

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF THE DISTRICT OF COLUMBIA**

ASSOCIATED MORTGAGE BANKERS, INC.,)
2395 Ocean Avenue, Suite 5,)
Ronkonkoma, New York 11779, on behalf of itself)
and a class of similarly-situated mortgage lenders,)

Plaintiffs,)

v.)

JULIAN CASTRO, in his official capacity as)
Secretary of the U.S. Department of Housing)
And Urban Development,)
451 7th Street, S.W.,)
Washington, D.C. 20410, and)

U.S. DEPARTMENT OF HOUSING AND)
URBAN DEVELOPMENT,)
451 7th Street, S.W.,)
Washington, D.C. 20410,)

Defendants.)
_____)

Case No. 17-CV-_____

COMPLAINT

INTRODUCTION

If someone wanted to understand the public’s frustration with the federal government, he or she need only look to the Department of Housing and Urban Development’s (“HUD”) abysmal conduct in disposing of the collateral for a loan originated by Plaintiff Associated Mortgage Bankers, Inc. (“AMB”). Briefly, HUD took a property valued at \$550,000 and improperly sold it as part of a bulk sale of defaulted notes for the alleged amount of \$360,531.24, in short, for approximately \$190,000 *less* than the property was worth. Because AMB had agreed to indemnify HUD for any losses suffered in connection with the liquidation of this particular loan, HUD’s misconduct in failing properly to liquidate the collateral means that AMB

must suffer the consequences -- to wit, it must pay HUD's losses in the amount of \$174,918.20 plus interest accruing at the rate of 5% from February 25, 2015.

AMB filed an administrative appeal objecting to HUD's outrageous conduct. While recognizing that HUD "admitted that the [] Loan should never have been included in the [Single Family Loan Sale] Program" and that selling the Loan in this manner "was a direct violation of HUD's own [Participating Servicer Agreement]" with the servicer, the Administrative Law Judge excused such conduct on the part of HUD and left AMB holding the bag for all of the losses. To paraphrase Oscar Wilde's barb about Queen Victoria's prisoners: If this is the way the government treats its citizens, it doesn't deserve to have any.

As it turns out, HUD has treated a number of other lenders in a similar manner. In order to stop this misconduct -- that is, the practice of giving away the collateral for loans with indemnification agreements for the price of the notes as part of a bulk sale -- AMB, on behalf of itself and a class of similarly-situated lenders, brings this class action seeking declaratory and injunctive relief as well as restitution and disgorgement against defendants Julian Castro, in his official capacity as Secretary of the United States Department of Housing and Urban Development, and the United States Department of Housing and Urban Development, for violations of the Administrative Procedure Act, 5 U.S.C. §§ 551, *et. seq.* ("APA"), as well as for common law breach of the covenant of good faith and fair dealing.

SPECIFIC ALLEGATIONS

1. Plaintiff AMB on behalf of itself and a class of similarly situated mortgage lenders brings this action against Defendants Julian Castro, in his official capacity as Secretary of the United States Department of Housing and Urban Development, and the United States Department of Housing and Urban Development (Secretary Castro and the Department of Housing and Urban

Development are referred to collectively as “HUD”), for violations of the APA. HUD violated the APA by taking final agency action, in the form of a final decision by the Office of Hearings and Appeals that is arbitrary, capricious, and inconsistent with law. Further, AMB also asserts claims against HUD for breach of the covenant of good faith and fair dealing.

PARTIES

2. AMB is incorporated under the laws of New York, with its principal place of business in Ronkonkoma, New York. AMB originates mortgage loans, including mortgages that were eligible for insurance under the federal FHA-insurance program administered by HUD. AMB is and was at all times relevant to these allegations an FHA-approved mortgagee and subject to regulation by HUD.

3. Julian Castro is the Secretary of HUD, and he is named only in his official capacity.

4. HUD is an agency of the United States government with its headquarters at 451 7th Street, S.W., Washington, D.C. 20410.

5. The Federal Housing Administration (“FHA”) was created by Congress in 1934. In 1965, the FHA became a part of HUD. The FHA became a part of the HUD’s Office of Housing in 1965. In general, the FHA provides mortgage insurance on loans made by FHA-approved lenders throughout the United States and its territories. According to HUD’s website, the “FHA insures mortgages on single family and multifamily homes including manufactured homes and hospitals. It is the largest insurer of mortgages in the world, insuring over 34 million properties since its inception in 1934.” *See* https://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/fhahistory. Also, according to the website:

FHA is the only government agency that operates entirely from its self-generated income and costs the taxpayers nothing. The proceeds from the mortgage insurance paid by the homeowners are captured in an account that is used to operate the program entirely. FHA provides a huge economic stimulation to the

country in the form of home and community development, which trickles down to local communities in the form of jobs, building suppliers, tax bases, schools, and other forms of revenue.

Id.

JURISDICTION AND VENUE

6. This Court has jurisdiction over this action pursuant to 28 U.S.C. § 1331, which provides district courts with original jurisdiction over all civil actions arising under the laws of the United States.

7. Venue is proper in this Court under 28 U.S.C. § 1391, which provides that a civil action in which a defendant is an officer or agency of the United States may be brought in any judicial district in which a defendant resides.

STATUTORY, REGULATORY AND FACTUAL BACKGROUND

8. Pursuant to the Administrative Procedure Act (“APA”), federal district courts may set aside and hold unlawful those agency actions, findings and conclusions that are “arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law.” 5 U.S.C. § 706(2)(A). Further, federal courts may set aside and hold unlawful those agency actions, findings, and conclusions that are “in excess of statutory jurisdiction, authority, limitations, or short of statutory right.” 5 U.S.C. § 706(2)(c). Federal courts may also review agency action that causes harm to any party. 5 U.S.C. § 702.

9. This action arises out of an indemnification agreement entered into by AMB in 2012 in connection with a HUD audit of an individual mortgage loan, FHA Case No. 374-5838647 (the “Loan”). A copy of the Indemnification Agreement is attached hereto as Exhibit A.

10. Unbeknownst to AMB, HUD sold the note that was secured by the collateral for the Loan through HUD’s Single Family Loan Sale (“SFLS”) program. The SFLS program is part of

HUD's broader Accelerated Claims Disposition ("ACD") program. The specific bulk loan sale was Pool 105 of SFLS 2013-2, which was a pool of 2,278 notes. The Pool was sold to the highest bidder *for the entire pool*, which in the case of the Loan resulted in a sales price that was only 66% of the collateral's appraised value. The successful bidder was identified as "SRMOF II 2012-1 Trust."

11. The SFLS Program was designed to, among other things, reduce HUD's time lines for carrying costs of properties and limit HUD's losses. But here, HUD had an indemnification agreement from AMB on the Loan; accordingly, HUD was not at a risk of loss on the Loan because of any delayed or extended time lines.

12. Further, as HUD explains on its website, "[t]he loans sold contain specified representations and warranties and may be sold with post-sale restrictions and/or reporting requirements." *See* HUD Website at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/comp/asset/sfam/sfls. Thus, by its very structure, the SFLS Program will not result in the highest value for the property because: 1) the only persons or entities that can bid on the "asset" are those who register with HUD and are prepared to purchase a large number of assets; 2) purchasers interested in an individual property, in this case, the property that is the collateral for the Loan, are excluded from purchasing; and 3) the program includes post-sale restrictions on the property which include allowing the original borrower to remain in residence while all loss mitigation options continue to be explored.¹ Each of these factors results

¹ *See* Exhibit B, hereto (FHA Single Family Loan Sales 2013-2 (SFLS 2013-2) Qualification Statement). As the Qualification Statement makes clear, the qualified bidder is required to have a net worth in excess of \$5 million, among other requirements. *Id.* at 3. In addition, as with the case of the note for the Loan, the purchaser is required to service the associated mortgage in accordance with FHA requirements and the servicing must be done by an approved servicer. *Id.* at 7. *See also* 24 C.F.R. § 291.307(a) ("All mortgage loans must be serviced by HUD-approved servicing mortgagees for the remaining life of the mortgage loans. A purchaser that is not a

in a reduction in the sales price which is why HUD does not permit its servicers to include loans in the SFLS Program where there is an indemnification agreement in place. *See* Single Family Loan Sale 2013-2, Participating Servicer Agreement, Exhibit C, at 9 (defining “Eligible Mortgage Loan” as *inter alia*, “not subject to an Indemnification Agreement”); *id.* at 16 (“HUD will not issue an SFLS Claim Identification Date for any mortgage loans for which Indemnification Agreements are identified on HUD’s system of records”).

13. HUD’s SFLS has come under increased scrutiny because of the adverse effect of such sales on the communities. *See, e.g., Vulture Capital Hits Home – How HUD is Helping Wall Street and Hurting Our Communities*, The Center for Popular Democracy, Sept. 2014, available at: http://homesforall.org/wp-content/uploads/2014/09/HUD.DASP_.RTC_.v15.pdf.

14. In order to sell notes as part of a bulk sale, HUD requires the servicer of the loans to execute a Participating Servicer Agreement. For SFLS 2013-2, the servicer, JPMorgan Chase Bank, N.A., was required by the Participating Servicer Agreement to, among other things, submit an initial and updated “SFLS Claim Submission Report” to HUD after which HUD would advise [Servicer] of those “Eligible Mortgage Loans” which [Servicer] could include in the pool and subsequently file a claim for insurance. Participating Servicer Agreement at 16, Exhibit C, hereto.

15. Importantly, the Participating Servicer Agreement defines “Eligible Mortgage Loans” as, *inter alia*, a “Mortgage Loan” [that] is not subject to an Indemnification Agreement, or other settlement agreement setting forth specific obligations with respect to Mortgage Loan unless such obligations have been fully satisfied.” *Id.* at 9.

HUD-approved servicing mortgagee must retain a HUD-approved servicing mortgagee to service the mortgage loans.”).

16. HUD was solely responsible for ensuring that loans subject to indemnification agreements, including the Loan, were not included in the SFLS. The Participating Servicer Agreement clearly states:

HUD's identification process will be used only to identify mortgage loans submitted as potential SFLS Claims by Participating Servicers and not to screen mortgage loans for eligibility, *with the exception of mortgage loans subject to an Indemnification Agreement.*

Id. at 16 (emphasis added). HUD completely and utterly failed to screen the list of Eligible Mortgage Loans for those loans subject to Indemnification Agreements as evidenced by the fact that the Loan was listed on HUD's FHA System as subject to an indemnification agreement. *See* Exhibit D.

17. AMB's Indemnification Agreement for the Loan was executed on December 10, 2012; accordingly, the Loan was not an "Eligible Mortgage Loan" for SFLS 2013-2.

18. HUD's failure to properly screen the mortgage loans that the servicer has included in the bulk note sale is inexcusable and resulted in serious damage to AMB and the putative class. Among other things, by selling the Loan, as well as other loans subject to indemnification agreements, HUD breached the terms of the indemnification agreements it executed with lenders. The indemnification agreements contemplate that HUD will exercise reasonable business judgment in liquidating the collateral, which typically involves the individualized sale of the underlying collateral.

19. In addition, by selling the note at a discount, HUD is forfeiting the right to obtain recovery of any losses that must now be borne by the lender if there was an indemnification agreement in place.

20. HUD's failure to follow its own procedures with regard to the SFLS unnecessarily increases the losses suffered by FHA. Among other things, HUD restricts bidders who may

participate in the SFLS by imposing minimum net-worth requirements, and by imposing other requirements such as approval to service FHA-insured mortgages and allowing the borrowers to remain in the property for a period of time while loss mitigation options are explored. Further, the bidder must purchase all of the notes in the designated pool. For SFLS 2013-2, there were 2,278 defaulted notes included in Pool 105.

21. HUD requires the participating servicer to obtain a broker price opinion (“BPO”) for the collateral in advance of the actual sale. For the Loan, prior to the sale, the servicer identified the value as \$550,000, as of April 21, 2013.

22. HUD requires bidders to submit bids expressed as a percentage of the unpaid principal balance (“UPB”) to be paid for each Mortgage Loan. According to HUD, the purported sales price is the result of multiplying the UPB for each mortgage loan in the Pool by the bid percentage.

23. While bidders are required to submit bids for each note in the pool, the individual loan is not sold to the highest bidder; rather, the entire pool is sold to the highest bidder for the entire pool.

24. Pursuant to the terms of the Indemnification Agreement, HUD was required to sell the collateral, *i.e.*, the home, and then seek recovery for its losses, if any, from AMB. Instead, HUD sold the note for the Loan as part of a pool in a process that necessarily reduced the amount of HUD’s recovery by excluding potential bidders, including individuals interested in purchasing a home, as well as persons and entities who did not meet HUD’s minimum net worth requirement or did not have the capacity to service FHA-insured loans.

25. According to HUD, it sold the note for the Loan on September 19, 2013, for \$360,531.24.

26. AMB obtained an valuation of the property which placed the value at \$530,100 as of September 13, 2013, which is approximately one month after HUD claims it received only \$360,531.24 for the sale of the note for the Loan.

27. In spite of selling the note for the Loan in September 2013, the first notification AMB received regarding the purportedly due amount under the Indemnification Agreement was on July 28, 2014, when AMB received a Notice of Intent to Collect by Treasury Offset, wherein HUD stated that it incurred losses in the amount of \$160,448.62.

28. In response to AMB's objection to the sale of the note for the Loan as part of the SFLS, Brian Dillon, the Director of HUD's Asset Recovery Division, acknowledged HUD's mistake: ***"HUD acknowledges that the indemnified loan was erroneously included in the Single Family Loan Sale (SFLS) Program."*** See Exhibit E, hereto (emphasis added). While Mr. Dillon goes on to state that it was "HUD's position that this event did not impact on the legal enforceability of the Indemnification Agreement," he proffers no basis for such an assertion, nor does he even attempt to explain how a property valued at \$550,000 was sold for only \$360,531.24, or for only 66% of its value.

29. On December 17, 2014, AMB filed a timely appeal with HUD's Office of Hearings and Appeals.

30. On December 17, 2014, the Administrative Judge assigned to the case issued a stay pending a final decision on AMB's appeal.

31. After an administrative process that lasted almost exactly two years, the HUD Administrative Judge issued her Decision and Order (the "Decision") on December 16, 2016, finding the debt to be legally enforceable against AMB and vacating the prior Stay of Referral. A copy of the Decision is attached as Exhibit F, hereto.

32. In her decision, the Administrative Judge incorrectly determined that the Indemnification Agreement provided HUD unfettered discretion to ignore the plain language of the Agreement regarding the sale of the property to a third party. Decision at 5. The Administrative Judge did recognize, however, that had HUD sold the property to a third party, “the market value of the property is a relevant consideration.” *Id.* The Administrative Judge’s reasoning is fundamentally flawed because, among other things, she ignored the plain language of the Indemnification Agreement and she repeatedly confuses the value of the debt, *i.e.*, the note, with the value of the collateral, *i.e.*, the house. *See, e.g.*, Decision at 6-7 (citing the Secretary’s Second Supplemental Statement for the proposition that the “loans” sold through the SFLS Program “are competitively bid, and thus represent the loan’s current market value”). Because HUD is selling the notes, and not the underlying collateral that secures repayment of the note, bidders have no incentive to bid in an amount in excess of the outstanding debt.

33. In addition, the Administrative Judge improperly rejected the other arguments presented by AMB including the fact that: 1) HUD never intended to sell the note for the Loan in the SFLS, *see, e.g.*, Decision at 8, n.11 (“Including [the Loan in the SFLS] was a direct violation of HUD’s own PSA.”); 2) HUD completely abdicated its responsibilities by not screening the list of loans to determine the existence of an indemnification agreement despite the fact that it recognized the need to perform such screening; and 3) the structure of the SFLS necessarily results in lower prices paid for notes, thereby unfairly increasing HUD’s losses on loans with indemnification agreements.

34. The Administrative Judge also made the unsupported finding that there is no “statute, regulation, or published HUD guidance that speaks to the issues raised by [AMB],” yet, there was no statement by HUD to support such a conclusion. Rather, HUD repeatedly refused to

disclose the existence of any internal guidance regarding its screening process or even the basis for its inclusion of the screening provision in its Participating Servicer Agreements.

35. HUD's callous disregard of its obligations caused financial injury to AMB, as well as to other lenders, and the agency's conduct was arbitrary, capricious and contrary to law.

36. The Decision is a final agency action, as stated by regulation at 24 C.F.R. § 17.73.

CLASS ALLEGATIONS

37. AMB seeks to represent a class of mortgage lenders (the "Lender Class") who executed indemnification agreements on loans that were improperly included in the ACD program either through the SFLS or some other accelerated disposition program.

38. HUD's complete failure to properly screen the loans identified by servicers to remove those loans with indemnification agreements was widespread.

39. On August 8, 2014, the HUD Office of the Inspector General ("HUD IG"), issued a Report of its audit of HUD's indemnification recovery process for single-family loans. *See* Exhibit G, hereto. The HUD IG determined that there were "243 loans that were part of the ACD program from January 1, 2004, to February 21, 2014, that had indemnification agreements; however, HUD did not evaluate any of these loans for billing." HUD IG Report at 5. According to the Report, the losses on those loans exceeded \$22 million.

40. The HUD IG Report specifically identifies the Loan, FHA Case No. 374-5838647, as one of the loans for which HUD had not "billed" the lender because the loan was sold through the ACD program. HUD IG Report at 29.

41. The fact that the HUD IG conducted the audit and admonished HUD's Office of Finance and Budget for its failure to seek recovery in those situations where HUD sold the loan through

an SFLS explains why HUD did not seek recovery from AMB until July 2014 when, in fact, the Agency sold the loan back on September 9, 2013.

42. On information and belief, the Lender Class received a Notice of Intent to Collect by Treasury Offset identical in form to the one sent to AMB. HUD did not alert the Lender Class that HUD breached its own policies regarding the disposition of the loans. In fact, the Lender Class has no way of uncovering HUD's negligence and/or willful disregard of its own policies unless they individually undertook their own substantial investigation.

43. The members of the Lender Class have been injured to the same extent as AMB, to wit, the amount of purported debt each class member purportedly owes HUD has been significantly increased because HUD violated its own procedures by including loans in the ACD that, in fact were subject to indemnification agreements.

44. HUD's conduct towards the Lender Class was identical, and each member of the Lender Class was harmed in an identical fashion; thus, this case is amendable to class treatment pursuant to Rule 23, Fed. R. Civ. P.

45. Pursuant to Rules 23 (a) and 23(b)(1)-(3), AMB seeks certification of the following class:

All mortgage lenders who executed an indemnification agreement with HUD in connection with one or more loans and where the loans were subsequently included in an SFLS or other ACD at any time prior to final judgment in this action.

46. AMB will adequately represent the interest of the Lender Class.

COUNT I

Violation of the Administrative Procedure Act (5 U.S.C. § 706)

47. AMB incorporates the allegations stated in paragraphs 1 through 46 as if fully stated herein.

48. The Administrative Judge's Decision is a final agency action.

49. The Decision is arbitrary, capricious, and contrary to law because HUD acted negligently and/or with a complete lack of diligence by not excluding the Loan from the SFLS.

50. The decision is arbitrary, capricious, and contrary to law because it fails to acknowledge that HUD completely disregarded its own policies and procedures by allowing loans with indemnification agreements to be included in the SFLS.

51. HUD's actions have caused and will continue to cause irreparable harm to AMB and other mortgage lenders who have executed indemnification agreements with HUD.

COUNT II

Breach of the Covenant of Good Faith and Fair Dealing

52. AMB incorporates the allegations stated in paragraphs 1 through 46 as if fully stated herein.

53. The indemnification agreement is a contract between HUD and the lender.

54. There is a duty of good faith and fair dealing implied in every contract. It is not necessary to breach an express contractual provision in order to breach the implied duty of good faith and fair dealing.

55. A party to a contract—including the government—must do everything that the contract presupposes should be done to accomplish the contract's purpose so as to not destroy the reasonable expectations of the other party regarding the fruits of the contract.

56. HUD breached its implied duty through a lack of diligence and/or negligence by failing to screen the list of loans provided by the servicers to remove those loans with an indemnification agreement.

PRAYER FOR RELIEF

WHEREFORE, AMB respectfully requests that this Court:

1. Set aside the Decision, and declare that the Decision was arbitrary, capricious, an abuse of discretion, and otherwise not in accordance with law, in violation of 5 U.S.C. § 706(2)(A);
2. Declare HUD to be in breach of the Indemnification Agreement that was executed in connection with the Loan, FHA Case No. 374-5838647;
3. Enjoin HUD from issuing any administrative offset or referring the debt to Treasury for collection;
4. Certify this matter as a class action;
5. Issue a preliminary injunction restraining HUD, its officers, employees, agents, or servants from taking any actions against AMB, or the Lender Class, with respect to loans where there was an existing indemnification agreement in place and HUD subsequently included the loan in an SFLS;
6. Award AMB its attorney's fees and expenses incurred in this action; and
7. Grant such other relief as the Court deems just and proper.

Dated: January 12, 2017

Washington, DC

/s/ David M. Souders
David M. Souders (Bar No. 441491)
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***Counsel for Plaintiff and the class of similarly
situated mortgage lenders***

QAD File No. 38238

INDEMNIFICATION AGREEMENT

HUD and ASSOCIATED MORTGAGE BANKERS INC. [Mortgagee ID No. 11574 0000-0] (Mortgagee) agree as follows:

1. Mortgagee agrees to indemnify HUD for losses which have been or may be incurred related to the FHA Case Number 374-5838647, also identified on Attachment A, which is in default, or goes into default¹, through and up to five years from the loan's date of endorsement as follows:

- a) Where, as of the date HUD executes this Indemnification Agreement (Effective Date), a HUD/FHA insurance claim has not been submitted to HUD, Mortgagee shall submit no claim for insurance. All HUD requirements for servicing and payment of mortgage insurance premiums will be observed with respect to such mortgages. In the event of a valid claim for insurance on any of the mortgages covered by this Agreement, indemnification will be in accordance with paragraph (b), (c), (d), or (e), whichever applies. HUD's Investment includes, but is not limited to: the full amount of the insurance claim actually paid, all taxes and assessments paid or payable by HUD, all maintenance and operating expenses paid or payable by HUD (including costs of rehabilitation and preservation), loss mitigation, prorated losses from and expenses associated with the sale of a note, reasonable penalties for failure to pay amounts owed within the timeframe established on HUD invoices, interest on the amount owed at 5% per annum calculated from the date of the first bill, all sales expenses and any other expenses HUD may incur in connection with its claim disposition programs regarding FHA insured mortgages. To the extent HUD recoups any losses (e.g. receipts for the sale of the property) or there is any discount on the property (e.g., an Officer Next Door discount), HUD will deduct the amount of the recoupment or discount from HUD's Investment.
- b) HUD may, at its option, reconvey property securing a mortgage listed in this indemnification agreement to the Mortgagee. In the event of a reconveyance, Mortgagee remains liable for HUD's Investment, to be paid in accordance with the terms of an invoice or bill the Department sends to the Mortgagee. If HUD does not convey the property to Mortgagee, indemnification shall be calculated in accordance with paragraphs (c) or (d) as appropriate.
- c) Where a HUD/FHA insurance claim has been paid in full and the property has been sold by HUD to a third party, the amount of indemnification is HUD's Investment as defined in paragraph (a), minus the sales price of the property to be paid in accordance with the terms of an invoice or bill the Department sends to the Mortgagee. However, if the sales price of the property exceeds the sum of the full amount of insurance claim; any loss mitigation partial claims; all taxes and assessments; all maintenance and operating expenses; all sales expenses; and any other expenses incurred by HUD, HUD will retain this excess.
- d) In any other case where a HUD/FHA insurance claim is pending or has been paid, the mortgagee shall pay HUD the amount of HUD's Investment in accordance with the terms of an invoice or bill the Department sends to the Mortgagee.
- e) Where, after the date that the Agreement is signed, if any loan(s) included in this Agreement is streamline refinanced, this Indemnification Agreement will extend to the new mortgage.

2. Any material breach of the terms and conditions of this Indemnification Agreement shall constitute independent grounds for imposition of administrative sanctions by the Mortgagee Review Board against Mortgagee pursuant to 24 CFR Part 25.

WHEREFORE the parties hereto have duly executed this Indemnification Agreement, effective when signed and dated by the U.S. Department of Housing and Urban Development.

ASSOCIATED MORTGAGE BANKERS INC

BY: DATED: 12/5/12UNITED STATES DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENTBY: DATED: 12-10-12

¹ Mortgagees may check the status of indemnified mortgages through the Case Details application accessible via the FHA Connection. The Case Details application provides real time information on the status of pipeline, insured, and claim-terminated loans. Lenders also may use the default Case Query in Neighborhood Watch to check on indemnified loans.



ATTACHMENT A

ASSOCIATED MORTGAGE BANKERS INC.

QAD FILE NO. 38238

MORTGAGES COVERED BY THIS INDEMNIFICATION AGREEMENT:

FHA Case No.	Mortgagor	Originating Branch ID No.
374-5838647	[REDACTED]	11574 0000-0

Of the mortgages covered by this indemnification agreement, the Department is aware that the following mortgages have a claim pending:

FHA Case No.	Mortgagor	Known Claim Amount To Date

ASSOCIATED MORTGAGE BANKERS INC.

BY: 

DATED: 12/5/12

UNITED STATES DEPARTMENT
OF HOUSING AND URBAN
DEVELOPMENT

BY: 

DATED: 12-10-12

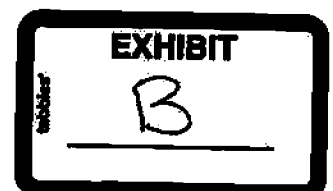
FHA SINGLE FAMILY LOAN SALES 2013-2 (SFLS 2013-2) QUALIFICATION STATEMENT

The Federal Housing Administration ("FHA"), an organizational unit of the U.S. Department of Housing and Urban Development ("HUD"), is planning to offer a portfolio of defaulted single-family mortgage loans (the "Mortgage Loans") through a competitive auction. HUD intends to offer qualified bidders the opportunity to bid in sealed bid auction to be conducted on or about June 19, 2013 referred to as the Single Family Loan Sale 2013-2 (the "Sale"), to acquire the Mortgage Loans via whole loan sale.

The undersigned ("Bidder") understands and acknowledges that, before it can register for, or make an offer to bid in the Sale, the Bidder (whether an individual or an entity) must meet the requirements described below as evidenced by execution of this Qualification Statement. The information requested herein is being requested for the purpose of providing HUD with information needed to determine whether the Bidder meets the qualification requirements to bid in the Sale. All or part of the information provided on this form may also be subject to disclosure under the Freedom of Information Act, 5 U.S.C. § 552(a). Pursuant to HUD's FOIA regulations at 24 C.F.R. § 15.108, you may request confidential treatment of business information submitted in connection with this form and support such request with the facts and the legal justification for such request. Any request for confidential treatment must state that the information has not been made public and clearly designate the information that is considered confidential. Should HUD receive a FOIA request for such confidential information, HUD will provide you with notice of the request and an opportunity to object to the disclosure in accordance with HUD's regulations, unless disclosure is required by federal law. Providing the requested information is voluntary; however, failure to furnish all of the requested information may result in the prospective purchaser not being permitted to bid at the Sale and/or not receiving notice of future HUD/FHA sales initiatives.

NOTICE: Anyone who knowingly or willfully makes false or fraudulent statements or representations in connection with the disclosures or certifications herein will be referred to the Office of Inspector General and/or the appropriate law enforcement officials for investigation and legal enforcement and may be subject to fines, imprisonment or both. See 18 U.S.C. §§ 1001, 1010, 1012.

NOTE: The following information is being solicited with respect to the individual or entity that will submit a bid in the Sales to acquire the Mortgage Loans.



SFLS 2013-2 QUALIFICATION STATEMENT

I. Bidder Information:

- A. _____
Name of Bidder
- B. _____
Corporate or Other Entity Type and State of Organization (if applicable)
- C. _____
Address of Bidder
- D. _____
City, State, Zip Code
- E. _____ F. _____
Phone Fax
- G. _____ H. _____
Bidder Tax I.D. E-mail Address

II. Please circle the description that best describes Bidder's business designation:

- | | |
|------------------------------|----------------------------|
| Commercial Bank | Insurance Company |
| Savings Association/Bank | Financial Services Company |
| Mortgage Banker | Pension Fund |
| Investment Bank | Real Estate Company |
| Hedge Fund | |
| Other, please describe _____ | |

III. Please circle the primary notification source to indicate how you learned about HUD's Single Family Loan Sale:

- a) Federal Register Notice
- b) HUD Website
- c) HUD Personnel: (please specify) _____
- d) Social Media: (please specify) _____
- e) DebtX Website
- f) DebtX Email

SFLS 2013-2 QUALIFICATION STATEMENT

g) Advertisement: (please specify) _____

h) Other: (please specify) _____

Bidder Qualification. The Bidder understands that, if it is determined to be a qualified bidder for the Sales, its status as such does not necessarily mean that it will be a qualified bidder for any other mortgage loans or assets offered in any other FHA/HUD sale. The Bidder also understands that its status as a qualified bidder for any other FHA/HUD sale does not necessarily mean that it will be a qualified bidder for the Sales.

ONLY THE NAMED BIDDER IN THIS QUALIFICATION STATEMENT, IF QUALIFIED, WILL BE ALLOWED TO BID IN THE SALES. Upon award as a successful bidder in any of the Sales, Bidder may form a special purpose entity to take ownership of the Mortgage Loans at settlement (the "SPE Acquisition Vehicle"). However, the Bidder will remain the counterparty with HUD on sale.

Any significant equity owners of the SPE Acquisition Vehicle must either be a qualified bidder or have satisfied any requirements HUD may establish for such SPE Acquisition Vehicles prior to the settlement date.

Bidder hereby certifies, represents and warrants to FHA/HUD that it is a qualified bidder based upon Bidder's satisfaction of one or more of the following qualifying statements 1 through 4. Bidder must check one or more of the following qualifying statements 1 through 4 to register to bid in the Sales and to qualify as a qualified bidder for the Sales. (CHECK ALL THAT ARE APPROPRIATE):

(_____) 1. Bidder is a corporation, partnership, limited liability company, or business trust with a net worth in excess of \$5,000,000 determined in accordance with Generally Accepted Accounting Principles, consistently applied ("GAAP"), and was not formed for the specific purpose of acquiring an interest in the Mortgage Loans.

(_____) 2. Bidder is a bank (as defined in Section 3(a) (2) of the Securities Act of 1933, as amended (the "Act")), savings and loan association or other institution (as defined in Section 3(a) (5) (A) of the Act), insurance company (as defined in Section 2(a) (13) of the Act), investment company registered under or business development company as defined in the Investment Company Act of 1940, as amended, or a broker or dealer registered under Section 15 of the Securities Exchange Act of 1934, as amended, in each case with a net worth in excess of \$5,000,000 determined in accordance with GAAP.

(_____) 3. Bidder is a trust, with a net worth in excess of \$5,000,000 determined in accordance with GAAP, not formed for the specific purpose of acquiring the Mortgage Loans.

(_____) 4. Bidder is a business entity whose equity owners are entities that in combination have a net worth in excess of \$5,000,000.

SFLS 2013-2 QUALIFICATION STATEMENT

By executing this Qualification Statement, Bidder certifies, represents and warrants to FHA/HUD that EACH of the initialed statements, A through and including J, is true and correct as to such Bidder.

_____ A. Bidder is an entity that either (i) is in the business of buying, originating or selling mortgage loans of the same type as the Mortgage Loans or (ii) otherwise deals in assets identical or similar to the Mortgage Loans in the ordinary course of such Bidder's business. Bidder has such knowledge and experience in the origination, sale and/or purchase of performing and non-performing or distressed loans, including, without limitation, loans secured by real estate or other types of collateral, as well as knowledge and experience, by itself or with its advisers, in other financial and business matters, as to enable Bidder to utilize the information made available in connection with the Sales to evaluate the merits and risks of a prospective acquisition of the Mortgage Loans and to make an informed decision with respect thereto.

_____ B. Bidder acknowledges, understands and is able to bear the economic risks associated with the acquisition and ownership of the Mortgage Loans, including, without limitation, the risk of a total loss of Bidder's investment in the Mortgage Loans.

_____ C. Bidder acknowledges and agrees that information, including summary data, will be made available to assist Bidder in evaluating the risks involved in acquiring the Mortgage Loans and whether or not it chooses to review any information that is made available to it, Bidder has the ability and shall be responsible for making its own independent investigation and evaluation of the Mortgage Loans and the economic, credit or other risks involved in an acquisition of the Mortgage Loans, including, without limitation, the restrictions on resale or other liquidation upon any of the Mortgage Loans.

_____ E. Bidder acknowledges and agrees that (i) the proposed sale of the Mortgage Loans is not intended to constitute the sale of a "security" within the meaning of the Act or any applicable federal or state securities laws, (ii) no inference that the Mortgage Loans is a "security" under such federal or state securities laws shall be drawn from any of the certifications, representations or warranties made by Bidder in this Qualification Statement for purposes of qualifying Bidder as a qualified bidder at the Sales, (iii) it is not contemplated that any filing will be made with the Securities and Exchange Commission or pursuant to the Blue Sky or securities laws of any jurisdiction.

Note: Related Entities is defined as: (a) two entities that have (i) significant common purposes and substantial common membership or (ii) directly or indirectly substantial common direction or control; or (b) Either entity owns (directly or through one or more entities) a 50 percent or greater interest in the capital or profits of the other. For this purpose, entities treated as related entities under this definition shall be treated as one entity.

