsidiary of CFC with its principal business office in Calabasas, California. Prior to 2008, CHL funded the majority of CFC's nationwide residential mortgage loan origination activity. For the loans it funded under the Countrywide name, CHL was the named lender on the promissory notes for those loans. CHL became a wholly-owned indirect subsidiary of BAC on or about July 1, 2008, as a result of BAC's acquisition of CFC.

15. Countrywide Bank ("CWB") was originally chartered as a national bank subject to supervision by the Office of the Comptroller of the Currency, and was a subsidiary of financial holding company CFC. CWB was headquartered in Alexandria, Virginia, until February, 2009. As a financial holding company, CFC, together with its subsidiary CHL, was supervised by the Board of Governors of the Federal Reserve System. On or about March 12, 2007, CWB changed its charter to that of a federal savings association, and CFC became a savings and loan holding company. Those changes caused CWB, CFC, and CHL to become subject to supervision by the Office of Thrift Supervision.

16. During 2006, CFC began the process of transitioning the funding of its residential loan originations from CHL to CWB. For those loans funded through CWB under the Countrywide name, CWB was the named lender on the promissory notes for those loans. As of January 1, 2008, CWB funded substantially all nationwide residential loan origination activity using the Countrywide name. For those loans funded by either CHL or CWB, CFC used the same loan origination policies and procedures that it had created, authorized, or ratified, and the same employees and mortgage brokers. Throughout this Complaint, CFC, CWB, and CHL are referred to collectively as "Countrywide."

17. Even after BAC's purchase of CFC on July 1, 2008, CWB continued its banking and mortgage lending operations as a direct subsidiary of CFC, using the same loan origination policies and procedures, until approximately November 7, 2008. At that time, BAC engaged in a series of corporate transactions that ended CWB's status as a subsidiary of CFC and made CWB a direct subsidiary of BAC.

18. On April 23, 2009, the Office of the Comptroller of the Currency approved CWB's request to convert its charter back to that of a national bank and the request by Bank of America, N.A. to then immediately acquire CWB by merger. These transactions were executed on April 27, 2009, as a result of which CWB ceased to exist. Bank of America, N.A. was the surviving institution resulting from this merger. Thus, Bank of America, N.A. is the successor in interest to CWB.

19. The Defendants in this action are, or were at all relevant times, subject to Federal laws governing fair lending, including the FHA and the ECOA and the regulations promulgated under each of those laws. The FHA prohibits financial institutions from discriminating on the basis of, inter alia, race, color, or national origin in their residential real estate-related lending transactions. The ECOA prohibits financial institutions from discriminating on the basis of, inter alia, race, color,

national origin, or marital status with respect to any aspect of a credit transaction in carrying out their lending activities.

20. The Defendants in this action are or were creditors within the meaning of the ECOA, 15 U.S.C. § 1691a(e), and are or were businesses that engage in residential real estate-related transactions within the meaning of the FHA, 42 U.S.C. § 3605.

REFERRALS FROM BANK REGULATORY AGENCIES

21. In2006, Federal Reserve System Examiners initiated a fair lending review of CHL's mortgage pricing practices. As a result of that review, the Federal Reserve Board ("FRB") determined that it had "reason to believe that Countrywide Home Loans engaged in a pattern or practice of discrimination based on race and ethnicity in violation of Section 701(a) of the Equal Credit Opportunity Act and the Fair Housing Act."

22. Following its determination described in Paragraph 21, and pursuant to 15 U.S.C. § 1691e(g), the FRB referred the matter to the Department of Justice on March 5, 2007. Through a series of tolling agreements, Countrywide "agree[d] to a suspension of the running of any applicable statute of limitations for any cause of action that could be brought against Countrywide pursuant to that referral from the Federal Reserve Board" from March 22, 2007, through December 22, 2011.

23. In early 2008, the Office of Thrift Supervision ("OTS") conducted an examination of the operations of Countrywide, including its compliance with applicable fair lending laws and regulations. As a result of that examination, the OTS determined that it had "a 'reason to believe' that Countrywide has displayed a 'pattern or practice' of discriminating against minority loan applicants in the pricing of home loans and against married couples concerning the terms and condition of home loans."

24. Following its determination described in Paragraph 23, and pursuant to 15 U.S.C. § 1691e(g), the OTS referred the matter to the Department of Justice on June 27,

2008. Through a series of tolling agreements, Countrywide "agree[d] to a suspension of the running of any applicable statute of limitations under the ECOA for any cause of action that could be brought against Countrywide pursuant to that referral from the Office of Thrift Supervision" from July 1, 2009, through December 22, 2011.

25. Based on the Federal Reserve and OTS referrals, the Department of Justice has engaged since 2007 in an investigation of Countrywide's lending policies, practices, and procedures, including reviewing internal company documents and non-public loan-level data on more than 2.5 million Countrywide loans originated between 2004 and 2008.

FACTUAL ALLEGATIONS

26. Between January 2004 and December 2008, Countrywide originated residential loans nationwide through both a retail channel and a wholesale channel.

27. Between 2004 and 2008, Countrywide's retail and wholesale divisions operated in virtually all geographical markets in the United States, including several hundred metropolitan areas ("MSAs") as well as the less-populated areas of each state outside of MSAs.

28. Between at least January 2004 and August 2007, Countrywide originated virtually every type of loan product that was available in the residential lending market, several hundred products in all. These products included: (a) traditional prime loans; (b) subprime loans, typically designed for borrowers with credit scores or other credit characteristics deemed too weak to qualify for prime loans; and (c) "Alt-A" loans, those with application requirements or payment terms less restrictive than traditional prime loan terms or requirements, such as interest-only or negative amortization terms, reduced documentation requirements, or balloon payments. Subsequent to origination, Countrywide sold or securitized for sale the bulk of the loans it originated in the secondary market, either to government-

sponsored entities Fannie Mae and Freddie Mac or to private investors. Changes in the loan securitization market in 2007 caused Countrywide to focus almost exclusively on prime loans after August 2007 and continuing into 2008. For the purposes of this Complaint, the term "subprime loans" includes any residential loan product that Countrywide originated and internally designated as subprime by including the label "B/C" in the product name. For the purposes of this Complaint, the term "non-subprime loans" includes any residential loan product that Countrywide originated and did not internally designate as subprime. For the purposes of this Complaint, the term "prime loans" includes any "non-subprime loans" that Countrywide originated that (a) required each monthly payment to include interest and a fully amortizing amount of principal and (b) did not categorically allow for reduced documentation of borrowers' income and assets in the underwriting process.

Retail Lending Pricing

29. Between 2004 and 2008, Countrywide charged more than 100,000 Hispanic and African-American borrowers higher fees and costs than non-Hispanic White retail borrowers not based on their creditworthiness or other objective criteria related to borrower risk, but because of their race or national origin. It was Countrywide's business practice to allow its employees who originated loans through its retail channel to vary a loan's interest rate and other fees from the price initially set based on a borrower's objective credit-related factors. This subjective and unguided pricing discretion resulted in Hispanic and African-American borrowers paying more not based on borrower risk than non-Hispanic White borrowers both on a nationwide basis and in dozens of geographic markets across the country where Countrywide originated a large volume of loans. As a result of Countrywide's discriminatory retail pricing practices, an Hispanic or African-American borrower paid, on average, hundreds of dollars more for a Countrywide loan.

30. Countrywide's retail pricing monitoring efforts, while inadequate to remedy discriminatory practices against African-American borrowers through 2007 and against Hispanics through 2008, were sufficient to put it on notice of widespread pricing disparities based on race and national origin. Even when Countrywide had reason to know there were disparities, however, Countrywide did not act to determine the full scope of these retail pricing disparities, nor did it take prompt and effective action to eliminate those disparities. Between at least January 2004 and December 2008, Countrywide had a policy or practice of periodically monitoring the pricing of retail home mortgage loans for disparities based on race or national origin at both the branch office and geographic market level. All of Countrywide's monitoring for disparities occurred subsequent to the loan origination, and Countrywide did not reimburse any retail borrowers who were found to have been charged higher loan prices until 2007, when it was required by its regulator to provide some restitution payments. Even then, Countrywide made only a small number of restitution payments.

31. Countrywide's retail channel consisted of two primary divisions. The larger, the Consumer Markets Division ("CMD"), originated Countrywide's non-subprime residential loan products. From 2004 through 2007, CMD had branches in 48 states and the District of Columbia, with the number of branches ranging between 577 and 773, along with 4 to 5 call centers. These CMD branches and call centers originated loans to borrowers from across the United States. Countrywide employed retail loan officers and other employees at each CMD branch and call center to solicit applications for and originate residential loans to individual loan applicants.

32. Beginning prior to January 2004 and continuing at least until December 2008, Countrywide utilized a two-tier decision-making process to set the interest rates and other terms and conditions of retail loans it originated. The first step involved setting the credit risk-based prices on a daily basis for Countrywide's various

home mortgage loan products, including interest rates, loan origination fees, and discount points. In this step, Countrywide accounted for numerous objective credit-related characteristics of applicants by setting a variety of prices for each of the different loan products that reflected its assessment of individual applicant creditworthiness, as well as the current market rate of interest and the price it could obtain from the sale of such a loan to investors. These prices, referred to as par or base prices, were communicated through rate sheets, which were available electronically to its retail mortgage loan officers and other retail lending employees. Individual loan applicants did not have access to these rate sheets.

33. As the second step in determining the final price it would charge an applicant for a loan, Countrywide allowed its retail mortgage loan officers, and other employees who participated in the loan origination process, to increase the loan price charged to borrowers over the rate sheet prices set by Countrywide, up to certain caps; this pricing increase was labeled an overage. Countrywide also allowed these same employees to decrease the loan price charged to borrowers below the stated rate sheet prices; this pricing decrease was labeled a shortage. Countrywide further allowed those employees to alter the standard fees it charged in connection with processing a loan application and the standard allocation of closing costs between Countrywide and the borrower. Employees made these pricing adjustments in a subjective manner, unrelated to factors associated with an individual applicant's credit risk. Countrywide provided no written guidance to its retail loan officers or other employees about the criteria they should consider in adjusting risk-based prices during the time period at issue. It did not establish an operational system for the documentation and supervisory review of their adjustments prior to loan origination.

34. During the time period at issue, Countrywide loan officer compensation was affected by the loan officers' decisions with respect to pricing overages and shortages, as well as other factors, such as volume of loans originated. Loan

officers could obtain increased compensation for overages and could have their total compensation potentially decreased for shortages. Countrywide's compensation policy thus provided an incentive for its loan officers in making pricing adjustments to maximize overages and, when offering shortages, to minimize their amount.

35. Countrywide regularly calculated a Net Pricing Exception ("NPE") for each retail loan it funded, subsequent to origination. The NPE approximates the amount, positive or negative, by which the total cost of a loan to a borrower differs from the total cost of that loan had it closed at the rate sheet price, with the borrower's payment of standard fees and with the standard allocation of closing costs between the borrower and Countrywide. A positive NPE was an overage, and a negative NPE was a shortage. Charging overages raised the total cost of loans to borrowers above what they would have paid if the loans had closed based on the rate sheet risk-based price and with the payment of standard fees and the standard allocation of closing costs. Charging shortages lowered the total cost of loans to borrowers below what they would have paid if the loans had closed based on the rate sheet risk-based price and with payment of standard fees and the standard allocation of closing costs. Closing a loan with a shortage did not mean that Countrywide or the loan officer lost money on the transaction, only that they earned less profit than they would have absent the shortage.

36. During the time period at issue, Countrywide established par prices for its loan products that were often above competitors' prices for those loan products for borrowers with specified credit qualifications. The majority of Countrywide's retail borrowers received shortages between 2004 and 2008; as a result, when calculated for all borrowers, the average NPE charged each year during that period was negative. By regularly setting par prices above competitors' prices, Countrywide further encouraged the exercise of subjective pricing adjustments by its loan officers and other employees.

37. For each residential loan that Countrywide retail mortgage loan officers originated, information about each borrower's race and national origin and the amount of overage or shortage paid was available to, and was known by, Countrywide. Countrywide was required to collect, maintain, and report data with respect to certain loan terms and borrower information for residential loans, including the race and national origin of each retail home loan borrower, pursuant to the Home Mortgage Disclosure Act (HMDA), 12 U.S.C. § 2803.

38. Statistical analyses of data kept by Countrywide on retail loans originated by Countrywide's CMD between January 2004 and December 2008 demonstrate statistically significant[1] discriminatory pricing disparities in retail loans based on both race (African-American) and national origin (Hispanic). These disparities existed both at the national level and in numerous geographic markets across the country.

