

# MILLER | WRUBEL

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February 1, 2013

**By E-Filing and Hand Delivery**

The Honorable Barbara R. Kapnick  
New York Supreme Court, New York County  
60 Centre Street, Courtroom 208  
New York, New York 10007

***Re: In re the Application of The Bank of  
New York Mellon, Index No. 651786/2011***

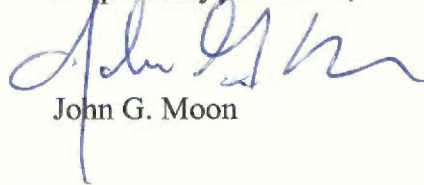
Dear Justice Kapnick:

We represent intervenors the Triaxx funds ("Triaxx"), one of the members of the intervenors' Steering Committee.

Pursuant to the Court's Order to Show Cause (the "Order"), dated June 29, 2011, The Bank of New York Mellon (the "Trustee") must "seek an instruction from the Court before responding to or taking any action with respect to assertions, allegations, notices, or directions from any Trust Beneficiary relating to the subject matter of this proceeding."

Attached hereto is a letter that counsel for Triaxx and the Federal Home Loan Banks of Indianapolis, Chicago and Boston (also members of the Steering Committee) sent this evening to counsel for the Trustee. The letter makes assertions and allegations with regard to which, pursuant to the Order, the Trustee is required to seek instruction from the Court.

Respectfully submitted,



John G. Moon

Encl.

cc: Counsel for all parties and investors of record (via E-filing)

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## **By E-Mail**

Matthew D. Ingber, Esq.  
Mayer Brown LLP  
1675 Broadway  
New York, New York 10019

***Re: In re the Application of The Bank of  
New York Mellon, Index No. 651786/2011***

Dear Matt:

The undersigned represent intervenors the Triaxx funds ("Triaxx") and the Federal Home Loan Banks of Boston, Indianapolis and Chicago ("FHLB"), all of which have previously provided discovery as to the magnitude of their holdings of Certificates<sup>1</sup> issued by the Trusts covered by the proposed \$8.5 billion settlement (the "Settlement").

Under the PSAs for approximately 468 of the 530 Trusts covered by the Settlement, either the "Master Servicer" (BofA Servicing) or "Countrywide" (CHL) appears to have an obligation to repurchase Modified Mortgage Loans. *See* §§ 3.11(b) or 3.12(a) of the applicable PSAs. As shown on the attached Exhibit A, there are approximately 134,000 Modified Mortgage Loans in these 468 Trusts, resulting in such Trusts having claims ("Modified Mortgage Loan Repurchase Claims") in excess of \$30 billion. *See* Exhibit A hereto.

At the time it agreed to the Settlement, the Trustee was aware of the Trusts' Modified Mortgage Loan Repurchase Claims.

Redacted

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<sup>1</sup> Capitalized terms used and not defined herein have the meanings ascribed to such terms in the Pooling and Servicing Agreements (the "PSAs") for the pools of mortgage-backed securities held by the trusts (the "Trusts") covered by the Settlement between The Bank of New York Mellon (the "Trustee"), Bank of America Corporation ("BofA"), BAC Home Loans Servicing, LP ("BofA Servicing"), Countrywide Financial Corporation ("CFC") and Countrywide Home Loans, Inc. ("CHL").

Matthew D. Ingber

February 1, 2013

Page 2

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Redacted

The issue also appears to have been addressed in the Settlement. Although the Settlement states that it does *not* amend the PSAs (Settlement, ¶ 5(g)), it permits loan modifications without repurchase. *See* Settlement, ¶ 5(e) (loan modifications undertaken pursuant to the Settlement “*shall be deemed to be permissible under the terms of the applicable*” PSAs) (emphasis added). This appears to Redacted

Redacted

In addition, Triaxx has used sophisticated data mining techniques to evaluate public and proprietary data<sup>2</sup> concerning modifications of loans held by the Trusts, and has determined that BofA Servicing may have engaged in self-dealing and other misconduct, including in connection with modifications to first lien loans held by the Trusts where BofA or Countrywide held second lien loans on the same subject properties. Exhibit A shows Triaxx’s data mining of three sample modifications of Loans held by one of the Trusts. The issue of BofA Servicing’s self-dealing and other misconduct in connection with loan modifications also arose during the course of the Settlement negotiations. *See, e.g.,* BNYM\_CW-00268805-7, attached hereto as Exhibit B.

Thus, the Trusts appear to have (1) Modified Mortgage Loan Repurchase Claims in excess of \$30 billion, and (2) claims arising from BofA Servicing’s self-dealing and other misconduct in connection with loan modifications (collectively, “Loan Modification Claims”), both of which materially affect the rights of Certificateholders.

Despite its knowledge of the Trusts’ Loan Modification Claims, the Trustee agreed to release such claims in the Settlement, apparently without any investigation of the extent or merit of such claims, and without any compensation for the Trusts with respect to such claims. Redacted

In addition, the Trustee negotiated for itself protection against claims that the Trustee breached its duties and obligations to Certificateholders by entering into the Settlement. *See* Proposed Final Judgment and Order, at 8-9. This conduct appears to violate the Trustee’s own obligations to Certificateholders.

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<sup>2</sup> None of Triaxx’s analysis reflected in Exhibit A relied on documents produced in this proceeding or any other litigation.