If a Bidder or Related Entity cannot certify to Section F, subsection(s) (ii)-(iv) below, please describe and explain in an attached document not to exceed one page the debarment, suspension, or other exclusion and any extenuating circumstances or other information that may render such debarment, suspension or exclusion immaterial for the purposes of qualifying for the Sale. Please provide a copy of any order or agreement imposing such debarment, suspension or exclusion.

SFLS 2013-2 QUALIFICATION STATEMENT

If a Bidder or Related Entity cannot certify to Section F, subsection(s) (v)-(x) below, please describe and explain in an attached document not to exceed two pages the mitigating factors and/or mitigation actions that render or will render the listed circumstance immaterial for the purposes of qualifying for the Sale.

Additionally, certifications in Section F, subsections (vi) and (x) below are made based on currently available information about the Mortgage Loan Pools to be offered in SFLS 2013-2. However, if upon review of due diligence materials Bidder or Related Entity becomes unable to certify to Section F, subsection(s) (vi) and/or (x), Bidder will notify HUD, will deem itself ineligible, and will not Bid on the Mortgage Loans.

_____ F. Bidder represents and warrants that it, or its significant (>10%) owners and persons with authority or control or any entities related to Bidder ("Related Entities") or significant (>10%) owners and person with authority or control of such Related Entities, are not any of the following:

- _____ i. an employee of HUD, a member of such employee's household, or an entity owned or controlled by any such employee or member of such an employee's household with household to be inclusive of the employee's father, mother, stepfather, stepmother, brother, sister, stepbrother, stepsister, son, daughter, stepson, stepdaughter, grandparent, grandson, granddaughter, father-in-law, mother-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law, first cousin, the spouse of any of the foregoing, and the employee's spouse;
- _____ ii. an individual or entity that is currently debarred, suspended, or excluded from doing business with HUD pursuant to the Governmentwide Suspension and Debarment regulations at Title 2 of the Code of Federal Regulations, Parts 180 and 2424;
- _____ iii. an individual or entity that is currently suspended, debarred or otherwise restricted by any Department or Agency of the Federal Government or of a State Government from doing business with such Department or Agency;
- _____ iv. an individual or entity that is currently debarred, suspended, or excluded from doing mortgage related business, including having a business license suspended, surrendered or revoked, by any federal, state or local government agency, division or department;
- _____ v. a contractor, subcontractor and/or consultant or advisor (including any agent, employee, partner, director, or principal of any of the foregoing) who performed services for or on behalf of HUD in connection with the Sales;
- _____ vi. an individual or entity that knowingly acquired or will acquire prior to the Sale date material non-public information, other than that information which is made available to Bidder by HUD pursuant to the terms of this Qualification Statement, about Mortgage Loans offered in the Sale;
- _____ vii. an individual or entity that knowingly uses the services, directly or indirectly, of any person or entity ineligible under subparagraphs i through iii above to assist in preparing any of its bids on the Mortgage Loans;

SFLS 2013-2 QUALIFICATION STATEMENT

- _____ viii. an individual or entity which knowingly employs or uses the services of an employee of HUD (other than in such employee's official capacity) who is involved in the Sales; or
- _____ ix. an entity that has had its right to act as a Government National Mortgage Association ("Ginnie Mae") issuer terminated and its interest in mortgages backing Ginnie Mae mortgage-backed securities extinguished by Ginnie Mae.
- _____ x. an entity or individual is ineligible to bid on any included Mortgage Loan because it is an entity or individual that:
- (a) serviced or held any Mortgage Loan at any time during the 2-year period prior to the bid is ineligible to bid on such Mortgage Loan or on the pool containing such Mortgage Loan, or
 - (b) is: (a) any principal of any entity or individual described in the preceding sentence; (b) any employee or subcontractor of such entity or individual during that 2-year period; or (c) any entity or individual that employs or uses the services of any other entity or individual described in this paragraph in preparing its bid on such Mortgage Loan
- _____ G. Bidder represents and warrants that it will not release or disclose to any FHA approved mortgagees who have agreed to participate in the Sales by assigning loans to HUD (Participating Servicers") Bidder's information reflecting or evidencing the submission of its bid or other information used in preparing its bid.
- _____ H. Bidder represents and warrants that it has full authority to deliver this Qualification Statement and that the individual executing this Qualification Statement has full authority to do so on behalf of Bidder and all principals thereof.
- _____ I. Within the past ten (10) years, neither Bidder, nor any person or entity controlling Bidder, (i) has had entered against it an order for relief under the United States Bankruptcy Code, as amended, or under any other law relating to bankruptcy, insolvency or reorganization or relief of creditors, (ii) has failed to pay, or admitted in writing its inability to pay, its debts generally as they become due, (iii) has made a general assignment for the benefit of its creditors, (iv) has had appointed, or applied for, sought, consented to, or acquiesced in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its assets or properties, (v) has instituted any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or failed to file an answer or other pleading (within the time frame by which such answer or other pleading is due) denying the material allegations of any such proceeding filed against it, or (vi) has taken any corporate, partnership or similar (as applicable) action to authorize any matter described in any of clauses (i) through (v) of this paragraph.
- _____ J. Bidder understands that the above certifications, representations, and warranties are made for the purpose of qualifying Bidder as a qualified bidder at the Sales. Bidder hereby represents that

SFLS 2013-2 QUALIFICATION STATEMENT

the above certifications and all information provided herein are true and correct in all material respects as of the date hereof and will be true and correct in all material respects as of the time of Sale, and understands that FHA/HUD is relying upon the truthfulness and correctness of such statements.

____ K. Bidder acknowledges and agrees that after purchase the Mortgage Loans must be serviced by a servicer that meets the following qualifications: (i) an FHA-approved mortgagee, or a Fannie Mae or Freddie Mac approved servicer; and, (ii) in good standing with and rated average or above average by the applicable Agencies.

Bidder acknowledges and agrees that FHA/HUD has the right to request additional or updated information at any time, including, without limitation, financial statements and/or confirmation of the representations, warranties and certifications made herein. Bidder authorizes, and has the authority to authorize, FHA/HUD and its agents to conduct credit and other investigations of Bidder through appropriate third-party reporting agencies. Bidder further acknowledges and agrees that FHA/HUD may, in its sole discretion, refuse to qualify any prospective bidder who, in FHA/HUD's sole judgment, does not have the requisite knowledge and experience to evaluate the merits and risks of purchasing and to make an informed decision with respect to the purchase of the Mortgage Loans.

Bidder hereby certifies that to the best of Bidder's knowledge all the information stated herein, as well as any information provided in the accompanying documents (if applicable), is true, accurate, and complete. Submission of false information in connection with this application is grounds for rejecting your bid or invalidating the Conveyance, Assignment and Assumption Agreement. Bidder further certifies that Bidder has read the Warnings set forth below.

WARNING: Any person who knowingly presents materially false, fictitious, or fraudulent statements in a matter within the jurisdiction of HUD is subject to penalties, sanctions, or other regulatory actions, including but not limited to:

- (i) **Fines and imprisonment under 18 USC 287, 1001, 1010, 1012, which provides for fines of a maximum of \$25,000 for individual and \$500,000 for organizations or imprisonment for up to 5 years or both; or**

SFLS 2013-2 QUALIFICATION STATEMENT

- (ii) Civil penalties and damages under 31 USC 3729, of not less than \$5,000 and not more than \$10,000 plus 3 times the amount of damages which the government sustains; and
- (iii) Administrative sanctions, claims, and penalties by HUD pursuant to 24 CFR Part 24, 28, and 30.

Dated: _____, 2013

BIDDER: _____
(Print or Type Name of Bidder)

By: _____

Printed Name: _____

Print Title: _____



SINGLE FAMILY LOAN SALE 2013-2

PARTICIPATING SERVICER AGREEMENT
BY AND BETWEEN
SECRETARY OF HOUSING AND URBAN DEVELOPMENT

AND

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION

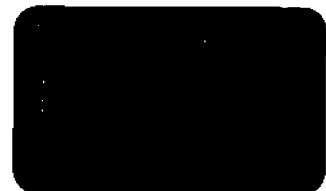


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Exhibits

- Exhibit A – Instructions Regarding Participating Servicer's Preparation of Assignments and Lost Note Affidavits and Related Forms
- Exhibit B – Desk Guide
- Exhibit C – Interim Servicing Agreement
- Exhibit D – Delivery Report

PARTICIPATING SERVICER AGREEMENT

THIS PARTICIPATING SERVICER AGREEMENT ("Agreement") is made and entered into as of the 22 day of May, 2013, by and between the Secretary of Housing and Urban Development ("HUD") and JPMORGAN CHASE BANK, NATIONAL ASSOCIATION, whose FHA Mortgagee I.D. No. is 30141 ("Participating Servicer").

WHEREAS, pursuant to Sections 601(a) and (d) of Public Law 105-276 (1998), codified at 12 U.S.C. §§ 1710(a) and (g), HUD has established the Single Family Loan Sale (SFLS) Program, which is designed to accelerate the time frame within which claims for the payment of FHA insurance on defaulted single-family mortgage loans are processed and to increase the value of the defaulted single-family loan assets and recoveries to HUD; and

WHEREAS, Participating Servicer has agreed to participate in the SFLS Program and, subject to the terms and conditions set forth herein, HUD has agreed to allow Participating Servicer to participate in the SFLS Program; and

WHEREAS, as a participant in the SFLS Program, Participating Servicer is willing to assign to HUD certain defaulted single-family FHA-insured mortgage loans and HUD is willing to accept an assignment of such loans and pay the FHA insurance claim with respect thereto, all on the terms and subject to the conditions set forth herein.

NOW THEREFORE, in consideration of the foregoing and the covenants and agreements set forth herein, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, HUD and Participating Servicer agree as follows:

ARTICLE I
DEFINITIONS

"Affiliate" means, with respect to any specified Person, any other Person controlling, controlled by or under common control with such specified Person.

"Agreement" means this Participating Servicer Agreement and all exhibits hereto, as amended from time to time.

“Approved Reimbursable Expenses” means, with respect to a Mortgage Loan, an amount equal to unreimbursed advances made prior to the Claim Date for taxes, insurance, ground rents, condominium fees, homeownership association fees, special assessments, water, sewer and utility bills, and property preservation and protection expenses incurred in accordance with applicable FHA rules, regulations, mortgagee letters and other issuances; the Due Diligence Reimbursement Expense; the BPO Reimbursement Expense; an amount equal to 75% of the actual and reasonable foreclosure and acquisition related expenses (other than attorneys’ fees) incurred prior to the Claim Date; and up to 75% of the attorneys’ fee amount approved on HUD’s approved schedule for attorneys’ fees but not more than the amount of attorneys’ fees actually incurred prior to the Claim Date; and such other expenses as may be expressly approved in writing by HUD in connection with an Insurance Claim.

“Assignment and Lost Note Affidavit” means an assignment and lost note affidavit substantially in the form of Exhibit A-3.

“Assignment of Lost Note Affidavit” means an assignment of lost note affidavit substantially in the form of Exhibit A-4 or Exhibit A-5, as applicable.

“Assignment of Mortgage” means an assignment of Mortgage substantially in the form of Exhibit A-1 or A-2, as applicable.

“Bankruptcy Loan” means a loan with respect to which the Mortgagor (a) has made an assignment for the benefit of creditors or has petitioned or applied to any tribunal for the appointment of a custodian, receiver, trustee or similar Person for the Mortgagor or a substantial part of the Mortgagor’s assets, (b) has commenced any proceeding under any bankruptcy, reorganization, readjustment of debt, receivership, dissolution, liquidation or similar law or statute of any jurisdiction, or (c) has pending against him any such petition, application or proceedings.

“BPO” means a broker’s price opinion obtained by Participating Servicer from one of the BPO Providers, with respect to a Mortgage Loan, dated no earlier than one (1) month prior to the due date for the SFLS Claim Submission Report-A for such Mortgage Loan, and otherwise meeting the requirements of Section 4.1 of the Desk Guide.

“BPO Provider” means one of the providers approved by HUD to provide the BPOs required by Section 4.01(d), as identified from time to time by electronic mail notice.

“BPO Reimbursement Expense” means the actual cost for each BPO per loan for each loan submitted for claim to cover the cost of the BPO incurred by the Participating Servicer.

“Business Day” means any day other than a Saturday, Sunday, federal holiday or any other day on which HUD or banks in Washington, D.C. are authorized or required to be closed for business.

“CERCLA” means the Comprehensive Environmental Response, Compensation & Liability Act, 42 U.S.C. § 9601 *et seq.*, as amended, or any successor thereto, and rules and regulations promulgated from time to time thereunder.

“Claim” means any claim, (including any counterclaim or defensive claim), demand, complaint, cause of action, suit or proceeding, or judgment.

“Claim Date” means, for any Mortgage Loan, the date on which HUD pays the Insurance Claim for such Mortgage Loan to the holder in accordance with Section 2.05.

“Claim Payment” means, with respect to any Mortgage Loan, an amount equal to (a) the Unpaid Principal Balance as of the Claim Date, *plus* (b) the Debenture Interest, *plus* (c) the Approved Reimbursable Expenses, *minus* (d) the balance of any escrow and suspense accounts and any unapplied collections or other amounts received by Participating Servicer on behalf of the Mortgagor, minus any amounts incurred by HUD required to cure as described in 3.03(f).

“Claim Submission Date” means, with respect to any Mortgage Loan, the date on which Participating Servicer submits the Insurance Claims to HUD using Electronic Data Interchange.

“Collateral File” means the original hard copy of the Mortgage Note endorsed in accordance with Section 4.01(c) or, if unavailable, an original hard copy of a lost instrument affidavit or bailee letter and assignment in form and substance satisfactory to HUD meeting the requirements of Section 4.01(c), the original or a copy, including an imaged copy (in whatever format is required in the Desk Guide), or a paper or microfiche copy, of the recorded Mortgage and all assignments of the Mortgage, the original or a copy, including an imaged copy, of the title policy referred to in Section 3.02(f).

“Debenture Interest” means interest at the Debenture Rate as computed by HUD in accordance with all of its rules and requirements for such calculations, on the Unpaid Principal Balance as of the Claim Date, *plus* the difference between Approved Reimbursable Expenses and the balance of any escrow accounts and collections from (and including) the Default Date to the Settlement Date, *minus* any amount of such interest or expenses that would have been curtailed or for which the Participating Servicer would have been denied reimbursement pursuant HUD’s requirements for servicing defaulted notes and processing claims, including 24 C.F.R. § 203.402(k)(i) and (k)(ii), had the Participating Servicer conveyed title to the property securing the Mortgage Loan

to the Secretary rather than assigned the Mortgage Loan in connection with an Insurance Claim. However, if the claim is not submitted to HUD within thirty (30) calendar days of the Claim Identification Date or the claim results in a "suspended" claim, Debenture Interest shall be curtailed at the thirtieth (30th) day following Claim Identification Date.

"Debenture Rate" means the rate of interest applicable to debentures pursuant to Section 224 of the National Housing Act, 12 U.S.C. § 1715o, as amended, and rules and regulations promulgated from time to time thereunder, which is equal to the higher of the rate in effect on (i) the date the Mortgage Loan was endorsed for FHA insurance, or (ii) the date of the firm commitment to issue FHA insurance with respect to the Mortgage Loan, except that for mortgages endorsed for insurance after January 23, 2004, the debenture interest rate is equal to the monthly average yield, for the month in which the default on the mortgage occurred, on United States Treasury Securities adjusted to a constant maturity of 10 years.

"Default Date" means, for any Mortgage Loan, the day on which the second full missed payment was due for such Mortgage Loan under the terms of the Mortgage Note.

"Desk Guide" means the Participating Servicer Desk Guide, as the same may be amended, supplemented and updated from time to time by HUD in accordance with Section 8.16, a copy of which is attached as Exhibit B.

"Due Diligence Reimbursement Expense" means \$600 per loan for each loan submitted for claim, to cover the cost of any due diligence expenses of the Participating Servicer.

"Due Diligence Servicing File" means an imaged copy (in whatever format is required in the Desk Guide) of the Collateral File and the Mortgage File required pursuant to Section 4.01(e). The Collateral File shall include the Mortgage Note(s), recorded Mortgage and all assignments of the Mortgage, and the title policy referred to in Section 3.02(f). With the exception of the Collateral File, documents contained in the Mortgage File, including correspondence, that contain Personally Identifiable Information (PII) should be excluded from the documents provided.

"Due Diligence Supplement Date" means the date on which the SFLS Claim Submission Report -B is required to be submitted to HUD as provided in Section 2.01.

"Earliest Claim Submission Date" has the meaning given in Section 2.04.

"Eastern Time" means Eastern Standard Time or Eastern Daylight Time, as applicable.

“Effective Date” means the date of this Agreement, as first set forth above.

“Eligible Mortgage Loan” means a single-family mortgage loan which meets all of the following requirements as of the date of SFLS Claim Submission Report –A (unless explicitly excepted), and continues to meet all such requirements as of the Claim Submission Date:

- (a) the related Mortgaged Property has no more than four (4) dwelling units;
- (b) it is a FHA-Insured Loan;
- (c) it has an Unpaid Principal Balance of no less than \$20,000;
- (d) it is at least six (6) full payments past due under the terms of the Mortgage Note, unless the Participating Servicer has determined that the Mortgaged Property is vacant and at least three (3) full payments past due under the terms of the Mortgage Note, or abandoned;
- (e) with respect to the current default, Participating Servicer (or a prior servicer) has taken the following actions, subject to and except for such failures as may have been alleged in April 5, 2012 U.S. Department of Justice Settlement Agreement with Participating Servicer:
 - (i) has evaluated, in accordance with the rules and regulations at 24 C.F.R. § 203.605, all of the loss mitigation actions specified in the rules and regulations at 24 C.F.R. § 203.501 and has evaluated all of the additional loss mitigation actions as specified in handbook and mortgagee letters, and has determined, in the exercise of its reasonable judgment, that no such action is appropriate or, if appropriate, such action has been tried and has failed; or
 - (ii) made diligent attempts to make contact with the borrower to engage in loss mitigation actions, but such attempts failed.
- (f) the Freddie Mac Risk Score obtained per Section 2.01 is Grade D, E or F, or equivalent based on the Participating Servicer’s risk evaluation tool;
- (g) the related Mortgaged Property is not a condemned property; or has not been seized by the United States Department of Justice; or is not otherwise the subject of a seizure order;
- (h) the Mortgage Loan is not subject to an Indemnification Agreement, or other settlement agreement setting forth specific obligations with respect to Mortgage Loan unless such obligations have been fully satisfied;
- (i) the Mortgaged Property has not sustained any Surchargeable Damage;
- (j) no foreclosure sale has been scheduled for a date prior to August 31, 2013; and as of the Claim Date there has been no foreclosure sale or pre-foreclosure sale, and no deed-in-lieu of foreclosure has been accepted;
- (k) as of the date of SFLS Claim Submission Report –B, the first legal action under applicable law to commence (or institute) foreclosure, as described in Mortgagee Letter 2005-30 and related mortgagee letters, which may be amended from time to time, has been taken;
- (l) if the mortgage loan is a Bankruptcy Loan with a confirmed repayment plan under

Chapter 13 of the United State Bankruptcy Code, the mortgagor is not current under the terms of that plan;

- (m) the Mortgage Loan is not subject to pending litigation related either to the origination of the Mortgage Loan or the underlying Mortgaged Property securing the Mortgage Loan; and
- (n) the Mortgage Loan has not been previously offered for sale as part of an FHA Single Family Loan Sale, unless the reason for non-delivery as part of the previous sale was the result of additional loss mitigation actions offered by Participating Servicer, Surchargable Damage (that has been subsequently repaired), a bankruptcy action, or litigation (that has been subsequently resolved).

"FHA" means the Federal Housing Administration, an administrative unit within the United States Department of Housing and Urban Development.

"FHA-Insured Loans" means single-family mortgage loans actively insured by FHA under either Section 203(b) or Section 234(c) of the National Housing Act, 12 U.S.C. §§ 1709(b) and 1715y(c), that are secured by Mortgaged Property in jurisdictions other than Hawaii, Guam, American Samoa and the Northern Marianas Islands, and are either (a) owned and serviced by Participating Servicer or (b) serviced (but not owned) by Participating Servicer, but with respect to which Participating Servicer is authorized by the holder to purchase such mortgage loans from, or submit Insurance Claims on behalf of, the holder.

"FHA System" has the meaning given in Section 2.02.

"Freddie Mac" means the Federal Home Loan Mortgage Corporation and any successor thereto.

"Freddie Mac Risk Score" means, with respect to any Eligible Mortgage Loan, the score last assigned to such Eligible Mortgage Loan prior to its Claim Date when Participating Servicer ran the Freddie Mac EarlyIndicator® Risk Scoring Model (or equivalent based on the Participating Servicer's risk evaluation tool) with respect thereto in accordance with Section 2.01.

"Freddie Mac EarlyIndicator® Risk Scoring Model" means, at the time at which Participating Servicer is required to obtain a Freddie Mac Risk Score in accordance with Section 2.01, the then most current version of the EarlyIndicator® model available from Freddie Mac that allows lenders to score mortgage loans on the basis of likelihood to create a loss to the lender.

"HUD" means the Secretary of the United States Department of Housing and Urban Development or the United States Department of Housing and Urban Development, as applicable.

“HUD Event of Default” has the meaning given in Section 7.02.

“HUD Indemnified Parties” has the meaning given in Section 4.01.

“HUD Successor” means any Person to whom HUD or any transferee of HUD or any subsequent transferee of any such transferee of HUD transferred a Mortgage Loan on or after the Claim Date.

“Indemnification Agreement” means an agreement pursuant to which a Person has an obligation to indemnify HUD for losses incurred by HUD in connection with HUD’s payment of the FHA insurance claim for an FHA-Insured Loan typically due to origination, underwriting or servicing defects or fraud or misrepresentation discovered after origination.

“Initial Repurchase Date” means the date on which a repurchase by Participating Servicer is effected pursuant to Sections 3.03(a) and (c).

“Insolvency Event” shall mean, with respect to any specified Person, the occurrence of any of the following events:

- (a) the specified Person makes an assignment for the benefit of creditors;
- (b) the specified Person files a voluntary petition of bankruptcy;
- (c) the specified Person is adjudged bankrupt or insolvent or there is entered against the specified Person an order for relief in any bankruptcy or insolvency proceeding;
- (d) the specified Person files a petition or answer seeking for such Person any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any statute, law, or regulation;
- (e) the specified Person seeks, consents to, or acquiesces in the appointment of a trustee, receiver, or liquidator of the specified Person or of all or any substantial part of the specified Person’s properties;
- (f) the specified Person files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the specified Person in any proceeding described in clauses (a) through (e);
- (g) the specified Person becomes unable to pay its obligations as they become due, and/or the sum of such specified Person’s debts is greater than all of such Person’s property, at a fair valuation; or

- (h) within 120 calendar days of any proceeding against the specified Person seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any statute, law, or regulation if the proceeding has not been dismissed, or within 90 calendar days after the appointment of a trustee, receiver, or liquidator for the specified Person or all or any substantial part of the specified Person's properties without the specified Person's agreement or acquiescence, which appointment is not vacated or stayed, or if the appointment is stayed, for 90 calendar days after the expiration of the stay which period the appointment is not vacated.

"Insurance Claim" means, with respect to any Mortgage Loan, the insurance claim made by Participating Servicer for payment by HUD under the FHA mortgage insurance contract in the amount of the Claim Payment as defined in this Agreement.

"Lien" means any lien, Claim, mortgage, security interest, pledge, charge, servitude or other encumbrance of any kind.

"Loan-to-Value Ratio" means the ratio determined by dividing the Unpaid Principal Balance as of the Claim Date by the Property Value.

"Losses" means any actual loss, liability, damage, expense or cost (including reasonable attorneys' fees and litigation costs).

"Mortgage" means a mortgage, deed of trust, or other instrument creating a Lien in accordance with applicable law on a Mortgaged Property.

"Mortgagor" means the obligor on a Mortgage Note.

"Mortgage Electronic Registration Systems" or "MERS" means the mortgage electronic registry that tracks the transfer of beneficial ownership in and servicing rights to mortgage loans.

"Mortgage File" means, with respect to a Mortgage Loan, all documents and correspondence that are in the possession or control of or otherwise available to Participating Servicer and that relate to the origination or servicing of the Mortgage Loan through the date on which the Mortgage File is delivered to the New Servicer pursuant to this Agreement.

"Mortgage Loan" means any Eligible Mortgage Loan for which an Insurance Claim is filed pursuant to this Agreement.

"Mortgage Note" means the promissory note or other evidence of indebtedness underlying the Mortgage Loan, where the Mortgagor is obligated to pay a sum certain amount secured by a Mortgage.

"Mortgaged Property" means the real property and other collateral securing a Mortgage Loan.

"New Servicer" means the servicer to which HUD directs that the servicing to any of the Mortgage Loans be transferred in accordance with Section 4.02(a).

"NHA" means the National Housing Act, 12 U.S.C. §§ 1701 *et seq.*, as amended, and any successor thereto.

"Notice" means a notice or other communication required to be delivered in accordance with Section 8.07.

"Participating Servicer" has the meaning given in the preamble to this Agreement.

"Party" means either Participating Servicer or HUD and **"Parties"** means Participating Servicer and HUD.

"Person" means any individual, corporation, limited liability company, partnership, joint venture, trust, unincorporated organization or federal, state, city, municipal or foreign government or agency or political subdivision thereof.

"Post-Claim Servicing Period" has the meaning given in Section 5.01.

"Property Value" means, with respect to any Eligible Mortgage Loan, the value of the Mortgaged Property as set forth in the appraisal obtained at the time of origination or, if no such appraisal is in the Mortgage File, the original Unpaid Principal Balance of such Eligible Mortgage Loan.

"Purchaser" means the person or entity that contracts to purchase and acquires Mortgage Loans from HUD.

"REO" means Mortgaged Property to which title has been taken as a result of a foreclosure, acceptance of a deed-in-lieu of foreclosure, or any comparable proceeding.

“Repurchase Price” means, with respect to any Mortgage Loan repurchased by Participating Servicer, an amount equal to (a) the Claim Payment *plus* (b) all unreimbursed advances made after the Claim Date by HUD or any HUD Successor, *minus* (c) an amount equal to all collections received after the Claim Date by HUD or any HUD Successor and, *minus* (d) the balance at the time of the Initial Repurchase Date of all escrow and suspense accounts with respect to the Mortgage Loan.

“RESPA” means the Real Estate Settlement Procedures Act, 12 U.S.C. §§ 2601-2617, as amended, and any successor thereto, and rules and regulations promulgated from time to time thereunder.

“Reverse Repurchase Date” means the date on which a repurchase by HUD is effected pursuant to Section 3.03(f).

“Reverse Repurchase Price” means, with respect to any Mortgage Loan repurchased by HUD, an amount equal to (a) the Repurchase Price *plus* (b) all unreimbursed advances made after the Initial Repurchase Date by Participating Servicer, *minus* (c) an amount equal to all collections received after the Initial Repurchase Date by Participating Servicer and, *minus* (d) the balance at the time of the Reverse Repurchase Date of all escrow and suspense accounts with respect to the Mortgage Loan.

“Servicer Event of Default” has the meaning given in Section 7.01.

“Servicing Transfer Date” means any date on or after the Claim Date designated by HUD pursuant to Section 4.02(a) on which the servicing for all or any designated portion of the Mortgage Loans shall be transferred to New Servicer.

“Settlement Date” means, with respect to any Insurance Claim, the date, between the Claim Date and the date on which the Insurance Claim is paid in accordance with Section 2.05, on which HUD processes the Insurance Claim for payment.

“SFLS” means single family loan sale.

“SFLS Claim Identification Date” means the date identified as the SFLS Claim Identification Date in the SFLS Claim Identification Report described in Section 2.02.

“SFLS Claim Identification Report” has the meaning given in Section 2.02.

“SFLS Claim Submission Report-A” and **“SFLS Claim Submission Report-B”** have the meaning given in Section 2.01.

“Surchargeable Damage” means damage due to fire, flood, earthquake, hurricane, tornado, mortgagee neglect and, in the case of condominiums (only) boiler explosion. For purposes of this definition, “mortgagee neglect” shall mean damage or destruction due to the mortgagee’s failure to take reasonable action to inspect, protect and preserve the property as provided in 24 C.F.R. § 203.377.

“Suspended Claim” means any Insurance Claim with respect to which HUD has advised Participating Servicer by posting such information on FHA Connection that the processing of the Insurance Claim has been suspended because of (a) the failure of Participating Servicer or such Insurance Claim to comply with the requirements of Section 2.03, (b) the failure of Participating Servicer to provide complete and accurate information as required by HUD in connection with the submission of the Insurance Claim, or (c) the processing of the Insurance Claim requires additional information from Participating Servicer.

“TILA” means the Truth in Lending Act, 15 U.S.C. § 1601 *et seq.*, as amended, and any successor thereto, and rules and regulations promulgated from time to time thereunder.

“Transfer/Recordation Requirements” means document recordation requirements imposed by state and local law.

“Unpaid Principal Balance” means, as of the relevant date, the outstanding principal amount due on the mortgage loan.

ARTICLE II

FILING AND PAYMENT OF INSURANCE CLAIMS; ASSIGNMENT AND TRANSFER

2.01 Claim Submission Report.

The Participating Servicer shall review its entire portfolio of FHA-Insured Loans and, for each Eligible Mortgage Loan that the Participating Servicer intends to submit as an Insurance Claim, obtain a Freddie Mac Risk Score or determine the equivalent score using a risk evaluation tool within the 30 day period prior to submission of the initial SFLS claim submission report (“SFLS Claim Submission Report-A”). No later than April 25, 2013 Participating Servicer shall submit SFLS Claim Submission Report-A to

HUD with a list of Eligible Mortgage Loans it intends to submit as Insurance Claims. All of the information required for the SFLS Claim Submission Report, including the submission procedures and the data format for the list of Eligible Mortgage Loans submitted and the Participating Servicer Program Eligibility Certification is set forth in Appendix 3 to the Desk Guide.

No later than May 8, 2013 Participating Servicer shall submit the updated SFLS claim submission report ("SFLS Claim Submission Report-B") to HUD, updated with any data that may have changed since the original submission including updated Unpaid Principal and Escrow Balances. The SFLS Claim Submission Report-B shall also indicate any loans that are no longer available for the SFLS Program due to being paid in full.

2.02 Claim Identification Procedures.

By close of business the second (2nd) Business Day after Participating Servicer's submission of the SFLS Claim Submission Report pursuant to Section 2.01, the list of Eligible Mortgage Loans shall be updated on FHA's claim processing system ("FHA System") to allow for claim payment, and HUD will advise Participating Servicer of those Eligible Mortgage Loans designated in the FHA System with an SFLS Claim Identification Date by electronic transmittal of an SFLS claim identification report ("SFLS Claim Identification Report") to Participating Servicer. HUD's identification process will be used only to identify mortgage loans submitted as potential SFLS Claims by Participating Servicers and not to screen mortgage loans for eligibility, with the exception of mortgage loans subject to an Indemnification Agreement. Without limiting Participating Servicer's obligations in Section 4.01(b), HUD will not issue an SFLS Claim Identification Date for any mortgage loans for which Indemnification Agreements are identified on HUD's system of records.

For Eligible Mortgage Loans that received a SFLS Claim Identification Date, the cut-off date for submission of a claim is no later than August 30, 2013. In the event, after an SFLS Claim Identification Date is issued, a mortgage loan is not or has failed to continue to be an Eligible Mortgage Loan, Participating Servicer shall not submit a claim on such mortgage loan.

2.03 Insurance Claims That May Be Submitted.

Subject to the provisions of Section 2.04, an Insurance Claim may be submitted by Participating Servicer for any Eligible Mortgage Loan provided that the Participating Servicer has received a SFLS Claim Identification Date prior to submission of a SFLS Claim with respect thereto and that before the Claim Date, Participating Servicer has complied with its obligations in Section 4.01(d). HUD reserves the right, at its sole discretion, to terminate the sale of the SFLS loans in whole or in part at any time and to accept or reject any and all Bids. Claims can only be submitted on Mortgage Loans that have been awarded by HUD to a winning bidder.

For all Mortgage Loans that are identified on SFLS Claim Submission Report–A but for which an Insurance Claim is not submitted, Participating Servicer shall report the reason for non-delivery in the format provided in Exhibit D (“Delivery Report”).

2.04 Insurance Claims Submission Procedures.

Participating Servicer may begin submitting Insurance Claims to HUD on such date as HUD specifies via electronic mail notification (“Earliest Claim Submission Date”), anticipated to be on or about June 20, 2013, however Participating Servicer may access the Electronic Data Interchange on or about June 3, 2013 to begin preparing Insurance Claims for submission. Insurance Claims shall be submitted using Electronic Data Interchange and shall otherwise be submitted in accordance with the claims submission instructions contained in Section 5.2 of the Desk Guide.

2.05 Payment.

In full consideration for the sale and assignment of each Mortgage Loan, the submission of the related Insurance Claim, and Participating Servicer’s performance of its obligations under this Agreement (except for any Post-Claim Servicing Fee payable pursuant to the Interim Servicing Agreement), HUD shall pay the Claim Payment to the holder of such Mortgage Loan as of the Claim Date. Participating Servicer shall not submit an Insurance Claim for a mortgage loan known to have paid in full after the Claim Identification Date.

HUD reserves the right at all times to demand repayment from Participating Servicer (or the holder) and the Participating Servicer shall comply with such demand for repayment of any amount paid in connection with a Claim Payment that exceeds the amount that HUD subsequently determines to be the correct amount of the Claim Payment. Furthermore, HUD reserves the right at all and in its sole discretion to demand repayment of any amount paid in connection with a Claim Payment for any breach of this agreement as set forth in Section 3.03.