39. Measured on a nationwide basis by NPE, in each year between 2004 and 2008, Countrywide charged Hispanic borrowers whom Countrywide determined had the credit characteristics to qualify for a home mortgage loan more in pricing adjustments not based on borrower risk for retail CMD loans than non-Hispanic White borrowers. The annual NPE disparities ranged between approximately 15 and 28 basis points, and they are statistically significant.[2] During this period, Countrywide's CMD originated more than 210,000 retail loans to Hispanic borrowers.

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[1] Statistical significance is a measure of probability that an observed outcome would not have occurred by chance. As used in this Complaint, an outcome is statistically significant if the probability that it could have occurred by chance is less than 5%.

[2] A basis point is a percentage of the total amount of a loan, with one hundred basis points equaling one percent of the loan amount.

40. Measured on a nationwide basis by NPE, in each year between 2004 and 2007, Countrywide charged African-American borrowers whom Countrywide determined had the credit characteristics to qualify for a home mortgage loan more in pricing adjustments not based on borrower risk for retail CMD loans than non-Hispanic White borrowers. The annual NPE disparities ranged between approximately 13 and 24 basis points, and they are statistically significant. During this period, Countrywide's CMD originated more than 90,000 retail loans to African-American borrowers.

41. In approximately 54% of its high loan-volume markets in 2004 (79 of 147), defined for purposes of this paragraph as those MSAs and non-MSA areas in each state where CMD made more than 300 total loans and 30 or more loans to Hispanic borrowers in a given year, Countrywide charged Hispanic borrowers more in pricing adjustments not based on borrower risk for retail CMD loans, as measured by NPE, than non-Hispanic White borrowers by a statistically significantly amount. In 2005, approximately 56% of such markets (81 of 145); in 2006, 50% of such markets (70 of 140); in 2007, 40% of such markets (60 of 150); and in 2008, approximately 33% of such markets (41 of 126) showed statistically significant NPE disparities disfavoring Hispanic retail borrowers. The disparities in pricing adjustments not based on borrower risk resulted in Hispanic borrowers in these markets paying between approximately 6 and 107 basis points more than non-Hispanic White borrowers for retail CMD loans in a given year. Between 2004 and 2008, the number of these markets in which Countrywide charged non-Hispanic White borrowers statistically significantly higher NPEs for retail CMD

loans than Hispanic borrowers in a given year ranged only between 1 and 3, or 1% to 2% of the high loan-volume markets.[3]

42. In approximately 61% of its high loan-volume markets in 2004 (78 of 128), defined for purposes of this paragraph as those MSAs and non-MSA areas in each state where CMD made more than 300 total loans and 30 or more loans to African-American borrowers in a given year, Countrywide charged African-American borrowers more in pricing adjustments not based on borrower risk for retail CMD loans, as measured by NPE, than non-Hispanic White borrowers by a statistically significantly amount. In 2005, approximately 65% of such markets (74 of 114); in 2006, approximately 60% of such markets (68 of 114); and in 2007, approximately 32% of such markets (42 of 133) showed statistically significant NPE disparities disfavoring African-American retail borrowers. The disparities in pricing adjustments not based on borrower risk resulted in African-American borrowers in these markets paying between approximately 8 and 71 basis points more than non-Hispanic White borrowers for retail CMD loans in a given year. In all four years, there were no high loan-volume markets in which Countrywide charged non-Hispanic White borrowers statistically significantly higher NPEs for retail CMD loans than African-American borrowers in a given year.

43. These NPE disparities mean, for example, that Countrywide in 2007 charged a retail CMD customer in Chicago borrowing $200,000 an average of about $795 more in pricing adjustments not based on borrower risk if he were Hispanic, and

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[3] The inclusion throughout this Complaint of statistical analyses for high-volume markets is intended only to provide examples of Countrywide's violation of lending discrimination laws. The United States' allegations that Countrywide violated lending discrimination laws are not limited to these high-volume markets.

an average of about $460 more if he were African-American, than the average amount charged to a non-Hispanic White borrower. In 2007, Countrywide charged Hispanic and African-American retail CMD customers in Los Angeles borrowing $200,000 approximately $545 and $415, respectively, higher than the average amount Countrywide charged in pricing adjustments not based on borrower risk to a non-Hispanic White borrower.

44. In setting the terms and conditions for its retail loans, including interest rates, Countrywide accounted for individual borrowers' differences in credit risk characteristics by setting the prices shown on its rate sheets for each loan product that include its assessment of applicant creditworthiness as explained in Paragraph 32. Countrywide's loan officers' deviations from the rate sheet prices, as measured by NPE, were separate from and not controlled by the credit risk adjustments already reflected in the rate sheet prices. Accordingly, the race and national origin NPE disparities described in Paragraphs 39-42 are not adjusted for borrowers' credit risk characteristics.

45. No Countrywide policy directed its retail lending employees to consider a borrower's credit risk characteristics for a second time, after they had already been considered in setting the par price, in determining a pricing overage or shortage on a loan. Nevertheless, statistical regression analyses of the Countrywide NPEs that control for credit risk factors such as credit score, loan amount, loan-to-value ratio, debt-to-income ratio, and others, demonstrate a similar pattern of race and national origin pricing disparities, with the magnitude only somewhat diminished from the disparities described in Paragraphs 39-42. Thus, accounting for borrower credit risk factors a second time does not explain the race and national origin disparities, even if those factors were relevant to the subjective pricing adjustments measured by NPE.

46. The statistically significant race and national origin-based disparities in NPEs described in Paragraphs 39-42 for Hispanic and African-American borrowers who

Countrywide determined had the credit characteristics to qualify for a home mortgage loan resulted from the implementation and interaction of Countrywide's policies and practices that: (a) routinely allowed or encouraged the use of subjective and unguided pricing adjustments not based on borrower risk by its own employees in setting pricing overages and shortages after par rates had been established by reference to credit risk and loan characteristics and then including those overages and shortages in the terms and conditions of loans Countrywide originated; (b) did not require its employees to justify or document the reasons for pricing adjustments not based on borrower risk; (c) failed to adequately monitor for and fully remedy the effects of racial and national origin disparities in those pricing adjustments; and (d) linked loan officer compensation in part to the charging of overages and shortages. NPE specifically measures the pricing variation caused by the subjective and unguided pricing adjustments not based on borrower risk. Countrywide continued to use this non-risk-based component of its overall retail loan pricing policy, to inadequately document and review the implementation of that pricing component, and to link loan officer compensation to overages and shortages through at least the end of 2008.

47. Countrywide's policies and practices identified in Paragraph 46 were not justified by business necessity or legitimate business interests. There were less discriminatory alternatives available to Countrywide than these policies or practices.

48. Countrywide had knowledge that the unguided and subjective discretion it granted to loan officers and other CMD employees in its retail loan pricing policies and practices was being exercised in a manner that discriminated against Hispanic and African-American borrowers, but continued to implement its policies and practices with that knowledge. Countrywide did not take effective action to change the pricing adjustment policies and practices to eliminate fully their discriminatory impact, nor did it change its compensation policy to discourage the charging of

overages or shortages. It did not act to identify or compensate any individual borrowers who were victims of its discriminatory retail loan pricing policies and practices until it was required to do so by its regulator in 2007, and then it only identified or compensated a small portion of the victims.

Wholesale Lending Mortgage Broker Fees

49. Between 2004 and 2008, Countrywide charged more than 100,000 Hispanic and African-American wholesale borrowers higher fees and costs than non-Hispanic White wholesale borrowers not based on their creditworthiness or other objective criteria related to borrower risk, but because of their race or national origin. It was Countrywide's business practice to allow its mortgage brokers who generated loan applications through its wholesale channel to vary a loan's interest rate and other fees from the price set based on a borrower's objective credit-related factors. This subjective and unguided pricing discretion resulted in Hispanic and African-American borrowers paying more not based on borrower risk than non-Hispanic White borrowers both on a nationwide basis and in dozens of geographic markets across the country where Countrywide originated a large volume of loans. As a result of Countrywide's discriminatory practices, an Hispanic or African-American borrower paid, on average, hundreds of dollars more for a Countrywide loan.

50. Countrywide's wholesale pricing monitoring efforts, while inadequate to remedy discriminatory practices against Hispanic and African-American borrowers through 2008, were sufficient to put it on notice of widespread pricing disparities based on race and national origin. Even when Countrywide had reason to know there were disparities, however, Countrywide did not act to determine the full scope of these wholesale pricing disparities, nor did it take prompt and effective action to eliminate those disparities. Between at least January 2004 and December 2008, Countrywide had a policy or practice of periodically monitoring in a limited manner the pricing of wholesale home mortgage loans for discrimination based on

race or national origin at the geographic market level and for some individual brokers. However, Countrywide's monitoring for racial and national origin disparities in its wholesale loans was inadequate. For example, the monitoring only occurred long after loan origination; at the individual broker level, it was limited to those brokers with very large pricing disparities that operated only in geographic markets that were first determined to have large pricing disparities; and the monitoring ignored aggregate broker pricing disparities. In addition, when Countrywide found wholesale borrowers who had been discriminatorily charged higher loan prices, Countrywide did not reimburse any of those borrowers for its discriminatory acts until 2008, when it was required by its regulator to provide some restitution payments. Even then, Countrywide made only a small number of restitution payments.

51. Prior to January 2004 and continuing at least until December 2008, Countrywide originated and funded residential loans of all types, including both subprime and non-subprime loans, through its Wholesale Lending Division ("WLD"). Applications for these loans were brought to Countrywide during those years by mortgage brokers throughout the United States who had entered into contracts with Countrywide for the purpose of bringing loan applications to it for origination and funding.

52. Countrywide's relationship with the mortgage brokers who brought loans to it was governed throughout the time period at issue by its standard Wholesale Broker Agreement ("WBA"). The WBA, while revised from time to time, consistently contained extensive provisions (a) mandating that a broker act in compliance with all Countrywide policies, (b) requiring submission to Countrywide of the full details of all compensation a broker received for each Countrywide loan, (c) specifying that the decision whether to fund a loan application was Countrywide's alone, and (d) permitting Countrywide to obtain any information with respect to a broker's business operations.

53. Countrywide was directly and extensively involved in setting the complete, final terms and conditions of wholesale loan applications generated by mortgage brokers that Countrywide approved and originated. Countrywide employed wholesale account executives who worked with mortgage brokers in submitting loan applications to Countrywide, and it employed underwriters to determine whether and on what terms to approve and fund wholesale loan applications. At the time of originating each loan, Countrywide was fully informed of those terms and conditions, including the fees it passed along to brokers, and it incorporated those terms and conditions into the wholesale loans it originated.

54. Prior to January 2004 and until December 2008, Countrywide set terms and conditions, including interest rates, on a daily basis for its various home mortgage loan products available through its wholesale loan channel. Countrywide accounted for numerous applicant credit risk characteristics by setting a range of prices for each of the different loan products it offered that reflected applicant creditworthiness. It communicated these loan product prices to its brokers through rate sheets updated daily. Countrywide gave brokers who signed its standard WBA access to a non-public website where they could obtain the applicable terms and conditions for its various loan products, including rate sheets. Mortgage loan brokers who were part of Countrywide's network used these rate sheets to assist them in determining the interest rate, points, and fees they would include on completed individual residential loan applications they submitted to Countrywide for approval, origination, and funding. Individual loan applicants did not have access to these rate sheets.

55. Under its WBA, Countrywide authorized brokers to inform prospective borrowers of the terms and conditions under which a Countrywide residential loan product was available. Countrywide did not require the mortgage brokers to inform a prospective borrower of all available loan products for which he or she qualified, of the lowest interest rates and fees for a specific loan product, or of specific loan

products best designed to serve the interests expressed by the applicant. The brokers were also responsible for preparing each loan application and supporting documentation on form documents provided by Countrywide, in accordance with Countrywide's policies and procedures in effect at the time.

56. Upon receipt of a completed loan application from a broker, Countrywide evaluated the proposed loan using Countrywide's underwriting guidelines and determined whether to originate and fund the loan. The WBA provided that "Countrywide shall have no obligation to fund any Loan submitted to it by Broker and may reject any Loan that, in Countrywide's sole discretion, does not meet the applicable underwriting guidelines." In the event that Countrywide rejected a loan application or proposed a counteroffer, the WBA provided that Countrywide would prepare the notice of adverse action that ECOA requires the creditor to prepare. The WBA also provided for each loan approved by Countrywide for funding to be closed in the name of Countrywide, in accordance with Countrywide's written closing instructions, and on closing documents prepared by Countrywide.