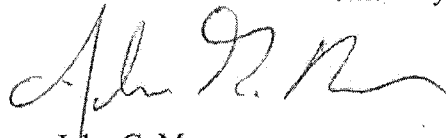
**MILLER & WRUBEL P. C.**

Matthew D. Ingber  
February 1, 2013  
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Accordingly, we respectfully request that the Trustee meet with us to discuss what steps if any the Trustee has or should take to investigate and resolve the serious allegations discussed above regarding BofA Servicing and CHL's conduct, as well as the Trustee's own conduct in connection with the Settlement. With regard to the Trustee's own conduct, there is no requirement under the PSAs that indemnity be offered to the Trustee as a condition of a response by the Trustee. To the extent that under the applicable PSAs, an investigation by the Trustee of the Trusts' Loan Modification Claims would require indemnity other than what already has been provided by BofA in connection with the Settlement, we are available to discuss this with the Trustee.

We look forward to your prompt response to this request.

Sincerely,



John G. Moon  
Miller & Wrubel P.C.  
*Attorneys for Triaxx*



Derek W. Loeser  
Keller Rohrback L.L.P.  
*Attorneys for the Federal Home  
Loan Banks of Boston,  
Indianapolis and Chicago*

Encl.

# **EXHIBIT A**

## **Summary of Loan Modification Examples**

For Trusts Covered by the Proposed Countrywide RMBS Settlement

**Summary of 530 Trusts Covered under the Proposed Countrywide Settlement (\$ in millions)**

Collateral Vintage	# of Trusts	# of Loans	Original Collateral	Realized Loss	Active Collateral	Loans Modified	% loans Modified	Modified Collateral	Modified Still Active	Loss on Active	Loss on Liquidated
2004	110	426,137	\$89,917	\$2,643	\$13,391	17,357	4.1%	\$3,158	\$2,436	\$100	\$338
2005	170	560,181	\$142,967	\$12,970	\$40,605	41,099	7.3%	\$9,714	\$7,621	\$440	\$1,183
2006	150	467,987	\$120,025	\$21,265	\$44,138	60,584	12.9%	\$14,895	\$12,006	\$879	\$1,914
2007	99	236,961	\$73,469	\$10,635	\$35,748	35,653	15.0%	\$10,429	\$8,992	\$614	\$836
2008	1	246	\$162	\$5	\$56	17	6.9%	\$10	\$9	\$0	\$0
	<b>530</b>	<b>1,691,512</b>	<b>\$426,539</b>	<b>\$47,518</b>	<b>\$133,937</b>	<b>154,710</b>	<b>9.1%</b>	<b>\$38,205</b>	<b>\$31,064</b>	<b>\$2,035</b>	<b>\$4,270</b>

**62 Trusts - Servicer is NOT Required to Purchase Modified Loans (\$ in millions)**

Collateral Vintage	# of Trusts	# of Loans	Original Collateral	Realized Loss	Active Collateral	Loans Modified	% loans Modified	Modified Collateral	Modified Still Active	Loss on Active	Loss on Liquidated
2004	0	0	\$0	\$0	\$0	0	NA	\$0	\$0	\$0	\$0
2005	0	0	\$0	\$0	\$0	0	NA	\$0	\$0	\$0	\$0
2006	0	0	\$0	\$0	\$0	0	NA	\$0	\$0	\$0	\$0
2007	61	124,441	\$44,292	\$5,912	\$21,762	20,062	16.1%	\$6,166	\$5,361	\$350	\$458
2008	1	246	\$162	\$5	\$56	17	6.9%	\$10	\$9	\$0	\$0
	<b>62</b>	<b>124,687</b>	<b>\$44,454</b>	<b>\$5,917</b>	<b>\$21,818</b>	<b>20,079</b>	<b>16.1%</b>	<b>\$6,175</b>	<b>\$5,370</b>	<b>\$350</b>	<b>\$459</b>

**468 Trusts - Servicer is Required to Purchase Modified Loans (\$ in millions)**

Collateral Vintage	# of Trusts	# of Loans	Original Collateral	Realized Loss	Active Collateral	Loans Modified	% loans Modified	Modified Collateral	Modified Still Active	Loss on Active	Loss on Liquidated
2004	110	426,137	\$89,917	\$2,643	\$13,391	17,357	4.1%	\$3,158	\$2,436	\$100	\$338
2005	170	560,181	\$142,967	\$12,970	\$40,605	41,099	7.3%	\$9,714	\$7,621	\$440	\$1,183
2006	150	467,987	\$120,025	\$21,265	\$44,138	60,584	12.9%	\$14,895	\$12,006	\$879	\$1,914
2007	38	112,520	\$29,177	\$4,724	\$13,985	15,591	13.9%	\$4,263	\$3,631	\$265	\$377
2008	0	0	\$0	\$0	\$0	0	NA	\$0	\$0	\$0	\$0
	<b>468</b>	<b>1,566,825</b>	<b>\$382,085</b>	<b>\$41,601</b>	<b>\$112,119</b>	<b>134,631</b>	<b>8.6%</b>	<b>\$32,030</b>	<b>\$25,694</b>	<b>\$1,685</b>	<b>\$3,812</b>

Redacted  
**Loan Example 1: 080 (Potential Mis-Managed Loan Modification)**

**The Loan**

Loan Number	Redacted 080
Trust	CWHL 2006-13
Lender	Countrywide
Origination Date	July 7, 2006
Purpose	Purchase
Appraised Value	\$828,500
Loan Amount	<b>\$662,800</b>
LTV / CLTV	80% / 90%
Loan Type	30Y Fixed
Interest Rate	6.625%