2.06 Assignment and Assumption.

Assuming the Claim Payment with respect thereto is made, effective as of the Claim Date, all right, title and interest in, to and under each Mortgage Loan (including all rights to payments on and proceeds thereof) hereby is sold, conveyed, transferred and assigned to, and all obligations arising on or after such Claim Date hereby are assumed by, HUD. The Mortgage Loans that relate to Suspended Claims and other Insurance Claims that are redelivered pursuant to Section 4.05(a) shall not be considered to have been sold, assigned or otherwise conveyed to or assumed by HUD pursuant to this Section or any other provision of this Agreement.

ARTICLE III
REPRESENTATIONS, WARRANTIES AND REPURCHASES

3.01 Representations and Warranties of Participating Servicer.

Participating Servicer hereby represents and warrants to HUD as of the Effective Date, the date of SFLS Claim Submission Report –A, and each Claim Date:

- (a) **Organization; Good Standing.** Participating Servicer is a national banking association, duly organized, validly existing and in good standing under the laws of the United States of America. Participating Servicer is an FHA-approved mortgagee, in good standing with HUD, and has all other licenses necessary to carry on its business as now being conducted and is licensed, qualified and in good standing in each jurisdiction in which a Mortgaged Property is located if the laws of such jurisdiction require licensing or qualification in order to conduct business of the type conducted by Participating Servicer. Furthermore, Participating Servicer is not on notice or currently in receivership with the Federal Deposit Insurance Corporation ("FDIC") nor has the Participating Servicer filed for or anticipates filing for bankruptcy.

- (b) **Authority; Binding Agreement.** Participating Servicer has the power and authority to execute and deliver this Agreement and to perform in accordance herewith. The execution, delivery and performance of this Agreement by Participating Servicer and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate or other action. This Agreement constitutes the valid and binding obligation of Participating Servicer, enforceable against Participating Servicer in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and the application of equitable principles in any proceeding, whether at law or in equity.

- (c) **Approvals.** All actions, approvals, consents, waivers, exemptions, variances, franchises, orders, permits, authorizations, rights and licenses required to be taken, given or obtained, as the case may be, by or from any federal, state or other governmental authority or agency (other than any such actions, approvals, etc. under any state securities laws, real estate syndication or "Blue Sky" statutes, as to which Participating Servicer makes no such representation or warranty), that are necessary in connection with the execution and delivery by Participating Servicer of this Agreement and the consummation of the transactions contemplated hereby and the performance of its obligations hereunder, have been duly taken, given or obtained, as the case may be, are in full force and effect, are not subject to any pending proceedings or appeals (administrative, judicial or otherwise) and either the time within which any appeal therefrom may be taken or review thereof may be obtained has expired or no review thereof may be obtained or appeal therefrom taken.

- (d) **No Breach.** The execution, delivery and performance by Participating Servicer of, and the consummation of the transactions contemplated by, this Agreement do not and will not (i) result in the breach of any terms or provisions of the charter, articles, by-laws or other constituent documents of Participating Servicer, (ii) result in the breach of any term or provision of, or conflict with or constitute a default under, or result in the acceleration of any obligation under, any material agreement, settlement agreement, indenture or loan or credit agreement or other material instrument to which Participating Servicer or its property is subject, or (iii) result in the violation of any law, rule, regulation, order, judgment or decree to which Participating Servicer or its property is subject.
- (e) **No Misstatement or Omission.** Neither this Agreement nor any statement, report or other document prepared by Participating Servicer and furnished or to be furnished pursuant to this Agreement or in connection with the transactions contemplated hereby (including the information provided to HUD in connection with the filing of the Insurance Claims) contains any untrue statement of material fact or fails to state a material fact necessary to make the statements contained herein or therein not misleading.
- (f) **No Litigation.** Other than the proceedings resulting in the April 5, 2012 U.S. Department of Justice Settlement Agreement with Participating Servicer, there is not currently pending an action, suit, proceeding or investigation, nor, to the best of Participating Servicer's knowledge, has such action, suit, proceeding or investigation been threatened against Participating Servicer which, in any one instance or in the aggregate, may result in any material adverse change in the business, operations, financial condition, properties or assets of Participating Servicer or in any material impairment of the right or ability of Participating Servicer to carry on its business substantially as now conducted, or in any material liability on the part of Participating Servicer or, if determined against Participating Servicer, would reasonably be likely (i) to draw into question the validity of this Agreement or the Mortgage Loans or of any action taken or to be taken in connection with the obligations of Participating Servicer contemplated herein, or, (ii) to impair materially the ability of Participating Servicer to perform under the terms of this Agreement.
- (g) **No Violation of Orders, Decrees.** Participating Servicer is not in default with respect to any order or decree of any court or any order, rule, regulation or demand of any federal, state, municipal or governmental agency, which default might have consequences that would materially and adversely affect the Mortgage Loans or materially and adversely affect its performance under this Agreement.
- (h) **Origination and Servicing.** The origination, where applicable to the Participating Servicer, and collection practices used by Participating Servicer with respect to each Mortgage Note and Mortgage Loan have been in all material respects legal, proper, prudent and customary in the origination and servicing business for first lien FHA-insured single-family mortgage loans, except for any alleged or actual acts, errors or

omissions that are subject to a release under the April 5, 2012 U.S.

- (i) **Risk Scoring.** Participating Servicer will have, at the time required to do so pursuant to Section 2.01, the ability to run the then most recent version of the Freddie Mac EarlyIndicator® Risk Scoring Model, or the ability to determine an equivalent score using a risk evaluation tool.
- (j) **Systems Capability.** Participating Servicer has and will have, whenever required hereunder, the systems capability to interface with HUD's Electronic Data Interchange and FHA Connection systems.
- (k) **Servicing Knowledge, Experience.** Participating Servicer is knowledgeable and experienced in complying with all laws, rules and regulations that pertain to the administration, servicing and collection of FHA-insured single-family mortgage loans, including those related to debt collection practices and procedures, and has the knowledge, experience and capability to comply with its obligations during the Post Claim Servicing Period, including those related to debt collection practices and procedures and, without limiting the foregoing, Participating Servicer or its principals have at least five (5) years of experience servicing single-family mortgage loans and at least three (3) years of experience servicing FHA-insured single-family mortgage loans.
- (l) **Record Holder and Servicer.** The mortgagee identification number, address of the Mortgaged Property and current holder, as set forth on the FHA Connection Portfolio screen submitted pursuant to Section 4.01(d), are true and correct.
- (m) **Membership in Mortgage Electronic Registration System ("MERS").** If any of the Mortgage Loans are registered in MERS, then Participating Servicer is a member in good standing of MERS and agrees to remain as a member in good standing during the Post Claim Servicing Period.
- (n) **Existing FHA Regulations and Guidance.** Participating Servicer represents that the terms and conditions related to this Agreement between the Participating Servicer and HUD are limited to such terms and conditions expressly provided in this Agreement. Existing FHA regulations and guidance regarding filing of FHA-insurance claims are not incorporated into this Agreement unless expressly cited.

3.02 Individual Mortgage Loans.

Participating Servicer hereby represents and warrants to HUD with respect to each Mortgage Loan as of the date of SFLS Claim Submission Report –A, each Claim Date for such Mortgage Loan, and on such other dates as are expressly set forth herein, the following:

- (a) **Eligible Mortgage Loans.** Each Mortgage Loan is an Eligible Mortgage Loan and Participating Servicer has met the requirements of Section 2.03 with respect thereto.
- (b) **Lost Instrument Affidavits.** In the event any Collateral File contains a lost instrument affidavit in lieu of a Mortgage Note, such lost instrument affidavit, when assigned, will be sufficient to affect the transfer of title to the related Mortgage Loan, without the need for a judicial proceeding, administrative action, court or regulatory order, or similar action or order.
- (c) **No Rescission, Set-off, etc.** The Mortgage Loan is not subject to any right of rescission, set-off, counterclaim or defense, including the defense of usury, nor will the operation of any of the terms of the Mortgage Note or the Mortgage, or the exercise of any right thereunder, render either the Mortgage Note or the Mortgage unenforceable in whole or in part, or subject to any right of rescission, set-off, counterclaim or defense, including the defense of usury, and no right of rescission, set-off, counterclaim or defense has been asserted with respect thereto.
- (d) **No Mechanics' Liens.** There is no mechanics' lien or Claim for work, labor or material affecting any Mortgaged Property, which is or may be a Lien prior to, or equal with, the Lien of the Mortgage except those which are insured against by the title insurance policy referred to in Section 3.02(f).
- (e) **Compliance with Law.** Each Mortgage Loan, at the time it was originated, complied in all material respects with applicable local, state and federal laws, rules and regulations, including usury, equal credit opportunity and disclosure laws. Since origination, each Mortgage Loan has been serviced in compliance in all material respects with applicable local, state and federal laws, rules and regulations, except for any alleged or actual acts, errors or omissions that are subject to a release under the April 5, 2012 U.S. Department of Justice Settlement Agreement. Notwithstanding the foregoing, Participating Servicer has no actual knowledge of the existence any conditions or circumstances that would negatively affect the Participating Servicer's ability to obtain marketable title or timely process eviction or foreclosure actions with respect to property secured by the Mortgage Loan.
- (f) **Title Policy.** With respect to each Mortgage Loan, a lender's title insurance policy,

issued in standard American Land Title Association form or, if the jurisdiction does not accept the standard American Land Title Association form, such other form as is generally acceptable to prudent lending institutions that originate or purchase mortgage loans similar to the Mortgage Loan in that particular jurisdiction, by a title insurance company authorized to transact business in the jurisdiction in which the related Mortgaged Property is situated, together with a condominium endorsement, if applicable, in an amount at least equal to the original principal balance of such Mortgage Loan, insuring Participating Servicer's interest under the related Mortgage Loan as the holder of a valid first priority mortgage lien of record on the real property described in the Mortgage, subject only to exceptions for (i) Liens for real property taxes and assessments not yet due and payable, (ii) covenants, conditions and restrictions, rights of way, easements and other matters of public record as of the date of recording of the Mortgage which are acceptable to mortgage lending institutions generally and specifically reflected in the appraisal made in connection with the origination of the Mortgage Loan, and (iii) other matters to which like properties are commonly subject which do not, individually or in the aggregate, materially interfere with the benefits of the security intended to be provided by the Mortgage, was effective on any date on or prior to the Claim Date, and, as of the Claim Date, such policy will be valid and thereafter shall continue in full force and effect.

With respect to each Mortgage Loan, the holder is the sole named insured of such mortgage title insurance policy, and such mortgage title insurance policy is in full force and effect and will be in full force and effect and inure to the benefit of HUD (and any subsequent mortgagee) upon the consummation of the transactions contemplated by this Agreement. No Claims have been made under such mortgage title insurance policy and no prior holder of the related Mortgage, including Participating Servicer, has done, by act or omission, anything that would impair the coverage of such mortgage title insurance policy.

- (g) **Hazard Insurance.** With respect to the Mortgage Loans, either (i) the improvements upon a Mortgaged Property are covered by a valid and existing fire and hazard insurance policy with a generally acceptable carrier that provides for extended coverage customary in the area where the Mortgaged Property is located, that is endorsed with a standard mortgagee clause with losses payable to Participating Servicer, and in an amount that is at least equal to the lesser of (A) the Unpaid Principal Balance, (B) the full insurable value of the Mortgaged Property, or (C) the minimum amount required to compensate for damage or loss on a replacement cost basis, or (ii) Participating Servicer maintains a blanket policy insuring against fire and hazards of extended coverage on the Mortgage Loans for which no insurance of the type described in clause (i) exists, naming Participating Servicer as loss payee and providing for coverage in an amount equal to the aggregate Unpaid Principal Balance of all such Mortgage Loans, without co-insurance.

- (h) **Flood Insurance.** For each Mortgage Loan with respect to which the Mortgaged Property is located in an area identified on a Flood Hazard Boundary Map or Flood Insurance Rate Map issued by the Federal Emergency Management Agency as having

special flood hazards and flood insurance has been made available, a flood insurance policy meeting the current guidelines of the Federal Insurance Administration with a generally acceptable carrier in an amount representing coverage of not less than the lesser of (i) the Unpaid Principal Balance, or (ii) the maximum amount of insurance which is available under applicable federal law, rules and regulations.

- (i) **Binding Mortgage Notes.** Each Mortgage and Mortgage Note is the legal, valid and binding obligation of the maker thereof and is enforceable in accordance with its terms, except only as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (whether considered in a proceeding or action in equity or at law). All parties to each Mortgage Loan had full legal capacity to execute all Mortgage Loan documents (including the Mortgage Notes and Mortgages) and convey the estate therein purported to be conveyed, and all Mortgage Loan documents (including the Mortgage Notes and Mortgages) have been duly and properly executed by such parties.
- (j) **Modifications; Mortgages Recorded.** The terms of the Mortgage Note and the Mortgage have not been impaired, altered or modified in any material respect, except by a written instrument which has been recorded, if required, or is in the process of being recorded (and, in either case, contained in the Collateral File), if necessary, to protect the interest of HUD and which has been or will be delivered to HUD. Each original Mortgage was recorded, and all subsequent assignments of the original Mortgage have been recorded in the appropriate jurisdictions wherein such recordation is necessary to perfect the Lien thereof as against creditors of Mortgagor (or, are in the process of being recorded, or are, in the opinion of counsel to Participating Servicer, which has been provided to HUD and on which HUD is entitled expressly therein to rely, not required to be recorded).
- (k) **No Releases.** No instrument of release or waiver has been executed in connection with the Mortgage Loan, and no Mortgagor has been released, in whole or in part.
- (l) **No Condemnation.** The Mortgaged Property is not subject to a condemnation order, and there is no proceeding pending or threatened for the total or partial condemnation of the Mortgaged Property.
- (m) **Improvements; No Encroachments.** To the best of Participating Servicer's knowledge, all of the improvements which were included for the purpose of determining the appraised value of the Mortgaged Property lie wholly within the boundaries and building restriction lines of such property, and no improvements on adjoining properties encroach upon the Mortgaged Property.

- (n) **No Zoning Violation.** To the best of the Participating Servicer's knowledge, no improvement located on or being part of the Mortgaged Property is in violation of any applicable zoning law, rule or regulation. To the best of Participating Servicer's knowledge, all inspections, licenses and certificates required to be made or issued with respect to all occupied portions of the Mortgaged Property and, with respect to the use and occupancy of the same, including certificates of occupancy and fire underwriting certificates, have been made or obtained from the appropriate authorities and the Mortgaged Property is or, if vacant, may be lawfully occupied under applicable law.
- (o) **Proceeds Disbursed.** The proceeds of the Mortgage Loan have been fully disbursed, and pursuant to the terms and conditions thereof as of the Claim Date there is no obligation on the part of Participating Servicer, nor will there be any obligation on the part of HUD (or any other mortgagee), to make future advances thereunder, at the option of the Mortgagor or otherwise. Any and all requirements as to completion of any on-site or off-site improvements and as to disbursements of any escrow funds therefore have been complied with. All costs, fees and expenses incurred in making or closing or recording the Mortgage Loans were paid.
- (p) **No Security Except Mortgage.** The related Mortgage Note is not and has not been secured by any collateral, pledged account or other security except the Lien of the corresponding Mortgage.
- (q) **No Third Party Obligors.** There is no obligation on the part of Participating Servicer or any other party to make payments in addition to those made by the Mortgagor.
- (r) **Qualified Trustees.** With respect to each Mortgage constituting a deed of trust, a trustee, duly qualified under applicable law to serve as such, has been properly designated and currently so serves and is named in such Mortgage, and no fees or expenses are or will become payable by HUD (or any other mortgagee) to the trustee under the deed of trust, except in connection with a trustee's sale after default by the Mortgagor.
- (s) **Certain Loan Types.** No Mortgage Loan has a shared appreciation feature, other contingent interest feature, provides for deferred interest or negative amortization. None of the Mortgaged Property is subject to a land trust.
- (t) **Due on Sale.** The Mortgage contains a customary provision for the acceleration of the payment of the unpaid principal balance of the Mortgage Loan in the event the related Mortgaged Property is sold without the prior consent of the mortgagee thereunder.

- (u) **Single Rate of Interest, Repayment Term.** The entire Unpaid Principal Balance bears a single interest rate (whether fixed or adjustable), as reflected on the Mortgage Note, and a single repayment term, as will be reflected on the Participating Servicer's SFLS Claim Submission Report. The interest rate of each Mortgage Loan, as of the Claim Date, will be accurately reflected on the last SFLS Claim Submission Report provided prior to the Servicing Transfer Date that included the Mortgage Loan.
- (v) **Benefits of Security.** The related Mortgage contains customary and enforceable provisions that render the rights and remedies of the holder thereof adequate for the realization against the Mortgaged Property of the benefits of the security, including, (i) in the case of a Mortgage designated as a deed of trust, by trustee's sale, and (ii) otherwise by judicial foreclosure. There is no homestead or other exemption or other defense available to the Mortgagor which would materially interfere with the right to sell the Mortgaged Property at a trustee's sale or the right to foreclose the Mortgage.
- (w) **No Hazardous Substances.** Participating Servicer has no actual knowledge that there exist, with respect to any Mortgaged Property, any hazardous substances, hazardous wastes or solid wastes, as such terms are defined in CERCLA, or other federal, state or local environmental legislation.
- (x) **First Lien Mortgage.** Each Mortgage is a valid and subsisting first Lien of record on the Mortgaged Property subject to (1) the exceptions to title set forth in the title insurance policy, with respect to the related Mortgage Loan, which exceptions are generally acceptable to first mortgage lending companies, and (2) such other exceptions to which similar properties are commonly subject and which do not individually, or in the aggregate, materially and adversely affect the benefits of the security intended to be provided by such Mortgage. Notwithstanding the foregoing, all homeowner association fees, condominium fees, utility bills and pro-rated taxes due and owing at time of claim submission have been fully paid and satisfied.
- (y) **Unpaid Principal Balance.** The Unpaid Principal Balance of the Mortgage Loan as of the Due Diligence Supplement Date, as specified by Participating Servicer in the information submitted to HUD, is true, accurate and correct.
- (z) **Ground Leases.** If a Mortgaged Property is subject to a ground lease, the terms of the ground lease and the rights of the mortgagee and the obligations of the lessor (whether such rights and obligations arise by contract or under law, rule or regulation) comply in all respects, as of the Claim Date, with the applicable provisions of HUD's Handbook 4150.1. Without limiting the generality of the foregoing, with respect to each such ground lease, (i) the mortgagee is entitled to notice under the ground lease of each lessee default and is allowed at least 120 calendar days in which to cure any such default before the lessor may terminate such ground lease; (ii) the ground lease is in full force and effect; and (iii) either (A) Participating Servicer has not received any notice of a default thereunder and, to Participating Servicer's knowledge, there exists no condition that, but

for the passage of time or the giving of notice or both, would result in a default thereunder or, (B) if Participating Servicer has received notice of any default thereunder, Participating Servicer has cured such default.

- (aa) **Complete Collateral File.** The Collateral File, when delivered by Participating Servicer pursuant to and in accordance with Section 4.01(e), will be complete, and contain all of the items required to meet the definition of "Collateral File" in this Agreement.
- (bb) **Good and Marketable Title.** Upon the assignment of a Mortgage Loan to HUD in accordance with the terms of this Agreement, HUD will have good and marketable title to such Mortgage Loan and the ability to obtain good and marketable title to the property securing the Mortgage Loan through normal means, free and clear of any Lien (other than Liens which will be simultaneously released) or any outstanding obligation that may result in a priority lien over the Mortgage.
- (cc) **No Litigation.** Other than the proceedings resulting in the April 5, 2012 U.S. Department of Justice Settlement Agreement with Participating Servicer, there is not currently pending any action, suit, proceeding or investigation based on the servicing of the Mortgage Loan by the Participating Servicer, nor threatened against the Participating Servicer, which may result in any material impairment of the right or ability of Purchaser to obtain marketable title or timely process eviction or foreclosure actions with respect to property secured by such Mortgage Loan. Should any action, suit, proceeding or investigation based on the servicing of a Mortgage Loan by the Participating Servicer occur or be threatened within the twelve (12) months following the Servicing Transfer Date, Participating Servicer will be subject to any remedies contained in Section 3.03 and the indemnification provisions of Section 4.01.

3.03 Repurchases and Other Remedies for Breach.

- (a) **Breach & Other Condition.** All breaches of Sections 3.01(f) or 3.02 (excluding Sections 3.02(m), 3.02(n), 3.02(w) or 3.02(z)) will be determined without reference to Participating Servicer's knowledge. Notwithstanding any qualification in the representation or warranty with regard to Participating Servicer's knowledge, the remedies available under this section for breach shall also be available upon the development of a condition or occurrence of any event described in Sections 3.01(f), 3.02(e), 3.02(m), 3.02(n), 3.02(w), 3.02(z), or 3.02(cc) (hereinafter included in the term "breach"). Upon discovery by HUD with respect to any Mortgage Loan of a breach of any of the representations or warranties in Section 3.02 or 3.01(f), HUD shall give prompt Notice to the Participating Servicer. In such Notice, HUD shall identify the nature of the breach (including the representation(s) breached) as well as HUD's remedy for

such breach to include cure, reduction in claim payment, or repurchase by the Participating Servicer. HUD shall have sole and absolute discretion to make the final determination as to the selection of a remedy for any breach. Participating Servicer shall within sixty (60) calendar days, comply with the terms contained in the Notice and, as directed by HUD, (i) promptly cure such breach in all material respects, (ii) repay any amounts due and owing as a result of the reduction in the amount of claim payment, or (iii) repurchase such Mortgage Loan, in the manner and at the price specified in Section 3.03(c).

- (b) **No Duty to Investigate; No Waiver.** HUD shall have no duty to conduct any affirmative investigation as to the occurrence of any condition requiring the repurchase or cure of any Mortgage Loan pursuant to Section 3.03, including whether any Mortgage Loan constitutes or constituted as of the Claim Date an Eligible Mortgage Loan, and HUD's notice of an SFLS Claim Identification Date shall not constitute or be interpreted or treated as evidence of HUD's knowledge, or that HUD should have had knowledge of the existence, or the waiver by HUD, of any breach of any of Participating Servicer's representations, warranties, covenants or agreements contained in this Agreement.
- (c) **Repurchase Price.** The Repurchase Price for any Mortgage Loan repurchased pursuant to Section 3.03(a) shall be paid by Participating Servicer to HUD within five (5) Business Days after the end of the sixty (60) calendar day period described in clause (i) of Section 3.03(a) and the date on which such payment is made shall be the Initial Repurchase Date.
- (d) **Participating Servicer to Pay Cost of Cure.** Subject to the provisions of the next succeeding sentence, in the event that a cure is affected with respect to a Mortgage Loan for which a breach of a representation or warranty in Section 3.02 was asserted, Participating Servicer shall be liable for the cost of such cure, without reimbursement from HUD. In the event that any such cure can be affected by payment of money alone, and Participating Servicer would have been entitled to include all or some portion of such payment in its Approved Reimbursable Expenses if it had made such payment and, thereby, eliminated the cause of the breach prior to the Claim Date, then Participating Servicer shall be liable for the cost to cure such breach only to the extent that such payment exceeds the amount that Participating Servicer would have been entitled to include in its Approved Reimbursable Expenses. Participating Servicer may not file any supplemental claims seeking reimbursement from HUD for cure costs for which Participating Servicer is liable under this Section.
- (e) **HUD Representations Regarding Repurchased Mortgage Loans.** Upon the repurchase by Participating Servicer of a Mortgage Loan hereunder, as of the date of such repurchase, HUD hereby makes the following representations and warranties with respect to such Mortgage Loan:
 - (i) the terms of the Mortgage Loan were not modified on or after the Claim Date by HUD or any HUD Successor;

- (ii) HUD has title to, and the right to sell, transfer and assign to Participating Servicer, the Mortgage Loan and, immediately prior to its repurchase, the Mortgage Loan will not be subject to any Liens placed by HUD or any HUD Successor;
 - (iii) on and after the Claim Date, HUD and each HUD Successor employed usual and customary care in the servicing, administration and collection of the Mortgage Loan and the maintenance and preservation of the related Mortgaged Property;
 - (iv) no instrument of release or waiver was executed in connection with the Mortgage Loan and the Mortgagor was not released, in whole or in part, on or after the Claim Date by HUD or any HUD Successor;
 - (v) no act or omission on or after the Claim Date by HUD or any HUD Successor has caused (A) the priority of title to the Mortgaged Property or the Lien of the Mortgage to be less than that conveyed to HUD by Participating Servicer or, (B) except to the extent applied for its intended purpose or otherwise expended on the Mortgaged Property in a commercially reasonable manner, the Mortgaged Property securing the Mortgage Loan to be different from that securing the Mortgage Loan on the Claim Date;
 - (vi) no act or omission on or after the Claim Date by HUD or any HUD Successor has caused (A) a Claim of any Person to arise against HUD or any HUD Successor that, as a result of the repurchase pursuant to this Agreement, might be asserted against Participating Servicer, or (B) a Lien to encumber the Mortgage Loan;
 - (vii) the contents of the Collateral File and Mortgage File, when returned to Participating Servicer, will include the contents delivered by Participating Servicer pursuant to Section 4.01(e) and such other documentation as has been generated on or after the Claim Date by HUD or any HUD Successor to evidence activity with respect to the Mortgage Loan on and after the Claim Date, except to the extent that items missing from the Collateral File do not materially and adversely affect the ability of Participating Servicer to enforce the Mortgage Loan, and except to the extent that items missing from the Mortgage File do not materially and adversely affect the ability of Participating Servicer to service the Mortgage Loan;
 - (viii) the title policy referred to in Section 3.02(f), if in effect on the Claim Date and transferred to New Servicer on the Servicing Transfer Date, remains in effect or has been replaced with a comparable policy; and
 - (ix) the insurance policies referred to in Sections 3.02(g) and (h), if in effect on the Claim Date and transferred to New Servicer on the Servicing Transfer Date, remain in effect or have been replaced with comparable policies.
- (f) **Breach of Section 3.03(e).** Participating Servicer may allege a breach of a representation or warranty in Section 3.03(e) only if and when the breach materially and adversely affects the value of the related Mortgage Loan and is not caused by Participating Servicer (including when the Participating Servicer is acting as the Interim Servicer). In the event Participating Servicer alleges such a breach of a representation or warranty in Section

3.03(e), Participating Servicer may demand that HUD repurchase the Mortgage Loan only if the breach is not curable by HUD or Participating Servicer. If a breach is curable, Participating Servicer shall notify HUD in writing of the same and the necessary cure and, subject to the provisions of the next succeeding sentence, HUD shall either cure such breach or authorize Participating Servicer to cure such breach and agree to pay the expenses of the same. HUD shall have sole and absolute discretion to make the final determination as to whether a breach is curable.

To the extent that an alleged breach is curable by the payment of money and the amount of such payment, had it been made by HUD or any HUD Successor prior to the Initial Repurchase Date, would have been includable (but was not included) as an advance when calculating the Repurchase Price, such amount shall be paid by Participating Servicer (without reimbursement from HUD). Subject to the foregoing, in the event there exists a breach of any of the representations or warranties in Section 3.03(e) with respect to a Mortgage Loan and HUD has determined that such breach is not curable, Participating Servicer shall not be required to repurchase such Mortgage Loan (or, if the repurchase has already been effected, shall be entitled to have the Mortgage Loan repurchased by HUD) but shall cooperate with HUD and use commercially reasonable efforts to cure the breach that led to the initial demand that Participating Servicer repurchase such Mortgage Loan and, if such breach is not curable, HUD and Participating Servicer shall negotiate in good faith to reach agreement on an appropriate reduction in the Claim Payment, taking into consideration the breach of Section 3.03(e). Any Mortgage Loan repurchased by HUD pursuant to this Section shall be repurchased for an amount equal to the Reverse Repurchase Price and, the date on which payment of the Reverse Purchase Price is made shall be the Reverse Repurchase Date.

- (g) **Extensions of Certain Times for Repurchased Mortgage Loans.** If a Mortgage Loan is repurchased by Participating Servicer pursuant to this Agreement and, on the Initial Repurchase Date, the time remaining, in order to avoid a curtailment of debenture interest, to take an action pursuant to 24 C.F.R. § 203.355 is less than ninety (90) calendar days, then the time within which Participating Servicer shall be required to take such action shall be and hereby is extended to the 90th calendar day after the Initial Repurchase Date.

3.04 Representations and Warranties of HUD.

HUD hereby represents and warrants to Participating Servicer as of the Effective Date:

- (a) **Authority; Binding Agreement.** HUD has the power and authority to execute and deliver this Agreement and to perform in accordance herewith. The execution and delivery of this Agreement by HUD and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary action. This Agreement constitutes the valid and binding obligation of HUD, enforceable against HUD in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting

creditors' rights generally and the application of equitable principles in any proceeding, whether at law or in equity.

- (b) **Approvals.** All actions, approvals, consents, waivers, exemptions, variances, franchises, orders, permits, authorizations, rights and licenses required to be taken, given or obtained, as the case may be, by or from any federal, state or other governmental authority or agency (other than any such actions, approvals, etc. under any state securities laws, real estate syndication or "Blue Sky" statutes, as to which HUD makes no such representation or warranty), that are necessary in connection with the execution and delivery by HUD of this Agreement and the consummation of the transactions contemplated hereby and the performance of its obligations hereunder, have been duly taken, given or obtained, as the case may be, are in full force and effect, are not subject to any pending proceedings or appeals (administrative, judicial or otherwise) and either the time within which any appeal therefrom may be taken or review thereof may be obtained has expired or no review thereof may be obtained or appeal therefrom taken.
- (c) **No Breach.** The execution, delivery and performance by HUD of, and the consummation of the transactions contemplated by, this Agreement do not and will not (i) result in the breach of any term or provision of, or conflict with or constitute a default under, or result in the acceleration of any obligation under, any material agreement or other material instrument to which HUD is subject, or (ii) result in the violation of any law, rule, regulation, order, judgment or decree to which HUD is subject.
- (d) **No Litigation.** There is no action, suit, proceeding or investigation pending or, to the best of HUD's knowledge, threatened against HUD which, either in any one instance or in the aggregate, if determined against HUD, would reasonably be likely to draw into question the validity of this Agreement or of any action taken or to be taken in connection with the obligations of HUD contemplated herein, or to impair materially the ability of HUD to perform under the terms of this Agreement.
- (e) **No Violation of Orders, Decrees, etc.** HUD is not in default with respect to any order or decree of any court or any order, rule, regulation or demand of any federal, state, municipal or governmental agency, which default might have consequences that would reasonably be likely to materially and adversely affect HUD's performance under this Agreement.

3.05 **Exclusive Remedies.**

Subject to Section 7.05, the right of HUD to require a cure, reduction in claim payment, or repurchase, and the obligation of Participating Servicer to cure, repurchase, repay any excess claim payments following a reduction pursuant to Section 3.03(a), constitute the sole and exclusive remedies of HUD for a breach of Participating Servicer's representations and warranties contained in Section 3.02. The right of Participating

Servicer to refuse to repurchase a Mortgage Loan, as set forth in Section 3.03(f), and the obligation of HUD to pay the expense of curing or, if applicable, to negotiate in good faith to agree on a Claim Payment reduction as set forth in Section 3.03(a) and (f), with respect to any such Mortgage Loan are the sole and exclusive remedies of Participating Servicer and the sole and exclusive obligations of HUD in the event there exists a breach of Section 3.03(e). The sole and exclusive remedy of Participating Servicer for a breach of any of HUD's representations and warranties set forth in Section 3.04 shall be to declare a default pursuant to Section 7.02 and exercise its rights pursuant to Section 7.04.

3.06 Limitations on Representations and Related Remedies.

Except with respect to any breach of Section 3.02(f) or Section 3.02(x), notice of a breach of a representation or warranty made by Participating Servicer in Section 3.02 with respect to a Mortgage Loan must be made, in writing and delivered to Participating Servicer, within twelve (12) months after the Servicing Transfer Date for such Mortgage Loan. In the event no Notice is received alleging a breach of any of such representations or warranties with respect to a Mortgage Loan within such twelve (12) month period, then the representations and warranties contained in Section 3.02 (other than in Section 3.02(f) or (x)), and the rights and remedies of HUD in Section 3.03, as they relate to such Mortgage Loan, shall expire and be of no further force or effect. The representations and warranties in Section 3.02(f) and 3.02(x) shall survive and shall not be subject to the limitations contained in this Section. Notice of a breach of a representation or warranty made by HUD in Section 3.03(e) with respect to a repurchased Mortgage Loan must be made, in writing and delivered to HUD, within three (3) months after the repurchase date for such Mortgage Loan. In the event no Notice is received alleging a breach of any of such representations or warranties with respect to a Mortgage Loan within such three (3) month period, then the representations and warranties contained in Section 3.03(e), and the rights and remedies of Participating Servicer in Section 3.03(f), as they relate to such Mortgage Loan, shall expire and be of no further force or effect.