57. Between 2004 and 2008, Countrywide operated between 39 and 52 WLD branch offices and several regional centers, and employed wholesale account executives to work with mortgage brokers in originating loans, which included assisting the brokers in setting the terms and conditions of loan applications and approvals.

58. Mortgage brokers who supplied Countrywide with loan applications that Countrywide funded were compensated in two ways. One was through a yield spread premium ("YSP"), an amount paid by Countrywide to the brokers based on the extent to which the interest rate charged on a loan exceeded the base, or par, rate for that loan to a borrower with particular credit risk characteristics fixed by Countrywide and listed on its rate sheets. The YSP is derived from the present dollar value of the difference between the credit risk-determined par interest rate a wholesale lender such as Countrywide would have accepted on a particular loan

and the interest rate a mortgage broker actually obtained for Countrywide. Countrywide benefitted financially from the loans it made at interest rates above the par rates set by its rate sheets. For those loans that it sold or securitized, higher interest rates meant sales at prices higher than it otherwise would have obtained; for loans it retained, higher interest rates meant more interest income over time for it. The second way brokers were compensated was through direct fees. Countrywide directed its closing agents to pay these direct fees to brokers out of borrowers' funds at the loan closing. Taken together, these two forms of compensation are referred to in this Complaint as "total broker fees."

59. During the time period at issue, Countrywide was fully informed of all broker fees to be charged with respect to each individual residential loan application presented to it. The WBA required the broker to inform an applicant, inter alia, of all fees and charges included with the application, including YSP and direct fees. The WBA further required the broker to submit an application package to Countrywide that included, inter alia, a good-faith estimate of "all amounts Broker will charge Applicant or earn in connection with the loan, including any applicable yield spread premium." Countrywide then included those fees in the calculations it made to prepare various closing documents, including the HUD-1 Form, an itemized statement of receipts and expenditures in connection with a residential loan closing, and the Truth in Lending Act Disclosure Statement. Countrywide also included these fees in its instructions on how to distribute funds at closing. Total broker fees raised the annual percentage rate ("APR") charged on a loan, and could increase the note interest rate and the total amount borrowed.

60. Between at least January 2004 and December 2008, Countrywide's policies and practices established a two-step process for the pricing of wholesale loans that it originated similar to that used in its retail division, as described in Paragraph 32. The first step was to establish a base or par rate for a particular type of loan for an applicant with specified credit risk characteristics. In this step, Countrywide

accounted for numerous objective credit-related characteristics of applicants by setting a variety of prices for each of the different loan products that reflected its assessment of individual applicant creditworthiness, as well as the current market rate of interest and the price it could obtain for the sale of such a loan from investors. These prices were communicated through the rate sheets described in Paragraph 54.

61. Countrywide's second step of pricing wholesale loans permitted mortgage brokers to exercise subjective, unguided discretion in setting the amount of total broker fees charged to individual borrowers, unrelated to an applicant's credit risk characteristics.

62. Countrywide had written policies placing a ceiling on total broker fees that changed several times during the 2004-2008 time period. For most of 2004, Countrywide capped total broker compensation for prime loans at 5% of the loan amount or $3000 and for subprime loans at 6% of the loan amount or $3500. In December 2004, Countrywide eliminated the dollar limitations and, through July 2007, followed a policy that instead capped total broker fees at 5% of the total loan amount for prime loans and at 6% of the loan amount for what it described as core subprime loans. On a $200,000 loan, for example, these percentage caps allowed brokers to receive up to $10,000 in total broker fees for a prime loan, and $12,000 in total fees for a subprime loan. Other than these caps, Countrywide did not establish any objective criteria, or provide guidelines, instructions, or procedures to be followed by brokers (a) in setting the amount of direct fees they should charge or (b) in determining to charge an interest rate for a loan above that set by its rate sheet, which in turn determined the amount of YSP Countrywide would pay the broker. Mortgage brokers exercised this fee pricing discretion Countrywide gave them, untethered to any objective credit characteristics, on every loan they brought to Countrywide for origination and funding. Countrywide affirmed or ratified these discretionary fee pricing decisions for all the brokered

loans it originated and funded. Each year during this time period when Countrywide had in place higher fee caps for subprime than prime loans, Countrywide's mortgage brokers charged higher average total fees for subprime loan applications than for non-subprime loan applications, measured on a nationwide basis.

63. For each residential loan application obtained by mortgage brokers and subsequently funded by Countrywide, information about each borrower's race and national origin and the amount and types of broker fees paid was available to, and was known by, Countrywide. Countrywide was required to collect, maintain, and report data with respect to certain loan terms and borrower information for residential loans, including the race and national origin of each wholesale residential loan borrower, pursuant to HMDA, 12 U.S.C. § 2803.

64. Statistical analyses of data kept by Countrywide on wholesale loans originated by Countrywide between January 2004 and December 2008 demonstrate statistically significant discriminatory pricing disparities in both subprime and non-subprime wholesale loans based on both race (African-American) and national origin (Hispanic). These disparities existed both at the national level and in numerous geographic markets across the country.

65. Measured on a nationwide basis in each year between 2004 and 2008, Countrywide charged Hispanic borrowers whom Countrywide determined had the credit characteristics to qualify for a home mortgage loan more in total broker fees for non-subprime wholesale loans than non-Hispanic White borrowers. The annual total broker fee disparities ranged between approximately 31 and 47 basis points, and they are statistically significant. During this period, Countrywide originated more than 160,000 non-subprime wholesale loans to Hispanic borrowers.

66. Measured on a nationwide basis in each year between 2004 and 2008, Countrywide charged African-American borrowers whom Countrywide

determined had the credit characteristics to qualify for a home mortgage loan more in total broker fees for non-subprime wholesale loans than non-Hispanic White borrowers. The annual total broker fee disparities ranged between approximately 59 and 67 basis points, and they are statistically significant. During this period, Countrywide originated more than 65,000 non-subprime wholesale loans to African-American borrowers.

67. Measured on a nationwide basis in each year between 2004 and 2007, Countrywide charged Hispanic borrowers whom Countrywide determined had the credit characteristics to qualify for a home mortgage loan more in total broker fees for subprime wholesale loans than non-Hispanic White borrowers. The annual total broker fee disparities ranged between approximately 12 and 19 basis points, and they are statistically significant.[4] During this period, Countrywide originated more than 55,000 subprime wholesale loans to Hispanic borrowers.

68. Measured on a nationwide basis in each year between 2004 and 2007, Countrywide charged African-American borrowers whom Countrywide determined had the credit characteristics to qualify for a home mortgage loan more in total broker fees for subprime wholesale loans than non-Hispanic White borrowers. The annual total broker fee disparities ranged between approximately 36 and 49 basis points, and they are statistically significant. During this period, Countrywide originated more than 35,000 subprime wholesale loans to African-American borrowers.

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[4] Due to the major changes in the housing market that began in the latter part of 2007, Countrywide made too few subprime wholesale loans in 2008 to permit statistical analysis of 2008 wholesale broker fees similar to that described in Paragraphs 67-68 for 2004-2007.

69. In approximately 76% of its high non-subprime loan-volume markets in 2004 (81 of 106), defined for purposes of this paragraph as those MSAs and non-MSA areas in each state where Countrywide made more than 300 total non-subprime wholesale loans and 30 or more such loans to Hispanic borrowers in a given year, Countrywide charged Hispanic borrowers more in total broker fees not based on borrower risk for wholesale non-subprime loans than non-Hispanic White borrowers by a statistically significant amount. In 2005, approximately 83% of such markets (94 of 113); in 2006, approximately 77% of such markets (91 of 118); in 2007, approximately 82% of such markets (87 of 106); and in 2008, approximately 97% of such markets (33 of 34) showed statistically significant total broker fee disparities disfavoring Hispanic non-subprime wholesale borrowers. The disparities in total broker fees not based on borrower risk resulted in Hispanic borrowers in these markets paying between approximately 18 and 134 basis points more than non-Hispanic White borrowers for non-subprime wholesale loans in a given year. In all five years, there were no high loan-volume markets in which Countrywide charged non-Hispanic White borrowers statistically significantly higher total broker fees for non-subprime wholesale loans than Hispanic borrowers in a given year.

70. In approximately 91% of its high non-subprime loan-volume markets in 2004 (71 of 78), defined for purposes of this paragraph as those MSAs and non-MSA areas in each state where Countrywide made more than 300 total non-subprime wholesale loans and 30 or more such loans to African-American borrowers in a given year, Countrywide charged African-American borrowers more in total broker fees not based on borrower risk for wholesale non-subprime loans than non-Hispanic White borrowers by a statistically significant amount. In 2005, approximately 85% of such markets (74 of 87); in 2006, approximately 84% of such markets (77 of 92); in 2007, approximately 87% of such markets (78 of 90); and in 2008, 90% of such markets (36 of 40) showed statistically significant total

broker fee disparities disfavoring African-American non-subprime wholesale borrowers. The disparities in total broker fees not based on borrower risk resulted in African-American borrowers in these markets paying between approximately 21 and 147 basis points more than non-Hispanic White borrowers for non-subprime wholesale loans in a given year. In all five years, there were no high loan-volume markets in which Countrywide charged non-Hispanic White borrowers statistically significantly higher total broker fees for non-subprime wholesale loans than African-American borrowers in a given year.

71. In approximately 84% of its high subprime-loan-volume markets in 2004 (27 of 32), defined for purposes of this paragraph as those MSAs and non-MSA areas in each state where Countrywide made more than 300 total subprime wholesale loans and 30 or more such loans to Hispanic borrowers in a given year, Countrywide charged Hispanic borrowers more in total broker fees not based on borrower risk for wholesale subprime loans than non-Hispanic White borrowers by a statistically significant amount. In 2005, approximately 61% of such markets (22 of 36); in 2006, approximately 49% of such markets in (17 of 35); and in 2007, 50% of such markets (7 of 14) showed statistically significant total broker fee disparities disfavoring Hispanic subprime wholesale borrowers. The disparities in total broker fees not based on borrower risk resulted in Hispanic borrowers in these markets paying between approximately 14 and 107 basis points more than non-Hispanic White borrowers for subprime wholesale loans in a given year. From 2004-2006, there were no high subprime-loan-volume markets in which Countrywide charged non-Hispanic White borrowers statistically significantly higher total broker fees for subprime wholesale loans than Hispanic borrowers in a given year; in 2007, there was one such market.

72. In approximately 74% of its high subprime-loan-volume markets in 2004 (23 of 31), defined for purposes of this paragraph as those MSAs and non-MSA areas in each state where Countrywide made more than 300 total subprime wholesale loans

and 30 or more such loans to African-American borrowers in a given year, Countrywide charged African-American borrowers more in total broker fees not based on borrower risk for wholesale subprime loans than non-Hispanic White borrowers by a statistically significant amount. In 2005, approximately 74% of such markets (28 of 38); in 2006, approximately 68% of such markets (23 of 34); and in 2007, approximately 58% of such markets (11 of 19) showed statistically significant total broker fee disparities disfavoring African-American subprime wholesale borrowers. The disparities in total broker fees not based on borrower risk resulted in African-American borrowers in these markets paying between approximately 20 and 103 basis points more than non-Hispanic White borrowers for subprime wholesale loans in a given year. In all four years, there were no high subprime-loan-volume markets in which Countrywide charged non-Hispanic White borrowers statistically significantly higher total broker fees for subprime wholesale loans than African-American borrowers in a given year.

73. These disparities in total broker fees mean, for example, that Countrywide in 2007 charged a non-subprime wholesale customer in Los Angeles borrowing $200,000 an average of about $970 more in total broker fees not based on borrower risk if she were Hispanic, and an average of about $1,195 more if she were African-American, than the average amount charged to a non-Hispanic White non-subprime wholesale customer. Comparable average disparities in 2007 for Hispanic and African-American non-subprime wholesale customers in Chicago borrowing $200,000 were approximately $1,100 and $1,235, respectively, higher than the average amount Countrywide charged a non-Hispanic White non-subprime wholesale customer borrowing $200,000.

74. Similarly, in 2006, Countrywide charged a subprime wholesale customer in Chicago borrowing $200,000 an average of about $590 more in total broker fees not based on borrower risk if she were Hispanic, and an average of about $740 more if she were African-American, than the average amount charged to a non-

Hispanic White subprime wholesale customer. Comparable average disparities in 2006 for Hispanic and African-American subprime wholesale customers in Los Angles borrowing $200,000 were approximately $440 and $560, respectively, higher than the average amount Countrywide charged a non-Hispanic White subprime wholesale customer borrowing $200,000.