**Subject Property**

Address	XXXX XXXth Street
Location	Redacted
Type	SFR
Use	Owner Occupied
Year House Built	1930
BR/BA	3 / 1.5
Gross Living Area	2,208 sqft
Site/Yard	3,817 sqft
Purchase Date	July 7, 2006
Purchase Price	<b>\$828,500</b>
Amount Financed	\$745,650
Seller Concession	NA
Cost of Closing	NA
Borrower Paid	NA

**The Timeline**

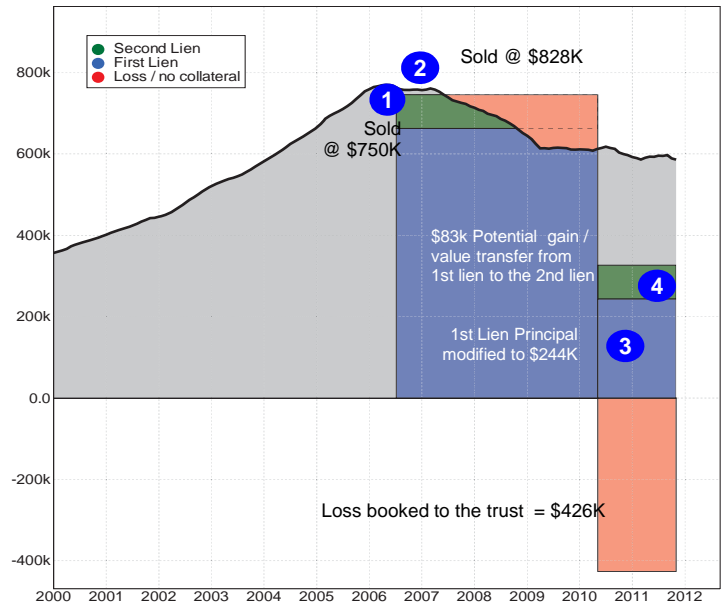
Jan 11, 2006	Subject property was sold at \$750,000.
Jul 7, 2006	Subject property was sold again at \$828,500. The buyer financed the purchase with 90% financing.
Jul 28, 2006	The 1st lien loan in the amount of \$662,800 was sold into the CWHL 2006-13 trust.
Feb 26, 2009	The borrower stopped making payments on the subject loan.
May 25, 2010	The servicer finalized loan modification to reduce the rate from 6.625% to 2%. The outstanding principal balance reflected on CWHL 2006-13's records was reduced from \$639,581 to \$243,703. After the modification, monthly principal and interest for this loan dropped from \$4,244 to \$739. Meanwhile, a loss amount of \$426,007 was booked to the CWHL 2006-13 trust.
	Holder of the 2nd lien potentially gained \$82.850, provided the 2nd lien remained in place. Prior to modification, the collateral value to the 2nd lien had fully eroded.

**Findings**

**1. Property** Based on recent real estate activity in the local market, it's likely that the subject property is worth between \$550,000 and \$650,000. From the perspective of CWHL 2006-13 trust (and its investors), a short sale or foreclosure would have been a much better strategy than loan modification.

**2. 2nd Lien** Countrywide is holding the 2nd lien on this property that carried principal balance of \$82,850 at origination (July 2006). There is no evidence in the data available that indicated any impact to the 2nd lien while the 1st lien investors suffered losses in excess of \$400,000.

Property Transactions and Fair Value Estimates





Redacted

Real Estate Market Activity in the Local Area (Loan ID \_\_\_\_\_ 080)

	Street Address	Miles	Size	Yard	2011Tax Date	Price	Px/sqft
	XXXX XXXXX St	0.00	2,318	3,817	\$3,925 07/07/06	\$828,500	\$357
					05/01/10	\$243,000	\$105
1	XXXX XXXXXX St	0.05	2,080	4,600	\$5,993 09/29/10	\$685,000	\$329
2	XXXX XXXXXX St	0.13	2,016	3,000	\$6,072 06/23/09	\$834,000	\$414
3	XXXXX XXXXXX Ave	0.15	2,033	3,800	\$5,655 12/30/10	\$740,000	\$364
4	XXXX XXXXXX St	0.15	2,068	2,900	\$6,347 03/28/11	\$775,000	\$375
5	XXXX XXXXXX St	0.20	2,054	4,000	\$4,825 04/16/10	\$749,000	\$365
6	XXXX XXXXXX Pl	0.20	1,919	4,000	\$4,915 06/13/09	\$921,125	\$480
7	XXXXX XXXXXX Rd	0.21	2,112	4,400	\$5,438 12/17/09	\$645,000	\$305
8	XXXX XXXXXX St	0.22	1,894	3,325	\$2,890 06/14/10	\$527,000	\$278
9	XXXX XXXXXX Pl	0.24	2,040	2,700	\$2,566 06/09/10	\$699,000	\$343
10	XXXX XXXXXX St	0.25	2,722	2,700	\$6,564 12/17/09	\$730,000	\$268
11	XXXX XXXXXX St	0.43	2,200	3,750	\$5,322 03/22/10	\$980,000	\$445
12	XXXX XXXXXX St	0.43	2,380	3,000	\$6,468 04/22/11	\$600,000	\$252
13	XXXX XXXXXX St	0.48	2,278	2,900	\$6,322 06/10/11	\$875,000	\$384
14	XXXX XXXXXX St	0.58	1,872	4,600	\$5,439 08/12/09	\$651,000	\$348
15	XXXX XXXXXX St	0.63	1,929	4,000	\$4,007 03/01/11	\$600,000	\$311
16	XXXXX XXXXXX Dr	0.64	2,092	3,696	\$6,072 05/17/11	\$635,000	\$304
17	XXXXX XXXXXX Ave	0.64	2,228	4,166	\$4,669 03/26/10	\$630,000	\$283
18	XXXXX XXXXXX Ave	0.64	2,103	4,450	\$6,509 12/13/10	\$710,000	\$338
19	XXXXX XXXXXX Ave	0.64	2,104	4,500	\$6,260 09/02/09	\$810,000	\$385
20	XXXXX XXXXXX Ave	0.66	2,008	4,242	\$7,074 08/21/09	\$880,000	\$438
21	XXXX XXXXXX St	0.69	1,897	4,400	\$6,611 03/27/09	\$784,000	\$413
22	XXXX XXXXXX St	0.71	1,975	4,000	\$4,875 11/03/10	\$660,000	\$334
23	XXXX XXXXXX St	0.71	2,095	4,000	\$5,457 11/09/09	\$672,000	\$321
24	XXXX XXXXXX St	0.72	1,866	4,000	\$4,746 11/04/10	\$666,000	\$357
25	XXXX XXXXXX St	0.72	2,000	4,000	\$4,646 10/26/09	\$750,000	\$375
26	XXXX XXXXXX St	0.72	1,800	4,000	\$5,929 06/11/09	\$775,000	\$431
27	XXXX XXXXXX St	0.72	2,487	4,000	\$5,208 10/06/10	\$687,000	\$276
28	XXXX XXXXXX St	0.75	2,320	4,242	\$5,294 01/28/10	\$680,000	\$293
29	XXXX XXXXXX Expy	0.75	2,233	4,000	\$6,713 05/17/10	\$760,000	\$340
30	XXXX XXXXXX St	0.75	1,862	4,000	\$5,185 01/13/10	\$570,000	\$306

