

**Exhibit 123**  
to  
**Affidavit of Daniel M. Reilly**  
**in Support of Consolidated Response to**  
**Statements in Support of the Proposed Settlement**



In considering the Settlement Agreement in the context of my opinion, I considered allegations that Countrywide, as originator (and maker of the representations and warranties), together with its parent, BANA, and the Institutional Investors, as beneficial owners of the trust certificates (and economically, the ultimate beneficiaries of repurchases), had some form of collusive interest in the resolution of the issues underlying the settlement. I also considered the position of BNYM, as trustee, in the settlement negotiations. While I have no firsthand knowledge of the parties' negotiations, I found no evidence in the record I reviewed that would support any allegation that the negotiations were collusive. Instead, I observed that the record reflects that the negotiation process was consistent with my experience in negotiating arms-length transactions with sophisticated parties in the context of the mortgage finance marketplace. I applied my own quantitative analysis to the facts of this matter as I understood them in order to confirm the analysis I reviewed, and made my own qualitative assessments on subjective assumptions, where appropriate, using my firsthand experience in negotiating deals relating to mortgage collateral.

My review of the information upon which I have based my opinion comprises both qualitative and quantitative considerations, as I believe any prudent comprehensive business decision will include both. In this report, I first identify the major qualitative issues that outline the perspective through which I have considered the Settlement Amount. I then review the quantitative models applied, the assumptions involved, and the outputs generated given the differences in those assumptions. I have reviewed, and will comment on, the quantitative analysis that each party generated in order to calculate their range of potential values for Countrywide's liability for breaches of representations and warranties. I then discuss those assumptions and their reasonableness in the context of the qualitative framework I previously framed.

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In my opinion, the range for the potential repurchase claims of Redacted billion includes some reasonable estimates of potential repurchase liability from a breach of representations and warranties, but also contains estimates at the higher end that rely on unverifiable and possibly suspect assumptions. In my opinion, a more refined range would be \$8.2 to \$12.9 billion, which is derived by applying disputed assumptions of the negotiating parties to the wider range of possible outcomes. This range of potential repurchase claims for a breach of representations and warranties should then be discounted to take into account counterparty risk, litigation risk, other risks including successor liability and any value attributed to the Servicing Improvements, in order to gauge the reasonableness of the Settlement Amount. In my opinion, based on all of these factors, the Settlement Amount of \$8.5 billion is reasonable.

I take additional comfort in my opinion that the Settlement Amount of \$8.5 billion is reasonable as it is, in my view, generally analogous to a transaction price in the mortgage finance marketplace, as outlined in Section 4. The record reveals that BANA, the Institutional Investors, each using their own proprietary modeling assumptions, and BNYM—which had the benefit of these competing reasonable views—entered into a protracted, arms-length negotiation, and ultimately agreed on a compensatory payment. In my opinion, this lends credence to the conclusion that the Settlement Amount was reasonable.

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<sup>36</sup> BNYM\_CW-0000206. Redacted  
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**Figure 8.3-b: Unpaid Principal Balance of loans in Covered Trusts by Delinquency Status and Pool Type**

	Total		Alt-A		Subprime		MBS	
Current	\$ 89,295,234,258	51.6%	\$ 55,352,544,994	54.5%	\$ 15,021,524,741	32.8%	\$ 18,921,164,523	73.9%
30-59	7,717,481,363	4.5%	4,004,149,208	3.9%	3,070,373,009	6.7%	642,959,145	2.5%
60-89	4,222,041,902	2.4%	2,248,898,729	2.2%	1,615,046,631	3.5%	358,096,541	1.4%
90+	37,172,581,201	21.5%	19,739,863,130	19.4%	14,943,979,822	32.6%	2,488,738,249	9.7%
FCL	22,023,134,158	12.7%	12,711,404,702	12.5%	8,070,044,800	17.6%	1,241,684,656	4.8%
REO	3,877,823,240	2.2%	2,295,383,551	2.3%	1,371,161,813	3.0%	211,277,876	0.8%
Total	\$ 164,308,296,122	100.0%	\$ 96,352,244,314	100.0%	\$ 44,092,130,817	100.0%	\$ 23,863,920,991	100.0%

Source: CoreLogic, Greensledge Group

To this population of High Risk Loans, I make the following simplifying assumptions:

- a. High Risk Loan transfers will occur once every quarter;
- b. The identified loans will be transferred in order of priority as described in Paragraph 5(b) of the Settlement Agreement;
- c. A maximum of 30,000 High Risk Loans will be transferred each quarter;
- d. There will be ten approved Subservicers to whom transfers can be made, one per quarter, and each Subservicer can manage 30,000 loans from the transfer;
- e. The population of High Risk Loans will be repopulated over time according to the 2010 average roll rates from current to 30, 30 to 60, and so on;
- f. Transfers will conclude in December 2016, five years from the first transfer;

I use these assumptions as a reasonable expectation of the implementation of the Servicing Improvements at the time the Settlement Agreement was executed, in order to calculate a value of the Servicing Improvements.

## 10 Calculation of Value for the Transfers of High Risk Loans

Sections 10.1 to 10.5 detail the calculation of the value of the Servicing Improvements for the first quarterly transfer of High Risk Loans. For each subsequent quarterly transfer, the methodology is identical; the only change occurs in the size and composition by cohort of the High Risk Loan population that is transferred. This population eventually declines until there are fewer than 1,000 loans eligible for transfer, at which time I terminate the process. Section 10.6 aggregates the benefit to the Covered Trusts of all such quarterly transfers of High Risk Loans.

### 10.1 Total High Risk Loan Population as of November 2011

I first calculated the total High Risk Loan balances eligible to be transferred in December of 2011 by rolling June 2011 Balances forward based on 2010 average roll rates.<sup>52</sup> A loan transfer

<sup>52</sup> Roll rates are calculated and applied individually by loan vintage and loan pool type.

in December would be based on November balances. The population of High Risk Loans as of November 2011 is set out in Figure 10.1-a.

**Figure 10.1-a: Total High Risk Loan Population, as of November 2011**

	<b>Alt-A</b>	<b>Subprime</b>	<b>MBS</b>
Balance	34,696,416,648	24,632,168,824	4,087,857,840
Count	105,072	124,832	7,969

*Source: CoreLogic, Greensledge Group*

## 10.2 Identify Loans to Transfer to Subservicers

I then identified the specific High Risk Loans to be transferred in this quarter by applying the priority of transfers in Paragraph 5(b) of the Settlement Agreement pro-rated across pool types and vintages. From this subset I identified a specific group of 30,000 loans that will be transferred to Subservicers set out in Figure 10.2-a:

**Figure 10.2-a: High Risk Loans to be Transferred in December 2011**

	<b>Alt-A</b>	<b>Subprime</b>	<b>MBS</b>
Balance	4,230,608,059	3,181,890,856	542,639,962
Count	12,854	16,092	1,054

*Source: CoreLogic, Greensledge Group*

## 10.3 Calculation of the Benefit from Improved Re-Performance Rates

For this cohort of 30,000 loans which have been transferred, I then calculated the value resulting from the incremental improvement in the amount of re-performing loans.

I first determined the rate at which loans that are 60 days delinquent, 90 days delinquent or in foreclosure return to performing status (the “re-performance rate”).<sup>53</sup> Based upon my experience, and consistent with the actions of the parties in negotiating the Settlement Agreement, I think it reasonable to attribute variations in re-performance rate to the actions of the servicer and to conclude that variations in re-performance rates are correlated with servicer effectiveness.

To calculate the benefit of improved re-performance rates on the cohorts of High Risk loans in the Covered Trusts to be transferred to subservicing, I compared re-performance rates (i.e., the

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<sup>53</sup> This may be due to timely and constructive right-party contact with the borrower, successful credit counseling, or a loan modification. CoreLogic does not provide complete information concerning loan modifications; thus, it is difficult to determine with any certainty if the terms of a loan have been modified. I do not require this differentiation for my analysis as the same issue applies to the universe of deals outside the Covered Trusts; re-performing loans are re-performing loans whatever the reason. The only observable fact available to inform this analysis is that a seriously delinquent loan has been returned to a performing status.

rate at which loans became current on their payments the following month) by High Risk Loan delinquency cohort, vintage and collateral type between the Covered Trusts and the Non Covered Trusts using 2010 data. The re-performance rates are shown on an aggregate basis in Figure 10.3-a. This information is compiled by origination year for both the Covered Trusts and for the Non-Covered Trusts and then broken out by pool type:

**Figure 10.3-a: Average Re-Performance Rates, 2010**

	<b>Alt-A</b>	<b>Subprime</b>	<b>MBS</b>
Covered Trusts	1.37%	1.64%	2.32%
Non-Covered Trusts	2.35%	3.89%	2.96%
Reperformance Rate Difference	0.98%	2.25%	0.64%

*Source: CoreLogic, Greensledge Group*

Figure 10.3-a shows that 1.37% of Alt-A High Risk Loans in the Covered Trusts became current the following month. By comparison, 2.35% of Alt-A High Risk Loans in the Non-Covered Trusts became current the following month. This difference (0.98%) is the improvement in the re-performance rate that would occur if these High Risk Loans were to re-perform at the industry average re-performance rate as opposed to the rate at which they have historically re-performed.

I apply this re-performance rate differential by collateral type and delinquency status to the cohort of 30,000 loans, by aggregate balance that I have already identified above in Figure 10.2-a. The result, in Figure 10.3-b, calculates the potentially avoided losses due to increased re-performance rates which I attribute to this first transfer.

**Figure 10.3-b: Potentially Avoided Losses, loans transferred in December 2011**

	<b>Alt-A</b>	<b>Subprime</b>	<b>MBS</b>
Reperformance Rate Difference	0.98%	2.25%	0.64%
Additional Cured Loans	41,430,154	71,647,803	3,464,474
Projected Average Severity	61%	78%	42%
Potentially Avoided Losses	25,300,776	55,991,109	1,459,781
with 30% Re-default Rate	17,710,543	39,193,776	1,021,847

*Source: CoreLogic, Greensledge Group*

For illustration, the 0.98% incremental increase in the Alt-A re-performance Rate, when applied to the principal balance of Alt-A loans transferred this quarter (\$4.2 billion from Figure 10.2-a) results in \$41.4 million of additional re-performing loans. To calculate the benefit from these

Alt-A loans that now re-perform as opposed to default, I apply a loss severity of 61%<sup>54</sup> to calculate potentially avoided losses of \$25.3 million.

I apply the identical process to Subprime and MBS and calculate potentially avoided losses for the Covered Trusts for the loans transferred this quarter of \$82.7 million.

I must discount the potentially avoided losses as calculated because re-performing loans have a significant re-default rate. In my experience and consistent with industry research, re-performing loans will default again (“re-default rate”) within 18 months between 30% and 54% of the time,<sup>55</sup> a rate which varies according to modification type and other factors.<sup>56</sup> Multiplying each end of this range of re-default rates by the Potentially Avoided Loss number in Figure 10.3-b yields a value of this improvement between \$38.1 million and \$57.9 million for the loans transferred in this first quarter.

#### **10.4 Calculation of the Benefit from Improved Foreclosure Timeline**

For the loans remaining in this first cohort of 30,000 loans - after the re-performing loans have been accounted for, the next step in my methodology is to calculate a value derived from the improvement in the foreclosure timeline between the Covered Trusts and the Non-Covered Trusts.

When the servicer has determined that a delinquent loan is not qualified for loss mitigation or cannot be returned to performing status, it begins the foreclosure process. The disposition costs of the foreclosure process, including various fees, expenses, and taxes, along with Protective Advances that may be made during the timeline are borne by the owner of the loan. The longer the foreclosure timeline runs, the greater the sum of Protective Advances and disposition costs becomes, so in all but the exceptional cases of rapidly rising home prices, a shorter foreclosure timeline will reduce Loss Severity. Therefore, servicers who most efficiently process loan foreclosures will reduce Loss Severity for the benefit of the owner(s) of the loans.

Figure 10.4-a sets out the foreclosure timeline by average number of months<sup>57</sup> by collateral types. It shows that an Alt-A loan in the Covered Trusts, for example, would on average remain in the 90+ day, Foreclosure or REO delinquency status for 18.3 months before moving to final sale or liquidation. The average for 90+, Foreclosure and REO loans is 16.5 months for the Non-

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<sup>54</sup> Vintage weighted average for Alt-A Covered Trust loans over the 12 months prior to June 2011.

<sup>55</sup> Amherst Securities Group, Laurie Goodman, et al, *Modification Effectiveness: The Private Label Experience and Their Public Policy Implications*, 22 J. Fixed Incomes, 21-36 (May 30, 2012).

<sup>56</sup> I cannot from the data differentiate between the modifications and natural re-performers, so I therefore elected to use this re-default rate across the entire population of Re-performing loans without any secondary loss development curve (i.e. immediate application of the reduction as opposed to over 18+/- months).