75. In setting the terms and conditions for its wholesale loans, including interest rates, Countrywide accounted for individual borrowers' differences in credit risk characteristics by setting the prices shown on its rate sheets for each loan product that include its assessment of applicant creditworthiness, as explained in Paragraph 60. Mortgage brokers' deviations from the rate sheet prices, as measured by total broker fees, were separate from and not controlled by the credit risk adjustments already reflected in the rate sheet prices. Countrywide reviewed these total broker fees and then charged them to borrowers in the loans it originated and funded. Accordingly, the race and national origin total broker fee disparities described in Paragraphs 65-72 are not adjusted for borrowers' credit risk characteristics.

76. No Countrywide policy directed its mortgage brokers, or the Countrywide wholesale account executives who worked with them, to consider a borrower's credit risk characteristics for a second time in deviating from the interest rate fixed by its rate sheets for a specific loan product for a borrower with specified credit qualifications or in assessing direct fees. Nevertheless, statistical regression analyses of the Countrywide total broker fees that control for credit risk factors such as credit score, loan amount, loan-to-value ratio, debt-to-income ratio, and others, demonstrate a similar pattern of race and national origin pricing disparities, with the magnitude only somewhat diminished from the disparities described in Paragraphs 65-72. Thus, accounting for borrower credit risk factors a second time does not explain the race and national origin disparities, even if those factors were relevant to the total broker fees not based on borrower risk.

77. The statistically significant race and national origin-based disparities in total broker fees described in Paragraphs 65-72 for Hispanics and African-Americans who Countrywide determined had the credit characteristics to qualify for a home mortgage loan resulted from the implementation and the interaction of Countrywide's policies and practices that: (a) included pricing terms based on the subjective and unguided discretion of brokers in setting total broker fees not based on borrower risk in the terms and conditions of loans Countrywide originated after par rates had been established by reference to credit risk characteristics; (b) did not require mortgage brokers to justify or document the reasons for the amount of total broker fees not based on borrower risk; (c) failed to adequately monitor for and fully remedy the effects of racial and ethnic disparities in those broker fees; and (d) created a financial incentive for brokers to charge interest rates above the par rates Countrywide had set. Total broker fees specifically measures the pricing variation caused by the subjective and unguided pricing adjustments not based on borrower risk. Countrywide continued to use these discretionary wholesale broker fee pricing policies, to inadequately document and review the implementation of that pricing component, and to incentivize upward broker adjustments to the par interest rate through the end of 2008.

78. Countrywide's policies and practices identified in Paragraph 77 were not justified by business necessity or legitimate business interests. There were less discriminatory alternatives available to Countrywide than these policies or practices.

79. Countrywide had knowledge that the unguided and subjective discretion it granted to mortgage brokers in its wholesale pricing policies and practices was being exercised in a manner that discriminated against Hispanic and African-American borrowers, but continued to implement its policies and practices with that knowledge. For example, an internal January 2006 Countrywide fair lending report stated that "WLD believes the current approach/policy is responsible" but

immediately afterward stated that "WLD is not confident that [its] remediation activities will drive down disparity levels materially at the 'Top of House'" (national level). It did not take effective action to change the broker fee policies and practices to eliminate fully their discriminatory impact, nor did it substantially alter its broker compensation policies and practices. Countrywide did not act to identify or compensate any individual borrowers who were victims of its discriminatory wholesale pricing policies and practices until it was required to do so by its regulator in 2008, and it only identified or compensated a small number of the victims.

Wholesale Lending Product Placement

80. Between 2004 and 2007, Countrywide placed more than 10,000 Hispanic and African-American wholesale borrowers into subprime loans even though non-Hispanic White wholesale borrowers who had similar credit qualifications were placed into prime loans. As a result of being placed in a subprime loan, an Hispanic or African-American borrower paid, on average, thousands of dollars more for a Countrywide loan. It was Countrywide's business practice to allow its mortgage brokers and employees to place a wholesale loan applicant in a subprime loan even when the applicant qualified for a prime loan according to Countrywide's underwriting practices. Countrywide also gave mortgage brokers discretion to request exceptions to underwriting guidelines, and Countrywide's employees had discretion to grant these exceptions. These policies and practices resulted in the placement of Hispanic and African-American borrowers into subprime loans, when similarly-situated non-Hispanic White borrowers were placed into prime loans, both on a nationwide basis and in dozens of geographic markets across the country where Countrywide originated a large volume of wholesale loans.

81. Countrywide's wholesale product placement monitoring efforts, while inadequate to remedy discriminatory practices against Hispanic and African-American

borrowers through 2007, were sufficient to put it on notice of widespread product placement disparities based on race and national origin. Even when Countrywide had reason to know there were disparities, however, Countrywide did not act to determine the full scope of these wholesale product placement disparities, nor did it take prompt and effective action to eliminate those disparities. Between at least January 2004 and August 2007, Countrywide attempted to implement a system that would "flag" subprime loan applicants eligible to be "uplifted" to a non-subprime loan product. This system flagged thousands of Hispanic and African-American loans. However, this pre-origination "uplift" system only required that notification of potential uplift eligibility be given to brokers, and it neither required the brokers to inform applicants of this fact nor required the brokers to take any other specific action with respect to identified applicants. Moreover, this "uplift" system did not accurately correspond to Countrywide's actual underwriting practices for non-subprime loan products that treated published underwriting guidelines as merely advisory and widely granted exceptions. As a result, the system both failed to identify a large proportion of applicants who received a subprime loan whose qualifications were similar to those of applicants who received non-subprime loan products and resulted in few "flagged" applicants receiving a non-subprime loan.

82. Between 2004 and 2007, Countrywide published underwriting guidelines that purported to establish the objective criteria an applicant had to meet in order to qualify for a particular type of loan product. These underwriting guidelines were available to mortgage brokers who had entered into contracts with Countrywide to enable them to select loan products for individual borrowers with differing credit-related characteristics. They also could be used by the wholesale account executives, underwriters, and others employed by Countrywide to determine whether to originate the applications brought to it by mortgage brokers. These underwriting guidelines were intended to be used to determine whether a loan

applicant qualified for a prime loan product, an Alt-A loan product, a subprime loan product, or for no Countrywide loan product at all. A prime loan product has loan terms and conditions, including prices, that generally are most favorable for a borrower, an Alt-A loan product is less favorable, and a subprime loan product is even less favorable and often included terms such as initial short-term teaser interest rates that suddenly rise to produce substantially increased and potentially unaffordable payments after two to three years, as well as substantial pre-payment penalties.

83. Mortgage brokers had discretion to request that applications they submitted be treated as exceptions to Countrywide's underwriting guidelines. Loan underwriters or account executives employed by Countrywide, who determined whether to originate the applications brought to it by mortgage brokers, had the discretion to grant such exceptions. Between January 2004 and early 2007, Countrywide substantially increased the number of exceptions it granted to its loan underwriting guidelines. By early 2007, Countrywide originated as many as half of certain loan products as exceptions to its underwriting policies. As a result, Countrywide made tens of thousands of non-subprime loans to borrowers between 2004 and 2007 based on criteria other than strict adherence to its published underwriting guidelines. Countrywide did not grant these exceptions to Hispanic and African-American borrowers on a basis equal to that for non-Hispanic White borrowers. Countrywide provided no guidance to mortgage brokers about the factors to consider in asking for exceptions and provided only very general, broad guidance to its own employees about how to exercise discretion when granting exceptions. Individual loan applicants had no ability on their own to ask for an exception directly from Countrywide's loan underwriting employees.

84. Between January 2004 and July 2007, Countrywide's cap on the amount of total compensation that a residential mortgage broker could receive on an individual loan varied, in part, based on whether the loan was a subprime product or a non-

subprime product. As described in Paragraph 62, although Countrywide changed its broker compensation caps several times between December 2004 and July 2007, Countrywide's compensation policy allowed brokers to earn higher maximum total compensation for submitting subprime loans to Countrywide for origination than for non-subprime loans throughout this time period.

85. Between 2004 and 2007, mortgage brokers who submitted loan applications funded by Countrywide received higher total broker fees for subprime loans than for non-subprime loans. From 2005-2007, the average subprime loan had total broker fees between approximately 26 and 53 basis points higher than the average non-subprime loan, measured annually on a nationwide basis. Countrywide's compensation policy and practice created a financial incentive for mortgage brokers to submit subprime loans to Countrywide for origination rather than any other type of residential loan product.

86. Statistical analyses of loan data kept by Countrywide on wholesale 30-year term prime and subprime loans originated by Countrywide between January 2004 and August 2007 demonstrate that on a nationwide basis Hispanics who qualified for a Countrywide home mortgage loan and who obtained wholesale loans from Countrywide had odds between approximately 2.6 and 3.5 times higher than similarly-situated non-Hispanic White borrowers of receiving a subprime loan instead of a prime loan, after accounting for objective credit qualifications. Those odds ratios demonstrate a pattern of statistically significant differences between Hispanic and non-Hispanic White borrowers with respect to their placement by Countrywide in one of these two loan product categories even after controlling for objective credit qualifications such as credit score, loan amount, debt-to-income ratio, loan-to-value ratio, and others. These statistically significant disparities existed both at the national level and in numerous geographic markets across the country.

87. In approximately 59% of its high loan-volume markets in 2004 (24 of 41), defined for purposes of this paragraph as those MSAs and non-MSA areas in each state where during the year Countrywide made at least 300 total wholesale loans, including at least 30 subprime loans to both non-Hispanic White and Hispanic wholesale borrowers, Hispanic borrowers had odds of receiving subprime loans that are statistically significantly higher than non-Hispanic White borrowers ("statistically significant odds ratio disparities"). In 2005, approximately 54% (22 of 41) of such markets; in 2006 approximately 77% (33 of 43) of such markets; and in 2007 approximately 58% (11 of 19) of such markets had statistically significant odds ratio disparities disfavoring Hispanic borrowers. In individual high-volume markets with statistically significant odds ratio disparities, the odds of Hispanic borrowers receiving a subprime loan ranged from approximately 1.3 to 11.6 times higher than similarly-situated non-Hispanic White borrowers in a given year. In only one such market, and for only one year from 2004-2007, was there a statistically significant odds ratio disparity favoring Hispanic borrowers.

88. Statistical analyses of loan data kept by Countrywide on wholesale 30-year term prime and subprime loans originated by Countrywide between January 2004 and August 2007 demonstrate that on a nationwide basis African-Americans who qualified for a Countrywide home mortgage loan and who obtained wholesale loans from Countrywide had odds between approximately 2.1 and 2.7 times higher than similarly-situated non-Hispanic White borrowers of receiving a subprime loan instead of a prime loan after accounting for objective credit qualifications. Those odds ratios demonstrate a pattern of statistically significant differences between African-American and non-Hispanic White borrowers with respect to their placement by Countrywide in one of these two loan product categories even after controlling for objective credit qualifications such as credit score, loan amount, debt-to-income ratio, loan-to-value ratio, and others. These statistically

significant disparities existed both at the national level and in numerous geographic markets across the country.

89. In approximately 51% of its high loan-volume markets in 2004 (24 of 47), defined for purposes of this paragraph as those MSAs and non-MSA areas in each state where during the year Countrywide made at least 300 total wholesale loans, including at least 30 subprime loans to both non-Hispanic White and African-American wholesale borrowers, African-American borrowers had odds of receiving subprime loans that are statistically significantly higher than non-Hispanic White borrowers. In 2005, approximately 52% (26 of 50) of such markets; in 2006, approximately 61% (28 of 46) of such markets; and in 2007 approximately 71% (20 of 28) of such markets had statistically significant odds ratio disparities disfavoring African-American borrowers. In individual high-loan volume markets with statistically significant odds ratio disparities, the odds of African-American borrowers receiving a subprime loan ranged from approximately 1.3 to 8.3 times higher than similarly-situated non-Hispanic White borrowers in a given year. In only one such market, and for only one year from 2004-2007, was there a statistically significant odds ratio disparity favoring African-American borrowers.