← Purchase in 2006  
← Loan mod in 2010

max px/sqft  
**\$480**  
avg px/sqft  
**\$349** within  
min px/sqft  
**\$252** 0.75 miles

Methodology and Relevant Notes:

Redacted

1. The subject property is located in a quiet residential area, known as \_\_\_\_\_, in the borough of Queens. Most of the houses are single family or two to four unit residential dwellings built prior to the second World War.
2. The above list of comparable properties are selected based on square footage, lot size, property tax and proximity to the subject property. We are showing 30 comparable properties in the table above that are within 0.75 miles of the subject property. We also examined comparable properties within 1.5 miles with almost identical results.
3. All the transactions cited above are from the period of 2009 to 2010 to match the time frame of the subject property's loan modification (finalized in May 2010).
4. The above price levels are consistent with a 20% drop from the 2006 peak for the New York metropolitan area. The subject property was purchased in 2006 at \$828,500. A 20% drop would lead to a \$663,000 fair value, much higher than the \$243,000 interest bearing principal (after modification).

Loan Example 2: 269 (Potential Mis-Managed Loan Modification)

**The Loan**

Loan Number	Redacted 269
Trust	CWHL 2006-19
Lender	Countrywide
Origination Date	November 2, 2006
Purpose	Purchase
Appraised Value	\$720,000
Loan Amount	\$575,900
LTV / CLTV	80% / 90%
Loan Type	10 Y IO
Interest Rate	6.500%

**Subject Property**

Address	XXXXX XXXXXX XXXX Drive
Location	Redacted
Type	SFR
Use	Owner Occupied
Year House Built	2006
BR/BA	4 / 2.5
Gross Living Area	3,252 sqft
Site/Yard	6,720 sqft
Purchase Date	November 2, 2006
Purchase Price	\$719,990
Amount Financed	\$647,900
Seller Concession	NA
Cost of Closing	NA
Borrower Paid	NA

**The Timeline**

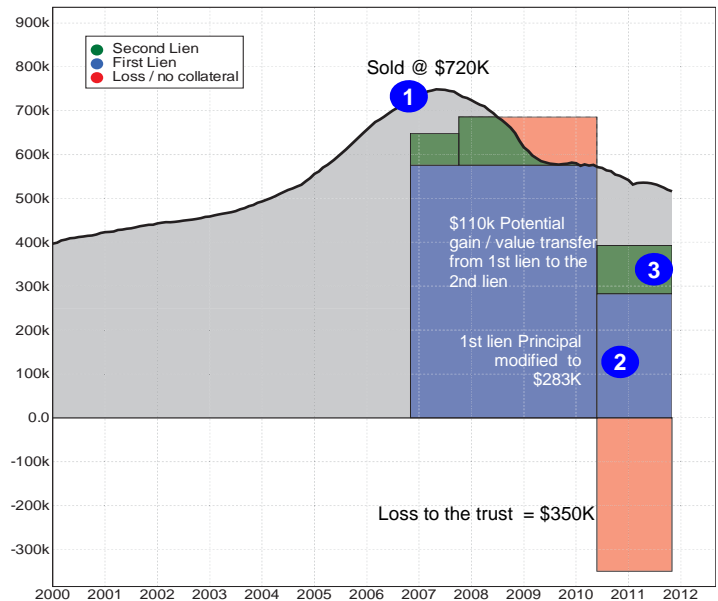
Nov 2, 2006	Subject property was sold by the home builder (Windsor Premier Homes) at \$719,990.
Nov 2, 2006	The buyer financed the purchase of the subject property with a \$575,900 1st lien loan and \$72,000 2nd lien loan.
Nov 28, 2006	The subject loan was sold into the CWHL 2006-19 trust.
Oct 5, 2007	The borrower refinanced the \$72,000 2nd lien into a \$110,000 2nd lien from Bank of America.
Aug 26, 2008	The borrower stopped making payments on the subject loan.
May 25, 2010	The servicer finalized loan modification to reduce the rate from 6.5% to 2%. The outstanding principal balance reflected on CWHL 2006-19's records was reduced from \$574,947 to \$282,842. After the modification, monthly principal and interest for this loan dropped from \$3,114 to \$858. Meanwhile, a loss amount of \$349,726 was booked to the CWHL 2006-19 trust. Holder of the 2nd lien potentially gained \$110,000, provided the 2nd lien remained in place. Prior to modification, the collateral value to the 2nd lien had fully eroded.