ARTICLE IV

INDEMNIFICATION AND OTHER COVENANTS

4.01 Participating Servicer's Indemnification and Other Covenants.

Participating Servicer hereby indemnifies and holds harmless HUD and its employees, agents, contractors, representatives and attorneys ("HUD Indemnified Parties") from and against any and all Claims alleged and Losses incurred as a result of (i) the breach of any of Participating Servicer's representations or warranties in Section 3.01 or the occurrence of any conditions articulated in Sections 3.01(f) or 3.02(cc), and (ii) the breach by Participating Servicer of any agreement, covenant or obligation contained in this Agreement. Participating Servicer covenants and agrees further as follows:

- (a) **No Releases or New Foreclosures.** Except as is permitted hereunder during the Post Claim Servicing Period, on and after the Claim Date, Participating Servicer shall not, and shall not cause any other Person to, release the Mortgage (in whole or in part) with respect to any Mortgage Loan. Except as directed in writing by HUD or New Servicer, after the receipt of an SFLS Claim Identification Date for a Eligible Mortgage Loan and, if no Insurance Claim is filed with respect thereto, until such time as SFLS Claim Identification Date is rescinded or expires, Participating Servicer shall not initiate a foreclosure with respect to such Eligible Mortgage Loan including during any Post Claim Servicing Period.
- (b) **Delivery Requirement.** Beginning on the Earliest Claim Submission Date, anticipated to be on or about June 20, 2013, Participating Servicer shall file Insurance Claims for and assign to HUD up to the total number of loans included in the Claim Identification Report. The Parties may mutually agree that Participating Servicer may submit Insurance Claims on additional mortgage loans under this Agreement.
- (c) **Endorsements and Assignments.** For each Mortgage Loan, Participating Servicer shall prepare and deliver to HUD certain endorsements and Assignments of Mortgage, as set forth in this Section and the instructions set forth on Exhibit A. The documents prepared by Participating Servicer shall meet the requirements of this Section 4.01(c) and shall be substantially in the form of the applicable form documents attached hereto as Exhibits A-1 through A-5 with only those modifications as are necessary to complete the missing information required to be inserted therein and as may be required to comply with applicable Transfer/Recordation Requirements.
- (i) Each Mortgage Note shall be endorsed (on the Mortgage Note and not by allonge), effective as of the Claim Date, to HUD, in the following manner:
- “Payable to the order of the Secretary of Housing and Urban Development of Washington, D.C., and his/her successors and assigns, without recourse.”

//s// [Joe Smith] _____

[Joe Smith], Vice President

ABC Bank

unless, in the jurisdiction in which the Mortgaged Property lies, it is required that the person holding the office of Secretary be named, in which case, the endorsement shall be made in the following manner:

“Payable to the order of [name of person] as Secretary of Housing and Urban Development, Washington, D.C., and his/her successors and assigns, without recourse”.

//s// [Joe Smith]

[Joe Smith], Vice President

ABC Bank

If the original Mortgage Note is not available, in lieu of the foregoing endorsements, Participating Servicer shall prepare an Assignment and Lost Note Affidavit in the form of Exhibit A-3 as well as an Assignment of Lost Note Affidavit in the form of Exhibit A-4 (if the Mortgage Note was misplaced by Participating Servicer) or an Assignment of Lost Note Affidavit in the form of Exhibit A-5 and an Assignment of Lost Note Affidavit in the form of Exhibit A-4 (if the Mortgage Note was misplaced by a prior holder).

- (ii) For each Mortgage not registered in MERS, Participating Servicer shall prepare an Assignment of Mortgage in the form of Exhibit A-1, effective as of the Claim Date, from Participating Servicer to HUD.

Participating Servicer shall also prepare a second Assignment of Mortgage, effective as of the Claim Date and in form and substance recordable under applicable law, from the Secretary of Housing and Urban Development to such transferee as HUD shall direct by Notice from HUD to Participating Servicer delivered prior to the Claim Date. Each such Assignment of Mortgage shall be substantially in the form of Exhibit A-2, with only such variations therefrom as are described in this Section 4, the instructions included as Exhibit A or as Participating Servicer determines are required to comply with applicable Transfer/Recordation Requirements.

- (iii) Participating Servicer shall not record either of the Assignments of Mortgage and shall not execute the second assignment (the assignment from HUD), but shall deliver all such assignments and endorsed Mortgage Notes and any lost note affidavits and assignments as part of the Collateral File in accordance with Section 4.01(e).

- (iv) For each Mortgage registered in MERS, Participating Servicer shall, within ten (10) Business Days after the Claim Date, register a transfer of beneficial rights to HUD within MERS, effective as of the Claim Date, and follow any other procedures in the MERS Procedures Manual or MERS Terms and Conditions to facilitate a transfer of beneficial rights to HUD. At the direction of HUD, Participating Servicer shall remove Mortgages from the MERS system and prepare Assignments of Mortgages and deliver them as specified in subsections (ii) and (iii) above.

- (d) **BPOs and Supplemental Information.** For each Eligible Mortgage Loan with respect to which an SFLS Claim Identification Date is issued (and with respect to

which Participating Servicer intends to submit an Insurance Claim), Participating Servicer shall, (i) within two (2) Business Days after the receipt of a SFLS Claim Identification Date verify the accuracy of the mortgagee identification number, address of the Mortgaged Property and name of the current holder on the FHA Connection Portfolio screen and, if necessary, update HUD's records to correct any inaccuracies in this information, then print and deliver the corrected screen to HUD, along with the Transmittal Sheet included as Appendix 7 to the Desk Guide, all in the manner and otherwise as directed in Section 4.2 of the Desk Guide, (ii) on or before April 19, 2013, order a BPO from a BPO Provider, and, no later than May 8, 2013 make the BPO available to HUD (and direct and authorize the BPO Provider to make the BPO available to HUD) pursuant to Section 4.1 of the Desk Guide, and (iii) on the Due Diligence Supplement Date, submit and update the information set forth on the BPO in the format provided in Appendix 3 to the Desk Guide.

- (e) **Collateral Files and Mortgage Files.** On May 8, 2013, the Participating Servicer shall deliver imaged copies of the Due Diligence Servicing Files for each Mortgage Loan to HUD via overnight mail. With the exception of the Collateral File, Participating Servicer shall use reasonable efforts to exclude Personally Identifiable Information (PII) from documents provided as part of the Due Diligence Servicing Files. Notwithstanding the definition of Collateral File and any other provision of this Agreement, the Mortgage Note will not be endorsed to HUD prior to the Claim Date.

For each Mortgage Loan, the related Collateral File shall be delivered to such parties as HUD shall direct, within 10 days of the Settlement Date (with the First Settlement Date anticipated to be July 31, 2013 and the Second Settlement Date anticipated to be September 18, 2013), in both hard copy and as imaged documents. The Participating Servicer shall deliver the complete related Mortgage File (including PII information) to the New Servicer on the Servicing Transfer Date, all as set forth herein and otherwise in accordance with the Desk Guide. For purposes of this Section, delivery shall be deemed to have occurred when a Mortgage File or Collateral File is confirmed as received by the recipient. Until such time as a Collateral File or Mortgage File is confirmed to have been received by the recipient, Participating Servicer shall bear the risk of loss with respect to the Collateral File and Mortgage File. The Participating Servicer shall retain a copy of the Collateral and Mortgage File for at least twelve (12) months after delivery to the New Servicer.

- (f) **Preservation of Rights to Insurance.** In connection with the transfer of the servicing to any Mortgage Loans, Participating Servicer shall notify all insurers of the transfer of such Mortgage Loans to New Servicer and shall otherwise cause to be performed any and all acts required to be performed to preserve the rights and remedies of New Servicer in any insurance policies applicable to the Mortgage Loans (other than blanket policies), including any assignments or endorsements of policies or interests therein, and establishments of co-insured, joint loss payee and mortgagee rights in favor of New Servicer.

- (g) **Goodbye/Hello Letters.** Participating Servicer shall, at its expense, prepare and send to the Mortgagor with respect to each Mortgage Loan identified in such notice, a “goodbye/hello” letter advising such Mortgagor of the transfer of the servicing for such Mortgage Loan from Participating Servicer to New Servicer. Participating Servicer shall include in such letter all information required by law and prudent servicing practices to be provided to a Mortgagor by both Participating Servicer (as a servicing transferor) and New Servicer (as a servicing transferee) in connection with the servicing transfer and such other information as HUD may require. This goodbye/hello letter shall also include notice to the Mortgagor that FHA mortgage insurance premium may be reinstated in the event the Mortgage Loan is subject to repurchase pursuant to this Agreement. All “goodbye/hello” letters shall comply with and be provided to Mortgagors in compliance with applicable law, including RESPA and TILA. In the event a “goodbye/hello” letter is sent to a Mortgagor and the servicing for the related Mortgage Loan is not transferred to New Servicer, then Participating Servicer shall send (on behalf of itself and New Servicer) a second letter to such Mortgagor advising such Mortgagor that the servicing transfer will not take place. Furthermore, in the event a Mortgage Loan is subject to repurchase pursuant to this Agreement, the Participating Servicer shall send (on behalf of itself and New Servicer) a second letter to the Mortgagor advising the Mortgagor of such repurchase and the reinstatement of FHA mortgage insurance premium. Any such correspondence with the Mortgagor shall be in compliance with applicable law, including RESPA and TILA.
- (h) **Notice to Tax Authorities and Bankruptcy Trustees.** In connection with the transfer of the servicing for any Mortgage Loans, Participating Servicer shall provide written notice to tax bill services or tax authorities (as applicable) of the assignment of the Mortgage Loans and shall provide notice, in accordance with applicable court procedures, to bankruptcy trustees with respect to the assignment of any Bankruptcy Loans. Copies of all such notices shall be provided to New Servicer.
- (i) **Tax Reporting.** For any period prior to (but not including) the Servicing Transfer Date, Participating Servicer shall prepare, report to the Internal Revenue Service and provide to Mortgagors, all in accordance with applicable law, rules and regulations, any and all tax information required to be provided with respect to the Mortgage Loans for that period. Participating Servicer shall not be obligated hereunder to prepare, provide to Mortgagors or report to the Internal Revenue Service such tax information for any period after (and including) the Servicing Transfer Date.
- (j) **Invoices.** All bills and invoices (including taxes and insurance) relating to the Eligible Mortgage Loans for which an SFLS Claim Identification Date is received, which bills and invoices are received by Participating Servicer before the Claim Date,

regardless of when due or payable, and all utility, homeowners association fees, condominium fees and similar bills, that are due as of the Claim Date and about which Participating Servicer has knowledge prior to the Claim Date, shall be paid by Participating Servicer prior to the Claim Date.

- (k) **Post-Servicing Transfer Date Items.** Any checks or other funds with respect to a Mortgage Loan that are received by Participating Servicer after the Servicing Transfer Date shall be endorsed, without recourse, and forwarded by Participating Servicer on a weekly basis, by overnight delivery service, to New Servicer. All Mortgagor and insurer correspondence, tax bills and other correspondence or documentation relating to the Mortgage Loans that is received by Participating Servicer after the Servicing Transfer Date shall be delivered promptly to New Servicer.
- (l) **Servicing and Payment History Information.** On May 8, 2013, the Participating Servicer shall deliver to HUD the following materials: (i) Loan Servicing Comments on the Mortgage Loans for the last 36 months; and (ii) Payment Histories on the Mortgage Loans for the last 36 months.
- (m) **Servicing Transfer Information.** Within five (5) Business Days after the Servicing Transfer Date for any Mortgage Loans, Participating Servicer shall deliver to New Servicer with respect to such Mortgage Loans (i) a trial balance as of the Claim Date and as of the Servicing Transfer Date (including with the Servicing Transfer Date trial balance a list or some other appropriate identification of Bankruptcy Loans, and loans with respect to which the foreclosure process has been initiated or litigation exists), (ii) master record data as of the Servicing Transfer Date in an electronic format, (iii) one or more reports itemizing dates and amounts of payments received and applied, including each principal and interest payment, tax payment, special assessment, hazard insurance premium payment, mortgage insurance premium payment, ground rent payment and other payments (including each advance), (iv) histories for the 36 month period prior to the Servicing Transfer Date, (v) escrow data, including escrow balances, coverage, accrual and payees, (vi) default data, including any modification and repayment plan terms and the names and addresses of any foreclosure or bankruptcy attorneys or trustee and, (vii) to the extent not included in the foregoing, the records and information required to be provided to New Servicer in accordance with Section 5.02(g).

Without limiting the foregoing, Participating Servicer shall capture the Unpaid Principal Balance (and any escrow and other balances) of each Mortgage Loan as of the Claim Date and thereafter record all activity (each individual transaction) with respect to the Mortgage Loan during the Post Claim Servicing Period and provide such information electronically to New Servicer in a format that allows New Servicer to readily reconcile the balance of each Mortgage Loan as of the Servicing Transfer Date. Furthermore, for any Mortgage Loan registered in MERS, Participating

Servicer shall, within five (5) calendar days after the Servicing Transfer Date for any Mortgage Loan, register a transfer of servicing rights on MERS to the New Servicer, effective as of the Servicing Transfer Date, in accordance with the MERS Procedures Manual, the MERS Terms and Conditions, and the Participating Servicer Desk Guide, unless otherwise directed by HUD.

- (n) **Life of the Loan Contracts.** Any life of loan tax contracts and/or flood service contracts required by FHA rules or regulations with respect to the Mortgage Loans will be transferred to the New Servicer on the Servicing Transfer Date.
- (o) **Foreclosure Sale.** For each Mortgage Loan for which no foreclosure sale has been scheduled as of the date of SFLS Claim Submission Report –A, Participating Servicer will not schedule such a foreclosure sale. For each Mortgage Loan for which a foreclosure sale has been scheduled after August 31, 2013, Participating Service will postpone such sale, unless prohibited by state law.

In the event that a Mortgage Loan was eligible as of SFLS Claim Submission Report –A but later became ineligible for SFLS 2013-2 or the Mortgage Loan is not sold as part of SFLS 2013-2, and Participating Servicer fails to meet the Reasonable Diligence Time Frames set forth in Mortgagee Letter 2005-30 Attachment 2 as the direct result of the mortgagee's attempt to process the related claim through SFLS 2013-2, HUD will grant Participating Servicer an extension of the Reasonable Diligence Time Frames for the same number of days as the mortgagee spent attempting to process the claim through SFLS 2013-2 to allow Participating Servicer to complete an action pursuant to 24 C.F.R. § 203.355 and avoid curtailment of debenture interest, where such curtailment would occur solely as the result of the delay in conducting the foreclosure sale for the purpose of submitting the Mortgage Loan for claim payment in connection with the SFLS 2013-2.

4.02 HUD's Covenants.

HUD covenants and agrees as follows:

- (a) **Transfer of Servicing Direction.** By electronic mail notice delivered to Participating Servicer at least five (5) Business Days prior to the date on which "goodbye/hello" letters are required to be sent to Mortgagors under applicable law, including RESPA, for the next Servicing Transfer Date, HUD shall identify the following: (i) the next Servicing Transfer Date, (ii) the Mortgage Loans for which servicing shall be transferred on the next Servicing Transfer Date and for which Participating Servicer is directed to prepare and send "goodbye/hello" letters in accordance with Section 4.01(g), (iii) New Servicer, (iv) the address and telephone number of and any other information about New Servicer required by Participating Servicer to prepare the "goodbye/hello" letters in accordance with the terms of this Agreement, and (v) the name, telephone number and other contact information of a contact person at New Servicer with whom Participating Servicer is to correspond and coordinate servicing transfer activities. On each such Servicing Transfer Date,

the servicing with respect to the Mortgage Loans identified as those for which the servicing is to be transferred on that Servicing Transfer Date shall be transferred. HUD will not direct that Servicing Transfer Dates occur more often than semi-monthly.

- (b) **Recordation of Assignments.** Prior to the Claim Date, HUD shall not record any assignment of a Mortgage which relates to that Insurance Claim.

4.03 Indemnification Procedures and Limitations.

- (a) **Notice.** In the event any Claim is made or any event occurs which would give rise to a right of indemnification by any HUD Indemnified Party against Participating Servicer, such HUD Indemnified Party shall give Notice to Participating Servicer no later than twenty (20) calendar days after such HUD Indemnified Party receives notice of such Claim or event, describing in reasonable detail the facts forming the basis of such Claim and the basis on which it asserts a right to indemnification hereunder. The failure to give such Notice or delay in giving such Notice pursuant to the preceding sentence shall not relieve Participating Servicer of its obligation to indemnify except to the extent Participating Servicer is materially prejudiced thereby.

- (b) **Selection of Counsel.** Unless criminal actions are alleged, or Participating Servicer is also a Person against whom a third party Claim is made and the HUD Indemnified Party determines in good faith that, as a result of conflicting defenses available to Participating Servicer and the HUD Indemnified Party, joint representation would be inappropriate (in either of which cases, the HUD Indemnified Party shall have the right to defend the Claim at Participating Servicer's expense), Participating Servicer shall have the right to assume control of the defense, compromise and settlement of the Claim, in its name or in the name of the HUD Indemnified Party, at the expense and with counsel and other representatives selected by Participating Servicer (and reasonably satisfactory to the HUD Indemnified Party); provided, however, that Participating Servicer shall not (i) compromise or settle a Claim unless it assumes the obligation to indemnify for all Losses relating thereto, or (ii) compromise or settle any third party Claim without the consent of the HUD Indemnified Party (A) if injunctive or other equitable relief would be imposed against the HUD Indemnified Party or (B) such settlement or compromise does not provide for the release of the HUD Indemnified Party of liability with respect to the Claim.

Participating Servicer shall notify the HUD Indemnified Party within ten (10) Business Days of having been notified pursuant to Section 4.03(a) whether Participating Servicer elects to assume the defense of any such Claim and employ counsel, provided, however, that the HUD Indemnified Party does not object to such counsel in the reasonable exercise of its discretion. The HUD Indemnified Party shall have the right to employ its own counsel if Participating Servicer so elects to assume such defense, but the fees and expenses of such counsel shall be at the HUD

Indemnified Party's expense, unless (i) the employment of such counsel shall have been authorized in writing by Participating Servicer; (ii) Participating Servicer shall not have promptly employed counsel to take charge of the defense of such action after electing to assume the defense thereof; or (iii) such HUD Indemnified Party shall have reasonably concluded that there may be defenses available to it that are different from or additional to those available to Participating Servicer or criminal actions are alleged against the HUD Indemnified Party (in either case, Participating Servicer shall not thereafter have the right to continue to direct the defense of such action on behalf of the HUD Indemnified Party), in any of which events said reasonable fees and expenses shall be borne by Participating Servicer. Subject to 24 C.F.R Part 15, the HUD Indemnified Party shall cooperate with Participating Servicer in connection with the defense of any third party Claim and make available, upon reasonable notice during ordinary business hours, its employees and records, and shall provide Participating Servicer with such information as to the defense of such Claim as Participating Servicer shall reasonably request.

- (c) **Settlement of Claims.** The HUD Indemnified Party may notify Participating Servicer at any time by Notice to Participating Servicer of its intention to settle or compromise any Claim against the HUD Indemnified Party in respect of which indemnification payments may be sought from Participating Servicer, but shall not settle or compromise any Claim for which indemnification may be sought, in excess of \$5,000, without the consent of Participating Servicer. Any settlement or compromise of any Claim in accordance with the preceding sentence, or any final judgment or decree entered with respect to any Claim with respect to which Participating Servicer did not assume the defense in accordance herewith, shall be deemed to have been consented to by, and shall be binding upon, Participating Servicer as fully as if Participating Servicer had assumed the defense thereof and a final judgment or decree had been entered with regard to such Claim by a court of competent jurisdiction for the amount of such settlement, compromise, judgment or decree.

4.04 Limitations on Indemnification and Damages.

- (a) **Actual Losses Only.** Regardless of whether a Claim is made by one Party against the other Party or by a third party against a Party, and regardless of whether any such Claim is asserted pursuant to an indemnification provision or otherwise (whether based on contract, tort, strict liability or any other legal theory, including fraud), except for such other or additional amounts as HUD is permitted to recover under any statute, rule or regulation, a Party may recover from the other Party only the actual Losses incurred by the Party claiming recovery, including such Party's costs and expenses (including attorneys' fees and litigation and similar costs) to pursue such recovery.
- (b) **No Consequential Damages.** Without limiting the provisions in Section 4.04(a),

except for such other or additional amounts as HUD is permitted to recover under any statute, rule or regulation, neither Party shall indemnify or otherwise be liable to the other Party, under any theory of contract, tort, strict liability or other legal or equitable theory, including fraud, for any consequential, special, indirect or punitive damages, including lost profits or operating losses or lost investment or business opportunity (regardless of whether any such damages are characterized as direct or indirect), exemplary damages, treble damages or nominal damages, each of which is hereby excluded by agreement of the Parties, regardless of whether or not the other Party has been advised of the possibility of any such damages, unless, in each case, such Losses are incurred by the Party asserting the Claim as a direct result of a Claim asserted against such Party by a third party (other than an Affiliate, director, officer, partner, employee, agent or contractor of such Party).

- (c) **Performance Condition.** Neither Party shall indemnify or otherwise be liable to the other Party for any Losses with respect to which the Party asserting the Claim has failed, in any material respect, to perform its obligations under this Agreement.
- (d) **Recoveries.** Neither Party shall make any Claim or seek indemnification or otherwise seek recovery from the other Party for any Loss that is reimbursed by or recovered from any other Person, including any insurer and including any Loss that is recoverable through the use by such Party of a direct contractual right of or tax benefit available to it.
- (e) **Mitigation.** Each Party shall be obligated to use commercially reasonable efforts to mitigate all Losses that could be incurred by it and for which it seeks or may seek indemnification or recovery, subject to Section 7.05 of this Agreement, from the other Party upon becoming aware of any event that could give rise to Losses, including seeking to recover such Losses from a third party against whom such Party has a right of action, provided, however, that neither Party shall be required to litigate or pursue any other formal action (such as arbitration) against a third party in order to mitigate a Loss unless both Parties agree to do so.

4.05 Redelivery of Insurance Claims; Reassignment of Mortgage Loans.

- (a) **Rejection of Suspended and Other Insurance Claims.** In its sole and absolute discretion, HUD may reject for processing and redeliver to Participating Servicer any Suspended Claim that (A) is not an Eligible Mortgage Loan, (B) with respect to which Participating Servicer has failed to comply with its obligations under Section 2.03, or (C) is a Suspended Claim on the day that is thirty (30) calendar days after the submission of the Insurance Claim. In the event HUD requires that a Suspended Claim be redelivered to Participating Servicer pursuant to the preceding sentence, within five (5) Business Days after Participating Servicer's receipt of notice of the same (which may be delivered by electronic mail), the redelivery shall be deemed to have occurred and, as soon as practical after receipt of Notice from Participating

Servicer requesting the same, HUD shall deliver to Participating Servicer all related collections and other amounts remitted to HUD or New Servicer after the Claim Date, plus the balance of all escrow and suspense accounts at the time of the redelivery. For all redeliveries of Suspended Claims, as soon as practical after Notice to HUD from Participating Servicer requesting the same, HUD shall return to Participating Servicer any endorsements and assignments delivered in connection with the submission of the Insurance Claim, all of which shall be cancelled, and the remainder of the Collateral File delivered in connection with the submission of the Insurance Claim.

- (b) **Reassignment of Mortgage Loans.** For each Mortgage Loan repurchased by Participating Servicer under this Agreement, HUD shall, as soon as practical after receipt of Notice from Participating Servicer requesting the same, (i) reassign such repurchased Mortgage Loan to Participating Servicer (or the holder thereof as of the Claim Date) by delivery of a Mortgage assignment and (ii) deliver to Participating Servicer the Mortgage Note, duly endorsed without recourse to Participating Servicer (or the holder thereof as of the Claim Date), and the remainder of the Collateral File and the Mortgage File. Participating Servicer shall pay all costs and fees of recording any Mortgage assignment delivered for any Mortgage Loan repurchased pursuant to this Agreement, including an assignment of the Mortgage to HUD from a HUD Successor.
- (c) **Reinstatement of FHA Insurance.** In the event any Mortgage Loan is repurchased pursuant to this Agreement, and FHA insurance was actively in effect on such Mortgage Loan on the Claim Date, upon request of Participating Servicer by Notice to HUD and compliance by Participating Servicer (or the holder thereof as of the Claim Date) with such conditions as HUD may specify (including payment of all FHA insurance premiums due or that would have been due but for the termination of the FHA insurance), HUD shall reinstate the FHA insurance on such Mortgage Loan as if the FHA insurance had never been terminated. Following reinstatement of FHA insurance on any Mortgage Loan repurchased pursuant to this Agreement, all relevant FHA statutes, regulations, handbook and mortgagee letter guidance for the payment of a full-conveyance insurance claim will apply to any claim subsequently submitted for the insured Mortgage Loan.
- (d) **Extensions of Certain Times for Redelivered Mortgage Loans.** If a Mortgage Loan is redelivered by HUD pursuant to this Agreement and, at the time of such redelivery, the time remaining, in order to avoid a curtailment of debenture interest, to take an action pursuant to 24 C.F.R. § 203.355 is less than ninety (90) calendar days, then the time within which Participating Servicer shall be required to take such action shall be and hereby is extended to the 90th calendar day after the redelivery date.

ARTICLE V

POST-CLAIM SERVICING

5.01 Post-Claim Servicing Period.

Following the Claim Date, Participating Servicer shall continue to service the Mortgage Loans and Suspended Claims until the Servicing Transfer Date ("Post-Claim Servicing Period"). For Mortgage Loans registered in MERS, Participating Servicer shall remain as servicer of record on MERS during the Post-Claim Servicing Period. The Servicing Transfer Date for any Mortgage Loan shall be the date identified by HUD to Participating Servicer in accordance with Section 4.02(a), but shall not be later than the day that is three (3) months after the Claim Date for the last Insurance Claim submitted hereunder.

5.02 Post-Claim Servicing Responsibilities.

During the Post-Claim Servicing Period, Participating Servicer shall comply with the obligations contained in this Section and in the Interim Servicing Agreement attached as Exhibit C. The Participating Servicer and Purchaser(s) shall both execute the Interim Servicing Agreement. The Interim Servicing Agreement may only be modified by mutual consent of the parties thereto.

Except as otherwise expressly set forth herein, Participating Servicer shall service and administer a Suspended Claim or Mortgage Loan identified for repurchase as a Mortgage Loan according to the terms of the Interim Servicing Agreement during the Post-Claim Servicing Period, with the exception that any services to be provided on behalf of the Purchaser or the New Servicer will instead be provided on behalf of HUD. Additionally, for a Suspended Claim or Mortgage Loan identified for repurchase, any direction or consent to be provided under the Interim Servicing Agreement by the Purchaser or the New Servicer will instead be provided by HUD.

5.03 Servicing Standards.

Except as is otherwise expressly set forth in this Article V or the provisions of the Interim Servicing Agreement or directed in writing by HUD, Participating Servicer shall continue, until the Claim Payment (if any) is made, to service, administer and collect all Suspended Claims in accordance with applicable FHA servicing requirements and standards with not less than the degree of care, skill, prudence and attention that Participating Servicer generally exercises with respect to other comparable FHA-insured single-family mortgage loans and Mortgaged Properties that it services for itself. Except as is otherwise expressly set forth in this Article V or the Interim Servicing Agreement or directed in writing by the Purchaser, Participating Servicer shall service, administer, collect and foreclose on the Mortgage Loans other than the Suspended Claims in accordance with the customary and usual procedures of institutions which service and collect similar mortgage loans or receivables portfolios secured by similar properties and, in any event, not less than the degree of care, skill, prudence and attention that Participating Servicer generally exercises with respect to comparable loans that it services for itself.

5.04 Power and Authority.

During the Post Claim Servicing Period, Participating Servicer shall service, administer and collect the Mortgage Loans and the Suspended Claims in compliance with the terms of the Interim Servicing Agreement.

ARTICLE VI

AUDITS

6.01 Audits.

Without limiting their rights under applicable statutes, rules and regulations, HUD, the General Accounting Office, the Office of the Inspector General and any other federal government agency or instrumentality and any Person designated by any of the foregoing may, from time to time, upon reasonable notice to and during normal business hours of Participating Servicer, conduct audits and compliance and other reviews of any matter relating to this Agreement (including the payment of any Claim Payment) and shall be entitled to review, during any such audit or compliance or other review, Participating Servicer's books, papers, records, accounts and servicing practices and procedures to the extent the same relate to this Agreement. Participating Servicer shall make available, during any such audit or compliance or other review, all books, papers, records and accounts that relate to this Agreement and Participating Servicer's activities hereunder or in connection herewith and information concerning Participating Servicer's servicing practices and procedures. Participating Servicer shall make available for interviews during any such audit or compliance or other review Participating Servicer's personnel, and Participating Servicer shall bear any costs and expenses incurred by it in making available its personnel (including the expense of their wages and salaries) and in making available its books, papers, records, accounts and information concerning its servicing practices and procedures. Without limiting the foregoing, it is anticipated that HUD will conduct annual compliance reviews with respect to Participating Servicer's obligations under this Agreement.

ARTICLE VII

EVENTS OF DEFAULT

7.01 Participating Servicer Events of Default.

The following events shall constitute a default by Participating Servicer of this Agreement (each a "Servicer Event of Default"):

- (a) the breach by Participating Servicer of any provision of this Agreement other than Section 3.02, all breaches of which shall be governed by Section 3.03, and the failure of Participating Servicer, within five (5) Business Days of Notice of the same to Participating Servicer by HUD, either to cure such breach or to provide HUD with a plan acceptable to HUD to cure such breach. Notwithstanding the preceding

paragraph, if a Participating Servicer acted reasonably to prevent the disclosure of Personally Identifiable Information in the Due Diligence Servicing File, the inadvertent inclusion of such information in the imaged documents shall not constitute a breach of Section 4.01(e);

- (b) Participating Servicer is indicted for or convicted of a crime, or any act or omission of Participating Servicer under or in connection with this Agreement is grossly negligent or constitutes fraud or willful misconduct;
- (c) the breach by Participating Servicer of any of Participating Servicer's representations or warranties contained in Section 3.01 and the failure of Participating Servicer, within five (5) Business Days after Notice of the same to Participating Servicer by HUD, either to cure such breach or to provide HUD with a plan acceptable to HUD to cure such breach; or
- (d) there occurs, with respect to Participating Servicer, or any Person controlling Participating Servicer, an Insolvency Event.

7.02 HUD Events of Default.

The following events shall constitute a default by HUD of this Agreement (each a "HUD Event of Default"):

- (a) the breach by HUD of any material provision of this Agreement and the failure of HUD, within five (5) Business Days after Notice of the same to HUD by Participating Servicer, either to cure such breach or to provide Participating Servicer with a plan to cure such breach; or
- (b) the breach by HUD of any representation or warranty contained in Section 3.04 and the failure of HUD, within five (5) Business Days after Notice of the same to HUD by Participating Servicer, either to cure such breach or to provide Participating Servicer with a plan to cure such breach.

7.03 HUD Remedies for Servicer Event of Default.

Subject to Section 7.05, in the event of the occurrence of any Servicer Event of Default, HUD may terminate this Agreement, and make a Claim against and recover from Participating Servicer, subject to such limitations on recoveries as are set forth in Section 4.04, pursuant to the indemnification provisions of this Agreement, which provisions shall survive any termination of this Agreement. Upon termination of the Agreement pursuant to this Section, all rights and obligations of the Parties hereunder shall terminate except for such rights and obligations as the Parties may have with respect to Mortgage Loans for which Insurance Claims were properly submitted prior to the date of termination (but excluding any such Insurance Claims that are or become Suspended Claims unless HUD, in its sole and absolute discretion, makes a Claim Payment), including the representations and warranties of the Parties, the right of Participating Servicer to receive Claim Payments, the right of HUD to require cures, redeliveries and

repurchases, and the right of Participating Servicer to receive reassignments and reinstatements of FHA insurance for repurchased Mortgage Loans.

7.04 Participating Servicer Remedies for HUD Event of Default.

In the event of the occurrence of any HUD Event of Default, Participating Servicer may terminate this Agreement and make a Claim against HUD for any actual Losses and (subject to the limitations set forth in Section 4.04) recover from HUD such Losses incurred by Participating Servicer as a result of the occurrence of the HUD Event of Default. Upon termination of this Agreement pursuant to this Section, all rights and obligations of the Parties hereunder shall terminate except for such rights and obligations as the Parties may have with respect to Mortgage Loans for which Insurance Claims were properly submitted prior to the date of termination (but excluding any such Insurance Claims that are or become Suspended Claims unless HUD, in its sole and absolute discretion, makes a Claim Payment), including the representations and warranties of the Parties as they relate to such Mortgage Loans, the right of Participating Servicer to receive Claim Payments, the right of HUD to require cures, redeliveries and repurchases, and the right of Participating Servicer to receive reassignments and reinstatements of FHA insurance for repurchased Mortgage Loans.

7.05 Additional Remedies of HUD.

Notwithstanding any other provision to the contrary, nothing in this Agreement shall in any way limit the rights and remedies available to HUD pursuant to any statute, rule or regulation for any act or omission of Participating Servicer regardless of whether such act or omission constitutes a Servicer Event of Default or a breach of this Agreement, nor shall any provision of this Agreement constitute a waiver of any right or responsibility of HUD or any other Federal agency to investigate or initiate other actions pursuant to its lawful authority.

ARTICLE VIII

MISCELLANEOUS

8.01 Survival.

The representations, warranties, covenants and agreements of the Parties contained in this Agreement shall survive the sale and transfer of any Mortgage Loan and the payment of any Insurance Claim and, to the extent set forth in Sections 7.03 and 7.04, the termination of this Agreement.

8.02 Amendment.

Except as is permitted pursuant to Section 8.16, this Agreement may not be amended

except by an instrument in writing signed on behalf of Participating Servicer and HUD.

8.03 Counterparts.

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall be considered one and the same instrument.

8.04 Entire Agreement.

This Agreement (including all exhibits hereto) contains the entire agreement between Participating Servicer and HUD and supersedes all prior oral and written negotiations, agreements, arrangements, representations, warranties and understandings relating to the subject matter hereof.

8.05 Rights Cumulative; Waiver.

Except as otherwise expressly provided herein, the rights of each of the Parties under this Agreement are cumulative, may be exercised as often as any Party considers appropriate and are in addition to each such Party's rights under law. The Parties may not waive or vary any right hereunder except by an express written waiver or variation. Any failure to exercise or any delay in exercising any of such rights, or any partial or defective exercise of such rights, shall not operate as a waiver or variation of that or any other such right.