90. These odds ratio disparities mean, for example, that Countrywide in 2006 placed more than 200 Hispanic and African-American wholesale borrowers in the Chicago market into subprime loans when non-Hispanic White wholesale borrowers in Chicago with similar credit risk characteristics received prime loans. Each of these Hispanic and African-American borrowers would have paid thousands of dollars in extra payments over the first four years of the loan's term because they were placed into a subprime loan rather than a prime loan, based on the average loan amount and the disparity between prime and subprime interest rates for borrowers with similar credit risk characteristics in the Chicago market in 2006. Similarly, Countrywide in 2006 placed more than 400 Hispanic and

African-American wholesale borrowers in the Los Angeles market into subprime loans when non-Hispanic White wholesale borrowers in Los Angeles with similar credit risk characteristics received prime loans. Each of these Hispanic and African-American borrowers would have paid thousands of dollars in extra payments over the first four years of the loan's term because they were placed into a subprime loan rather than a prime loan, based on the average loan amount and the disparity between prime and subprime interest rates for borrowers with similar credit risk characteristics in the Los Angeles market in 2006.

91. Analyses of loan data to determine the odds of borrowers receiving non-subprime loans (as defined in Paragraph 28) as opposed to subprime loans demonstrate similar disparities. Hispanic and African-American wholesale borrowers had statistically significantly higher odds of receiving subprime loans from Countrywide rather than non-subprime loans, as compared to similarly-situated non-Hispanic White wholesale borrowers after taking into account objective credit risk characteristics. These race- and national origin-based disparities persisted at both the nationwide level and in numerous high loan-volume MSAs during the same years, 2004-2007.

92. The disparate placement of both Hispanic and African-American wholesale borrowers whom Countrywide determined had the credit characteristics to qualify for a home mortgage loan into subprime loan products, when compared to similarly-situated non-Hispanic White borrowers described in Paragraphs 86-89, resulted from the implementation and interaction of Countrywide's policies and practices that: (a) permitted mortgage brokers and Countrywide's own employees to place an applicant in a subprime loan product even if the applicant could qualify for a prime loan product; (b) did not require mortgage brokers or its employees to justify or document the reasons for placing an applicant in a subprime loan product even if the applicant could qualify for a prime loan product; (c) did not require mortgage brokers to notify subprime loan applicants that they could

qualify for a prime loan product; (d) created a financial incentive for brokers to place loan applicants in subprime loan products; (e) allowed brokers and Countrywide loan officers and underwriters to request and to grant underwriting exceptions in a subjective, unguided manner; and (f) failed to monitor these discretionary practices to ensure that borrowers were being placed in loan products on a nondiscriminatory basis. Countrywide continued to use these product placement, compensation, and discretionary underwriting policies until it exited the subprime lending business after August 2007.

93. Countrywide's policies or practices identified in Paragraph 92 were not justified by business necessity or legitimate business interests. There were less discriminatory alternatives available to Countrywide than these policies or practices.

94. Countrywide had knowledge that its wholesale lending policies and practices identified in Paragraph 92 encouraged the placement of applicants in subprime rather than prime loan products and that its uplift system described in Paragraph 81 was ineffective, but continued to implement its policies and practices with that knowledge. For example, an internal Countrywide July 2007 report to its fair lending committee discussed "significant errors due to operational failures" in its uplift system. Countrywide did not take effective action to change the discriminatory policies or practices to eliminate their discriminatory impact. It did not act to identify or compensate any individual borrowers who were victims of its discriminatory product placement policies or practices.

Marital Status – Spousal Signature Policy

95. A married individual applying for credit has the choice of whether to apply solely in his or her own name, rather than jointly with his or her spouse. In an application for a loan secured by real property by a married individual who decides to apply solely in his or her own name, the creditor will have a security interest in the entire property as long as the non-applicant spouse signs the legal

document (such as a mortgage or a deed of trust, depending on the state) granting the lender the security interest. The non-applicant spouse need not become obligated to repay the loan from personal resources or to give up his or her ownership interest in the property in order to give the creditor a security interest in the entire property.

96. Between 2004 and 2008, when a married individual decided to apply for a loan solely in his or her own name, Countrywide's spousal signature policies or practices encouraged its employees and agents to have the non-applicant spouse execute documents that transferred to the applicant spouse all rights and interests the non-applicant spouse had in the property securing the loan. Countrywide continued this spousal signature policy or practice at least through June 1, 2008.

97. During the time period at issue, numerous non-borrower spouses executed quitclaim deeds or other similar documents transferring their legal rights and interests in jointly-held property to their borrower spouses as a condition of Countrywide originating a loan to those borrower spouses.

98. Section 701 of the ECOA, 15 U.S.C. § 1691(a), makes it "unlawful for any creditor to discriminate against any applicant, with respect to any aspect of a credit transaction – (1) on the basis of . . . marital status. . . ." Regulation B, adopted pursuant to explicit congressional direction, 15 U.S.C. § 1691b, provides that the term "applicant" includes guarantors, sureties, endorsers, and similar parties whose participation in the credit transaction is required in order to complete it. 12 C.F.R. § 202.2(e). The policy or practice of having a non-borrower spouse execute documents that transfer all legal rights and interests in jointly-held property as a condition of originating a loan to the borrower spouse makes the non-borrower spouse an applicant within the meaning of the ECOA, 15 U.S.C. § 1691a(b).

99. The Official Staff Commentary to Regulation B ("OSC") is an official staff interpretation of Regulation B. The OSC states that "a creditor may require the

applicant's spouse to sign the instruments necessary to create a valid security interest in the property" and nothing more if that "is sufficient to make the property available to satisfy the debt in the event of default." 12 C.F.R. Supp I § 202.7 ¶7(d)(4)(2). The OSC further provides: "Generally, a signature to make the secured property available will only be needed on a security agreement." Id. Moreover, the OSC also states, in the context of unsecured credit: "A creditor may not routinely require, however, that a joint owner sign an instrument (such as a quitclaim deed) that would result in the forfeiture of the joint owner's interest in the property." 12 C.F.R. Supp. I § 202.7 ¶7(d)(2)(1)(ii). That principle applies equally to applications for secured credit.

100. A non-applicant spouse who executes a quitclaim deed or similar transfer document as a result of Countrywide's policy and practices, unless on a voluntary and fully-informed basis, risks substantial financial loss and uncertainty by executing documents that transfer to the applicant spouse all rights and interests the non-applicant spouse had in the property securing the loan.

FAIR HOUSING ACT and EQUAL CREDIT OPPORTUNITY ACT VIOLATIONS

101. Countrywide's residential lending-related policies and practices and the policies and practices it followed in residential credit transactions as alleged herein constitute:

a. Discrimination on the basis of race and national origin in making available, or in the terms or conditions of, residential real estate-related transactions, in violation of the FHA, 42 U.S.C. § 3605(a) (Complaint ¶¶ 29-94);

b. Discrimination on the basis of race and national origin in the terms, conditions, or privileges of sale of a dwelling, in violation of the FHA, 42 U.S.C. § 3604(b) (Complaint ¶¶ 29-94);

c. Discrimination against applicants with respect to credit transactions on the basis of race and national origin, in violation of ECOA, 15 U.S.C. § 1691(a)(1) (Complaint ¶¶ 29-94); and

d. Discrimination against applicants with respect to credit transactions on the basis of marital status, in violation of ECOA, 15 U.S.C. § 1691(a)(1), and Regulation B, 12 C.F.R. §§ 202.4(a) and 202.6(b)(8) (Complaint ¶¶ 95-100).

102. Countrywide's residential lending-related policies and practices as alleged herein constitute:

a. A pattern or practice of resistance to the full enjoyment of rights granted by the FHA, 42 U.S.C. §§ 3601-3619, and ECOA, 15 U.S.C. §§ 1691-1691f (Complaint ¶¶ 29-100); and

b. A denial of rights granted by the FHA to groups of persons – both African-Americans and Hispanics – that raises an issue of general public importance (Complaint ¶¶ 29-94).

103. Between 2004 and 2008, more than 200,000 persons throughout the nation have been victims of Countrywide's pattern or practice of discrimination and denial of rights as alleged herein. In addition to higher direct economic costs, the victims of discrimination suffered additional consequential economic damages resulting from having an excessively costly loan, including possible prepayment penalties, increased risk of credit problems, default, and foreclosure, and other damages, including emotional distress. They are aggrieved persons as defined in the FHA, 42 U.S.C. § 3602(i), and aggrieved applicants as defined in the ECOA, 15 U.S.C. § 1691e, and have suffered injury and damages as a result of Defendants' conduct. Attachment A depicts the states where these aggrieved persons described in Paragraphs 41-42, 69-72, 87, and 89 were located when the discrimination occurred.

104. Countrywide's policies and practices, as described herein, were intentional, willful, or implemented with reckless disregard for the rights of Hispanic and African-American borrowers and non-applicant spouses of married mortgage loan applicants.

RELIEF REQUESTED

WHEREFORE, the United States prays that the Court enter an ORDER that:

(1) Declares that the Defendants' challenged lending policies and practices constitute violations of the Fair Housing Act, 42 U.S.C. §§ 3601-3619, and the Equal Credit Opportunity Act, 15 U.S.C. §§ 1691-1691f;

(2) Enjoins the Defendants, their agents, employees, and successors, and all other persons in active concert or participation with any of the Defendants, from:

(a) Discriminating on the basis of race and national origin with respect to making available, or in the terms or conditions of, a residential real estate-related transaction;

(b) Discriminating on the basis of race and national origin in the terms, conditions, or privileges of sale of a dwelling;

(c) Discriminating on the basis of race, national origin, and marital status against any person with respect to any aspect of a credit transaction;

(d) Failing or refusing to take such affirmative steps as may be necessary to restore, as nearly as practicable, the victims of the Defendants' unlawful conduct to the position they would have been in but for the discriminatory conduct; and

(e) Failing or refusing to take such affirmative steps as may be necessary to prevent the recurrence of any such discriminatory conduct in the future; to eliminate, to the extent practicable, the effects of the Defendants' unlawful practices; and to implement policies and procedures to ensure that all borrowers have an equal opportunity to seek and obtain loans on a non-discriminatory basis and with non-discriminatory terms and conditions;

(3) Awards monetary damages to the victims of the Defendants' discriminatory policies and practices for the injuries caused by the Defendants, including direct economic costs, consequential economic damages, and other damages, pursuant to 42 U.S.C. § 3614(d)(1)(B) and 15 U.S.C. § 1691e(h); and

(4) Assesses a civil penalty against the Defendants in an amount authorized by 42 U.S.C. § 3614(d)(1)(C), in order to vindicate the public interest.

The United States further prays for such additional relief as the interests of justice may require.

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Attorney General

ANDRÉ BIROTTE JR.
United States Attorney

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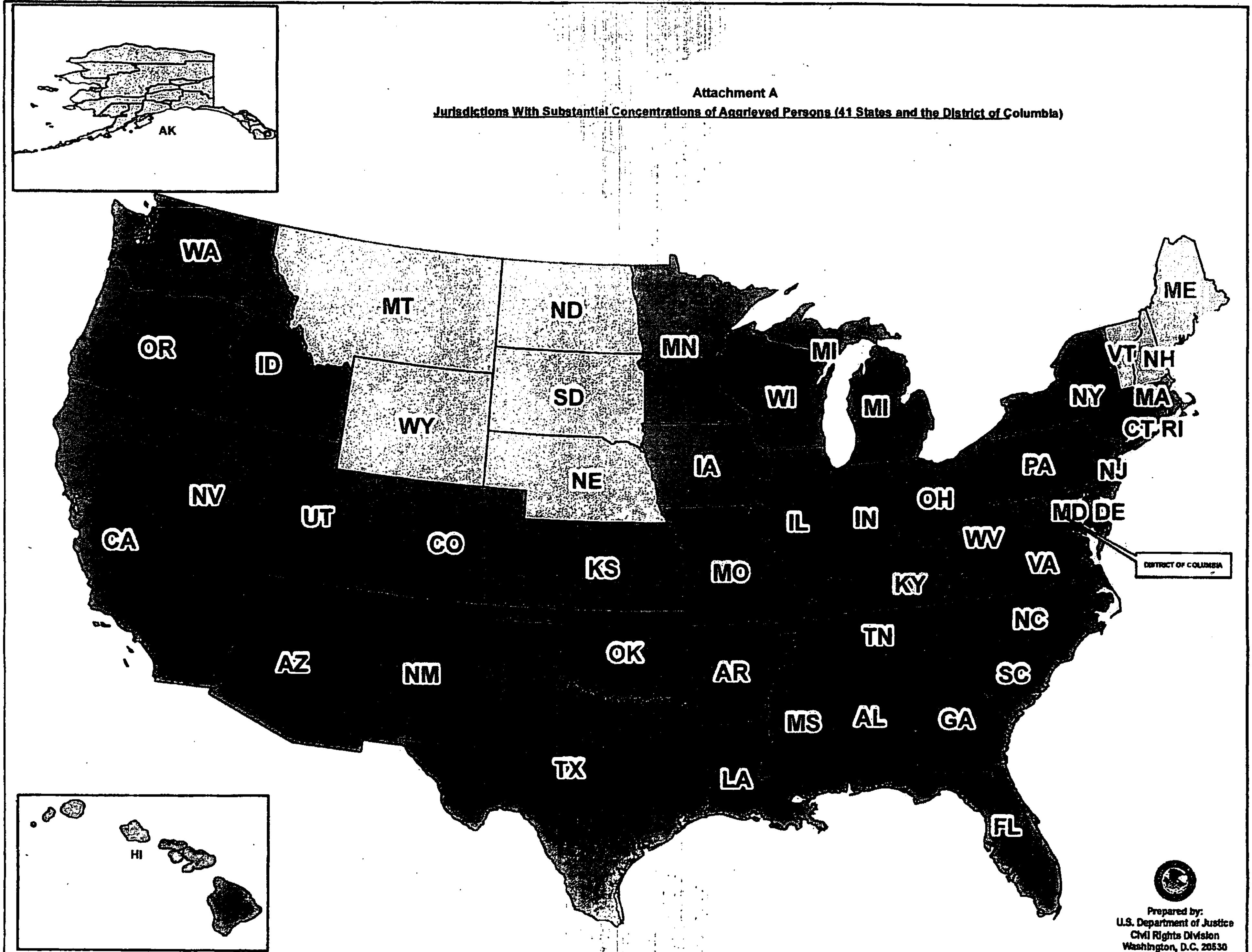
Attachment A