**Findings**

**1. Property** Based on recent real estate activity in the local market, it appears that the subject property is worth between \$450,000 and \$550,000. From the perspective of CWHL 2006-19 trust (and its investors), a short sale or foreclosure would have been a more effective strategy than loan modification that led to the large writedown.

**2. 2nd Lien** Bank of America provided \$110,000 2nd lien financing less than a year after the 1st lien origination to the homeowner. There is no evidence based on data available that indicated any impact to the 2nd lien while the 1st lien investors suffered losses to the tune of \$350,000.

Property Transactions and Fair Value Estimates



Real Estate Market Activity in the Local Area (Loan ID 269)

	Street Address	Miles	Size	Yard	2011Tax	Date	Price	Px/sqft
	xxxxx XXXXXX Dr	0.00	3,258	8,276	\$3,925	11/02/06	\$719,990	\$221
						05/26/10	\$282,842	\$87
1	XXXX XXXXXX Ct	0.03	3,419	7,405	\$4,788	07/06/10	\$450,000	\$132
2	XXXXX XXXXXX Dr	0.03	3,190	5,663	\$5,487	07/07/09	\$570,000	\$179
3	XXXXX XXXXXX Dr	0.03	3,312	5,227	\$5,528	07/23/11	\$582,500	\$176
4	XXXXXX XXXXXX Dr	0.03	3,312	5,227	\$5,528	08/11/11	\$583,500	\$176
5	XXXXX XXXXXX Dr	0.03	3,455	5,663	\$5,070	12/11/09	\$540,000	\$156
6	XXXXX XXXXXX Dr	0.06	3,209	5,663	\$5,456	12/18/09	\$618,000	\$193
7	XXXXX XXXXXX Dr	0.07	3,302	5,663	\$5,506	05/11/09	\$669,000	\$203
8	XXXXX XXXXXX St	0.07	3,252	5,663	\$4,899	04/28/09	\$539,000	\$166
9	XXXXX XXXXXX St	0.07	3,311	6,534	\$4,915	04/19/11	\$502,450	\$152
10	XXXX XXXXXX St	0.08	3,419	6,534	\$4,980	01/16/09	\$540,000	\$158
11	XXXXX XXXXXX Dr	0.09	3,265	5,227	\$4,981	11/03/09	\$514,000	\$157
12	XXXXX XXXXXX Dr	0.09	3,259	5,663	\$5,654	07/16/09	\$688,500	\$211
13	XXXXX XXXXXX Dr	0.10	3,237	5,227	\$4,979	08/09/11	\$495,000	\$153
14	XXXXXX XXXXXX Dr	0.10	3,240	5,227	\$5,560	07/19/11	\$588,082	\$182
15	XXXXX XXXXXX St	0.12	3,270	6,534	\$5,039	02/22/11	\$470,100	\$144
16	XXXX XXXXXX St	0.12	3,258	7,841	\$4,977	12/08/09	\$525,000	\$161
17	XXXXX XXXXXX Ln	0.13	3,388	5,227	\$4,975	12/08/09	\$569,989	\$168
18	XXXXX XXXXXX Ln	0.15	3,369	5,663	\$5,104	10/23/09	\$599,989	\$178
19	XXXXXX XXXXXX Ln	0.16	3,280	6,534	\$4,940	11/23/09	\$559,000	\$170
20	XXXXX XXXXXX Pl	0.54	3,157	8,712	\$4,666	05/27/09	\$495,000	\$157
21	XXXXX XXXXXX Ave	1.00	3,173	8,712	\$6,576	03/24/09	\$629,000	\$198
22	XXXX XXXXXX Dr	1.07	3,093	8,276	\$6,763	05/24/11	\$600,000	\$194
23	XXXX XXXXXX Dr	1.07	3,206	8,712	\$6,253	08/05/10	\$645,000	\$201
24	XXXX XXXXXX Dr	1.49	3,179	8,276	\$5,802	10/15/09	\$640,000	\$201
25	XXXX XXXXXX Dr	1.49	3,028	8,276	\$5,773	06/22/09	\$644,300	\$213
26	XXXXX XXXXXX Ave	2.47	3,083	7,405	\$4,587	09/22/10	\$435,000	\$141
27	XXXX XXXXXX Pl	2.58	3,045	8,276	\$5,152	11/23/10	\$350,000	\$115
28	XXXX XXXXXX Pl	2.62	3,121	8,712	\$4,502	01/08/09	\$540,000	\$173
29	XXXX XXXXXX Pl	2.62	3,121	7,841	\$4,502	04/10/09	\$488,350	\$156
30	XXXXX XXXXXX Ave	2.95	3,024	8,276	\$5,069	03/24/09	\$510,000	\$169
31	XXXX XXXXXX St	2.95	3,091	7,405	\$4,617	03/23/11	\$442,000	\$143