8.06 Construction.

The section and article headings contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement. References in this Agreement to articles, sections and subsections are to articles, sections and subsections of this Agreement. This Agreement shall be construed fairly as to both Parties and not in favor of or against either Party regardless of which Party prepared this Agreement. Terms defined in this Agreement include the plural, as well as the singular, and pronouns and variations thereof used in this Agreement refer to the masculine, feminine or neuter, singular or plural, as the identity of the Person or Persons may require. Use of the term or phrase "including", "including, without limitation" or "including, but not limited to" shall mean "including, without limitation". References in this Agreement to a "state" shall include the District of Columbia, the Virgin Islands and Puerto Rico.

If the Agreement does not expressly provide Business Days, then the number of days shall be in terms of calendar days where, however, calendar days shall not be inclusive of federal holidays or any day in which the federal government is not operating.

8.07 Notices.

All Notices shall be in writing and, except for such electronic copies as are specified herein, shall be delivered by hand delivery, by overnight courier or United States Express Mail, or by registered or certified mail (return receipt requested, postage prepaid), and shall be deemed to have been duly given when received in all cases addressed to the Parties at the following addresses (or at such other addresses as shall be specified by like Notice):

If to HUD:

U. S. Department of Housing and Urban Development
451 7th Street, S.W., Room 3136
Washington, D.C. 20410
Attention: Asset Sales Office
Director of the SFLS Program

with an electronic copy to: assetsales@hud.gov

If to Participating Servicer:

JPMorgan Chase NA
3190 Fairview Park Dr, Floor 2 STE 230
Falls Church, VA 22042

Attention: Susan K Huber

8.08 Governing Law.

This Agreement shall be governed by and construed in accordance with federal law and, in the event there is no applicable federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of New York (without regard to any conflict of laws rule or principle that might refer the governance or the construction of this Agreement to the law of another jurisdiction).

8.09 Submission to Jurisdiction.

Participating Servicer hereby irrevocably and unconditionally:

- (a) (i) agrees that any suit, action or proceeding against it arising out of or relating to or in connection with this Agreement may be instituted, and that any suit, action or proceeding by it against HUD arising out of or relating to or in connection with this

Agreement shall be instituted only, in the U.S. District Court for the District of Columbia or the U.S. Court of Claims (and appellate courts from either of the foregoing), as the Person instituting such suit, action or proceeding may elect in its sole discretion, (ii) consents and submits, for itself and its property, to the jurisdiction of such courts for the purpose of any such suit, action or proceeding instituted against it, and (iii) agrees that a final judgment in any such suit, action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law;

- (b) (i) waives any objection that it may now, or hereafter, have to the laying of venue of any suit, action or proceeding arising out of, relating to, or in connection with, this Agreement brought in any court specified in Section 8.09(a), (ii) waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum, and (iii) agrees not to plead or claim either of the foregoing.

8.10 Waiver of Jury Trial.

EACH OF THE PARTIES HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, ARISING OUT OF OR RELATING TO OR IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED THEREBY.

8.11 Severability.

Should any provision of this Agreement or the application thereof for any reason be declared by a court of competent jurisdiction to be invalid, illegal or unenforceable, such provision shall be construed and enforced as if it had been more narrowly drawn so as not to be invalid, illegal or unenforceable, and the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

8.12 Successors and Assigns.

This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns. Notwithstanding anything to the contrary contained in this Agreement, neither HUD nor Participating Servicer may assign or otherwise transfer this Agreement (in whole or in part) or delegate its rights or duties hereunder except with the prior written consent of the other, and any attempted assignment, transfer or delegation in violation of this provision shall be void ab initio.

8.13 Third Party Beneficiaries.

This Agreement is intended for the sole benefit of the Parties and their respective

successors and permitted assigns, and there shall be no third party beneficiaries.

8.14 Further Assurances.

The Parties shall act reasonably and in good faith in complying with their obligations under this Agreement. Without limiting the foregoing, HUD and Participating Servicer shall each cooperate with one another to carry out to the fullest extent possible the purposes of this Agreement.

8.15 Debt Collection.

Nothing in this Agreement shall limit, impair or restrict any right HUD may have under applicable laws, rules and regulations with respect to the collection of any debt Participating Servicer or the holder of an FHA-insured mortgage loan may owe to HUD.

8.16 Desk Guide.

The Desk Guide, attached as Exhibit B, is an integral part of this Agreement. HUD may unilaterally amend, supplement or change the provisions of the Desk Guide, but only in a manner that does not have a material adverse effect (including a material adverse economic or financial effect) on the rights and obligations of Participating Servicer under this Agreement.

8.17 Interim Servicing Agreement.

The Interim Servicing Agreement attached as Exhibit C, is an integral part of this Agreement. The Purchaser(s) (or HUD in the case of Suspended Loans) may amend, supplement or change the provisions of the Interim Servicing Agreement only by mutual consent of the parties.

8.18 Confidentiality.

HUD is aware of the non-disclosure obligations of Participating Servicer with respect to certain mortgage loan data provided to HUD pursuant to this Agreement, and HUD agrees that all third parties to which any such mortgage loan data is made available will be bound by a confidentiality obligation or agreement with HUD.

8.19 Claims Process.

Unless and to the extent to do so would be inconsistent with the provisions of this Agreement (including the Desk Guide), Participating Servicer shall follow and remain subject to all provisions of HUD's rules and regulations, HUD Handbook 4330.4 Rev. 1, and other issuances relating to the filing of FHA mortgage insurance claims.

8.20 Limitations.

(a) Engagement as New Servicer. Notwithstanding any other provision of this Agreement to the contrary, in the event Participating Servicer (or any Affiliate thereof) is engaged by the winning bidder to service the Mortgage Loans, Participating Servicer will, upon HUD's request, execute and deliver to HUD an affidavit or certification, in form and substance acceptable to HUD, that Participating Servicer: (a) has performed loss mitigation on all the Mortgage Loans in accordance with applicable law, rules, regulations and HUD mortgagee letters and other issuances, and (b) maintains separate operations for servicing its portfolio of FHA-insured mortgage loans from its operations for servicing the sale portfolio.

8.21 Facsimile Signature.

This Agreement (and any amendments thereto), to the extent signed and delivered by means of a facsimile machine or email (of scanned original), shall be treated in all manner and respects as an original agreement and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of a Party to this Agreement, any other Party so executing and delivering this Agreement (or any amendment thereto) by means of a facsimile machine or email (of scanned original) shall re-execute original forms thereof and deliver them to the requesting Party. No Party shall raise the use of a facsimile machine or email delivery of a signature or the fact that any signature or agreement was transmitted or communicated through the use of a facsimile machine or email as a defense to the formation or enforceability of a contract and each such Party forever waives any such defense.

By: Robert J. [Signature]

Assistant Secretary for Housing – Federal Housing
Commissioner

By: [Signature]
Name: Paul H. Horvath
Title: SVP
Date: 5/22/2013

Exhibit A

**INSTRUCTIONS REGARDING PARTICIPATING SERVICER'S
PREPARATION OF
ASSIGNMENTS AND LOST NOTE AFFIDAVITS**

Initially capitalized terms used and not defined in these instructions have the meanings given such terms in the Participating Servicer Agreement.

Participating Servicer should prepare mortgage assignments and note endorsements in accordance with the Agreement and the following more specific guidelines, which HUD believes will help ensure Participating Servicer's compliance with the requirements of the Agreement:

1. Please prepare Assignments of Mortgage from Participating Servicer to HUD in substantially the form attached as Exhibit A-1.
2. Please prepare Assignments of Mortgage from HUD to the winning bidder, as directed in writing by HUD in substantially the form attached as Exhibit A-2.
3. HUD understands that applicable Recordation/Transfer Requirements may necessitate changes from the forms of Assignments of Mortgage included as Exhibits A-1 and A-2, and Participating Servicer should make such changes. Nonetheless, it is important that each Assignment of Mortgage include in some manner the language in paragraph 2 of Exhibits A-1 and A-2 (regarding the assignment of other collateral documents including title and hazard insurance policies).
4. Please ensure that all blanks on the Assignments of Mortgage are properly completed, including missing recordation information, missing execution dates and missing dates in the notary blocks. These Assignments of Mortgage will be delivered to such parties as HUD shall direct, but any Assignments of Mortgage that are not recordable will be returned to Participating Servicer to be redone at its expense.
5. Please leave blank the block for the name and address of the person to whom the recorded instrument is to be sent after recordation.

6. Endorsements are to be stamped on the Mortgage Notes. Please do not send allonges. The form of endorsement by Participating Servicer to HUD is contained in Section 4.01(c) of the Agreement.
7. If the Mortgage Note has been lost, please prepare an Assignment and Lost Note Affidavit in the form of Exhibit A-3 as well as an Assignment of Lost Note Affidavit in the form of Exhibit A-4 (if the Mortgage Note was misplaced by Participating Servicer) or an Assignment of Lost Note Affidavit in the form of Exhibit A-5 and an Assignment of Lost Note Affidavit in the form of Exhibit A-4 (if the Mortgage Note was misplaced by a prior holder). Also, please include with each shipment of files a list of those files for which Mortgage Notes cannot be located.
8. If a notary block requires a reference to the authorizing body (such as a board of directors), please refer to the Secretary of Housing and Urban Development, as HUD has no board of directors. Authorized agents are authorized to sign on behalf of the Secretary by the Secretary.
9. Please place the two Assignments of Mortgage and the endorsed Mortgage Note (or any lost note affidavits or the Assignment and Lost Note Affidavit, and any Assignments of Lost Note Affidavit) in the front of the Collateral File delivered to HUD.

Exhibit A-1

Form of Assignment of Mortgage to HUD

FHA Loan No.: _____

**After recording, please return
to:**

This instrument prepared by:

ASSIGNMENT OF MORTGAGE AND OTHER LOAN DOCUMENTS

_____ whose address is _____
("Assignor"), in consideration of Ten Dollars (\$10.00) and other good and valuable
consideration received by Assignor, hereby assigns, transfers, sets over and conveys to the
Secretary of Housing and Urban Development, Washington, D.C., and his/her successors and
assigns, without recourse, the following:

1. that certain _____ dated _____, and recorded [as
Instrument Number _____] [in Book/Volume/Liber/Register/Reel _____,
at Page/Folio _____], among the land records of _____ County,
_____, as amended or modified (the "Mortgage"), which Mortgage
secures that certain promissory note dated _____ (the "Note"); and
2. such other documents, agreements, instruments and other collateral that evidence,
secure or otherwise relate to Assignor's right, title or interest in and to the Mortgage

¹ If the jurisdiction in which the Mortgaged Property lies requires that the person holding the office of
Secretary be named, the assignment shall be made in the following manner: "to [name of person] as
Secretary of Housing and Urban Development, Washington, D.C., and his/her successors and assigns".

and/or the Note, including without limitation the title insurance policies and hazard insurance policies that might presently be in effect.

TO HAVE AND TO HOLD unto Assignee and its successors and assigns forever.

IN WITNESS WHEREOF, Assignor has caused this Assignment to be executed and delivered by its duly authorized officer as of the ____ day of _____, 20__.

WITNESS

By: _____

Name: _____

Title: _____

Name and Address of Assignee:

Secretary of Housing and Urban Development
451 7th Street, S.W.
Washington, D.C. 20410

ACKNOWLEDGMENT

_____))

), ss:

_____))

The foregoing instrument was acknowledged before me on _____, 20____
by _____, as _____ for
_____, in the capacity noted in the foregoing instrument.

Notary Public

My commission expires _____

[SEAL]

Exhibit A-2

Form of Assignment of Mortgage to the Winning Bidder

FHA Loan No.: _____

After recording, please return
to:

This instrument prepared by:

ASSIGNMENT OF MORTGAGE AND OTHER LOAN DOCUMENTS

The Secretary of Housing and Urban Development, whose address is 451 7th Street, S.W., Washington, D.C. 20410 ("Assignor"), in consideration of Ten Dollars (\$10.00) and other good and valuable consideration received by Assignor, hereby assigns, transfers, sets over and conveys to [WINNING BIDDER] and its successors and assigns, without recourse, the following:

1. that certain _____ dated _____, _____, and recorded [as Instrument Number _____] [in Book/Volume/Liber/Register/Reel _____, at Page/Folio _____], among the land records of _____ County, _____, as amended or modified (the "Mortgage"), which Mortgage secures that certain promissory note dated _____ (the "Note"); and
2. such other documents, agreements, instruments and other collateral that evidence, secure or otherwise relate to Assignor's right, title or interest in and to the Mortgage and/or the Note, including without limitation the title insurance policies and hazard insurance policies that might presently be in effect.

TO HAVE AND TO HOLD unto Assignee and its successors and assigns forever.

IN WITNESS WHEREOF, Assignor has caused this Assignment to be executed and delivered by its duly authorized officer as of the ____ day of _____, 20__.

SECRETARY OF HOUSING AND URBAN
DEVELOPMENT

WITNESS

By: _____

Name: _____

Title: Authorized Agent

Name and Address of Assignee:

[WINNING BIDDER]

[Address to be Determined]

ACKNOWLEDGMENT

CITY OF WASHINGTON)

)

DISTRICT OF COLUMBIA)

The foregoing instrument was acknowledged before me on _____, 20__
by _____, as Authorized Agent for the Secretary
of Housing and Urban Development, in the capacity noted in the foregoing instrument.

Notary Public

[SEAL]

My commission expires _____

Exhibit A-3

Form of Assignment and Lost Note Affidavit to HUD

ASSIGNMENT AND LOST NOTE AFFIDAVIT
(Mortgage Note/Deed of Trust Note)

FHA Loan No. _____

Borrower Name _____

City, State _____

I, _____, [INSERT INFORMATION ON
POSITION WITH PARTICIPATING SERVICER], on oath depose and state the
following:

1. On _____, a certain [indicate Mortgage Note or Deed
of Trust Note or other instrument] ("Note") in the face amount of \$ _____
[insert face amount of Note] was executed by _____ [insert
name of original maker of Note] in favor of _____
[insert name of original payee][IF PARTICIPATING SERVICER INSERT
("Assignor")]. (A copy of said Note is attached herewith, if available.)

[2. The Note was assigned to [Participating Servicer] ("Assignor") by
_____ on _____
][USE ONLY IF NOTE WAS ASSIGNED TO PARTICIPATING SERVICER. IF
PARTICIPATING SERVICER WAS THE ORIGINAL PAYEE THEN OMIT AND
RENUMBER REMAINING PARAGRAPHS]

3. The Note was secured by a [indicate Mortgage or Deed of Trust or
other document] ("Mortgage") recorded in Volume _____, Page _____,
_____ County, _____ [insert applicable recording
information].

4. The Note was not where it was assumed to be, and a diligent search to locate the Note was undertaken, without results.

5. Pursuant to the terms and conditions of that certain Participating Servicer Agreement between Assignor and the Secretary of Housing and Urban Development ("HUD") ("Assignee"), dated as of _____, 201__, the Note and all rights thereunder and under this Assignment and Lost Note Affidavit is hereby assigned to the Assignee without recourse.

6. Assignor has not transferred, assigned or conveyed the Note or any rights thereunder or under this Assignment and Lost Note Affidavit to any person or entity other than Assignee. In the event that Assignor subsequently locates the Note, Assignor shall provide written notice thereof to the Assignee and shall deliver and endorse the Note to the Assignee in accordance with written instructions received from the Assignee (or such other party designated in writing by the Assignee).

IN WITNESS WHEREOF, Assignor has caused this Assignment and Lost Note Affidavit to be executed and dated as of the _____ day of _____, 201__.

ATTEST/WITNESS:

[PARTICIPATING SERVICER]

[Name]

[Title]

By: _____

[Name]

[Title]

ACKNOWLEDGEMENT

STATE OF _____)

)

COUNTY OF _____)

The foregoing instrument was acknowledged before me on _____, 20____
by _____, as Authorized Agent for the Secretary
of Housing and Urban Development, in the capacity noted in the foregoing instrument.

Notary Public

[SEAL]

My commission expires _____

Exhibit A-4

Form of Assignment of Lost Note Affidavit to Winning Bidder

ASSIGNMENT OF LOST NOTE AFFIDAVIT
(Mortgage Note/Deed of Trust Note)

Borrower Name: _____

City, State: _____

The Secretary of Housing and Urban Development ("HUD"), pursuant to the terms of that certain Conveyance, Assignment and Assumption Agreement by and among HUD, [To be Determined] and [WINNING BIDDER] ("Assignee") dated as of _____, 201____, and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration paid by Assignee, hereby assigns, transfers, sets over and conveys, without recourse, to Assignee, its successors and assigns, that certain Assignment and Lost Note Affidavit executed by [PARTICIPATING SERVICER] in favor of and delivered to HUD together with all rights thereunder and under the note to which such Assignment and Lost Note Affidavit relates.

IN WITNESS WHEREOF, HUD has caused this Assignment to be executed and delivered by its duly authorized agent as of the _____ day of _____, 20____.

WITNESS: SECRETARY OF HOUSING AND
URBAN DEVELOPMENT

By: _____

Authorized Agent

Name and Address of Assignee:

[WINNING BIDDER]

[Address to be Determined]

ACKNOWLEDGEMENT

CITY OF WASHINGTON)
)
DISTRICT OF COLUMBIA)

The foregoing instrument was acknowledged before me on _____, 20____
by _____, as Authorized Agent for the Secretary
of Housing and Urban Development, in the capacity noted in the foregoing instrument.

Notary Public

[SEAL]

My commission expires _____

Exhibit A-5

Form of Assignment of Lost Note Affidavit to HUD

ASSIGNMENT OF LOST NOTE AFFIDAVIT
(Mortgage Note/Deed of Trust Note)

Borrower Name:

City, State: _____

[PARTICIPATING SERVICER] ("Assignor"), pursuant to the terms of that certain Conveyance, Assignment and Assumption Agreement by and among HUD, [To be Determined] and [WINNING BIDDER] ("Assignee") dated as of _____, 201____, and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration paid by Assignee, hereby assigns, transfers, sets over and conveys, without recourse, to Assignee, its successors and assigns, that certain [Lost Note Affidavit ("Lost Note Affidavit")] [refer here to the actual title of the lost note affidavit held by Participating Servicer] executed in favor of and delivered to [Participating Servicer or other Assignee identified on Lost Note Affidavit] together with all rights thereunder and under the note to which such Lost Note Affidavit relates.

IN WITNESS WHEREOF, [PARTICIPATING SERVICER] has caused this Assignment to be executed and delivered by its duly authorized agent as of the _____ day of _____, 20____.

WITNESS:

[PARTICIPATING SERVICER]

By: _____

Name: _____

Title:

Name and Address of Assignee:

Secretary of Housing and Urban Development

451 7th Street, S.W.

Washington, D.C. 20410

ACKNOWLEDGEMENT

)
)
)

The foregoing instrument was acknowledged before me on _____, 20____
by _____, as _____ for
_____, in the capacity noted in the foregoing instrument.

Notary Public

My commission expires _____

[SEAL]

Exhibit B

DESK GUIDE

[Attached]

Exhibit C

INTERIM SERVICING AGREEMENT

[Attached]

Exhibit D**DELIVERY REPORT**

In accordance with Section 2.03 this Report provides the reason for non-delivery of Mortgage Loan that were identified on SFLS Claim Submission Report-A but for which an Insurance Claim was not submitted. This Delivery Report is due 30 Business days after the Participating Servicer's last SFLS Claim submission.

- A. Loans Removed for Loss Mitigation:** For each Mortgage Loan removed due to Loss Mitigation activity provide the date of the Borrower Contact that resulted removal of the Mortgage Loan from the sale, and check the type of Loss Mitigation offered.

FHA Case Number	Date of Contact with Borrower	Type of Loss Mitigation Offered (indicate any and all)	Forbearance Repayment Plan	Special Forbearance	Modification	FHA-HAMP	Pre-foreclosure Sale	Deed in lieu	Other - specify

- B. Loans Removed for Reasons Other than Loss Mitigation:** For loans that were removed for reasons other than Loss Mitigation activity provide the specific reason the loan why an Insurance Claim was not submitted.

FHA Case Number	Reason for Removal from the Sale (including whether the reason was due to loss of eligibility after the date of the SFLS Claim Submission Report-A)

Case Status

Page 1 of 6


[Early Warnings](#) [Servicing](#) [Analysis](#) [Details](#) [Queries](#) [Reporting](#) [Help/About](#)

FHA Case Details	
Loan Level Data is as of: July 31, 2014 Help	
<u>Borrower/Property/Loan Identification</u>	
Case Number:	374-5838647
Borrower Name:	[REDACTED]
SSN/TIN Last Four Digits:	[REDACTED]
Co-Borrower Name:	
SSN/TIN Last Four Digits:	
Street Address:	[REDACTED]
City:	BROOKLYN
State & Zip:	NY, 112130000
Census Tract:	034900
Underserved Indicator:	Yes
<u>Loan Information</u>	
Section of the Act:	203B (Mutual Mortgage)
ADP Code:	703
Fund Code:	M (Mutual Mortgage Insurance Fund)
Number of Living Units:	1 (One Living Unit Within Property)
Construction Code:	4 (Existing Construction)
Appraised Value:	\$505,000.00
Sale Price:	\$505,000.00
Loan Amount:	\$498,264
Interest Rate:	4.500%
Term:	360
Monthly Payment (P/I):	\$2,524.63
Loan Purpose:	1 (Purchase an existing house, previously occupied)
Refinance Code:	
Loan To Value Ratio:	96.49%
Front Ratio:	40.40%
Back Ratio:	46.80 %
Gift Letter Source:	0 (Not Applicable)
Gift Letter Amount:	
Gift Letter Source 2:	0 (Not Applicable)
Gift Letter Amount 2:	
Secondary Financing Source:	0 (Not Applicable)

Case Status

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Secondary Financing Amount:

Originating/Sponsor Information

Originating Lender ID:	1157400000
Originating Lender Name:	ASSOCIATED MORTGAGE BANKERS, INC.
Lender Type:	3 (Non-Supervised)
Street Address:	600 OLD COUNTRY RD RM 207
City:	GARDEN CITY
State & Zip:	NY, 115302011
Sponsor Lender ID:	Same as Originator
Sponsor Lender Name:	

Loan Origination Information

Case Number Issue Date:	08/25/10
Sponsored Originator Name:	
Sponsored Originator EIN ID (last 4 digits):	
Sponsored Originator NMLS ID:	
Loan Officer NMLS ID:	000000000000
Appraiser Assignment Date:	
Appraisal Received Date:	09/14/10
Appraiser's Staff ID:	UVQNRX
Appraiser Name:	KYLE M FLEMING
Conditional Commitment Date:	
Firm Commitment Date:	

Underwriter's Ratings - Post Endorsement Reviews

Underwriter's ID:	ZFHA
Underwriter's Name:	TOTAL SCORECARD
Underwriter's Review of Appraisal:	Conforming
Underwriter's Mortgage Credit Rating:	Deficient

Loan Processing Information:

Closing Date:	10/06/10
Beginning Amortization Date:	11/01/10
First Payment Due:	12/01/10
Maturity Date:	11/01/2040
Upfront Premium Paid:	\$10,964.25
Total Upfront Premium, Late and Interest Paid:	\$10,964.25
Upfront Received Date:	10/07/10
Closing to UFMIP Recvd (days):	1
Endorsement Package Received Date:	10/13/10
Closing to Endr. Package Recvd.(days):	7
LI Loan:	No

Case Status

Page 3 of 6

Binder Type Received: Paper Binder
 Endorsement Date: 10/19/10

Servicer/Holder Information

Servicer Lender ID: 30141
 Servicer Lender Name: JPMORGAN CHASE BANK NA
 Holder Lender ID: 30141
 Holder Lender Name: JPMORGAN CHASE BANK NA

Loan Status

Current Insurance Status: Claim
 Insurance Termination Type: Assignment of Note for Insurance Benefits (19)
 Termination Effective Date: 08/06/13
 Termination Process Date: 08/07/13
 Unpaid Principal Balance as calculated in HUD's Insurance in Force System: \$475,260.43
 Risk Based Current Monthly MIP: \$214.18
 Risk Based Prior Monthly MIP: \$218.03
 Monthly Earned Premium: \$219.28
 Indemnification Agreement Date: 12/10/12
 Indemnification Expiration Date: 10/19/15
 Indemnification Agreement No.: 038238
 Indemnification Mortgagee Name: ASSOCIATED MORTGAGE BANKERS, INC.
 Indemnification Mortgagee ID: 11574

Delinquent Information Reported by the Servicer

First Payment Due: 12/01/10
 Oldest Unpaid Installment: 10/01/11
 Number of Months Delinquent: 23
 Currently 90-day Delinquent:
 Number of Payments Before First 90-Day Delinquent Reported: 10
 Unpaid Principal Balance: \$491,590.00
 Last Delinquent Report Date: 09/03/13
 Delinquent Status: 49 (Assignment Completed)
 Cause of Delinquency: 031 (Unable to Contact Borrower)
 Servicer Reporting Delinquent: 30141 (JPMORGAN CHASE BANK NA)
 Servicer Loan Number: 1103406298
 Occupancy Status: 2 (Occupied by a renter)
 Servicing Transfer Date: 05/01/11
 Recent Delinquent History:

Reporting Period	OUI Date	# Months Delinquent	Delinquent Status	Delinquent Status Definition	Reporting Servicer ID/Name
12/2010	12/01/10	1	42	Delinquent	34400 CHASE HOME FINANCE LLC

Case Status

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1/2011	01/01/11	1	42	Delinquent	34400 CHASE HOME FINANCE LLC
2/2011	02/01/11	1	42	Delinquent	34400 CHASE HOME FINANCE LLC
3/2011	03/01/11	1	42	Delinquent	34400 CHASE HOME FINANCE LLC
4/2011	03/01/11	2	42	Delinquent	34400 CHASE HOME FINANCE LLC
5/2011	06/01/11	0	20	Reinstated by Mortgagor w/o Loss Mitigation Claim	30141 JPMORGAN CHASE BANK NA
7/2011	07/01/11	1	42	Delinquent	30141 JPMORGAN CHASE BANK NA
8/2011	07/01/11	2	42	Delinquent	30141 JPMORGAN CHASE BANK NA
9/2011	08/01/11	2	42	Delinquent	30141 JPMORGAN CHASE BANK NA
10/2011	09/01/11	2	42	Delinquent	30141 JPMORGAN CHASE BANK NA
11/2011	10/01/11	2	42	Delinquent	30141 JPMORGAN CHASE BANK NA
12/2011	10/01/11	3	42	Delinquent	30141 JPMORGAN CHASE BANK NA
1/2012	10/01/11	4	42	Delinquent	30141 JPMORGAN CHASE BANK NA
2/2012	10/01/11	5	42	Delinquent	30141 JPMORGAN CHASE BANK NA
3/2012	10/01/11	6	42	Delinquent	30141 JPMORGAN CHASE BANK NA
4/2012	10/01/11	7	42	Delinquent	30141 JPMORGAN CHASE BANK NA
5/2012	10/01/11	8	AO	Ineligible for Loss Mitigation	30141 JPMORGAN CHASE BANK NA
6/2012	10/01/11	9	AO	Ineligible for Loss Mitigation	30141 JPMORGAN CHASE BANK NA
					30141

Case Status

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7/2012	10/01/11	10	AO	Ineligible for Loss Mitigation	JPMORGAN CHASE BANK NA
8/2012	10/01/11	11	AO	Ineligible for Loss Mitigation	30141 JPMORGAN CHASE BANK NA
9/2012	10/01/11	12	68	First Legal Action to Commence Foreclosure	30141 JPMORGAN CHASE BANK NA
10/2012	10/01/11	13	68	First Legal Action to Commence Foreclosure	30141 JPMORGAN CHASE BANK NA
11/2012	10/01/11	14	34	Natural Disaster	30141 JPMORGAN CHASE BANK NA
12/2012	10/01/11	15	34	Natural Disaster	30141 JPMORGAN CHASE BANK NA
1/2013	10/01/11	16	34	Natural Disaster	30141 JPMORGAN CHASE BANK NA
2/2013	10/01/11	17	34	Natural Disaster	30141 JPMORGAN CHASE BANK NA
3/2013	10/01/11	18	34	Natural Disaster	30141 JPMORGAN CHASE BANK NA
4/2013	10/01/11	19	34	Natural Disaster	30141 JPMORGAN CHASE BANK NA
5/2013	10/01/11	20	3B	Prequalified for 601	30141 JPMORGAN CHASE BANK NA
6/2013	10/01/11	21	3B	Prequalified for 601	30141 JPMORGAN CHASE BANK NA
6/2013	10/01/11	21	3B	Prequalified for 601	30141 JPMORGAN CHASE BANK NA
7/2013	10/01/11	22	3B	Prequalified for 601	30141 JPMORGAN CHASE BANK NA
8/2013	10/01/11	23	49	Assignment Completed	30141 JPMORGAN CHASE BANK NA

Claim Information

Claim History						
Form Type	Date Received	Date Prepared	Date Processed	Claim Type	Total Paid	Date Paid
A	08/06/13	08/06/13	08/07/13	02	\$520,979.86	08/10/13

Case Status

Page 6 of 6

Total					\$520,979.88	
Payee/Holder - 3014100007 (JPMORGAN CHASE BANK NA)						
B	08/06/13	08/06/13	08/07/13	02	\$0.00	08/10/13
Total					\$0.00	
Payee/Holder - 3014100007 (JPMORGAN CHASE BANK NA)						

Claim Type Definitions: 01= Conveyance; 02 = Assignment; 03 = Automatic Assignment; 04 = Coinsurance; 05 = Supplemental; 06 = Non-Conveyance; 07 = Preforeclosure Sale. Loss Mitigation: 31 = Special Forbearance, 32 = Loan Modification NA, 33 = Partial Claim

The data elements below are applicable only if a sale has been executed

Property Sale Date:


 Neigh
Wat



U.S. Department of Housing and Urban Development

Albany Office
52 Corporate Circle
Albany, New York 12203-5121

December 8, 2014

Mr. Jim Milano
Weiner, Brodsky, Kider PC
1300 19th Street NW, 5th Floor
Washington, DC 20036

SUBJECT: HUD Claim# 720708434
FHA Loan# 374-5838647

Dear Mr. Milano:

Thank you for your letter of November 18, 2014, addressed to HUD Loan Servicing Specialist Robert Schmit.

We have carefully reviewed the issues raised in your letter and we have considered your request that HUD adjust our records to reflect that there is no debt owed on this claim. Please be advised that we are unable to approve your request, as we believe that this debt is both past due and legally enforceable.

HUD acknowledges that the indemnified loan was erroneously included in a Single Family Loan Sale (SFLS) Program. However, it is HUD's position that this event did not impact on the legal enforceability of the Indemnification Agreement.

You note in your letter that the Indemnification Agreement contains a provision related to HUD deducting the amount of any discount from HUD's investment (e.g., an Officer Next Door Discount). Please be advised that inclusion of this loan in HUD's SFLS Program does not reflect any such discount, as loans sold through the SFLS Program are sold at market value.

Considering the above determination, we suggest that you contact Mr. Schmit and arrange for repayment of this debt. If you disagree with HUD's determination, we suggest that you request a review with the HUD Office of Hearing and Appeals. Instructions for requesting a review were provided in the October 13, 2014 Notice of Intent that was mailed to your client.

If you have any questions, please contact me at 1-800-669-5152, extension 2819, or via e-mail at debt_servicing_help@hud.gov.

Sincerely,

Brian Dillon
Director, Asset Recovery Division
Financial Operations Center



UNITED STATES OF AMERICA
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF HEARINGS AND APPEALS

In the Matter of:

Associated Mortgage Bankers,

Petitioner.

15- VH-0026-AO-009

7-207084340A

December 16, 2016

DECISION AND ORDER

On October 13, 2014, Associated Mortgage Bankers ("Petitioner") was notified pursuant to 31 U.S.C. §§ 3716 and 3720A, that the Secretary of the U.S. Department of Housing and Urban Development ("HUD" or "Secretary") intended to seek administrative offset of any federal payments to Petitioner in satisfaction of a debt allegedly owed to HUD. This case is before the Office of Hearings and Appeals upon a *Request for Hearing* ("Hr'g. Req.") filed by Associated Mortgage Bankers ("Petitioner"), on December 17, 2014, concerning the existence, amount, or enforceability of a debt allegedly owed HUD.

Pursuant to 24 C.F.R. §17.81(a), on December 17, 2014, this Court stayed the issuance of an administrative offset of any federal payment due Petitioner until the issuance of this written decision. *Notice of Docketing, Order, and Stay of Referral* ("Notice of Docketing"), 2. On January 16, 2015, Petitioner filed a *Supplemental Submission in Support of Its Appeal* ("Pet'r's. Supp. Stat."). The Secretary responded with his *Secretary's Statement* ("Sec'y. Stat.") on March 9, 2015. The Court issued an *Order for Clarification* on August 3, 2015, to which the Secretary responded with a *Supplemental Secretary's Statement* ("Sec'y. Supp. Stat.") on September 3, 2015.

A *Second Order for Clarification* was issued on January 28, 2016, again seeking additional information from the Secretary. A *Second Supplemental Secretary's Statement* ("Second Sec'y. Supp. Stat.") was filed on March 16, 2016. Petitioner filed its response on April 26, 2016. On May 25, 2016, Petitioner filed a *Notice of Recent Decision*, to which the Secretary filed a Secretary's Rebuttal to Petitioner's Notice of Decision on June 17, 2016. Finally, on June 24, 2016, Petitioner filed his *Response to the Secretary's Rebuttal to the Notice of Recent Decision*. This case is now ripe for review.