Jurisdictions With Substantial Concentrations of Aggrieved Persons (41 States and the District of Columbia)



Prepared by:
U.S. Department of Justice
Civil Rights Division
Washington, D.C. 20530

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

NOTICE OF ASSIGNMENT TO UNITED STATES MAGISTRATE JUDGE FOR DISCOVERY

This case has been assigned to District Judge Philip S. Gutierrez and the assigned discovery Magistrate Judge is Andrew J. Wistrich.

The case number on all documents filed with the Court should read as follows:

CV11- 10540 PSG (AJWx)

Pursuant to General Order 05-07 of the United States District Court for the Central District of California, the Magistrate Judge has been designated to hear discovery related motions.

All discovery related motions should be noticed on the calendar of the Magistrate Judge

==

NOTICE TO COUNSEL

A copy of this notice must be served with the summons and complaint on all defendants (if a removal action is filed, a copy of this notice must be served on all plaintiffs).

Subsequent documents must be filed at the following location:

[X] **Western Division** **312 N. Spring St., Rm. G-8** **Los Angeles, CA 90012**	[ ] **Southern Division** **411 West Fourth St., Rm. 1-053** **Santa Ana, CA 92701-4516**	[ ] **Eastern Division** **3470 Twelfth St., Rm. 134** **Riverside, CA 92501**

Failure to file at the proper location will result in your documents being returned to you.

ORIGINAL

Patricia L. O'Beirne
U.S. Department of Justice
Civil Rights Division
Housing and Civil Enforcement Section - G Street
950 Pennsylvania Avenue, N.W.
Washington, DC 20530

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA PLAINTIFF(S) v. COUNTRYWIDE FINANCIAL CORPORATION COUNTRYWIDE HOME LOANS, INC.; and COUNTRYWIDE BANK DEFENDANT(S).	CASE NUMBER CV11 10540-PSG(AJWx) **SUMMONS**

TO: DEFENDANT(S): COUNTRYWIDE FINANCIAL CORP; COUNTRYWIDE HOME LOANS, INC. and COUNTRYWIDE BANK

A lawsuit has been filed against you.

Within 21 days after service of this summons on you (not counting the day you received it), you must serve on the plaintiff an answer to the attached ☑ complaint ☐ ________ amended complaint ☐ counterclaim ☐ cross-claim or a motion under Rule 12 of the Federal Rules of Civil Procedure. The answer or motion must be served on the plaintiff's attorney, Patricia L. O'Beirne, whose address is U.S. Dept of Justice, Civil Rights Division, Housing & Civil Enforcement--G St, 950 Pennsylvania Ave NW, Washington, DC 20530. If you fail to do so, judgment by default will be entered against you for the relief demanded in the complaint. You also must file your answer or motion with the court.

Clark, U.S. District Court

Dated: DEC 2 1 2011

By: [signature]
Deputy Clerk

(Seal of the Court)

[Use 60 days if the defendant is the United States or a United States agency, or is an officer or employee of the United States. Allowed 60 days by Rule 12(a)(3)].

COPY

UNITED STATES DISTRICT COURT, CENTRAL DISTRICT OF CALIFORNIA
CIVIL COVER SHEET

I (a) PLAINTIFFS (Check box if you are representing yourself ☐)	DEFENDANTS
United States of America	Countrywide Financial Corporation, Countrywide Home Loans, Inc., and Countrywide Bank
(b) Attorneys (Firm Name, Address and Telephone Number. If you are representing yourself, provide same.) Patricia O'Beirne US Dept of Justice, Civil Rights Division, Housing & Civil Enforcement - G St 950 Pennsylvania Ave NW, Washington, DC 20530 202-307-6264	Attorneys (If Known) Melanie Brody K&L Gates LLP 1601 K Street, NW Washington, DC 20006 202-778-9000

II. BASIS OF JURISDICTION (Place an X in one box only.)

☒ 1 U.S. Government Plaintiff
☐ 3 Federal Question (U.S. Government Not a Party)
☐ 2 U.S. Government Defendant
☐ 4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES - For Diversity Cases Only (Place an X in one box for plaintiff and one for defendant.)

	PTF	DEF		PTF	DEF
Citizen of This State	☐ 1	☐ 1	Incorporated or Principal Place of Business in this State	☐ 4	☐ 4
Citizen of Another State	☐ 2	☐ 2	Incorporated and Principal Place of Business in Another State	☐ 5	☐ 5
Citizen or Subject of a Foreign Country	☐ 3	☐ 3	Foreign Nation	☐ 6	☐ 6

IV. ORIGIN (Place an X in one box only.)

☒ 1 Original Proceeding ☐ 2 Removed from State Court ☐ 3 Remanded from Appellate Court ☐ 4 Reinstated or Reopened ☐ 5 Transferred from another district (specify): ☐ 6 Multi-District Litigation ☐ 7 Appeal to District Judge from Magistrate Judge

V. REQUESTED IN COMPLAINT: JURY DEMAND: ☒ Yes ☐ No (Check 'Yes' only if demanded in complaint.)

CLASS ACTION under F.R.C.P. 23: ☐ Yes ☒ No ☐ MONEY DEMANDED IN COMPLAINT: $____________

VI. CAUSE OF ACTION (Cite the U.S. Civil Statute under which you are filing and write a brief statement of cause. Do not cite jurisdictional statutes unless diversity.)

15 USC 1691 et seq.and 42 USC 3601 et seq - Race, national origin, and marital status discrimination in home mortgage lending

VII. NATURE OF SUIT (Place an X in one box only.)

OTHER STATUTES
- ☐ 400 State Reapportionment
- ☐ 410 Antitrust
- ☐ 430 Banks and Banking
- ☐ 450 Commerce/ICC Rates/etc.
- ☐ 460 Deportation
- ☐ 470 Racketeer Influenced and Corrupt Organizations
- ☐ 480 Consumer Credit
- ☐ 490 Cable/Sat TV
- ☐ 810 Selective Service
- ☐ 850 Securities/Commodities/ Exchange
- ☐ 875 Customer Challenge 12 USC 3410
- ☐ 890 Other Statutory Actions
- ☐ 891 Agricultural Act
- ☐ 892 Economic Stabilization Act
- ☐ 893 Environmental Matters
- ☐ 894 Energy Allocation Act
- ☐ 895 Freedom of Info. Act
- ☐ 900 Appeal of Fee Determination Under Equal Access to Justice
- ☐ 950 Constitutionality of State Statutes

CONTRACT
- ☐ 110 Insurance
- ☐ 120 Marine
- ☐ 130 Miller Act
- ☐ 140 Negotiable Instrument
- ☐ 150 Recovery of Overpayment & Enforcement of Judgment
- ☐ 151 Medicare Act
- ☐ 152 Recovery of Defaulted Student Loan (Excl. Veterans)
- ☐ 153 Recovery of Overpayment of Veteran's Benefits
- ☐ 160 Stockholders' Suits
- ☐ 190 Other Contract
- ☐ 195 Contract Product Liability
- ☐ 196 Franchise

REAL PROPERTY
- ☐ 210 Land Condemnation
- ☐ 220 Foreclosure
- ☐ 230 Rent Lease & Ejectment
- ☐ 240 Torts to Land
- ☐ 245 Tort Product Liability
- ☐ 290 All Other Real Property

TORTS — PERSONAL INJURY
- ☐ 310 Airplane
- ☐ 315 Airplane Product Liability
- ☐ 320 Assault, Libel & Slander
- ☐ 330 Fed. Employers' Liability
- ☐ 340 Marine
- ☐ 345 Marine Product Liability
- ☐ 350 Motor Vehicle
- ☐ 355 Motor Vehicle Product Liability
- ☐ 360 Other Personal Injury
- ☐ 362 Personal Injury-Med Malpractice
- ☐ 365 Personal Injury-Product Liability
- ☐ 368 Asbestos Personal Injury Product Liability

IMMIGRATION
- ☐ 462 Naturalization Application
- ☐ 463 Habeas Corpus-Alien Detainee
- ☐ 465 Other Immigration Actions

TORTS — PERSONAL PROPERTY
- ☐ 370 Other Fraud
- ☐ 371 Truth in Lending
- ☐ 380 Other Personal Property Damage
- ☐ 385 Property Damage Product Liability

BANKRUPTCY
- ☐ 422 Appeal 28 USC 158
- ☐ 423 Withdrawal 28 USC 157

CIVIL RIGHTS
- ☐ 441 Voting
- ☐ 442 Employment
- ☐ 443 Housing/Accommodations
- ☐ 444 Welfare
- ☐ 445 American with Disabilities - Employment
- ☐ 446 American with Disabilities - Other
- ☒ 440 Other Civil Rights

PRISONER PETITIONS
- ☐ 510 Motions to Vacate Sentence Habeas Corpus
- ☐ 530 General
- ☐ 535 Death Penalty
- ☐ 540 Mandamus/ Other
- ☐ 550 Civil Rights
- ☐ 555 Prison Condition

FORFEITURE / PENALTY
- ☐ 610 Agriculture
- ☐ 620 Other Food & Drug
- ☐ 625 Drug Related Seizure of Property 21 USC 881
- ☐ 630 Liquor Laws
- ☐ 640 R.R. & Truck
- ☐ 650 Airline Regs
- ☐ 660 Occupational Safety /Health
- ☐ 690 Other

LABOR
- ☐ 710 Fair Labor Standards Act
- ☐ 720 Labor/Mgmt. Relations
- ☐ 730 Labor/Mgmt. Reporting & Disclosure Act
- ☐ 740 Railway Labor Act
- ☐ 790 Other Labor Litigation
- ☐ 791 Empl. Ret. Inc. Security Act

PROPERTY RIGHTS
- ☐ 820 Copyrights
- ☐ 830 Patent
- ☐ 840 Trademark

SOCIAL SECURITY
- ☐ 861 HIA (1395ff)
- ☐ 862 Black Lung (923)
- ☐ 863 DIWC/DIWW (405(g))
- ☐ 864 SSID Title XVI
- ☐ 865 RSI (405(g))

FEDERAL TAX SUITS
- ☐ 870 Taxes (U.S. Plaintiff or Defendant)
- ☐ 871 IRS-Third Party 26 USC 7609

CV11 10540

FOR OFFICE USE ONLY: Case Number: ____________

AFTER COMPLETING THE FRONT SIDE OF FORM CV-71, COMPLETE THE INFORMATION REQUESTED BELOW.

UNITED STATES DISTRICT COURT, CENTRAL DISTRICT OF CALIFORNIA
CIVIL COVER SHEET

VIII(a). IDENTICAL CASES: Has this action been previously filed in this court and dismissed, remanded or closed? ☑ No ☐ Yes
If yes, list case number(s): ______

VIII(b). RELATED CASES: Have any cases been previously filed in this court that are related to the present case? ☑ No ☐ Yes
If yes, list case number(s): ______

Civil cases are deemed related if a previously filed case and the present case:
(Check all boxes that apply) ☐ A. Arise from the same or closely related transactions, happenings, or events; or
☐ B. Call for determination of the same or substantially related or similar questions of law and fact; or
☐ C. For other reasons would entail substantial duplication of labor if heard by different judges; or
☐ D. Involve the same patent, trademark or copyright, and one of the factors identified above in a, b or c also is present.