← Purchase in 2006  
← Loan mod in 2010

max px/sqft  
**\$213**  
Avg px/sqft  
**\$170**  
min px/sqft  
**\$115**

within  
3 miles

Methodology and Relevant Notes:

1. The subject property is located 20 miles north of downtown Seattle with a mixture of older homes and newly developed communities.
2. The above list of comparable properties are selected based on square footage, lot size, property tax and proximity to the subject property. They are also newer homes built during the housing boom after 2000. The subject property was built in 2006.
3. All the transactions cited above are from the period of 2009 to 2011 to match the time frame of the subject property's loan modification.
4. The above price levels are consistent with a 30% drop from the 2006 peak for the Seattle metropolitan area. The subject property was purchased in 2006 at \$719,990. A 30% drop would lead to a \$504,000 fair value, much higher than the \$282,842 interest bearing principal (after modification).

Loan Example 3: 897 (Potential Mis-Managed Loan Modification)

The Loan

Loan Number	Redacted 897
Trust	CWALT 2006-28CB
Lender	Countrywide Home Loans Inc
Origination Date	August 10, 2006
Purpose	Purchase
Appraised Value	\$725,000
Loan Amount	\$580,000
LTV / CLTV	80% / 80%
Loan Type	10Y IO (30Y term)
Interest Rate	6.875%

Subject Property

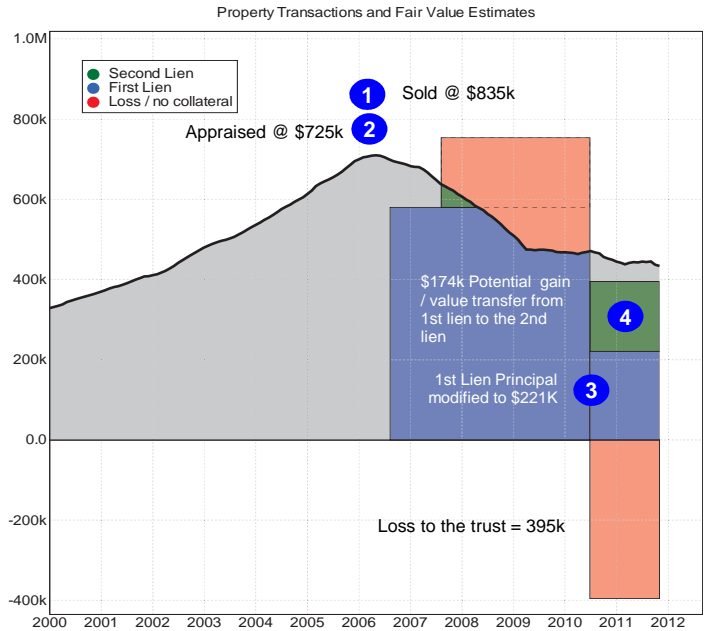
Address	XXXX XXXXX St
Location	Redacted
Type	2-4 Units
Use	Owner Occupied
Year House Built	1930
BR/BA	NA / NA
Gross Living Area	1,512 sqft
Site/Yard	3,680 sqft
Purchase Date	August 10, 2006
Purchase Price	\$835,000
Amount Financed	\$580,000
Seller Concession	NA
Cost of Closing	NA
Borrower Paid	NA

The Timeline

Aug 10, 2006	Subject borrower purchased property.
Aug 10, 2006	Subject borrower took out \$580,000 first lien mortgage from Countrywide Home Loans.
Aug 25, 2006	The subject loan was sold to CWALT 06-28CB.
Aug 7, 2007	Homeowner took out \$174,000 2nd lien from Bank of America.
Dec 26, 2008	The borrower stopped making mortgage payments on the subject loan.
Jun 26, 2010	The servicer finalized loan modification to reduce the rate from 6.875% to 2%. The outstanding principal balance reflected on CWALT 2006-28CB's records was reduced from \$556,126 to \$221,143. After the modification, monthly principal and interest payment for this loan dropped from \$3,810 to \$670. Meanwhile, a loss amount of \$395,536 was booked to the CWALT 2006-28CB trust.
	Holder of the 2nd lien potentially gained \$170,000, provided the 2nd lien remained in place. Prior to modification, the collateral value to the 2nd lien had fully eroded.

Findings

- 1. Property** Based on recent real estate activity in the local market, it appears that the subject property is worth between \$350,000 and \$450,000. From the perspective of CWALT 2006-28CB trust (and its investors), a short sale or foreclosure would have been a more effective strategy than loan modification that led to the large writedown.
- 2. 2nd Lien** Bank of America provided \$170,000 2nd lien financing within a year of the 1st lien origination to the homeowner. There is no evidence based on data available that indicated any impact to the 2nd lien while the 1st lien investors suffered losses to the tune of \$395,000.