JURISDICTION

The Office of Hearings and Appeals has jurisdiction to determine whether Petitioner's debt is past due and legally enforceable pursuant to 24 C.F.R. §§ 17.61 *et seq.* The administrative judges of this Court, in accordance with the procedures set forth in 24 C.F.R. §§ 17.69 and 17.73, have been designated to conduct a hearing to determine, by a preponderance of the evidence, whether the alleged debt is past due and legally enforceable.



BACKGROUND

During a September 2012 review of Petitioner's mortgage finance operation, HUD's Quality Assurance Division discovered that Petitioner had engaged in "non-compliant lending activities" with regard to FHA Case Number 374-5838647 ("the Springer Loan"). *Sec'y. Stat.*, ¶¶ 2-3; Ex. A, Declaration of Brian Dillon¹ ("*Dillon Decl.*"), ¶ 4. Those activities increased the risk of default on the Springer Loan, and correspondingly increased the risk that HUD would be obligated to pay a mortgage insurance claim upon default. *Sec'y. Stat.*, ¶ 3. On December 10, 2012, Petitioner and HUD signed an Indemnification Agreement ("Agreement") in which Petitioner agreed to indemnify HUD — until October 19, 2015² — for any losses that HUD incurred as insurer of the Springer Loan. *Sec'y. Stat.*, ¶3; *Dillon Decl.*, p. 4.

The Springer Loan went into default on November 1, 2011. *Sec'y. Stat.*, ¶ 6. The mortgage's servicer, JPMorgan Chase Bank ("Chase Bank") filed a claim for mortgage insurance on August 6, 2013. *Id.*, at ¶ 7. On August 10, 2013, HUD paid an insurance claim of \$520,979.86 to Chase Bank. *Id.* On September 19, 2013, HUD sold the Springer Loan via its Single Family Loan Sale ("SFLS") Program for \$360,531.24. *Id.*, at ¶ 8. On July 28, 2014, HUD sent Petitioner a Demand Notice seeking payment of \$160,448.62, representing the difference between the amount of the insurance claim and the proceeds from the sale of the loan. Petitioner has not tendered any payment in response to the Demand Notice.

The Secretary asserts that Petitioner is indebted to HUD in the following amounts:

- (a) \$160,448.62 as the unpaid principal balance as of February 25, 2015;
- (b) \$4,680.30 as the unpaid interest on the principal balance at 5% per annum through February 23, 2015;
- (c) \$9,753.95 as unpaid penalties as of February 25, 2015;
- (d) \$35.33 as unpaid administrative costs as of February 25, 2015; and
- (e) interest on the principal balance from February 25, 2015; at 5% per annum until paid.

Sec'y. Stat., ¶ 11.

Accordingly, on October 13, 2014, HUD sent Petitioner a Notice of Intent to Collect via Treasury Offset. Petitioner's request for a hearing followed in due course.

DISCUSSION

The underlying facts of this case are not in dispute. The parties agree that the Springer Loan [FHA Case Number 374-5838647] was at high risk of default due to Petitioner's improper lending activities. In order to resolve these findings, Petitioner entered into an indemnification agreement in which he promised to indemnify HUD for its losses in the event of a default on the subject loan, instead of being subjected to other available administrative actions for non-compliant lending activities. *Sec'y. Stat.*, Exhibit A, *Dillon Decl.*, ¶ 4. In this case, the high risk loan was in

¹ Brian Dillon is the Director of the Asset Recovery Division of HUD's Financial Operations Center.

² The Indemnification Agreement stated that it applied "through and up to five years from the loan's date of endorsement." The loan was endorsed for insurance by FHA/HUD on October 19, 2010.

default in less than 18 months. As noted previously, Chase Bank filed a claim for mortgage insurance and HUD made a payment of \$520,979.86 to Chase Bank, of which only \$360,531.24 was able to be recovered. The record indicates that of the \$520,979.86, the current balance remaining, \$160,448.62, is still owed by Petitioner. As a result, the jurisdictional basis for this hearing is to determine, by a preponderance of the evidence, whether the alleged debt of \$160,448.62 is past due and legally enforceable.

Petitioner, through counsel, challenges the amount of the alleged debt and, in general, claims that he is not obligated to honor the terms of the Indemnification Agreement because: 1) the mortgage insurance claim paid by J.P. Morgan Chase Bank to HUD was not a valid insurance claim because the subsequent sale of the Note was improperly handled; 2) HUD breached the Indemnification Agreement by negligently selling the Springer Loan through the SFLS Program; 3) HUD acted in contravention of its internal guidance; and, 4) the sale of the Springer Loan through the SFLS Program violated the implied covenants of good faith and fair dealing in the Indemnification Agreement.

I. The Insurance Claim is Valid.

The basis for Petitioner's claim that HUD's insurance claim is not valid is first, the amount of the alleged debt claimed by the Secretary was miscalculated because HUD failed to sell the property at market value as the Indemnification Agreement required, and failed to maximize HUD's potential return in order to minimize the corresponding indemnification claim; and, second, even if selling the loan rather than the property was appropriate, HUD still erred by including the loan as part of a pool that subsequently lowered further the potential market value of the loan sold.

In support of his position, Petitioner introduced into evidence copies of a Broker Price Opinion valuation from Chase Bank; an online valuation report listing the property's value as of September 2013; HUD's valuation of the property on its Neighborhood Watch Early Warning System as of September 2010; a copy of a letter from the Director of the Asset Recovery Division of HUD's Financial Operations Center regarding the loan; the Single Family Loan Sale (SFLS) Sales Results Summary 2013; and, a copy of the Participating Service Agreement (PSA) between HUD and Chase Bank. There is no indication from the record that Petitioner was a party to the PSA.

In response, the Secretary argues that "the Indemnification Agreement permits HUD to sell the Note instead of the property" and, as a result, is a valid insurance claim that permits HUD to recoup the losses incurred. *Sec'y. Stat.* ¶ 20. As a result, the Secretary claims that he was under no contractual obligation to sell at market value even though the loans, by competitive bid, ultimately sold at market value anyway through the SFLS Program. *Id.* The Secretary introduced into evidence, for the Court's review, copies of the Indemnification Agreement between HUD and Petitioner, HUD's valuation of the property on its own Neighborhood Watch Early Warning System as of January 2015, and, an affidavit from the Director of the Assets Sales Office for HUD's Federal Housing Administration (FHA), along with supporting documentation that included copies of a case activity report that reflected the sales price of the property that was the subject of the loan, and the demand notice to Petitioner that demanded payment of the alleged debt in the amount claimed by the Secretary.

At the outset the Court first will address the fundamentals — the Agreement is a basic contract. Where parties have expressly contracted with respect to the duty to indemnify, the extent of the duty must be determined from the language of the contract. 41 Am. Jur. 2d Indemnity § 29 (2016). The nature of the indemnity stated in the contract will determine not only when a right of action accrues but also the measure of damages that may be recovered. Id. A court will construe an indemnity agreement to cover all losses and damages to which it reasonably appears the parties intended it to apply. Id. A party is entitled to full contractual indemnification provided that the intention to indemnify can be clearly implied from the language and purposes of the entire agreement, and the surrounding facts and circumstances. Torres v. Morse Diesel Int'l, Inc., 788 N.Y.S.2d 97, 98 (2005) (citing Drzewinski v. Atl. Scaffold & Ladder Co., 515 N.E.2d 902, 904 (1987)). An indemnity contract will not be extended to include losses, damages, or liabilities which are not expressly within the terms of the contract and which are not of such character that it can be reasonably inferred that they were intended to be within the terms of the contract. 41 Am. Jur. 2d Indemnity § 29 (2016).

After reviewing the Agreement herein, there is no language in the Agreement that identifies how the loan is to be sold, by whom, or under what restrictive perimeters should such note, or property, be sold by HUD in order to recoup the alleged debt. The terms of the Agreement likewise do not expressly require HUD to sell the property in order for there to be a valid insurance claim. In fact, the language in the Agreement is practically unrestrictive, particularly with respect to the provisions at paragraph I(d) in which it states, “In any other case where a HUD/FHA insurance claim is pending or has been paid, the mortgagee shall pay HUD the amount of HUD’s investment in accordance with the terms of an invoice or bill the Department sends to the Mortgagee.”

In this case, HUD, within its discretion, chose to proceed via ¶ I(d). It is unclear why HUD chose this course of action given that selling the property may have likely yielded a superior recovery. But, how HUD handled the matter of recouping its losses, and why HUD chose in this case to proceed as it did is immaterial and irrelevant to the disposition of the case at hand. According to the terms of the Indemnification Agreement, the decisions to sell the Springer Loan and to determine the manner in which the loan should be sold, are completely within HUD’s discretion. As a result, Petitioner’s assertion that ¶ I(c)³ must apply lacks merit and is unpersuasive.

Moreover, the language in the Agreement specifically states:

In the event of a valid claim for insurance ... **indemnification will be in accordance with paragraph (b), (c), (d), or (e), whichever applies.** HUD’s Investment includes, but is not limited to: the full amount of the insurance claim actually paid, all taxes and assessments paid or payable by HUD, all maintenance and operating expenses paid or payable by HUD (including costs of rehabilitation and preservation), loss mitigation, **prorated losses from and expenses associated with the sale of a note**, reasonable penalties

³ Paragraph I(c) reads, in part: Where a HUD/FHA insurance claim has been paid in full and the property has been sold by HUD to a third party, the amount of indemnification is HUD’s Investment ... minus the sales price of the property”

for failure to pay amounts owed within the time frame established by HUD invoices.... To the extent HUD recoups any losses (e.g., receipts for the sale of the property) ... HUD will deduct the amount of the recoupment or discount from HUD's Investment.

Agreement, ¶ I(a) (emphases added).

The description of the HUD Investment explicitly references, as a basis for recouping HUD's costs, expenses "associated with the sale of a note." The Indemnification Agreement further contemplates three equally valid scenarios for determining the indemnification amount, all of which are options to be employed at HUD's discretion. HUD may reconvey the property directly to the mortgagee under ¶ I(b),⁴ sell the property to a third party and deduct the sales price from the total investment under ¶ I(c),⁵ or pay the claim and seek full payment of the investment from the mortgagee under ¶ I(d).⁶ Only in ¶ I(c) is the actual property sold, and hence only under that paragraph is the market value of the property a relevant consideration. HUD not only has the discretion to elect when a valid insurance claim is warranted, but it also has the discretion on how to recoup losses incurred once a valid insurance claim has been established.

It is evident that, prior to the parties reaching an agreement, they had the option to consider and perhaps negotiate the matters now raised by Petitioner. Nevertheless, once the parties duly executed and signed this Agreement, it became binding.⁷ The terms of the Agreement that address how to establish what should be considered a valid insurance claim; how such losses, if incurred, should be recouped; and also, the manner in which recovery shall be handled, are all terms of the Agreement that are considered binding upon execution, unless the parties to the Agreement negotiate otherwise prior to executing the contract. A written contract, in this case the Indemnification Agreement, is the highest evidence of the terms of an agreement between two parties; "it is the duty of every contracting party to learn and know its contents before he signs and delivers it." Chicago, St. P., M. & O Ry. Co. v. Belliwith, 83 F. 437, 439 (8th Cir. 1897). As such, "If the parties have shown in the four corners of the contract that they have reached an agreement to all material terms, a party's misgivings about other terms 'do not constitute grounds for relieving a party of this obligations to comply' with the agreement." Williams v. WMATA, 537 F. Supp. 2d 220, 222 (D.D.C. 2008). Petitioner's contention that HUD's insurance claim is not valid because HUD failed to properly handle the subsequent sale of the Note is unpersuasive and lacks merit. Therefore, the Court finds not only that HUD's insurance claim is valid, but further finds that Petitioner remains contractually obligated to abide by the terms of the Agreement.

⁴ Paragraph I(b) reads, in part: HUD may, at its option, reconvey property securing a mortgage listed in this Indemnification Agreement to the Mortgagee. In the event of a reconveyance, Mortgagee remains liable for HUD's Investment..."

⁵ Paragraph I(c) reads, in part: Where a HUD/FHA insurance claim has been paid in full and the property has been sold by HUD to a third party, the amount of indemnification is HUD's Investment ... minus the sales price of the property"

⁶ Paragraph I(d) reads, in its entirety: In any other case where a HUD/FHA insurance claim is pending or has been paid, the mortgagee shall pay HUD the amount of HUD's Investment.

⁷ The Agreement, effective December 10, 2012 and signed by both parties herein states, "Wherefore the parties hereto have duly executed this Indemnification Agreement, effective when signed and dated by the U.S. Department of Housing and Urban Development."

II. HUD Did Not Breach the Indemnification Agreement by Negligently Including the Springer Loan in the SFLS Program.

Petitioner states that HUD breached the Indemnification Agreement by negligently selling the Springer Loan through the SFLS Program. Petitioner's primary support for this argument is his reliance on the Participating Servicer Agreement ("PSA") between HUD and Chase Bank. The PSA, executed on May 22, 2013, outlines the terms by which Chase Bank may assign eligible defaulted loans to HUD for sale in the SFLS Program. The PSA specifically defines an eligible mortgage loan as one that is "not subject to an Indemnification Agreement." The Springer Loan was in fact subject to the Indemnification Agreement between Petitioner and HUD. However, Petitioner contends that the loan should not have been deemed eligible for inclusion in the SFLS Program. Petitioner claims further that it should not now be punished for HUD's negligent oversight of the SFLS Program.

Petitioner introduces as evidence a copy of a letter dated December 8, 2014 from Brian Dillon⁸, to Petitioner's Counsel that confirms HUD's acknowledgement that "the indemnified loan was erroneously included in the [SFLS] Program." However, after reviewing this letter, the Court notes that the letter also concluded that the error "did not impact the legal enforceability of the Indemnification Agreement." This evidence is insufficient and falls short of meeting the burden of proof required for establishing a claim of negligence against the Secretary.

In response to Petitioner's allegation, the Secretary states that the PSA is an agreement between HUD and Chase Bank. The Secretary explains further that,

The PSA was executed between HUD and Chase Bank on May 22, 2013, five months after execution of the Indemnification Agreement. The PSA does not specifically modify the Indemnification Agreement between HUD and Petitioner. Indeed, the PSA makes no reference whatsoever to the December 10, 2012, agreement. Chase Bank did not execute the Indemnification Agreement—Petitioner did. Therefore, no basis exists to extend the rights and obligations in the PSA to the Indemnification Agreement between HUD and Petitioner.

Sec'y. Stat. ¶24. "Moreover," the Secretary concludes, "there was no addendum or rider added to the Indemnification Agreement between HUD and Petitioner incorporating the PSA and making it part of the Indemnification Agreement between HUD and Petitioner." *Sec'y. Stat.* ¶25. The Secretary's argument is both compelling and persuasive.

As support, the Secretary introduces into evidence documentation that substantiates the loans sold through the SFLS Program "are competitively bid, and thus represent the loans' current market value." *Second Sec'y. Supp. Stat.*, ¶10. The Secretary introduces into evidence copies of records that explain, thoroughly, the SFLS Program's bidding process. *Second Sec'y. Supp. Stat., Attachments*. Such records include copies of a printout showing four bids for the Springer Loan. Of the four bidders, the SRMOF II 2012-1 Trust's ("SRMOF") bid of \$360,531.24 most closely

⁸ Brian Dillon is the Director of the Asset Recovery Division of HUD's Financial Operations Center.

matched the loan's outstanding principal balance of \$491,590.76. *Id.* Also introduced into evidence were several pages of documentation purporting to be SRMOF's bids for every loan in the Lot 105 pool, and the bid for the Springer Loan was clearly among the loans listed in the records. *Id.* Based upon the evidence presented by the Secretary, the Court is persuaded that the loans in Lot 105 were included in a competitive bid, that SRMOF submitted bids on each individual loan, and that SRMOF offered the highest bid for the Springer Loan.⁹ Based on the record, Petitioner has simply failed to produce sufficient evidence to successfully refute or rebut the evidence presented by the Secretary regarding the claim of negligence based on the inclusion of the Springer loan in the SFLS program.

As a general rule, a party may contract to indemnify another for its own negligence, and the agreement will be construed as "valid and enforceable, unless prohibited by statute" or grossly negligent. See 41 Am. Jur. 2d Indemnify § 16 (2016). Gross negligence differs from ordinary negligence. Gross negligence is conduct that "evidences a reckless disregard for the rights of others or 'smacks' of intentional wrongdoing." Sommer v. Federal Signal Corp., 79 N.Y. 2d 540, 554 (1992). In the instant case, the evidence presented by Petitioner does not demonstrate the level of reckless disregard required to establish the existence of gross negligence. Petitioner's claim of negligence rests squarely on HUD selling the Springer Loan through the SFLS Program. The explanation provided by the Secretary has instead convinced the Court, even more, that including the Springer Loan in the SFLS program was not evidence of HUD exercising gross negligence or exhibiting a reckless disregard for the rights of the Petitioner.

The bidding process was competitive and based on bids of each individual loan. As a result of this bidding process, SRMOF offered the highest bid for the Springer loan. While HUD acknowledged in a letter that the Springer loan should not have been included in the SFLS program, the same letter also informed Petitioner that inclusion of the Springer loan in the SFLS program did not "impact the legal enforceability of the Indemnification Agreement." *Pet'r. Response, Attachment*. The evidence submitted by Petitioner is again insufficient to support a finding of negligence or reckless disregard for Petitioner's rights. Therefore, the Court finds that HUD was not grossly negligent for including the Springer loan in the SFLS program. The Court also finds that HUD properly calculated the amount of Petitioner's indebtedness that represented the difference between the amount of the insurance claim and the proceeds from the sale of the loan.¹⁰

⁹ Petitioner also argues that the SFLS Program is flawed because the winning bidder is the one who offers the highest aggregate bid, not the one who has the highest bid on the specific loan. A bidder could thus underbid on a loan but still prevail by overbidding on other loans in the same Lot. An individual loan could thus be purchased for far less than its market value. Petitioner's observation, though arguably accurate, has no bearing on the instant case. SRMOF won Lot 105 and also offered the highest bid for the Springer Loan. To the degree that "market value" can be defined as the highest price a buyer is willing to pay and a seller is willing to accept for a given item, SRMOF II has defined that value for the Springer Loan.

¹⁰ Petitioner initially maintained that because the Springer Loan was sold in a pool, HUD could not accurately determine the sales price. Petitioner therefore could not identify the precise amount of its loss or the amount owed by Petitioner under the Indemnification Agreement. The evidence submitted along with the *Second Supplemental Secretary's Statement* effectively rebuts this contention. The evidence, including affidavits from Brian Dillon and John Lucey, Director of HUD's Asset Sales Office, all demonstrate that each loan was bid individually and made it possible to ascertain exact sale prices.

III. HUD Did Not Act in Contravention of Internal Guidance.

Petitioner claims that HUD has acted in contravention of its internal guidance and failed to abide by established policies and procedures, by including the Springer loan in the SFLS program in violation of the PSA. HUD did not breach the Indemnification Agreement by erroneously including the Springer Loan in the SFLS Program.¹¹ A mistake as to a collateral matter has no effect upon a contract. See 27 Williston on Contracts § 70:84. When the persons and things to which the contract relates are what the parties contemplated, then mistakes as to other collateral facts are not materially important enough to warrant rescission or reformation. Id. See also Tauber v. Tin Quan & Minto, Inc., 938 A.2d 724, 730 (D.C. 2007) (terms that were not necessary for the parties to understand how they are expected to perform the contract itself, were not material and did not undermine the binding nature of the agreement). Certain policy considerations for not allowing collateral matters to afford avoidance is that a party could make up any multitude of considerations not contemplated within the contract to escape liability. Such allowance would frustrate the fundamental purpose of contract law, making almost any contractual promise avoidable.

The Secretary's position is more convincing in this case because the error identified by Petitioner, and acknowledged by the HUD, did not impact the contractual relationship between Petitioner and the Secretary under the terms of the Indemnification Agreement. Even though the inclusion of the Springer Loan in the SFLS Program ran afoul of the PSA, the PSA again only defines the nature of the relationship between HUD and Chase Bank, not the relationship between HUD and Petitioner. Should consequences arise that are a result of a breach of the PSA, the remedies available extend only to HUD or Chase Bank. There is no evidence in the record that shows first, that those same remedies would be available to Petitioner who is not a party to the PSA; or second, shows that the Indemnification Agreement was amended to incorporate by reference the terms of the PSA. Petitioner cannot therefore seek to be protected by the PSA.

Petitioner attempts to sidestep this conclusion by asserting, without case support or elaboration, that "Petitioner, and the public, have a right to rely on the Secretary's adherence to established policies and procedures." While this may be a reasonable expectation, it is more intriguing to the Court that Petitioner has not identified the established policy upon which Petitioner relies. A PSA is neither a policy or procedure, but instead is a contract. HUD is obligated to follow promulgated regulations, even if they are not explicitly included in the terms of a contract. In re Cambridge Home Capital, LLC, HUDOA No. 06-D-NY-GG004 (June 18, 2009). That is not the case with non-promulgated regulations or guidance. Here, there is no citation to any statute, regulation, or published HUD guidance that speaks to the issues raised by Petitioner. Instead, Petitioner's argument is based entirely on the PSA to which Petitioner is not even a party. Therefore, Petitioner's claim that including the Springer loan in the SFLS program was in contravention of HUD's internal guidance lacks merit.

¹¹ The Secretary asserts that the inclusion of the Springer Loan in the SFLS pool met HUD's business objectives. This statement implies that the loan's inclusion was deliberate. This argument is without merit. The Director of the Asset Recovery Division admitted that the Springer Loan should never have been included in the SFLS Program. Including it was a direct violation of HUD's own PSA. Accordingly, even if including indemnified mortgages in the SFLS Program is generally appropriate, the Secretary cannot plausibly claim that the inclusion of the Springer Loan was a conscious choice. HUD's rationale is simply a post-hoc attempt to justify what has already been acknowledged as a mistake.

IV. The Sale of the Springer Loan through the SFLS Program Did Not Violate Implied Covenants of Indemnification Agreement.

Finally, Petitioner alleges that the sale of the Springer Loan through SFLS Program violated the Indemnification Agreement's implied covenants of good faith and fair dealing. In response, the Secretary merely notes that there is no evidence of malice or improper motive. The Secretary is correct.

The government enjoys a legal presumption that it is acting in good faith when carrying out its duties. Spezzaferro v. Fed. Aviation Admin., 807 F.2d 169, 173 (Fed. Cir. 1986). Only clear and convincing evidence of improper motive rebuts that presumption. Am-Pro Protective Agency, Inc. v. United States, 281 F.3d 1234 (Fed. Cir. 2002). Indeed, Petitioner would be required "well-nigh irrefragable proof" to induce the court to abandon the presumption of good faith dealing." Kalvar Corp. v. United States, 543 F.2d 1298, 1301-02 (Ct. Cl. 1976) (quoting Knotts v. United States, 121 F.Supp. 630, 631 (1954)). That proof has generally come in the form of evidence showing clear governmental intent to injure the opposing party. Id. Petitioner failed to establish, by a preponderance of the evidence, that ill intent existed in this case. The Court therefore finds that HUD did not violate the implied covenants of good faith or fair dealing in the Indemnification Agreement and, as a result, Petitioner's claim fails for lack of proof.


ORDER

Based on the foregoing, Petitioner is contractually obligated to pay the alleged debt in the amount claimed by the Secretary.

The *Order* imposing the stay of referral of this matter to the U.S. Department of Treasury for administrative offset is **VACATED**. It is hereby

ORDERED that the Secretary is authorized to seek collection of this outstanding obligation by means of administrative offset of any federal payment due Petitioner.

SO ORDERED.



Vanessa L. Hall
Administrative Judge

Review of Determination by Hearing Officers. A motion for reconsideration of this Court's written decision, specifically stating the grounds relied upon, may be filed with the undersigned Judge of this Court within 30 days of the date of this *Decision and Order*, and shall be granted only upon a showing of good cause.

**OFFICE OF AUDIT
REGION 9
LOS ANGELES, CA**



**Office of Finance and Budget
Office of Single Family Housing
Washington, DC**

FHA Indemnification Recovery Process





Issue Date: August 8, 2014

Audit Report Number: 2014-LA-0005

TO: Monica A. Clarke
Deputy Assistant Secretary for Office of Finance and Budget, HW

Kathleen A. Zadareky
Deputy Assistant Secretary for Office of Single Family Housing, HU

FROM: //SIGNED//
Tanya E. Schulze
Regional Inspector General for Audit, Los Angeles Region, 9DGA

SUBJECT: HUD Did Not Always Recover FHA Single-Family Indemnification Losses and
Ensure That Indemnification Agreements Were Extended

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of HUD's indemnification recovery process for single-family loans.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 213-894-8016.



August 8, 2014

HUD Did Not Always Recover FHA Single-Family Indemnification Losses and Ensure That Indemnification Agreements Were Extended

Highlights

Audit Report 2014-LA-0005

What We Audited and Why

We audited the U.S. Department of Housing and Urban Development's (HUD) controls over its Federal Housing Administration (FHA) loan indemnification recovery process based on the Office of Inspector General's analysis of HUD data that indicated indemnification losses were not always recovered for FHA single-family loans. Our objective was to determine whether HUD had adequate controls in place to monitor indemnification agreements and recover losses on FHA single-family loans.

What We Recommend

We recommend that HUD's Office of Finance and Budget (1) initiate the billing process for 491 loans that had an enforceable indemnification agreement and (2) develop and implement policies and procedures to ensure that lenders are billed for loans that have enforceable indemnification agreements and loans that went into default before indemnification agreement expiration. We recommend that HUD's Office of Single Family Housing (1) extend the indemnification agreements for 21 loans that were streamline refinanced and (2) develop policies and procedures to ensure that indemnification agreements are extended to all loans that are streamline refinanced.

What We Found

HUD did not always bill lenders for FHA single-family loans that had an indemnification agreement and a loss to HUD. Specifically, it did not bill lenders for any loans that were part of the Accelerated Claims Disposition (ACD) program or the Claims Without Conveyance of Title (CWCOT) program or loans that went into default before the indemnification agreement expired but were not in default on the expiration date. There were a total of 486 loans from January 2004 to February 2014 that had enforceable indemnification agreements and losses to HUD but were not billed. This condition occurred because HUD's Financial Operations Center was not able to determine loss amounts for loans that were part of the ACD program, was not aware of the CWCOT program, and considered the final default date for billing only. As a result, HUD did not attempt to recover a loss of \$37.1 million for 486 loans that had enforceable indemnification agreements.

In addition, HUD did not ensure that indemnification agreements were extended to 64 of 2,078 loans that were streamline refinanced. The indemnification agreement for 21 loans contained language indicating that the agreements should have extended to loans that were streamline refinanced. This condition occurred because the indemnification agreements expired before the indemnification agreement date, which happens when the expiration date is based on the loan endorsement date. As a result, HUD incurred losses of \$373,228 for 5 loans, and 16 loans had a potential loss to HUD of approximately \$1 million. The remaining 43 loans were either terminated or did not go into delinquency before the indemnification agreement expired, or the agreement did not state that it would extend to loans that were streamline refinanced.

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BACKGROUND AND OBJECTIVE

The Federal Housing Administration (FHA) was created by Congress in 1934 and provides mortgage insurance on loans made by FHA-approved lenders throughout the United States and its territories. Under the FHA program, lenders bear less risk because FHA will pay a claim to the lender in the event of a homeowner's default; however, loans must meet certain requirements established by FHA to qualify for insurance. Various sanctions exist that allow the U.S. Department of Housing and Urban Development (HUD) Homeownership Centers and FHA the flexibility to respond appropriately to any noncompliance action by a direct endorsement lender or other program participant. One of the sanctions that the Homeownership Centers and the Mortgagee Review Board may impose is indemnification agreements.

Under an indemnification agreement, the lender agrees to either abstain from filing an insurance claim or reimburse FHA if a later holder of the mortgage files an insurance claim and FHA suffers a financial loss disposing of the property. The term or duration of an indemnification agreement varies according to the severity of the violation. Typically, the agreement is effective for 5 years from the date of endorsement but may extend to the life of the loan. If a loan that is covered under the agreement is streamline refinanced, the agreement extends to the new mortgage. If the mortgage is sold to another lender that later files a claim for insurance benefits, the lender that signed the indemnification agreement must repay HUD the amount covered by the agreement.

Initially, HUD's Single Family Claims Branch was responsible for recovering single-family indemnification agreement debts; however, an Office of Inspector General (OIG) audit (audit report 2004-DE-0001) recommended that the process be moved to HUD's Financial Operations Center. The Center is organized under the Office of Finance and Budget. All outstanding debts and records were forwarded to the Center starting in October 2003, and as of July 1, 2004, the Center had assumed full responsibility for servicing single-family indemnification agreement debts. The Center billed lenders for 5,600 cases totaling \$327.8 million from fiscal years 2004 to 2014¹ and has resolved 7,036 cases totaling \$285.5 million (this amount includes cases billed by the Single Family Claims Branch).

We selected to review HUD's single-family indemnification recovery process because an examination of data in HUD's systems indicated that losses were not always recovered for single-family loans that had indemnification agreements. The audit was also part of our goal to protect the integrity of the FHA single-family insurance programs.

Our objective was to determine whether HUD had adequate controls in place to monitor indemnification agreements and recover losses on FHA single-family loans.

¹ As of March 31, 2014

RESULTS OF AUDIT

Finding 1: HUD Did Not Always Bill Lenders for FHA Single-Family Indemnification Losses

HUD did not always bill lenders for FHA single-family loans that had indemnification agreements and losses to HUD. Specifically, it did not bill lenders for any loans that were part of the Accelerated Claims Disposition (ACD) program or the Claims Without Conveyance of Title (CWCOT) program or loans that went into default before the indemnification agreement expired but were not in default on the expiration date. There were a total of 486 loans from January 2004 to February 2014 that had enforceable indemnification agreements and losses to HUD but were not billed. This condition occurred because HUD's Financial Operations Center was not able to determine loss amounts for loans that were part of the ACD program, was not aware of the CWCOT program, and considered the final default date for billing only. As a result, HUD did not attempt to recover a loss of \$37.1 million for 486 loans that had enforceable indemnification agreements.



From fiscal years 2004 to 2014, the Center billed lenders for 5,600 loans that totaled \$327.8 million; however, it did not bill lenders for all loans that had enforceable indemnification agreements. Specifically, the Center did not bill lenders for 8 percent (486 loans) of loans that had enforceable indemnification agreements. The 486 loans consisted of 237 loans in the ACD program,² 32 loans in the CWCOT program,³ and 217 loans that were in default before the indemnification agreement⁴ expired but were not in default on the expiration date.

² See appendix D.

³ See appendix E.

⁴ See appendix F.

Fiscal year 2004 to fiscal year 2014		
	Number of loans	Loss amount
Indemnified loans billed	5,600	\$ 327,779,371
Indemnified loans not billed		
ACD program	237	22,381,768
CWCOT program	32	2,234,925
Loans that went into default	217	12,490,032
Total	486	\$ 37,106,725
Total indemnified loans billed and not billed	6,086	\$ 364,886,096
Percentage of loans not billed	8.0%	10.2%



As part of the ACD program, HUD accelerates the claims on delinquent mortgage notes and transfers them to a public-private joint venture for disposition. HUD sells the note to a joint venture at a discounted price, and the joint venture then manages the restructuring of the notes for securitization and sale or the foreclosure and property sale of nonperforming loans.

There were 243 loans that were part of the ACD program from January 1, 2004, to February 21, 2014, that had indemnification agreements; however, HUD did not evaluate any of these loans for billing. HUD should have billed lenders for 237 of these loans because HUD had both losses and enforceable indemnification agreements (see appendixes C and D). We were not able to determine the loss amounts for three loans because there was no income and expense data in Single Family Data Warehouse for these loans.⁵ In addition, the indemnification agreement was not enforceable for three loans.⁶ HUD suffered a loss of \$22.4 million for the 237 loans that were not evaluated for billing. Of the 237 loans, 150 were associated with active FHA lenders,⁷ and 87 were associated with terminated FHA lenders. Lenders that have been terminated are no longer approved to participate in FHA mortgage insurance programs; however, the lender may still be in business offering conventional mortgages.⁸ There is no language in the indemnification agreement that releases lenders from the indemnification agreement if the lenders are terminated from the FHA program.

⁵ Loans 412-4767940, 442-2462614, and 561-8450712

⁶ The indemnification agreements were not enforceable for two loans because the loans did not go into default before the indemnification agreement expired. For the third loan, the indemnification agreement stated that the loan would be indemnified if there were any losses for a period of five years from the endorsement date. The loss for this loan was more than five years from the endorsement date.

⁷ According to the Single Family Data Warehouse as of April 2, 2014

⁸ We did not determine whether lenders were bankrupt or out of business. During the billing process, the Center will determine the operating status of lenders. The Center does not send demand letters to bankrupt lenders.

ACD programs not billed		
	Number of loans	Loss amount
Active FHA lenders	150	\$ 13,228,554
Terminated FHA lenders	87	9,153,214
Total	237	\$ 22,381,768

The Financial Operations Center Was Not Able To Determine the Loss for ACD Loans

The Center was aware of the ACD program and attempted to determine the loss amounts for loans in the program; however, it was not able to conclude what the loss amounts were because the loans were sold in pools, HUD retained an equity interest in the loans, and the loss may have not be known until all of the loans in the pool had been resolved. According to the Center, since it was unable to determine the loss amounts, it was agreed within HUD that loans with indemnification agreements would not be included in the ACD program. However, loans with indemnification agreements were included in the ACD program.