IX. VENUE: (When completing the following information, use an additional sheet if necessary.)

(a) List the County in this District; California County outside of this District; State if other than California; or Foreign Country, in which EACH named plaintiff resides.
☑ Check here if the government, its agencies or employees is a named plaintiff. If this box is checked, go to item (b).

County in this District:*	California County outside of this District; State, if other than California; or Foreign Country

(b) List the County in this District; California County outside of this District; State if other than California; or Foreign Country, in which EACH named defendant resides.
☐ Check here if the government, its agencies or employees is a named defendant. If this box is checked, go to item (c).

County in this District:*	California County outside of this District; State, if other than California; or Foreign Country
Los Angeles County	

(c) List the County in this District; California County outside of this District; State if other than California; or Foreign Country, in which EACH claim arose.
Note: In land condemnation cases, use the location of the tract of land involved.

County in this District:*	California County outside of this District; State, if other than California; or Foreign Country
Los Angeles County	

* Los Angeles, Orange, San Bernardino, Riverside, Ventura, Santa Barbara, or San Luis Obispo Counties
Note: In land condemnation cases, use the location of the tract of land involved

X. SIGNATURE OF ATTORNEY (OR PRO PER): P Beirne Date 12/21/11

Notice to Counsel/Parties: The CV-71 (JS-44) Civil Cover Sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law. This form, approved by the Judicial Conference of the United States in September 1974, is required pursuant to Local Rule 3-1 is not filed but is used by the Clerk of the Court for the purpose of statistics, venue and initiating the civil docket sheet. (For more detailed instructions, see separate instructions sheet.)

Key to Statistical codes relating to Social Security Cases:

Nature of Suit Code	Abbreviation	Substantive Statement of Cause of Action
861	HIA	All claims for health insurance benefits (Medicare) under Title 18, Part A, of the Social Security Act, as amended. Also, include claims by hospitals, skilled nursing facilities, etc., for certification as providers of services under the program. (42 U.S.C. 1935FF(b))
862	BL	All claims for "Black Lung" benefits under Title 4, Part B, of the Federal Coal Mine Health and Safety Act of 1969. (30 U.S.C. 923)
863	DIWC	All claims filed by insured workers for disability insurance benefits under Title 2 of the Social Security Act, as amended; plus all claims filed for child's insurance benefits based on disability. (42 U.S.C. 405(g))
863	DIWW	All claims filed for widows or widowers insurance benefits based on disability under Title 2 of the Social Security Act, as amended. (42 U.S.C. 405(g))
864	SSID	All claims for supplemental security income payments based upon disability filed under Title 16 of the Social Security Act, as amended.
865	RSI	All claims for retirement (old age) and survivors benefits under Title 2 of the Social Security Act, as amended. (42 U.S.C. (g))

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2011 DEC 21 AM

CLERK U.S. DISTRICT COURT CENTRAL DIST. OF CALIF. LOS ANGELES

BY

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA,

Plaintiff,

v.

COUNTRYWIDE FINANCIAL CORPORATION; COUNTRYWIDE HOME LOANS, INC; COUNTRYWIDE BANK,

Defendants.

CIVIL NO. CV11 10540-PSG (AJWx)

[PROPOSED] CONSENT ORDER

EXHIBIT B

I. INTRODUCTION

This Consent Order (Order) is submitted jointly by the parties for the approval of and entry by the Court simultaneously with the filing of the United States' Complaint in this action. This Order resolves the claims of the United States that the Defendants have engaged in a pattern or practice of conduct in violation of the Equal Credit Opportunity Act (ECOA), 15 U.S.C. §§ 1691-1691f, and the Fair Housing Act (FHA), 42 U.S.C. §§ 3601-3619, by discriminating on the basis of race, national origin, and marital status in the extension of residential credit and in the making of residential real estate-related transactions.

There has been no factual finding or adjudication with respect to any matter alleged by the United States. The parties have entered into this Order to avoid the risks, expense, and burdens of litigation and to resolve voluntarily the claims in the United States' Complaint of the Defendants' alleged violations of federal fair lending laws.

II. BACKGROUND

Between 2004 and 2008, Countrywide Financial Corporation ("CFC"), acting through its various divisions and subsidiaries (collectively, "Countrywide"), was one of the largest single-family mortgage lenders in the United States. During that period, Countrywide originated over 4.4 million residential mortgage loans through its retail loan offices and its wholesale division using mortgage brokers.

In 2006, Federal Reserve System examiners initiated a fair lending review of Countrywide Home Loans' mortgage pricing practices. As a result of that review, the Federal Reserve Board ("FRB") determined that it had "reason to believe that Countrywide Home Loans engaged in a pattern or practice of discrimination based on race and ethnicity in violation of Section 701(a) of the Equal Credit Opportunity Act and the Fair Housing Act." Following that determination, and pursuant to 15 U.S.C. § 1691e(g), the FRB referred the matter to the Department of Justice. In early 2008, the

Office of Thrift Supervision ("OTS") conducted an examination of the operations of Countrywide, including compliance by Countrywide Bank,[1] at that time a subsidiary of CFC, with applicable fair lending laws and regulations, and determined that it had "a 'reason to believe' that Countrywide has displayed a 'pattern or practice' of discriminating against minority loan applicants in the pricing of home loans and against married couples concerning the terms and condition of home loans." Following its determination, and pursuant to 15 U.S.C. § 1691e(g), the OTS referred the matter to the Department of Justice.

In its Complaint, the United States alleges that between 2004 and 2008, Countrywide's Consumer Markets Division and Wholesale Lending Division engaged in a pattern or practice of discrimination on the basis of race and national origin in violation of both the FHA and the ECOA based on the interest rates, fees, and costs paid by African-American and Hispanic borrowers. For loans sourced through mortgage brokers, the Complaint further alleges that Countrywide engaged in a pattern or practice of discrimination because African-American and Hispanic borrowers were more than twice as likely to be placed in subprime loans than non-Hispanic White wholesale borrowers who had similar credit qualifications. The Complaint also alleges that, until at least June 1, 2008, Countrywide engaged in discrimination on the basis of marital status by following policies and practices that had the effect of requiring married borrowers applying for credit in one spouse's name having their non-applicant spouses give up all their rights and interests in the property securing the loan at the time the loans were originated. Under the ECOA, a creditor may only require the non-applicant spouse to execute the document(s) necessary to create a valid security interest in the

[1] In a series of corporate transactions that occurred on April 27, 2009, Countrywide Bank ("CWB") converted its charter to that of a national bank; Bank of America, N.A. immediately acquired CWB by a merger; and CWB then ceased to exist. Thus, Bank of America, N.A. is the successor in interest to CWB.

property used to secure the loan; the creditor may not obligate the non-borrower spouse to sign an instrument that transfers that spouse's rights or interest in the property.

The United States acknowledges that its claims against the Defendants relate solely to loans originated by Countrywide and do not relate to any mortgage lending practices of Bank of America Corporation ("BAC").

Defendants deny all the allegations and claims of a pattern or practice of discrimination in violation of the FHA and the ECOA as set forth in the United States' Complaint.

BAC has represented to the United States that BAC and its subsidiaries do not originate and price loans employing policies and procedures that the United States alleges resulted in the discriminatory practices at issue in its Complaint. BAC has further represented that it has furnished substantial support to non-profit community organizations which provide education counseling and other assistance to low income and minority borrowers in connection with obtaining credit, loan modifications and other retention activities. This Consent Order does not contain any injunctive measures against the current operations of BAC or any of its subsidiaries.

III. REMEDIAL ORDER

1. Unless otherwise stated herein, the remedial provisions of this Order shall be implemented not later than thirty (30) days after the effective date of this Order. The effective date of this Order is the date upon which it is approved and entered by the Court.

2. Defendants represent that Countrywide Financial Corporation and Countrywide Home Loans, Inc. (collectively, "Countrywide Defendants") no longer originate residential loans. In the event that either Countrywide Defendant reenters the business of originating residential loans, Defendants shall notify the United States at the earlier of sixty (60) days before it intends to reenter this line of business or the time that they notify their federal regulators of either Countrywide Defendant's intent to reenter this line of business. Countrywide Defendants shall also implement policies, practices and

monitoring designed to prevent and detect potential fair lending violations in their origination of residential loans, and shall provide the United States with the details of these policies, practices, and monitoring, forty-five (45) days prior to implementing such reentry. The United States shall have thirty (30) days to review and agree or object to the proposed policies. The parties shall utilize the dispute resolution procedures set forth in Paragraph 24 to resolve any objections by the United States.

3. In the event that either Countrywide Defendant reenters the business of originating residential loans, it shall adopt policies and practices designed to ensure compliance with ECOA's prohibition on marital status discrimination comparable to those adopted by Countrywide on or about June 1, 2008. Countrywide Defendants shall provide the United States with the details of these policies, practices, and monitoring, forty-five (45) days prior to implementing such reentry. The United States shall have thirty (30) days to review and agree or object to the proposed policies. The parties shall utilize the dispute resolution procedures set forth in Paragraph 24 to resolve any objections by the United States.

4. Within thirty (30) days of the effective date of this Order, Defendants shall cause to be deposited in an interest-bearing escrow account the total sum of three hundred and thirty-five million dollars ($335 million) to compensate allegedly aggrieved persons for monetary and other damages they may have suffered as a result of Defendants' alleged violations of the FHA and the ECOA ("Settlement Fund"). Title to this account shall specify that it is "for the benefit of aggrieved persons pursuant to Order of the Court in *United States v. Countrywide Financial Corp., et al.* filed on December 21, 2011". Defendants shall provide written verification of the deposit to the United States, along with the account number and identification of the depository

institution, within five days of the depositing of the funds described above.[2] Any interest that accrues shall become part of the Settlement Fund and be utilized and disposed of as set forth herein.

5. The United States has requested from Defendants information and data it reasonably believes will assist in identifying aggrieved persons and determining any damages. Such information and data shall be used by the United States only for the law enforcement purposes of implementing this Order. Within ninety (90) days of the date on which the United States provides an electronic file specifying the loans for which it requests data, Defendants shall supply, to the extent that it is within their custody or control, the requested information and data. To the extent that any requested information and data is not within Defendants' custody or control, but such information and data is held by a currently or formerly affiliated entity, they also shall make a good faith effort to obtain such information and data from the entity or entities. If Defendants acquire such information or data from such an entity or entities, they shall supply such information and data within fifteen (15) days of receipt of such information or data.

6. Within sixty (60) days of entry of this Order Defendants also shall enter into a contract retaining a Settlement Administrator ("Administrator"), subject to approval by the United States, to conduct the activities set forth in the following paragraphs. Defendants shall bear all costs and expenses of the Administrator, and Defendants' contract with the Administrator shall require the Administrator comply with the

[2] Any documents or information required by this Order to be submitted to the United States shall be sent by private (non-USPS) overnight delivery addressed as follows: Chief, Housing and Civil Enforcement Section, Civil Rights Division, U.S. Department of Justice, 1800 G Street, NW, Suite 7002, Washington, DC 20006, Attn. DJ #188-12C-32. The parties may also agree to delivery electronically or by hand-delivery to the above address by courier.

provisions of this Order as applicable to the Administrator.[3] The Administrator's contract shall require the Administrator to work cooperatively with the United States in the conduct of its activities, including reporting regularly to and providing all reasonably requested information to the United States. Defendants shall allow the Administrator access to mortgage origination loan files, including non-electronic loan file data and documents that are in the possession of Defendants or any entity owned, directly or indirectly, by BAC, for the purposes of accomplishing the Administrator's task set forth in Paragraph 12. The Administrator's contract shall require the Administrator to comply with all confidentiality and privacy restrictions applicable to the party who supplied the information and data to the Administrator.

7. The United States shall identify aggrieved persons with respect to its race and national origin discrimination claims within ninety (90) days of receipt of all the information and data it requested. The United States shall provide a list of allegedly aggrieved persons to the Defendants and the Administrator.