	Street Address	Miles	Size	Yard	2011Tax	Date	Price	Px/sqft
	XXXX XXXXX St	0.00	1,512	3,680	\$7,343	08/10/06	\$835,000	\$552
						06/26/10	\$221,000	\$146
1	XXXX XXXXX St	0.16	1,472	1,600	\$3,047	04/29/10	\$273,780	\$186
2	XXXX XXXXX St	0.26	1,280	2,200	\$3,040	04/15/10	\$328,600	\$257
3	XXXX XXXXX St	0.31	1,260	1,858	\$3,047	04/22/10	\$285,000	\$226
4	XXXX XXXXX St	0.31	1,594	2,760	\$2,785	01/15/10	\$265,000	\$166
5	XXXX XXXXX St	0.36	1,418	2,000	\$2,858	05/17/10	\$270,000	\$190
6	XXXX XXXXX St	0.37	1,420	2,760	\$3,234	04/08/10	\$345,000	\$243
7	XXXX XXXXX St	0.41	1,432	3,938	\$3,751	05/03/10	\$385,000	\$269
8	XXXX XXXXX St	0.43	1,320	2,000	\$2,475	02/12/10	\$320,000	\$242
9	XXXX XXXXX St	0.44	1,428	2,460	\$3,196	05/17/10	\$325,000	\$228
10	XXXX XXXXX St	0.54	1,344	2,270	\$2,784	02/01/10	\$197,000	\$147
11	XXXX XXXXX St	0.55	1,720	2,478	\$3,869	04/02/10	\$485,000	\$282
12	XXXX XXXXX Ave	0.59	1,332	2,407	\$3,061	03/19/10	\$295,000	\$221
13	XXXX XXXXX St	0.59	1,344	2,218	\$3,007	04/29/10	\$400,000	\$298
14	XXXX XXXXX St	0.64	1,440	1,800	\$3,524	03/12/10	\$420,000	\$292
15	XXXX XXXXX St	0.67	1,388	2,321	\$2,830	04/20/10	\$376,300	\$271
16	XXXX XXXXX St	0.72	1,328	2,500	\$3,107	04/08/10	\$468,000	\$352
17	XXXX XXXXX St	0.77	1,384	2,017	\$3,220	05/05/10	\$328,600	\$237
18	XXXX XXXXX Ave	0.78	1,536	2,500	\$3,071	05/20/10	\$392,200	\$255
19	XXXX XXXXX St	0.79	1,598	1,618	\$4,414	04/12/10	\$324,000	\$203
20	XXXXXXXXXXXXXXXXXX	0.80	1,344	2,000	\$3,405	04/21/10	\$360,000	\$268
21	XXXX XXXXX St	0.80	1,520	3,025	\$3,192	05/11/10	\$350,000	\$230
22	XXXX XXXXX St	0.84	1,312	2,458	\$3,114	05/18/10	\$415,000	\$316
23	XXXX XXXXX Ave	0.86	1,750	4,000	\$4,080	03/11/10	\$470,000	\$269
24	XXXX XXXXX St	0.86	1,328	2,400	\$3,422	05/10/10	\$332,000	\$250
25	XXXX XXXXX St	0.88	1,314	2,335	\$2,521	04/27/10	\$350,000	\$266
26	XXXX XXXXX St	0.89	1,616	2,067	\$1,028	03/02/10	\$285,000	\$176
27	XXXX XXXXX St	0.90	1,314	2,335	\$2,521	02/18/10	\$240,000	\$183
28	XXXX XXXXX St	1.01	1,288	2,086	\$2,604	04/21/10	\$330,000	\$256
29	XXXX XXXXX Ave	1.07	1,586	2,185	\$2,784	05/19/10	\$360,000	\$227
30	XXXXXXXXXXXXXX	1.22	1,278	1,800	\$3,207	04/29/10	\$480,000	\$376

← Purchase in 2006  
 ← Loan mod in 2010

max px/sqft  
**\$376**  
 Avg px/sqft  
**\$246**  
 min px/sqft  
**\$147**  
 within 1.5 miles

Methodology and Relevant Notes:

Redacted

1. The subject property is located 10 miles east of midtown Manhattan in a desirable residential neighborhood .
2. The above list of comparable properties are selected based on square footage, lot size, and proximity to the subject property.
3. All the transactions cited above are from the period of Jan to May 2010 to match the time frame of the subject property's loan modification.

# **EXHIBIT B**

**From:** MGKoplow@WLRK.com  
**Sent:** Wednesday, February 23, 2011 2:58 PM  
**To:** Ingber, Matthew D. <mingber@mayerbrown.com>  
**Subject:** FW: Legacy Countrywide mortgage investors rally against potential settlement with Bank of America

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A growing faction of mortgage bond investors are rallying to fight a potential “sweetheart” deal between Bank of America and a handful of friendly funds related to Countrywide Financial’s mortgage buyback saga, Debtwire reports.

The investors fear talks led by some of the nation’s largest fund managers, including PIMCO and BlackRock, along with Freddie Mac and the New York Federal Reserve, could bind them to pennies-on-the-dollar payouts even though contractually Countrywide’s owner is required to repurchase all flawed mortgages at par, said two sources involved in the negotiations. A deal could materialise in as little as 30 days, they said.

Investors looking to be refunded for loans that don’t meet the criteria they were promised accuse the bank of selling them Pintos instead of Ferraris. In Countrywide deals, the number of mortgages that differ substantially from their descriptions is estimated between 40%-45% to as high as 70% of the balance, according to one of the sources involved and a source familiar with the lender’s collateral.

Attempts to reach a side-deal with BofA reflect underlying fears the US retail and investment bank could be forced to re-absorb billions of the non-conforming loans at par to settle a mounting chorus of buyback challenges, the sources said.

The US government extended the bank a multi-billion dollar lifeline in 2008 as it tee-tolled from heavy losses at Merrill Lynch. Countrywide was taken over in a USD 4.1bn stock deal in 2008, making BofA the largest US mortgage lender. Shortly after, BofA infused Countrywide with billions as it struggled against mortgage losses, securities investor lawsuits and the largest predatory lending settlement in the nation’s history.