<sup>57</sup> The average number of months calculated using weighted average loan balances.



Covered Trusts, or 1.8 months less. On average as shown in Figure 10.4-a, Subprime loans take 4.9 months longer and MBS loans take 1.6 months longer to move through the foreclosure process than similar loans in the Non-Covered Trusts.

**Figure 10.4-a: Months in 90+, Foreclosure, and REO, 2010 data**

	Alt-A	Subprime	MBS
Covered Trusts	18.3	23.2	14.8
Non-Covered Trusts	16.5	18.3	13.2
Difference (Months)	1.8	4.9	1.6

Source: CoreLogic, Greensledge Group

I use the aggregate principal balance by pool type of the loans remaining in this cohort of 30,000 loans after the re-performing loans have been accounted for, and the savings expected due to the reduction in foreclosure timeline which is a function of the average monthly costs of carrying a delinquent loan, to calculate the monetary benefit of reducing the foreclosure timeline.

Based on my experience in mortgage finance and homebuilding, I estimate the required annual Protective Advances (costs) of carrying a loan to disposition are 8% of the property value each year.<sup>58</sup> I therefore multiply the aggregate loan balances in each category by 0.667%<sup>59</sup> and then again by the average reduction in months in foreclosure, to calculate the net benefit. The data and result of this calculation and the results are shown in Figure 10.4-b:

**Figure 10.4-b: Benefit of shorter Foreclosure timeline, loans transferred in December 2011**

	Alt-A	Subprime	MBS
HRL that didn't Reperform	4,201,606,952	3,131,737,394	540,214,831
Foreclosure Timeline Difference	1.8	4.9	1.6
Avoided Fixed Costs of Foreclosure	49,193,576	103,242,090	5,662,646

Source: CoreLogic, Greensledge Group

## 10.5 Total Benefit this Quarter from Re-performance and Foreclosure Timeline

For this cohort of 30,000 loans which have been transferred in December 2011, I combine the calculated benefit from both an improvement in the re-performance rate shown in Section 10.3 and a reduction in the time in foreclosure shown in Section 10.4. The value of each of these improvements is set out by collateral type in Figure 10.5-a along with the total benefit.

<sup>58</sup> Property taxes: 2%, insurance: 1%, maintenance: 5%.

<sup>59</sup> This figure is 8% / 12 months.

**Figure 10.5-a: Total benefit for loans transferred in December 2011**

	<b>Alt-A</b>	<b>Subprime</b>	<b>MBS</b>
Reperformance Rates	17,710,543	39,193,776	1,021,847
Fixed Costs of Foreclosure	49,193,576	103,242,090	5,662,646
<b>Total</b>	<b>66,904,119</b>	<b>142,435,866</b>	<b>6,684,493</b>

Source: CoreLogic, Greensledge Group

The sum of the benefit I calculate for the 30,000 loans transferred in the first quarterly transfer is \$216 million.

### 10.6 Total Savings after Five Years of Transfers

I replicated the same set of calculation each quarter into the future until December 2016, or five years after the first transfer. I chose this date for ease of explanation and because almost 90% of the benefit is created over the first 21 quarters. Loans are added to the population of High Risk Loans each month by applying the same 2010 roll rate that I used to model the migration of loans within the High Risk Loan categories. The import of this standard assumption is that some loans that are “current” at June 2011 will become delinquent and eventually default, thereby adding to the population of High Risk Loans.

The final step is to discount each of the quarterly transfer benefits to present value using a discount rate of 3.25%, which was the Prime Rate<sup>60</sup> in June 2011. The sum of these present values in Figure 10.6-a is the monetary value attributed to the transfer of High Risk Loans to Subservicers, based upon the assumptions I have made. The undiscounted value is shown in Figure 10.6-b, for comparative purposes.

**Figure 10.6-a: Total Savings, all transferred loans, 3.25% discount rate**

	Re-default Rate	
	54%	30%
Reperformance Rates	467,375,034	711,222,878
Fixed Costs of Foreclosure	1,949,407,980	1,941,106,188
<b>TOTAL</b>	<b>2,416,783,014</b>	<b>2,652,329,066</b>

Source: CoreLogic, Greensledge Group

<sup>60</sup> Wall Street Journal Prime Rate, as defined.