8. The Administrator's contract shall require the Administrator to make its best efforts, using all reasonable methods, to locate each identified aggrieved person and obtain such information as the United States reasonably considers necessary from each. The Administrator's contract shall require the Administrator to complete this responsibility within a period of six (6) months from the date the United States provides the list described in Paragraph 7, subject to an extension of time as provided by Paragraph 20. The Administrator's contract shall require the Administrator, as part of

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[3] In the event the United States has reason to believe that the Administrator is not materially complying with the terms of its contract with Defendants, the United States and Defendants shall meet and confer for the purpose of mutually agreeing upon a course of action to effect the Administrator's material compliance with its contract with Defendants. In the event that the United States and Defendants are unable to agree upon a course of action to effect the Administrator's material compliance with its contract with the Defendants, the parties shall present the matter to the Court.

its operation, to establish cost-free means for aggrieved persons to contact it, such as email and a toll-free telephone number.

9. The United States shall specify the amount each allegedly aggrieved person identified in Paragraph 8 and located by the Administrator shall receive from the Settlement Fund no later than one-hundred-and-twenty (120) days after the deadline for locating allegedly aggrieved persons has passed. The United States shall provide the compensation list to the Administrator. This list shall direct no less than twenty million dollars ($20 million) to allegedly aggrieved persons who lived in Illinois at the time of origination to resolve Defendants' pending litigation with the State of Illinois, and the Administrator's communications with such borrowers shall refer to both the settlement of litigation by the United States and the State of Illinois.

10. The Administrator's contract shall require the Administrator to send releases, with language approved by the United States, to aggrieved persons. After receipt of executed releases, Defendants shall require the Administrator promptly to deliver payments to those persons in amounts determined by the United States as described in Paragraph 9. The Administrator's identification and payment responsibility may take place on a rolling basis with approval from the United States.

11. The United States also shall provide to the Administrator a list of loans between 2004 and 2008 for which it reasonably believes that there is the potential that a non-borrowing spouse may be an aggrieved person with respect to the marital status discrimination claims alleged in the Complaint. The Administrator's contract shall require the Administrator to send letters describing the marital status discrimination alleged in the Complaint, the text for which is approved in advance by the United States, to the borrowers on this list. The letter shall also specifically request that the information regarding these claims be shared with the person who was their spouse at the time of the loan, and further request that the spouse or former spouse contact the Administrator if a quitclaim deed or other similar instrument was executed as part of the loan origination or closing process.

12. The Administrator's contract shall require the Administrator to review the loan files for those loans with respect to which a non-borrowing spouse contacts it pursuant to Paragraph 11. The Administrator shall determine to the extent possible, based on its review of the aforementioned loan files and, if necessary, an interview of the non-borrowing spouse, whether a non-borrower spouse made a knowing and voluntary decision to execute a transfer of title or was presented with the opportunity to execute instead only a security interest in the property in connection with the origination of the loan. The Administrator shall report to the United States on the results of each such review. The United States shall review the information from the Administrator and provide to the Administrator a list of persons identified by the United States as aggrieved by Countrywide's signature policies and practices for non-applicant spouses, as well as a specified compensation amount for damages. In addition, Defendants and the Administrator shall provide reasonable assistance to any non-borrowing spouse who the United States has determined was aggrieved because he or she transferred his or her property rights, in the execution and filing of instruments necessary to re-transfer to the non-borrowing spouse his or her property interest, if he or she so chooses, the borrower spouse agrees to such a transaction, and the property interest can still be recovered. In addition, the Defendants shall pay the administrative costs required to effect the re-transfer of such property interests which, in no event, shall exceed $1,500.00, in cases where the property interest still can be recovered.

13. The Administrator's contract shall require the Administrator to set forth reasonable deadlines, subject to approval of the United States, so that the compensation is distributed and checks are presented for payment or become void prior to the date that is twenty-four (24) months from the date the initial notifications are sent.

14. Payments from the Settlement Fund to allegedly aggrieved persons shall be subject to the following conditions, provided that the details in administration of the Settlement Fund set forth in Paragraphs 5-13 can be modified by written agreement of the parties and without further Court approval:

(a) No allegedly aggrieved person shall be paid any amount from the Settlement Fund until he or she has executed and delivered to the Defendants a written release, with language approved by the United States, of all lending discrimination claims, legal or equitable, that he or she might have against the released entities regarding the claims asserted by the United States in this lawsuit, so long as such claims accrued prior to the entry of this Order; and

(b) The total amount paid by Defendants collectively to allegedly aggrieved persons shall not exceed the total amount of the Settlement Fund, including accrued interest.

15. All money not distributed to allegedly aggrieved persons from the Settlement Fund, including accrued interest, within twenty-four (24) months of the date the initial notification letters are sent to identified aggrieved persons, shall be distributed to qualified organization(s) that provide services including credit and housing counseling (including assistance in obtaining loan modification and preventing foreclosure), financial literacy, and other related programs targeted at African-American and Hispanic potential and former homeowners in communities where the Complaint alleges significant discrimination occurred against African-American and Hispanic borrowers. Recipient(s) of such funds must not be related to BAC, but may include non-profit community organizations that provide education, counseling and other assistance to low-income and minority borrowers in connection with obtaining credit, loan modifications and other home retention activities to which Bank of America Corporation has furnished substantial support. Any money remaining from the funds designated for Illinois borrowers pursuant to Paragraph 9 shall be distributed to qualified organizations(s) located in Illinois. Defendants will consult with and obtain the non-objection of the United States in selecting recipient(s) of these funds and the amount to be distributed to each, and the parties shall obtain the Court's approval prior to distribution of any remainder of the Settlement Fund's remaining assets. Defendants

shall require each recipient to submit to Defendants and the United States a detailed report on how funds are utilized within one year after the funds are distributed.

16. Defendants shall not be entitled a set-off, or any other reduction, of the amount of payments to identified persons because of any debts owed by the identified persons. Defendants also shall not refuse to make a payment based on a release of legal claims or loan modification previously signed by any identified persons.

IV. EVALUATING AND MONITORING COMPLIANCE

17. For the term of this Order, the Defendant shall retain all records relating to their obligations hereunder as well as their compliance activities as set forth herein. The Defendants shall provide such records to the United States upon request.

18. In addition to the submission of any other plans or reports specified in this Order, the Defendants shall submit semi-annual reports to the United States on compliance with this Order. Each such report shall provide a complete account of the Defendants' and Administrator's material actions to comply with each requirement of this Order during the previous six months, an objective assessment of the extent to which each quantifiable obligation was met in all material respects, an explanation of why any particular component fell short of meeting their goal for the previous six months, and any recommendations for additional actions to achieve the goals of this Order. The Defendants shall submit their first report no later than one-hundred-eighty (180) days after the Effective Date of this Order, and every one-hundred-eighty (180) days thereafter for so long as the Order is in effect.

V. ADMINISTRATION

19. The Order shall expire in four (4) years or, if earlier, on the satisfaction of the conditions set forth in Paragraph 15 of this Order. Notwithstanding the above, this Order may be extended further upon motion of the United States to the Court, for good cause shown.

20. Any time limits for performance fixed by this Order may be extended by mutual written agreement of the parties. Except as provided by Paragraph 14, other

modifications to this Order may be made only upon approval of the Court, upon motion by either party. The parties recognize that there may be changes in relevant and material factual circumstances during the term of this Order which may impact the accomplishment of its goals. The parties agree to work cooperatively to discuss and attempt to agree upon any proposed modifications to this Order resulting therefrom.

21. This Order shall be binding on the Defendants, including all its officers, employees, agents, representatives, assignees, and successors in interest, and all those in active concert or participation with any of them. In the event the Defendants seek to transfer or assign all or part of its operations, and the successor or assignee intends on carrying on the same or similar use, as a condition of sale, the Defendants shall obtain the written agreement of the successor or assign to any obligations remaining under this Order for its remaining term to the extent compliance with such obligations would be transferred or assigned.

22. Nothing in this Order shall excuse the Defendants' compliance with any currently or subsequently effective provision of law or order of a regulator with authority over the Defendants that imposes additional obligations on the Defendants.

23. The parties agree that, as of the date of entry of this Order, litigation is not "reasonably foreseeable" concerning the matters described in this Order. To the extent that either party previously implemented a litigation hold to preserve documents, electronically stored information, or things related to the matters described in this Order, the party is no longer required to maintain such a litigation hold.

24. In the event that any disputes arise about the interpretation of or compliance with the terms of this Order, the parties shall endeavor in good faith to resolve any such dispute between themselves before bringing it to this Court for resolution. If the United States believes that Defendants have violated any provision of this Order, it will provide Defendants written notice thereof and allow thirty (30) days to resolve the alleged violation before presenting the matter to this Court. In the event of either a failure by the Defendants to perform in a timely manner any act required by this Order or an act by

the Defendants in violation of any provision hereof, the United States may move this Court to impose any remedy authorized by law or equity, including attorneys' fees and costs.

25. The Defendants' compliance with the terms of this Order shall fully and finally resolve all claims of the United States Attorney General and United States Secretary of Housing and Urban Development under the FHA and ECOA, except for claims by aggrieved persons under 42 U.S.C. §§ 3610 and 3612, in connection with Countrywide Financial Corporation, Countrywide Home Loans, Inc., and Countrywide Bank's alleged discrimination in the extension of residential credit and in the making of residential real estate-related transactions between January 1, 2004 and December 31, 2008, including all claims for equitable relief and monetary damages and penalties arising from those claims. This Order does not release any claims under any statute other than the FHA and the ECOA. This Order does not release legal claims for loans originated by entities other than Countrywide Financial Corporation, Countrywide Home Loans, Countrywide Bank, and any subsidiary of those three entities between January 1, 2004 and December 31, 2008, or for time periods before 2004 and after 2008.

26. Each party to this Order shall bear its own costs and attorneys' fees associated with this litigation.

27. The Court shall retain jurisdiction for the duration of this Order to enforce the terms of the Order, after which time the case shall be dismissed with prejudice.

So ORDERED, this _____ day of ____________________, 20__.

____

UNITED STATES DISTRICT JUDGE

The undersigned apply for and consent to the entry of this Order.

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For Defendant Countrywide Home Loans, Inc.:

MICHAEL W. SCHLOESSMANN
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Countrywide Home Loans, Inc.

For Defendant Countrywide Bank:

GREG HOBBY
Senior Vice President
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Counsel for Defendants Countrywide Financial Corporation; Countrywide Home Loans, Inc.; and Countrywide Bank:

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Counsel for Defendants

For Defendant Countrywide Home Loans, Inc.:

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FILED

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CLERK U.S. DISTRICT COURT
CENTRAL DIST. OF CALIF.
LOS ANGELES

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA PLAINTIFF(S)	CASE NUMBER **CV11- 10540 PSG (AJWx)**
v.	
COUNTRYWIDE FINANCIAL CORPORATION, ET AL DEFENDANT(S).	**NOTICE TO PARTIES OF ADR PROGRAM**

Dear Counsel,

The district judge to whom the above-referenced case has been assigned is participating in an ADR Program. All counsel of record are directed to jointly complete the attached ADR Program Questionnaire, and plaintiff's counsel (or defendant in a removal case) is directed to concurrently file the Questionnaire with the report required under Federal Rules of Civil Procedure 26(f).

Clerk, U.S. District Court

12/21/11
Date

By: MDAVIS
Deputy Clerk

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA PLAINTIFF(S) v. COUNTRYWIDE FINANCIAL CORPORATION, ET AL DEFENDANT(S).	CASE NUMBER **CV11- 10540 PSG (AJWx)** **ADR PROGRAM QUESTIONNAIRE**

(1) What, if any, discovery do the parties believe is essential in order to prepare adequately for a settlement conference or mediation? Please outline with specificity the type(s) of discovery and proposed completion date(s). Please outline any areas of disagreement int this regard. Your designations do not limit the discovery that you will be able to take in the event this case does not settle.

(2) What are the damage amounts being claimed by each plaintiff? Identify the categories of damage claimed [e.g., lost profits, medical expenses (past and future), lost wages (past and future), emotional distress, damage to reputation, etc.] and the portion of the total damages claimed attributed to each category.

(3) Do the parties agree to utilize a private mediator in lieu of the court's ADR Program?

Yes [ ] No [ ]

(4) if this case is in category civil rights - employment (442), check all boxes that describe the legal bases of plaintiff claim(s).

[ ] Title VII

[ ] Age Discrimination

[ ] 42 U.S.C. section 1983

[ ] California Fair Employment and Housing Act

[ ] Americans with Disabilities Act of 1990

[ ] Rehabilitation Act

[ ] Other ______________________________

I hereby certify that all parties have discussed and agree that the above-mentioned responses are true and correct.

______________________ Date

______________________ Attorney for Plaintiff (Signature)

______________________ Attorney for Plaintiff (Please print full name)

______________________ Date

______________________ Attorney for Defendant (Signature)

______________________ Attorney for Defendant (Please print full name)