An agreement struck between the big boys could bind all non-agency mortgage backed securities issued by Countrywide, BofA and potentially Merrill Lynch, should trustees for the deals participate, said David Grais, a partner in New York law firm Grais & Ellsworth, which represented Greenwich Financial in a buyback case against Countrywide in 2007. Such a deal would likely prevent mortgage bond investors from pursuing a higher payout in the future, Grais said. Between 2004 and 2007 Merrill Lynch and Countrywide issued at least 491 deals totaling USD 414bn.

The agreement would mirror the USD 3bn deal BofA arranged with Freddie and Fannie Mae in January. Opponents say it would allow poor servicing practices to continue and hamper investor confidence in the mortgage bond market at a time when government lending is beginning to contract.

‘Double agents’

All of the mortgage bond investors, including PIMCO and BlackRock, initially banded together to pursue full reimbursements for bad mortgages sold into the Countrywide mortgage deals they bought, the second source involved said. The investors compiled evidence that Countrywide was granting first lien mortgage modifications to consumers, but denying them a second lien modification when BofA stood to take a loss from the work-out, the source said. The first mortgages Countrywide services were already sold to RMBS investors, but BofA holds more than USD 100bn in second lien mortgages on its balance sheet and it would be forced to write them down following a modification, the sources said. The investors found evidence of the so-called servicer self-dealing in 200 RMBS deals holding USD 200bn in mortgages, the sources said.

The evidence would have armed bond investors with the arsenal to declare BofA in default of its Countrywide servicing contracts, stripping it of its servicing rights, while revealing information that would have resulted in untold amounts of

repurchase requests, the source said. BlackRock and PIMCO, however, switched course.

The BlackRock and PIMCO-led faction turned to Kathy Patrick, a partner in Houston, Texas-based law firm Gibbs and Bruns, and employed several tactics to recover their losses – but balked at using the evidence, according to the source.

The funds eventually sent Countrywide a non-compliance notice on 18 October, demanding it cure a number of servicing breaches, but did not provide specific evidence, according to a copy of the letter obtained by Debtwire. The funds agreed to extend the 60-day cure window twice, most recently on 2 February, according to Patrick.

In order to prove a servicer has breached its contractual duties, specific evidence is required at the onset because it becomes challenging to obtain it during litigation. Once a servicer defaults, the trustee is obligated to pursue a replacement servicer and/or potential representation and warranty breaches under the "prudent person" clause of the US Trustee Act.

Because it declined to use the allegedly damning evidence, the PIMCO group's attempts to negotiate with BofA has been labeled as "unleashing a dog with no teeth"- partly to fulfill their fiduciary duties to their own investors while also ensuring BofA's financial strength, the two sources, a third with knowledge of the situation and a lawyer following the dispute said.

The letter dispatched by Patrick was signed by BlackRock, Freddie, Kore Advisors, the New York Fed (on behalf of the Maiden Lane funds), Metropolitan Life Insurance Company, Neuberger Berman Europe, PIMCO and Western Asset Management Company.

BlackRock holds an estimated USD 3.4bn of BofA equity, and BlackRock, PIMCO and fellow signatory Western Asset Management Co. maintain significant government ties through the Public-Private Investment Program (PPIP) funds they run.

Patrick denies allegations that the firms' pursuit was for show. "I don't know how anybody could look at the list of institutions that has previously been published ... and conclude that they were pursuing discussions in anything other than a good faith effort," she said.

Bank of America spokesperson Jerry Dubrowski said the bank is still in talks with the investor group. Representatives from Bank of New York and BlackRock declined to comment. A PIMCO representative did not return a request for comment.

#### Majority rule

The original bond investor group, organized through the Dallas, Texas-based RMBS Investors Clearing House, now encompasses a number of anonymous investors with holdings amounting to one-third of the USD 1.5 trillion RMBS market – including foreign banks representing USD 100bn in RMBS, said Greenwich Financial CEO Bill Frey, who belongs to the Clearing House and opposes the settlement.

Winning the conflict depends on which group can accumulate like-minded investors fast enough. When it comes to exercising contractual rights to oppose servicing practices or put back a bad mortgage to the originator, at least 25% of investors of a given mortgage pool must approve.

The faction led by PIMCO and BlackRock purport to have at least that much standing in USD 47bn of Countrywide mortgage bonds. The opposition, meanwhile, is gaining momentum by soliciting more foreign banks to join the movement, Frey said.

The settlement could be used as a roadmap for resolving similar buyback and servicing challenges pending against the nation's largest banks, the sources said.

Georgetown University professor Adam Levitin suggested US banks should come to a global settlement on mortgage issues in November testimony to Congress. This would involve restructuring bank balance sheets, special servicing and perfecting titles on securitized properties.

Last week, BofA announced it would separate its legacy asset servicing from the rest of its operations. Similarly, JPMorgan Chase, embroiled in buyback law suits involving its EMC and WaMu portfolios, recently told employees that its Chief Administrative Officer Frank Bisignano would be overseeing its servicing unit, according to an internal memo. "If they have a separate unit, they can put some money in it and hopefully get a court to say 'this is all fair and good,'" the first source said.

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For more information or to inquire about a trial please email [sales@debtwire.com](mailto:sales@debtwire.com) or call Americas: +1 212-686-5374 Europe: +44 (0)20 7059 6113 Asia-Pacific: +852 2158 9731

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