We were able to determine the loss amounts for loans in the ACD program with assistance from HUD's Office of Financial Services and Office of Asset Sales. According to the Office of Asset Sales, HUD received two payments from the joint ventures from 2002 to 2006: an upfront payment at the time of loan settlement and a final disposition payment once the loan was resolved by the joint venture. However, after 2006, HUD did not sell loans again until 2010 and started collecting all proceeds in one lump sum at the time of loan sale settlement. Therefore, since all of the older loans from 2002 to 2006 had been resolved and HUD received one payment upfront, we were able to determine the loss amount for loans in the ACD program using data obtained from the Single Family Data Warehouse and a loss template provided by the Office of Financial Services.



As part of the CWCOT program, lenders sell the properties that are secured by FHA mortgage insurance in a foreclosure sale instead of conveying the property to HUD. HUD then pays insurance benefits to the lenders if the sales price and other allowable costs are less than the unpaid principal balance.

There were 35 loans that were part of the CWCOT program from January 1, 2004, to February 20, 2014, that had indemnification agreements; however, the Center did not evaluate any of these loans for billing. The Center should have billed lenders for 32 of these loans because HUD had losses and had enforceable indemnification agreements because the loans went into default before the

indemnification agreements expired (see appendixes C and E). HUD had losses of \$2.2 million for the 32 loans that were not evaluated for billing⁹. Of the 32 loans, 25 had lenders that were active FHA lenders.¹⁰

CWCOT programs not billed		
	Number of loans	Loss amount
Active FHA lenders	25	\$ 1,798,390
Terminated FHA lenders	7	436,535
Total	32	\$ 2,234,925

The Financial Operations Center Was Not Aware of the CWCOT Program

The Center stated that it was not aware of the CWCOT program because HUD initiated a pilot of the program in March 2013; however, there was no official announcement of the program and the Center was not notified. It should have been the responsibility of the Office of Single Family Housing to notify the Center of the pilot program so that the Center could establish billing procedures for loans that were part of the CWCOT program.

During the audit, the Center agreed that loans that were part of the CWCOT program were billable loans and, as a result of the audit, agreed to evaluate these claim types for billing and monitor future loans for billing. As of April 8, 2014, the Center had billed lenders for 21 of the 32 loans identified and had recovered \$1.1 million for 15 loans.



From the time the Center took over responsibility for FHA single-family indemnifications to November 2013, there were 274 loans for which the Center did not bill the lenders because it determined that the indemnification agreements had expired. However, HUD should have billed the lenders for 217 of these loans because the loans were either in default or went into default during the indemnification agreement period (see appendixes C and F). There were 2 loans that were in default when the indemnification agreement expired, and 215 loans went into default before the indemnification agreement expired but were not in default on the expiration date. Of the 217 loans, 98 loans were with FHA lenders that were still active.¹¹

⁹ The loss amounts were obtained from Single Family Data Warehouse as of February 20, 2014.

¹⁰ According to the Single Family Data Warehouse as of April 2, 2014

¹¹ According to the Single Family Data Warehouse as of April 2, 2014

Loans not billed		
	Number of loans	Loss amount
Active FHA lenders	98	\$ 4,813,020
Terminated FHA lenders	119	7,677,012
Total	217	\$ 12,490,032

HUD Did Not Consider All Default Situations When Billing Lenders

HUD did not bill lenders for loans that went into default before the indemnification agreements expired but were not in default on the expiration date because HUD considered only loans that were in default before the indemnification agreement expired. According to the Center, this practice was consistent with HUD's practice before it transferred responsibility for collecting FHA single-family indemnification debts to the Center.

Indemnification Agreement Language Reinforced Billing for Defaulted Loans

For the loans reviewed, HUD used three different versions of the indemnification agreement.

Period used	Number of loans
1989 - 2005	The indemnification agreement stated the lender agreed to indemnify HUD for losses which had been or may be incurred "where the loan goes into default within" the indemnification agreement period.
1997 - 2000	The indemnification agreement stated, "...if the loan defaults within" the indemnification agreement period.
1996 - 2011	The indemnification agreement stated that lenders agreed to indemnify HUD for losses for loans, "which are in default, or go into default" during the indemnification agreement period.

Based on the language in each agreement, HUD should not only be billing lenders for loans that were in default when the agreement expired, but also for loans that entered into a default status at any time before the agreement expired even if the loans emerged from a default status when the agreement expired.

Conclusion

The Center did not always bill lenders for FHA single-family loans that had both an enforceable indemnification agreement and losses to HUD. The Center did not bill lenders for 237 loans that were part of the ACD program, 32 loans that were part of the CWCOT program, or 217 loans that went into default before the indemnification agreement expired. HUD incurred losses of \$37.1 million for these 486 loans, which had enforceable indemnification agreements.

Loss summary		
	Number of loans	Loss amount
ACD program		
Active lenders	150	\$ 13,228,554
Terminated lenders	87	9,153,214
Subtotal	237	\$ 22,381,768
CWCOT program		
Active lenders	25	\$ 1,798,390
Terminated lenders	7	436,535
Subtotal	32	\$ 2,234,925
Loans that went into default		
Active lenders	98	\$ 4,813,020
Terminated lenders	119	7,677,012
Subtotal	217	\$ 12,490,032
Total	486	\$ 37,106,725

Recommendations

We recommend that HUD's Deputy Assistant Secretary for the Office of Finance and Budget

- 1A. Initiate the billing process, including determining lender status, for the 237 loans that were part of the ACD program for which the lenders were not billed (see appendix D). HUD incurred losses of nearly \$22.4 million for these loans.
- 1B. Initiate the billing process, including determining lender status, for the 32 loans that were part of the CWCOT program for which the lenders were not billed (see appendix E). HUD incurred losses of approximately \$2.2 million for these loans.
- 1C. Initiate the billing process, including determining lender status, for the 217 loans that went into default before the indemnification agreement expired for which the lenders were not billed (see appendix F). HUD incurred losses of nearly \$12.5 million for these loans.
- 1D. Determine the loss amounts for the three loans (412-4767940, 442-2462614, and 561-8450712) that were part of the ACD program, which OIG was unable to determine the loss, to be included in recommendation 1A above.

We recommend that HUD's Deputy Assistant Secretary for the Office of Finance and Budget and Deputy Assistant Secretary for the Office of Single Family Housing

- 1E. Develop and implement postindemnification and billing policies and procedures to ensure that lenders are billed for loans that are part of the ACD and CWCOT programs.
- 1F. Develop and implement postindemnification and billing policies and procedures to ensure that lenders are billed for loans that went into default during indemnification agreement period.

We recommend that HUD's Deputy Assistant Secretary for the Office of Single Family Housing

- 1G. Develop and implement policies and procedures to ensure that it notifies the Financial Operations Center of any program changes that could impact the billing of FHA single-family lenders for losses related to enforceable indemnification agreements.

Finding 2: HUD Did Not Always Ensure That Indemnification Agreements Were Extended to Loans That Were Streamline Refinanced

HUD did not ensure that indemnification agreements were extended to 64 of 2,078 loans that were streamline refinanced with agreement dates from January 2000 to February 2014. This condition occurred because the indemnification agreements expired before the indemnification agreement date.¹² As a result, HUD did not attempt to recover losses of \$373,228 for five loans and paid a claim of \$143,922 on one loan with a potential loss of \$74,839. Also, 15 loans had an unpaid balance of \$1.7 million with a potential loss to HUD of \$965,306 if the loans go into claim status. The remaining 43 loans either had been terminated or did not go into delinquency before the indemnification agreement expired.



The standard operating procedures¹³ for the Quality Assurance Division regarding indemnifications stated that executed indemnification agreements were entered into CHUMS (Computerized Homes Underwriting Management System). HUD officials entered into CHUMS information about the indemnification agreement, such as the agreement date, the term (length of agreement), and the lender to bill. HUD officials also indicated whether the indemnification agreement was transferable to future refinances. The standard operating procedures stated that “yes” should be entered for this field and did not provide instances in which HUD officials should enter “no.”

Most of the indemnification agreements reviewed starting on January 1, 2000, stated that the agreement would extend to the new mortgage if any of the loans included in the agreement were streamline refinanced. According to HUD officials, the reason indemnification agreements should extend only to streamline refinances and not conventional refinances was that a complete underwriting review was conducted for conventional refinances so the significant issues that caused the loan to be indemnified were considered in approving the loan for a refinance.

¹² These indemnification agreements could expire before the indemnification agreement date because the expiration date was sometimes based on the loan’s endorsement date. For example, loan 105-3224211 was endorsed on January 15, 2008 and has an indemnification agreement that is dated May 29, 2013. The indemnification agreement expired five years from the loans endorsement date. Therefore, the indemnification agreement expired on January 15, 2103, which is prior to the indemnification agreement date.

¹³ The standard operating procedures was dated September 2011.

HUD Did Not Always Extend Indemnification Agreements

There were 2,014 loans¹⁴ with indemnification agreement dates from January 2000 to February 2014, for which the indemnification agreement properly extended to loans that were streamline refinanced; however, there were 64 loans with indemnification agreements that were streamline refinanced and the agreement did not extend to the new loan.

Indemnification agreement did not extend to loans that were streamline refinanced	
Agreement date	Number of loans
2000 to 2005	44
2006	9
2011	3
2013	8
Totals	64

We reviewed only 22 of the 64 loans because the remaining loans either had a loss before 2004 (when the Center took over responsibility for billing FHA single-family indemnifications), had been terminated, or had not gone into a default status before the agreement expired. The indemnification agreements for 21 of the 22 loans contained language stating that the agreements would extend to loans that were streamline refinanced. Therefore, the indemnification agreements should have extended to the new mortgages for these 21 loans that were streamline refinanced, and the lender that signed the indemnification agreement should have been responsible for following the terms of the agreement (see appendixes C and G). Of the 21 loans, 18 had lenders that were active FHA lenders.¹⁵

¹⁴ This information was based on a review of the indemnification agreement information in the Single Family Data Warehouse.

¹⁵ According to the Single Family Data Warehouse as of April 2, 2014

Indemnification agreements not extended					
	Number of loans	Unpaid balance	Claim paid ¹⁶	Potential loss (52%) ¹⁷	Actual loss amount
Active FHA lenders	18	\$ 1,727,995	\$143,922	\$ 973,397	\$ 295,757
Terminated FHA lenders	3	128,362	-	66,748	77,471
Total	21	\$ 1,856,357	\$143,922	\$ 1,040,145	\$ 373,228

Indemnification Agreements Expired Before the Agreement Date

HUD officials stated that there was a “fix” in CHUMS in 2012, and they had also changed from CHUMS to FHA Connection for entering indemnification agreements because, according to HUD officials, there was a flaw in CHUMS in transferring the streamline refinance flag to the new loans.

For seven of the eight loans in 2013, the indemnification agreements expired before the agreement date because the expiration date was based on the loans’ endorsement date. All of the 65 loans (with agreement dates in 2013), for which the indemnification agreement properly extended to loans that were streamline refinanced, had expiration dates before the agreement date. HUD officials confirmed that FHA Connection was not programmed to look for future refinances after the indemnification agreement had expired. They also stated that the remaining indemnification agreement in 2013 did not extend to the new loan because the streamline refinance was not properly coded.

Conclusion

Because the indemnification agreements expired before the agreement date, the agreements were not extended to the new mortgages for 64 loans that were streamline refinanced; however, 43 of these loans either had a loss before 2004 (when the Financial Operations Center took over responsibility for billing single-family indemnifications), had been terminated, or had not gone into a default status before the agreement expired or the agreement did not state that it would be extended. Of the remaining 21 loans, HUD had a loss for 5 loans, 15 were active loans, and HUD paid a claim on 1 loan but the loss had not been realized.¹⁸ The

¹⁶ For one loan for which HUD paid a claim but the loss had not been realized as of April 30, 2014, with a potential loss of \$74,839. The loss will be realized when the property that was conveyed to HUD is sold.

¹⁷ The potential loss is based on FHA’s 52 percent loss severity rate multiplied by the unpaid balance for 15 loans and the claim paid for 1 loan that the loss had not been realized as of April 30, 2014. The 52 percent loss rate was the average loss on FHA-insured foreclosed-upon properties based on HUD’s Single Family Acquired Asset Management System’s “case management profit and loss by acquisition” for the first quarter of fiscal year 2014.

¹⁸ As of April 30, 2014

claim had a potential loss to HUD of \$74,839. As a result, HUD incurred losses of \$373,228 for five loans and paid a claim of \$143,922 on one loan. Also, 15 loans had an unpaid balance of \$1.9 million with a potential loss to HUD of \$965,306 if the loans go into claim status.

Recommendations

We recommend that HUD's Deputy Assistant Secretary for the Office of Single Family Housing

- 2A. Extend the indemnification agreement for the five loans (see appendix G) with a loss to HUD that were streamline refinanced.
- 2B. Extend the indemnification agreement for the 15 active loans and 1 claim loan that were streamline refinanced (see appendix G for the list of loans). The 15 active loans had an unpaid balance of nearly \$1.9 million with a potential loss to HUD of \$965,306 if the loans go into claim status¹⁹. The one claim loan had an estimated loss of \$74,839.²⁰
- 2C. Develop and implement policies and procedures to ensure that indemnification agreements are extended to all loans that are streamline refinanced.

We recommend that HUD's Deputy Assistant Secretary for the Office of Finance and Budget

- 2D. Initiate the billing process for the five loans with losses to HUD that were streamline refinanced. HUD incurred losses of \$373,228 for these loans.

¹⁹ The unpaid balance column total in Appendix G includes the unpaid balance (\$1,856,357) for the 15 active loans and the claim amount (\$143,922) for the 1 claim loan in which the loss had not been realized (\$1,856,357 + \$143,922 = \$2,000,279)

²⁰ The estimated loss is based on FHA's 52 percent loss severity rate multiplied by claim paid.

SCOPE AND METHODOLOGY

We chose to review HUD's single-family indemnification recovery process because an OIG examination of data in HUD's systems indicated that losses were not always recovered for FHA single-family loans that had indemnification agreements. Our audit period covered loans with indemnification agreements that expired starting on January 1, 2000.²¹ We performed our fieldwork from November 2013 to May 2014 at the Financial Operations Center in Albany, NY, the Office of Financial Services in Washington, DC, and the Quality Assurance Division in Washington, DC.

To accomplish our objective, we

- Reviewed applicable HUD regulations, requirements, and internal procedures;
- Interviewed appropriate management and staff at the Financial Operations Center, Office of Financial Services, and Quality Assurance Division;
- Determined loss amounts for 237 loans in the ACD program using data obtained from HUD's Single Family Data Warehouse; and
- Reviewed indemnification agreements for 507 loans (that we determined were billable).

For our review of the loans in the ACD and CWCOT programs, we used data maintained by HUD in its Single Family Data Warehouse to identify all loans that had an indemnification agreement²² and claims that were part of these programs (claim types 02 and 06). There were 596 and 43 loans, respectively, with claim dates ranging from April 1985 to February 2014. We narrowed our universe by identifying all of the loans with claim dates on or after January 1, 2004 (which is the approximate date of when the Center took over responsibility for servicing single-family indemnification agreement debts). There were 243 and 35 loans, respectively, during this period.

To determine whether the indemnification agreements extended to all loans that were streamline refinanced, we used HUD's Single Family Data Warehouse²³ to identify all loans that had an indemnification agreement that expired starting on January 1, 2000. There were 37,153 loans during this period, and 2,601 of these loans were streamline refinanced. We narrowed our universe by identifying all of the loans with indemnification agreement dates on or after January 1, 2000, because we determined that most of the agreements after this date contained language that extended the agreement to loans that were streamline refinanced. Of the 2,601 loans that were streamline refinanced, 2,289 had agreement dates on or after January 1, 2000. According to the Single Family Data Warehouse, the indemnification agreements extended for 2,014 loans and did not extend for 64 loans.

²¹ As of February 14, 2014, which is the date when the data were obtained from the Single Family Data Warehouse

²² As of February 21, 2014, for the ACD program and February 20, 2014, for the CWCOT program

²³ The Single Family Data Warehouse is a large collection of database tables organized and dedicated to support analysis, verification, and publication of FHA single-family housing data.

Streamline refinance review	
	Loans
Indemnification agreement expiration dates starting on January 1, 2000:	
- Not streamline refinanced	34,552
- Streamline refinanced	2,601
	37,153
Of the 2,601 streamline refinanced loans:	
- Agreement dates before January 1, 2000 (or no date)	312
- Agreement on or after January 1, 2000	2,289
	2,601
Of the 2,289 loans with agreement dates on or after January 1, 2000:	
- Indemnification agreement extended to loans that were streamline refinanced	2,014
- Indemnification agreement expired before the loan was refinanced	177
- Indemnification agreement did not extend to loans that were streamline refinanced	64
- Indemnification agreement of streamline refinanced loan did not match the prior loan	34
	2,289

For our review of the loans for which the Center did not bill because it determined that the indemnification agreement had expired, we identified all of the loans that were not billed because the agreements had expired on its spreadsheet that tracks all of the loans evaluated for billing. There were 274 loans that were not billed because the Center had determined that the indemnification agreements had expired.

In addition, we used the Single Family Data Warehouse to obtain the loss amounts, the unpaid mortgage balances for each of the loans (as of February 14, 2014), and the lender's FHA status. For the loans in the ACD program, the loss amounts were calculated using data from the Single Family Data Warehouse and a loss template provided by the Office of Financial Services.

To assess the reliability of data obtained from the Single Family Data Warehouse, we obtained and reviewed the hardcopy indemnification agreements from the Center and compared the agreement and expiration dates to the data obtained from the Single Family Data Warehouse. We determined that the indemnification agreement expiration dates entered into the Single Family Data Warehouse were not sufficiently reliable; therefore, we obtained the hardcopy indemnification agreements for all of the loans we reviewed to determine whether they were enforceable.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

INTERNAL CONTROLS

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objective:

- Controls intended to ensure that lenders are billed for all loans that have single-family indemnification losses.
- Controls intended to ensure that indemnification agreements are extended to all loans that are streamline refinanced.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

Significant Deficiencies

Based on our review, we believe that the following items are significant deficiencies:

- HUD did not have adequate controls to ensure that lenders were billed for all loans that had enforceable single-family indemnification losses (finding 1).
- HUD did not have adequate controls to ensure that indemnification agreements were extended to all loans that were streamline refinanced (finding 2).

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

Recommendation number	Ineligible 1/	Funds to be put to better use 2/
1A	\$22,381,768	
1B	2,234,925	
1C	12,490,032	
2B		\$1,040,145
2D	373,228	
	\$37,479,953	\$1,040,145

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations. In this instance, the ineligible costs are HUD's actual losses for 491 loans that had an enforceable indemnification agreement but were not billed (see finding 1 and appendixes D through G). The losses resulted when the properties (or notes) that secured these loans were sold and the insurance claims and other expenses incurred by HUD exceeded the sales proceeds.
- 2/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an OIG recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, implementation of recommendation 2B to extend the indemnification agreements for the 15 active loans and 1 claim loan that had an agreement and were streamline refinanced will reduce FHA's risk of loss to the insurance fund (\$965,306 + \$74,839 = \$1,040,145). The amount noted reflects HUD's calculation that FHA loses an average of 52 percent of the unpaid principal balance when it sells a foreclosed-upon property (see the potential loss to HUD in appendix C). The 52 percent loss rate is based on HUD's Single Family Acquired Asset Management System's "case management profit and loss by acquisition" computation for the first quarter of fiscal year 2014 based on actual sales.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON DC 20410-8000

JUL 24 2014

MEMORANDUM FOR: Tanya E. Schulze, Regional Inspector General for Audit,
Los Angeles Region, 9DGA

FROM: Monica A. Clarke, Acting Deputy Assistant Secretary
for Finance and Budget, HW *[Signature]*

Kathleen A. Zadareky, Deputy Assistant Secretary
for Single Family Housing, HU *[Signature]*

SUBJECT: Discussion Draft Report
FHA Indemnification Recovery Process
Audit Report Number: 2014-LA-100X

Thank you for providing the Office of Finance and Budget and the Office of Single Family Housing the opportunity to comment on the Office of Inspector General's (OIG) draft audit report entitled *FHA Indemnification Recovery Process* (2014-LA-100X). Please find our comments below:

Recommendation 1A:

Initiate the billing process, including determining lender status, for the 237 loans that were part of the ACD program for which the lenders were not billed (see appendix D). HUD incurred losses of nearly \$22.4 million for these loans.

Response:

The Office of Finance and Budget agrees with this recommendation and has begun the process to review the identified indemnified loans for the purpose of initiating billing, when appropriate. However, it should be noted that the possibility exists that indemnified loans identified as part of this recommendation may have been included in previous lender settlements which may preclude HUD from pursuing losses under the indemnification agreements.

Recommendation 1B:

Initiate the billing process, including determining lender status, for the 32 loans that were part of the CWCOT program for which the lenders were not billed (see appendix E). HUD incurred losses of approximately \$2.2 million for these loans.

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Comment 1

Comment 2

Comment 1**Response:**

The Office of Finance and Budget agrees with this recommendation and initiated billing on 21 of the 32 identified loans in February 2014. The other 11 identified loans will be further evaluated in coordination with the Office of Single Family Housing, to determine if billing for losses is the appropriate course of action.

Recommendation 1C:

Initiate the billing process, including determining lender status, for the 217 loans that went into default before the indemnification agreement expired for which lenders were not billed (see appendix F). HUD incurred losses of nearly \$12.5 million for these loans.

Response:

The Office of Finance and Budget's Financial Operations Center (the Center) has had the responsibility for pursuing losses associated with executed indemnification agreements since 2004. The Center has been determining the indemnification expiration date using the Date of Default (also known as the "final default" date). This has been a long-standing practice that predates the Center taking over the activity and is also well known by the lender/servicer industries. The 217 loans identified by the OIG did not meet the current criteria for billing and collections. The Office of Single Family Housing, in partnership with the Office of Finance and Budget, agree to reevaluate the indemnification expiration policy used by the Center and determine if changes are necessary. However, any changes to the billing and collections policy would likely be made on a prospective basis.

Comment 3**Recommendation 1D:**

Determine the loss amounts for the three loans (412-4767940, 442-2462614, and 561-8450712) that were part of the ACD program, which OIG was unable to determine the loss, to be included in recommendation 1A above.

Response:

The Office of Finance and Budget agrees with this recommendation. The loss amounts have been requested from our Office of Asset Sales and it is anticipated that the Center will initiate billing for the three loans identified within the next 60 days.

Comment 1**Recommendation 1E:**

Develop and implement postindemnification and billing policies and procedures to ensure that lenders are billed for loans that are part of the ACD and CWCOT programs.

3

Comment 1

Response:

The Office of Finance and Budget agrees with this recommendation. The Center has already implemented changes to its billing process to include indemnified loans that are part of the ACD and CWCOT programs.

Recommendation 1F:

Develop and implement postindemnification and billing policies and procedures to ensure that lenders are billed for loans that went into default during indemnification agreement period.

Comment 3

Response:

See response for Recommendation 1C.

Recommendation 1G:

Develop and implement policies and procedures to ensure that it notifies the Financial Operations Center of any program changes that could impact the billing of FHA single-family lenders for losses related to enforceable indemnification agreements.

Comment 1

Response:

The Office of Single Family Housing agrees with this recommendation and will generate revised Standard Operating Procedures that will include a provision for program change notification.

Recommendation 2A:

Extend the indemnification agreement for five loans (see appendix G) with a loss to HUD that were streamline refinanced.

Comment 1

Response:

The Office of Single Family Housing agrees with this recommendation and will extend the indemnification agreements for the five loans identified.

Recommendation 2B:

Extend the indemnification agreement for the 15 active loans and 1 claim loan that were streamline refinanced (see appendix G for the list of loans). The 15 active loans had an unpaid principal balance of nearly \$1.9 million with a potential loss to HUD of \$965,306 if the loans go into claim status. The one claim loan had an estimated loss of \$74,839.

Comment 1

Response:

The Office of Single Family Housing agrees with this recommendation and will extend the indemnification agreements for the loans identified.

Recommendation 2C:

Develop and implement postindemnification and billing policies and procedures to ensure that indemnification agreements are extended to all loans that are streamline refinanced.

Response:

The Office of Single Family Housing agrees with this recommendation and is pursuing system enhancements to ensure that indemnification agreements are extended to all loans that are streamline refinanced.

Recommendation 2D:

Initiate the billing process for the five loans with losses to HUD that were streamline refinanced. HUD incurred losses of \$373,228 for these loans.

Response:

Comment 1

The Office of Finance and Budget agrees with this recommendation. The Center anticipates that billing will be initiated for the five identified indemnified loans within one month.

OIG Evaluation of Auditee Comments

Comment 1 We acknowledge that the Office of Housing has agreed to implement recommendations 1A, 1B, 1D, 1E, 1G, 2A, 2B, 2C, and 2D and has identified actions that it plans take; however, this does not constitute final resolution of the recommendations.

Comment 2 We agree that the indemnified loans identified as part of recommendation 1A could be impacted by previous lender settlements with HUD. Identifying any impacted loans was outside the scope of our review and HUD should do that during the audit resolution process, and initiate billing for the appropriate loans, accordingly.

Comment 3 We acknowledge the Office of Housing's assessment that 217 loans identified under recommendation 1C did not meet the Center's current policy for billing, indicating that their policy was a long-standing practice; however, the policy is not consistent with the language of the indemnification agreements reviewed. Therefore, as concluded in the audit report, HUD should not only be billing lenders for loans that were in default when the indemnification agreement expired, but also for loans that entered into a default status at any time before the agreement expired even if the loans were current when the agreement expired. All of the loans identified under recommendation 1C had an enforceable indemnification agreement and should be billed appropriately. Of the 217 loans, 2 were in default when the agreement expired and 215 loans went into default before the agreement expired.

We agree with the Office of Housing's commitment to reevaluate their indemnification expiration policy used by the Center, ensuring a more consistent billing process.

Appendix C**LOSS SUMMARY FOR LOANS NOT BILLED**

Deficient area	Number of loans	Unpaid mortgage balance	Claim paid	Loss amount	Potential loss
ACD program	237	\$ -	\$ -	\$ 22,381,768	\$ -
CWCOT program	32	-	-	2,234,925	-
Loans in default not billed	217	-	-	12,490,032	-
Agreements not extended	21	1,856,357	143,922	373,228	1,040,145
Totals	507	\$ 1,856,357	\$ 143,922	\$ 37,479,953	\$ 1,040,145

Appendix D

ACD PROGRAM LOANS NOT BILLED

Case number	Refinanced case number	Expiration date	Default date ²⁴	Oldest unpaid installment date	Claim date	Loss amount	Lender status ²⁵
011-5695332	n/a	03/11/13	08/01/08	07/01/10	11/10/12	101,709	A
022-1759014	n/a	10/21/09	03/01/04	08/01/04	08/08/05	25,286	T
022-2215202	n/a	09/29/15	12/01/10	01/01/12	07/29/13	44,569	A
023-1721755	n/a	02/08/11	05/01/04	08/01/04	09/11/04	21,161	T
023-1738902	n/a	05/25/10	05/01/04	05/01/04	09/02/04	28,148	T
023-1915912	n/a	02/08/11	06/01/04	08/01/04	12/09/04	18,540	T
023-1962637	n/a	04/21/10	07/01/04	07/01/04	11/12/04	12,257	T
023-3543512	n/a	08/14/14	09/01/09	08/01/11	09/29/12	130,369	A
048-6345662	n/a	12/30/15	03/01/11	04/01/11	05/25/13	19,432	A
052-2253638	n/a	01/26/11	06/01/05	06/01/05	10/08/05	37,843	A
052-2872156	n/a	02/06/11	12/01/03	12/01/03	04/15/04	69,758	T
052-2939661	n/a	02/06/11	12/01/03	02/01/04	06/17/04	64,457	T
052-3257399	n/a	03/04/09	09/01/04	09/01/04	12/30/04	70,819	T
052-3497695	n/a	02/06/11	11/01/04	11/01/04	05/01/05	33,324	A
052-3549973	n/a	07/28/11	02/01/05	03/01/05	05/21/05	56,659	T
061-2742606	n/a	08/30/10	05/01/04	05/01/04	01/30/05	47,969	T
071-0968687	n/a	01/05/09	11/01/04	11/01/04	02/27/05	17,895	A
081-0741091	n/a	02/07/11	09/01/04	09/01/04	01/31/05	114,150	T
081-0766201	n/a	11/25/33	04/01/04	04/01/04	08/13/04	12,286	A
081-0841113	n/a	08/12/13	09/01/08	08/01/10	02/02/14	97,380	A
091-3624571	n/a	06/27/10	07/01/03	07/01/03	01/15/04	39,687	A
091-3651502	n/a	06/27/10	10/01/03	10/01/03	05/20/04	19,823	A
091-3693706	n/a	06/27/10	10/01/03	12/01/03	02/27/04	30,001	A
091-3711494	n/a	06/27/10	09/01/03	09/01/03	03/14/04	52,893	A
091-3900463	n/a	05/08/11	01/01/05	02/01/05	05/15/05	30,100	T
091-4388275	n/a	05/23/13	02/01/09	07/01/10	01/12/14	127,733	A
092-8612669	n/a	10/08/08	10/01/01	11/01/09	08/03/13	37,694	A
092-9308470	n/a	04/04/11	11/01/03	09/01/04	12/16/04	11,313	T
092-9458419	n/a	07/26/09	11/01/03	08/01/04	07/11/05	18,332	T
093-6246238	n/a	01/28/38	12/01/09	05/01/11	07/21/13	102,314	T
093-6609919	n/a	05/08/14	04/01/10	06/01/10	03/15/12	129,752	A
094-4821809	n/a	04/19/10	07/01/04	07/01/04	07/03/05	3,651	T
095-1394738	n/a	11/09/39	12/01/09	08/01/11	06/02/13	85,129	T
095-1739384	n/a	01/03/16	05/01/11	02/01/12	10/07/12	96,393	A
095-2017673	n/a	05/12/16	06/01/11	04/01/12	09/29/12	66,681	A
101-8337425	n/a	08/13/03	01/31/99	06/01/04	08/11/05	29,791	T

²⁴ Either the first unpaid default date (if earlier than the expiration date) or the open default status date. The open default status date is the status date that was submitted to the Single Family Default Monitoring System for the loan.

²⁵ A = active; T = terminated

Case number	Refinanced case number	Expiration date	Default date ²⁴	Oldest unpaid installment date	Claim date	Loss amount	Lender status ²⁵
101-8597863	n/a	06/08/04	03/31/00	12/01/11	12/29/13	33,143	T
101-8654297	n/a	03/17/05	09/30/00	06/01/04	07/23/05	19,888	T
105-1044523	n/a	05/25/10	09/01/03	06/01/04	09/15/05	41,038	T
105-3449057	n/a	05/01/38	11/01/08	11/01/12	09/08/13	44,889	A
121-2105509	n/a	07/22/33	10/01/03	10/01/03	12/16/04	34,200	A
121-2189465	n/a	11/18/10	12/31/04	11/01/04	06/25/05	14,227	T
132-1596311	n/a	06/27/10	09/01/03	09/01/03	02/12/04	15,330	A
132-2448600	n/a	03/22/15	06/01/10	03/01/11	08/15/13	61,323	A
137-0618201	n/a	07/14/08	02/01/02	10/01/10	09/09/13	82,038	A
137-1529239	n/a	06/27/10	10/01/03	10/01/03	03/05/04	29,565	A
137-1955494	n/a	01/21/10	05/01/03	12/01/09	07/15/13	31,826	T
137-2058418	n/a	06/27/10	08/01/03	09/01/03	12/18/04	26,452	A
137-2086510	n/a	06/27/10	09/01/03	09/01/03	12/11/04	47,516	A
137-3381608	n/a	03/07/11	10/01/08	01/01/10	09/01/13	114,284	T
137-3643257	n/a	06/15/12	09/01/08	03/01/10	12/05/13	62,531	A
137-3695799	n/a	11/12/12	02/01/08	11/01/10	09/01/13	184,822	A
137-3727045	n/a	10/01/12	12/01/07	02/01/11	05/24/13	155,223	T
137-4017603	n/a	06/18/38	08/01/08	02/01/10	10/16/11	228,883	A
137-4392297	n/a	12/11/38	10/01/09	11/01/09	05/08/11	210,901	A
137-4468349	n/a	01/14/39	01/01/10	02/01/10	08/22/11	124,480	A
137-4595306	n/a	03/20/14	10/01/09	11/01/10	12/14/12	173,233	A
137-5206014	n/a	12/22/14	02/01/10	04/01/10	11/24/13	222,207	A
137-5532653	n/a	03/17/15	07/01/10	10/01/10	12/14/12	152,908	A
137-5707411	n/a	05/13/15	07/01/10	07/01/10	01/21/13	354,121	A
137-5792688	n/a	12/16/15	05/01/11	01/01/12	07/15/13	99,962	A
137-6409728	n/a	01/24/17	02/01/12	05/01/12	09/02/13	84,764	A
151-6638940	151-7166018	08/12/09	07/01/04	03/01/13	01/06/14	56,515	A
151-7591004	n/a	10/30/11	09/01/04	09/01/04	01/14/05	64,600	T
151-7853397	151-8605939	07/27/10	05/01/10	03/01/12	07/01/13	52,663	A
161-2057177	n/a	07/29/10	03/01/04	04/01/04	03/21/05	42,371	A
161-2999992	n/a	05/11/16	06/01/11	11/01/11	07/18/13	30,714	A
181-2581870	n/a	05/19/15	07/01/10	07/01/10	09/07/13	43,170	A
182-0827009	n/a	12/12/11	07/01/07	12/01/10	06/01/13	77,536	A
221-3110968	n/a	01/10/05	09/30/00	06/01/12	04/25/13	56,849	A
221-3501664	n/a	02/14/11	01/01/04	06/01/04	05/20/05	19,133	T
221-4438597	n/a	08/05/15	12/01/10	07/01/11	11/10/13	70,795	A
221-4614006	n/a	01/24/16	02/01/11	07/01/12	07/29/13	57,789	A
241-8212969	n/a	07/16/13	08/01/08	09/01/09	01/18/14	159,826	A
241-8369993	n/a	12/31/13	02/01/09	11/01/10	07/09/12	256,436	A
241-8720629	n/a	06/29/14	11/01/09	09/01/10	10/23/11	218,486	A
241-8863920	n/a	09/23/14	11/01/10	04/01/12	01/06/14	48,008	A
241-8048302	241-8982342	12/08/13	05/01/10	01/01/11	12/23/13	70,884	A
261-8380314	n/a	02/24/10	08/01/03	12/01/04	03/06/05	29,444	A
261-8485988	n/a	07/06/09	02/01/04	08/01/04	07/14/05	22,826	T
261-8597097	n/a	01/12/09	02/01/05	02/01/05	03/25/06	65,900	I
281-2639246	n/a	04/28/04	11/30/99	06/01/04	10/08/04	25,642	T

Case number	Refinanced case number	Expiration date	Default date ²⁴	Oldest unpaid installment date	Claim date	Loss amount	Lender status ²⁵
292-4322685	n/a	04/06/11	12/01/03	12/01/03	03/25/04	18,648	A
292-4414985	n/a	04/06/11	09/01/04	09/01/04	01/14/05	27,898	A
292-4419136	n/a	11/14/11	07/01/04	07/01/04	12/06/04	31,467	T
292-5149597	n/a	12/16/38	02/01/09	10/01/09	12/23/13	82,728	A
321-2484573	n/a	12/22/12	05/01/08	12/01/10	11/11/12	66,328	A
332-4034164	n/a	03/15/10	01/01/04	01/01/04	05/20/04	27,575	T
332-4569667	n/a	05/23/13	07/01/08	07/01/08	05/13/13	207,788	T
332-4646174	n/a	11/14/13	04/01/09	01/01/10	12/23/13	143,394	A
332-4675998	n/a	09/11/13	12/01/11	12/01/11	01/31/14	87,097	A
332-4687921	n/a	10/08/13	09/01/10	09/01/10	01/18/14	44,045	T
351-4183460	n/a	04/27/09	10/01/02	10/01/03	06/06/05	15,509	A
351-4354466	n/a	10/17/08	03/01/04	03/01/04	02/10/05	9,008	A
351-4385883	n/a	05/02/08	07/01/03	03/01/05	10/07/05	8,398	A
351-4459934	n/a	04/05/10	04/01/04	04/01/04	08/12/04	17,593	T
351-4496972	n/a	11/19/08	09/01/05	07/01/08	09/06/13	80,792	A
351-4618114	n/a	06/23/09	10/01/04	04/01/05	02/17/05	12,942	A
351-4623245	n/a	08/12/09	12/31/04	11/01/04	03/20/05	33,429	T
351-4640295	n/a	11/02/10	11/01/04	11/01/04	09/24/05	30,492	T
351-4684808	n/a	02/11/35	02/01/06	06/01/11	11/16/13	50,313	T
351-4687211	n/a	08/15/35	04/01/07	05/01/09	09/06/13	40,131	T
351-4740533	n/a	10/04/11	04/01/06	10/01/11	06/13/13	144,420	T
351-4846379	n/a	12/12/11	04/01/07	09/01/11	01/27/14	106,149	A
351-4881489	n/a	04/06/12	06/01/07	03/01/09	10/09/10	80,403	A
351-4885649	n/a	05/09/12	06/01/07	05/01/10	05/23/13	154,006	T
351-4898432	n/a	07/11/12	07/01/07	06/01/10	11/16/13	102,489	T
351-5381836	n/a	04/28/14	06/01/09	06/01/12	01/12/14	91,554	A
351-5999718	n/a	01/14/16	04/01/11	08/01/11	09/19/13	78,445	A
352-5160009	n/a	05/31/10	05/01/04	05/01/04	04/15/05	87,020	T
352-5171660	n/a	05/31/10	08/31/04	08/01/04	09/18/05	156,147	T
352-5369987	n/a	11/21/11	11/01/08	05/01/10	01/26/14	286,840	T
352-5454143	n/a	02/02/11	04/01/06	12/01/08	09/06/13	178,893	T
352-5457871	n/a	11/27/11	10/01/06	07/01/09	06/02/13	354,721	A
352-5497631	n/a	03/14/12	04/01/07	12/01/08	05/24/13	254,070	T
352-5586675	n/a	08/09/12	08/01/07	08/01/07	11/05/12	641,325	T
352-5590208	n/a	08/09/12	01/01/08	09/01/08	11/04/12	421,243	T
352-5628943	n/a	11/27/12	06/01/08	10/01/08	09/27/13	154,983	T
352-5644437	n/a	03/24/13	08/01/08	10/01/08	05/24/13	347,490	A
352-5647932	n/a	04/02/13	04/01/08	10/01/10	01/31/14	131,722	A
352-5670312	n/a	05/12/13	10/01/08	10/01/08	10/05/13	445,475	T
352-5606019	352-5720947	05/04/14	06/01/08	03/01/10	12/20/13	186,442	T
352-5616124	352-5759347	12/27/12	03/01/09	02/01/11	01/30/14	151,700	A
352-6050094	n/a	03/31/14	08/01/09	02/01/10	09/26/13	211,652	A
352-5643880	352-6054277	12/26/12	03/01/12	08/01/12	01/05/14	396,472	T
352-6390520	n/a	07/20/14	09/01/09	04/01/11	01/13/14	227,562	A
352-6513260	n/a	10/14/14	02/01/10	03/01/12	12/06/13	193,885	A
352-6703974	n/a	02/08/15	03/01/10	03/01/10	05/12/13	223,020	A

Case number	Refinanced case number	Expiration date	Default date ²⁴	Oldest unpaid installment date	Claim date	Loss amount	Lender status ²⁵
352-6866555	n/a	06/25/15	09/01/10	03/01/12	10/05/13	88,205	A
352-6947931	n/a	11/08/15	01/01/11	03/01/11	09/21/13	220,453	A
352-6752418	352-7118668	04/27/15	05/01/11	07/01/11	10/11/13	153,289	T
352-7174653	n/a	08/05/11	10/01/11	10/01/11	09/29/12	82,664	A
371-2837126	n/a	06/16/05	10/31/00	06/01/04	09/22/05	9,736	A
371-3165547	n/a	08/30/10	08/01/03	06/01/04	03/06/05	7,892	T
371-3243122	n/a	05/06/10	09/01/03	09/01/03	02/09/04	30,272	A
371-3717179	n/a	12/26/12	01/01/08	05/01/11	04/18/13	33,907	A
372-2735798	n/a	01/27/03	09/30/98	08/01/04	12/10/04	8,152	T
372-3283040	n/a	07/11/10	03/01/04	06/01/04	09/20/04	26,495	T
372-3886121	n/a	04/24/39	09/01/11	12/01/12	01/05/14	74,121	T
374-4053374	n/a	07/30/09	08/01/03	08/01/03	05/24/04	66,992	T
374-4189929	n/a	05/14/08	09/01/03	10/01/03	08/15/04	124,832	T
374-4236696	n/a	08/01/08	09/01/03	09/01/03	05/24/04	99,733	T
374-4240474	n/a	10/27/10	12/01/03	12/01/03	04/16/04	74,127	T
374-4297672	n/a	10/16/08	03/01/04	09/01/04	09/25/05	16,977	T
374-4450438	n/a	01/19/10	10/01/08	02/01/09	12/08/13	259,213	T
374-4595283	n/a	03/27/12	09/01/07	04/01/12	08/22/13	325,263	T
374-4620365	n/a	01/12/13	02/01/08	04/01/08	11/17/12	317,147	A
374-4809802	n/a	09/30/38	11/01/08	11/01/08	09/09/13	306,643	T
374-4884169	n/a	09/04/13	02/01/09	05/01/09	08/10/13	296,474	T
374-4907638	n/a	02/12/14	03/01/09	03/01/09	10/26/12	579,650	A
374-4919150	n/a	03/19/14	03/01/09	04/01/09	08/15/13	320,442	A
374-4964714	n/a	06/18/14	09/01/09	11/01/09	08/12/13	394,246	T
374-5039890	n/a	06/01/14	01/01/10	03/01/10	01/10/14	180,424	A
374-5193285	n/a	06/30/14	06/01/10	01/01/12	02/03/14	284,985	T
374-5313170	n/a	10/01/14	02/01/10	08/01/10	04/04/11	155,328	A
374-5634529	n/a	05/04/15	07/01/10	10/01/11	06/01/13	305,546	A
374-5838647	n/a	10/19/15	12/01/10	10/01/11	08/10/13	166,707	A
411-3450070	n/a	12/14/10	05/01/04	08/01/10	07/15/13	61,980	T
411-3622036	n/a	05/18/10	03/01/04	03/01/04	02/28/05	62,015	A
411-4059116	n/a	11/06/12	03/01/08	05/01/08	07/01/13	207,492	T
412-4728809	n/a	01/26/11	02/01/02	12/01/04	05/15/05	30,839	A
412-5570684	n/a	06/15/12	11/01/07	08/01/11	07/04/13	109,758	A
412-5621632	n/a	12/04/12	11/01/07	07/01/11	06/02/13	90,212	T
412-5626912	n/a	11/14/12	06/01/08	11/01/08	05/23/13	52,310	T
412-5699541	n/a	03/27/13	04/01/08	05/01/09	05/05/13	83,985	A
413-4038917	n/a	01/31/08	09/01/03	09/01/03	02/12/04	33,099	A
413-4166744	n/a	05/18/10	03/01/04	03/01/04	02/28/05	65,596	A
413-4236092	n/a	05/18/10	12/01/03	12/01/03	05/23/04	31,767	A
421-3853130	n/a	01/26/11	02/28/03	05/01/05	10/27/05	40,511	A
421-3892855	n/a	03/05/33	09/01/03	09/01/03	02/15/04	22,270	A
421-3896317	n/a	02/24/33	12/01/03	12/01/03	03/18/04	1,412	A
421-3999019	n/a	10/07/10	09/01/04	09/01/04	01/02/05	15,018	A
421-4066314	n/a	01/23/12	06/01/05	06/01/05	11/07/05	67,056	T
421-4375395	n/a	05/28/13	08/01/08	02/01/09	11/16/13	64,431	A

Case number	Refinanced case number	Expiration date	Default date ²⁴	Oldest unpaid installment date	Claim date	Loss amount	Lender status ²⁵
421-4536402	n/a	03/16/14	05/01/09	06/01/09	07/27/13	66,576	A
422-2623457	n/a	01/26/10	06/01/04	06/01/04	11/13/04	15,669	T
441-6779241	n/a	08/04/09	03/01/03	11/01/03	04/15/04	14,966	A
441-6881818	n/a	03/22/10	01/01/04	02/01/04	04/24/04	11,415	A
441-6908180	n/a	08/16/10	06/01/04	07/01/04	09/06/04	10,636	A
441-7028574	n/a	02/07/10	02/01/03	06/01/03	05/21/04	14,832	A
441-7189755	n/a	10/27/11	04/01/04	05/01/04	03/20/05	13,250	A
441-7254705	n/a	06/27/10	10/01/03	10/01/03	12/11/04	29,440	A
441-7338279	n/a	05/24/11	03/01/04	04/01/04	10/22/05	93,634	A
441-7409267	n/a	05/24/11	05/01/04	05/01/04	09/16/04	16,826	A
441-7432986	n/a	10/12/11	05/01/04	02/01/05	12/24/05	16,360	T
441-7455284	n/a	01/11/12	07/01/04	07/01/04	03/07/05	12,970	A
441-7475158	n/a	05/24/11	10/01/04	02/01/05	06/16/05	28,713	A
441-8160475	n/a	04/09/13	07/01/08	05/01/10	12/08/13	50,241	A
441-9655917	n/a	03/05/40	06/01/10	06/01/10	08/12/13	87,508	A
442-2440523	n/a	10/12/11	01/01/05	01/01/05	05/05/05	22,518	T
442-2449653	n/a	10/12/11	07/01/05	07/01/05	12/08/05	41,618	T
446-0419123	n/a	10/20/15	01/01/11	03/01/11	05/19/13	91,453	A
446-0622970	n/a	07/18/16	11/01/11	11/01/11	11/19/12	109,051	A
451-1105688	n/a	09/22/15	10/01/10	11/01/10	05/27/12	148,263	A
461-3658004	n/a	11/30/09	07/01/03	07/01/03	07/12/04	40,335	A
461-3785070	n/a	06/16/33	11/01/03	08/01/04	01/31/05	68,534	A
461-4190864	n/a	02/01/13	02/01/08	11/01/08	07/14/13	116,674	A
481-2920224	n/a	04/27/14	07/01/09	01/01/12	02/01/14	80,528	A
483-3654829	483-4159574	11/02/11	09/01/09	11/01/10	01/17/14	87,271	T
491-7775664	n/a	02/28/33	07/01/03	07/01/03	05/20/04	77,873	A
491-7788198	n/a	01/24/33	04/01/03	08/01/03	02/06/04	29,440	A
491-7797857	n/a	03/27/33	03/01/03	11/01/03	04/03/04	32,015	A
491-7817265	n/a	08/15/10	09/01/04	10/01/04	12/17/04	56,780	A
491-8214326	n/a	03/05/34	12/31/04	01/01/05	02/10/05	70,689	A
491-8226744	n/a	11/24/08	10/01/04	02/01/05	06/10/05	50,504	A
491-8254653	n/a	08/26/10	06/01/04	07/01/04	09/17/04	26,064	A
491-9639290	n/a	09/16/14	11/01/09	10/01/12	01/03/14	118,640	A
492-6627669	n/a	01/03/12	10/01/04	10/01/04	02/20/05	64,851	A
492-6652845	n/a	09/06/10	11/01/03	11/01/03	11/13/04	23,718	T
492-6693879	n/a	04/07/11	05/01/04	05/01/04	09/02/04	30,567	A
492-6783078	n/a	05/15/08	06/01/04	06/01/04	10/22/04	55,655	A
492-6854434	n/a	04/14/11	01/01/04	12/01/03	04/03/04	53,020	A
492-6896014	n/a	10/22/08	12/01/03	12/01/03	04/11/04	36,704	A
492-6943572	n/a	09/15/08	05/01/04	05/01/04	09/11/04	62,620	A
492-6957751	n/a	11/17/33	03/01/04	05/01/04	09/05/04	47,174	I
492-7252860	n/a	01/30/12	12/01/04	12/01/04	04/17/05	36,500	A
492-7885648	n/a	11/19/12	01/01/08	02/01/11	06/15/13	62,125	A
493-7558467	n/a	02/13/34	12/01/03	12/01/03	04/10/04	26,243	A
493-7790146	n/a	04/26/11	10/01/04	10/01/04	02/11/05	44,607	A
493-7852047	n/a	09/13/09	10/01/04	10/01/04	06/05/05	55,646	A

Case number	Refinanced case number	Expiration date	Default date ²⁴	Oldest unpaid installment date	Claim date	Loss amount	Lender status ²⁵
493-7905859	n/a	12/16/09	01/01/05	01/01/05	05/15/05	39,553	A
495-6334157	n/a	12/20/09	03/01/04	03/01/04	07/15/04	33,306	A
495-6749841	n/a	03/07/12	10/01/04	12/01/04	03/13/05	51,145	T
495-7038050	n/a	06/12/11	11/01/04	12/01/04	04/14/05	36,523	A
495-7511408	n/a	11/03/11	10/01/06	01/01/09	06/02/13	49,336	T
501-7384457	n/a	12/27/36	11/01/08	05/01/09	09/06/13	140,923	A
521-5315608	n/a	01/26/11	02/01/05	02/01/05	06/16/05	14,606	A
521-5607344	n/a	06/18/33	10/01/03	10/01/03	05/20/04	53,340	A
541-7738733	n/a	03/19/13	12/01/08	04/01/11	01/18/14	104,755	A
544-0139184	n/a	08/16/17	12/01/12	12/01/12	12/29/13	22,048	A
561-7722152	n/a	03/13/33	11/01/03	11/01/03	04/15/04	28,378	A
561-7959341	n/a	01/30/09	09/01/04	09/01/04	06/17/05	34,492	T
561-8061603	n/a	08/19/09	09/01/05	02/01/09	01/24/14	141,714	T
561-8904049	n/a	03/09/14	11/01/09	07/01/10	05/17/12	159,251	A
581-2395831	n/a	02/14/11	06/01/04	08/01/04	06/30/05	12,970	T
581-2982261	n/a	03/22/13	06/01/08	04/01/11	07/28/13	100,523	T
581-4282041	n/a	10/25/16	11/01/11	02/01/12	10/29/12	74,181	A
Totals						\$ 22,381,768	A = 150 T = 87

Appendix E**CWCOT PROGRAM LOANS NOT BILLED**

Case number	Refinanced case number	Expiration date	Default date ²⁶	Oldest unpaid installment date	Loss date	Loss amount	Lender status ²⁷
011-7288570	n/a	03/06/17	06/01/12	06/01/12	11/08/13	55,137	A
022-1534339	022-1798053	07/15/08	10/01/06	01/01/12	12/06/12	51,142	A
022-1843849	n/a	02/13/11	02/01/08	03/01/11	12/19/13	108,181	T
022-2261577	n/a	06/23/16	11/01/11	11/01/11	10/14/12	77,169	A
023-1622136	n/a	05/17/10	12/01/03	07/01/11	08/11/12	74,465	A
023-3937454	n/a	04/01/15	12/01/11	02/01/12	02/04/13	4,554	A
094-3222735	n/a	06/02/00	01/31/99	07/01/08	10/04/13	29,737	A
095-0170099	n/a	02/23/11	03/01/10	03/01/10	03/10/13	120,932	T
105-0748951	n/a	01/26/11	11/01/03	09/01/12	08/30/13	54,488	A
105-2849352	n/a	11/27/11	05/01/09	08/01/10	12/07/12	60,073	A
105-6472991	n/a	06/15/41	07/01/11	07/01/11	02/15/13	167,568	A
105-6897662	n/a	03/16/42	06/01/12	07/01/12	12/08/13	25,213	A
105-6905513	n/a	05/07/17	06/01/12	06/01/12	01/18/13	42,225	A
105-6972060	n/a	04/19/17	07/01/12	07/01/12	01/16/14	25,826	A
137-1544186	n/a	01/26/11	07/01/02	03/01/11	01/06/14	100,976	A
137-3615195	n/a	08/16/37	12/01/07	04/01/10	02/15/13	176,332	A
137-4451967	n/a	03/02/14	08/01/09	09/01/09	08/19/13	135,122	A
151-9016716	n/a	11/06/38	01/01/09	03/01/09	10/11/13	67,561	A
261-8002343	n/a	06/04/08	05/01/02	02/01/12	01/19/14	42,169	A
291-4500257	n/a	08/10/16	09/01/11	12/01/11	09/30/13	85,824	A
332-4395592	n/a	05/17/35	02/01/08	09/01/11	06/01/13	51,824	A
332-4657522	n/a	10/28/13	12/01/08	06/01/09	02/02/14	130,709	A
332-5504770	n/a	02/14/17	06/01/12	06/01/12	08/02/13	55,272	T
381-6766222	n/a	07/08/09	03/01/03	11/01/09	06/16/13	94,400	A
413-4325294	n/a	06/10/34	03/01/11	05/01/11	12/07/12	25,804	T
413-5388891	n/a	02/24/15	05/01/10	07/01/10	01/27/14	96,856	A
421-4085326	n/a	10/21/10	12/01/04	04/01/12	09/01/13	34,040	T
491-7590119	n/a	06/30/09	10/01/02	06/01/12	01/11/13	36,057	A
492-6107500	n/a	09/05/06	11/01/02	04/01/12	09/20/13	56,462	T
492-9189810	n/a	11/02/41	01/01/12	01/01/12	08/23/12	57,135	A
511-0426670	n/a	06/20/16	10/01/11	10/01/11	06/11/12	39,585	A
512-0267268	n/a	04/15/16	06/01/11	11/01/12	08/03/13	52,087	T
Totals						\$2,234,925	A = 25 T = 7

²⁶ Either the first unpaid default date (if earlier than the expiration date) or the open default status date. The open default status date is the status date that was submitted to the Single Family Default Monitoring System for the loan.

²⁷ A = active; T = terminated

Appendix F

LOANS IN DEFAULT AND NOT BILLED

Case number	Refinanced case number	Expiration date	Default date ²⁸	Oldest unpaid installment date	Loss date	Loss amount	Lender status ²⁹
011-4225007	n/a	09/17/02	12/31/97	04/01/06	05/08/07	\$35,148	T
011-4328272	n/a	08/26/03	05/01/02	09/01/05	02/15/08	62,985	T
011-4417104	n/a	02/02/04	11/30/99	06/01/05	05/30/08	40,960	T
011-4431526	n/a	03/12/04	07/31/99	06/01/04	11/21/05	36,844	T
011-4507330	n/a	08/18/04	05/31/00	09/01/05	12/08/08	71,991	T
011-5501964	n/a	04/17/11	06/01/06	05/01/11	10/24/12	70,383	A
022-1479964	n/a	08/31/04	10/31/00	11/01/11	06/21/13	4,658	T
022-1680929	n/a	08/29/10	10/01/03	08/01/11	02/01/13	88,423	T
023-0460273	n/a	01/25/06	06/30/01	11/01/07	08/20/09	124,832	T
023-0502271	n/a	02/27/06	10/01/01	05/01/08	08/06/11	97,930	T
023-0857045	n/a	05/18/08	02/01/02	04/01/10	10/11/11	50,899	T
023-1002267	n/a	07/28/09	01/01/03	01/01/10	07/29/12	34,187	A
023-1145619	n/a	12/28/09	02/01/03	02/01/11	06/15/12	43,388	A
023-1540571	n/a	03/04/10	03/01/04	01/01/11	07/18/12	39,701	T
023-1631961	n/a	05/04/09	01/01/05	05/01/10	04/17/12	101,168	A
023-2016834	n/a	11/01/09	02/01/09	07/01/10	11/22/11	74,635	A
031-2354406	n/a	08/28/01	04/30/97	04/01/06	09/18/09	29,711	I
031-2510964	n/a	08/10/03	09/30/98	06/01/05	05/28/06	5,042	A
031-2527425	n/a	05/26/03	08/31/98	07/01/05	11/14/06	7,081	T
031-2739641	n/a	08/29/05	09/01/04	10/01/05	04/16/07	23,470	A
031-3248391	n/a	01/06/10	05/01/07	02/01/11	11/26/11	52,995	A
045-6247298	n/a	09/08/10	05/01/08	01/01/11	10/31/12	32,100	A
052-1494933	n/a	06/28/09	02/01/04	02/01/10	04/26/11	84,332	A
052-1556630	n/a	12/09/08	01/01/08	12/01/09	04/12/11	52,882	T
052-2269054	n/a	01/26/11	07/01/05	04/01/11	07/17/12	24,688	A
052-3510205	n/a	03/07/10	09/01/05	05/01/11	01/31/13	52,543	T
052-4282506	n/a	02/27/13	05/01/08	11/01/12	09/06/13	53,148	A
061-2786983	n/a	10/03/10	08/01/04	03/01/12	08/30/13	76,025	A
092-6905304	n/a	07/16/02	07/31/00	07/01/09	06/16/11	55,333	T
092-8055284	n/a	01/10/05	11/30/00	04/01/05	07/23/10	43,084	T
092-8647832	n/a	08/23/06	12/31/01	07/01/08	05/09/12	81,800	T
093-4032467	n/a	06/08/01	01/31/99	10/01/08	05/08/13	41,673	T
101-7905473	n/a	09/04/02	11/30/98	02/01/06	12/19/08	71,630	T
101-8107155	n/a	10/07/03	12/31/98	12/01/03	04/17/07	34,987	T
101-8372797	n/a	12/31/03	12/31/99	07/01/08	12/07/09	40,571	A
101-8403366	n/a	03/26/04	04/30/99	04/01/07	09/05/08	42,859	A

²⁸ Either the first unpaid default date (if earlier than the expiration date) or the open default status date. The open default status date is the status date that was submitted to the Single Family Default Monitoring System for the loan.

²⁹ A = active; T = terminated

Case number	Refinanced case number	Expiration date	Default date ²⁸	Oldest unpaid installment date	Loss date	Loss amount	Lender status ²⁹
101-8456296	n/a	05/21/04	06/30/99	03/01/07	01/20/10	79,510	A
101-8586180	n/a	05/21/04	07/31/99	09/01/09	08/30/11	52,734	A
101-8634126	n/a	05/05/04	01/31/00	09/01/07	06/16/09	57,936	A
101-8729293	n/a	05/04/04	10/31/99	11/01/08	10/29/11	77,600	T
101-8919535	n/a	08/12/04	11/30/99	03/01/09	09/28/10	72,471	T
101-8952752	n/a	09/15/04	02/29/00	08/01/05	04/13/07	17,485	T
101-9009696	n/a	10/18/04	08/31/00	05/01/09	03/15/11	108,073	A
101-9025516	n/a	11/24/04	09/30/00	02/01/07	05/28/08	36,244	T
101-9064004	n/a	02/06/08	05/31/01	05/01/08	03/01/11	68,918	T
101-9240124	n/a	06/22/05	10/01/03	05/01/07	03/17/09	84,506	T
101-9247609	n/a	07/10/05	01/31/01	11/01/08	05/25/11	70,196	T
101-9485440	n/a	06/09/08	12/01/06	06/01/09	03/21/11	94,415	T
101-9518794	n/a	06/09/08	10/01/06	11/01/09	09/09/10	57,166	T
101-9562542	n/a	05/05/09	09/01/07	04/01/11	10/03/12	49,663	A
101-9565158	n/a	02/06/08	06/30/01	06/01/08	04/21/10	170,105	T
101-9769700	n/a	09/24/08	11/01/01	10/01/08	02/03/10	78,530	A
101-9819179	n/a	04/04/08	08/01/01	04/01/08	12/02/09	66,612	T
105-0453755	n/a	02/24/09	12/01/05	12/01/09	03/19/11	97,308	T
105-0979763	n/a	11/12/08	02/01/04	11/01/11	04/10/13	78,980	A
105-1827699	n/a	04/07/10	08/01/04	10/01/10	04/04/12	114,401	T
105-2025878	n/a	10/05/09	12/01/04	09/01/10	10/03/12	59,392	A
105-2031686	n/a	10/20/09	12/01/04	04/01/11	09/28/13	142,211	A
105-2260842	n/a	04/06/10	02/01/06	07/01/10	10/16/12	147,643	T
105-2491704	n/a	12/14/10	01/01/10	10/01/12	08/17/13	68,411	T
105-2532917	n/a	12/23/10	02/01/06	03/01/12	04/17/13	78,237	T
105-2676607	n/a	09/20/11	09/01/06	01/01/12	11/15/12	129,906	T
131-8501974	n/a	01/08/02	11/30/97	01/01/05	02/11/08	130,563	T
132-1811918	n/a	04/22/10	06/01/05	04/01/10	01/24/13	78,945	A
137-1245108	n/a	11/19/08	03/01/02	01/01/11	11/26/12	102,366	T
151-4882066	n/a	02/12/01	10/31/00	08/01/01	01/07/04	18,454	A
151-4980972	n/a	07/11/01	10/01/00	10/01/01	01/20/04	12,577	A
151-5288953	n/a	12/11/02	08/31/98	02/01/04	03/20/08	67,827	T
151-5521852	n/a	02/03/04	10/31/99	09/01/07	05/14/13	82,543	T
151-5792969	n/a	07/26/04	01/31/00	10/01/04	06/14/06	28,989	T
151-5828331	n/a	09/17/04	01/31/00	03/01/05	02/02/07	37,546	T
151-5896866	n/a	01/31/05	05/31/00	05/01/09	06/27/10	63,008	T
151-6004581	n/a	07/02/08	06/30/01	01/01/09	10/15/10	55,063	A
151-6386957	n/a	11/11/08	10/01/06	04/01/09	11/02/12	70,618	A
161-1713363	n/a	01/27/03	11/30/98	08/01/07	09/23/11	49,645	T
182-0806730	n/a	10/26/10	09/01/06	12/01/10	11/06/12	102,168	T
197-3366496	n/a	01/05/09	09/01/04	12/01/10	03/04/13	108,113	T
201-2614694	n/a	04/02/03	06/30/98	12/01/03	07/20/06	17,231	T
201-3174937	n/a	08/13/09	09/01/05	02/01/10	05/02/12	45,183	T
221-2769854	n/a	03/01/07	10/31/97	08/01/07	09/09/09	34,320	T
221-2798187	n/a	03/01/07	12/31/97	02/01/07	01/28/09	26,718	T

Case number	Refinanced case number	Expiration date	Default date ²⁸	Oldest unpaid installment date	Loss date	Loss amount	Lender status ²⁹
221-2950968	n/a	10/13/03	12/31/99	10/01/03	01/18/05	21,551	A
221-3465725	n/a	04/04/10	11/01/03	07/01/11	10/17/12	79,534	T
222-1372073	n/a	07/20/00	11/30/95	11/01/03	04/04/05	18,167	T
222-1439756	n/a	01/26/03	02/29/00	08/01/05	02/07/07	20,626	T
261-6584469	n/a	02/26/02	12/31/97	02/01/09	04/26/10	42,135	A
261-6643199	n/a	06/04/02	01/31/98	06/01/08	06/21/10	97,634	A
261-6931975	n/a	08/11/03	11/30/99	05/01/05	02/23/09	93,329	A
261-7056322	n/a	12/30/03	06/30/00	10/01/07	12/11/09	85,696	T
261-7091280	n/a	03/05/04	05/31/00	06/01/07	07/06/09	73,290	A
261-7153508	n/a	05/11/04	12/31/99	04/01/07	04/22/09	55,926	T
261-7400977	n/a	03/17/05	09/01/01	04/01/05	06/19/06	51,101	A
261-7432598	n/a	01/08/08	05/01/01	01/01/09	10/07/11	95,458	A
261-7809966	n/a	01/26/08	12/01/01	02/01/11	11/19/12	113,125	T
261-7991516	n/a	07/09/07	12/01/06	08/01/07	04/15/09	103,774	A
261-7787802	261-8761269	08/25/08	10/01/06	02/01/09	01/31/12	118,255	A
261-9111575	n/a	09/21/11	03/01/07	03/01/12	11/12/12	79,180	T
262-1238002	n/a	05/25/04	12/31/99	07/01/04	05/01/06	55,625	T
262-1300892	n/a	10/30/08	06/30/01	05/01/09	04/17/12	85,066	A
262-1453966	n/a	07/16/08	08/01/03	02/01/09	03/06/13	94,487	A
263-3157829	n/a	01/08/08	08/01/01	06/01/09	08/31/11	48,886	A
271-7388900	n/a	08/05/01	07/31/97	11/01/02	08/15/06	46,408	A
283-0165528	n/a	10/07/03	06/30/99	07/01/05	07/09/10	39,603	T
283-0174956	n/a	01/04/04	05/31/99	04/01/04	07/06/05	15,687	A
283-0177975	n/a	11/25/03	01/31/99	08/01/04	06/26/07	29,009	A
291-2518488	n/a	12/30/03	09/30/99	08/01/11	06/26/13	60,954	T
291-2704133	n/a	02/17/09	11/30/00	09/01/10	10/30/11	53,034	T
292-3720226	n/a	07/12/04	05/31/00	04/01/12	06/11/13	19,929	A
292-3859149	n/a	06/07/05	02/01/01	06/01/10	01/03/12	75,262	A
292-3870377	n/a	01/24/08	06/30/01	05/01/08	10/22/09	52,642	A
292-3919309	n/a	11/11/08	04/01/07	07/01/09	04/23/12	55,058	A
292-3811219	292-4129862	03/14/05	07/01/02	03/01/07	06/01/09	42,978	A
321-2067746	n/a	08/22/05	11/30/00	07/01/09	05/23/11	50,480	A
332-4335474	n/a	12/16/09	10/01/04	06/01/10	10/28/11	98,691	T
351-4737353	n/a	01/25/11	09/01/06	02/01/11	10/31/13	172,459	A
371-2429067	n/a	04/29/02	03/31/98	08/01/03	10/25/05	43,892	T
371-3013881	n/a	10/03/06	02/01/03	10/01/06	12/24/09	57,643	T
372-2459791	n/a	05/23/00	07/31/97	08/01/05	04/28/09	69,950	T
372-2785742	n/a	06/16/03	11/30/99	03/01/06	02/13/09	92,243	A
372-2906997	n/a	09/22/04	08/31/01	06/01/06	06/27/08	46,777	A
381-4329512	n/a	02/18/99	10/31/95	01/01/07	03/31/08	10,987	T
381-5307020	n/a	03/23/03	10/31/98	08/01/06	08/08/07	45,819	T
381-5492138	n/a	05/21/04	10/31/99	04/01/08	09/26/11	91,593	T
381-5556834	n/a	06/07/04	10/31/00	09/01/08	01/21/10	52,721	T
381-5759231	n/a	01/07/05	05/01/01	01/01/05	05/09/06	30,056	A
381-5760404	n/a	04/20/05	09/30/00	05/01/05	01/03/07	61,373	T
381-6439571	n/a	12/03/08	05/01/02	02/01/11	11/23/12	105,943	T

Case number	Refinanced case number	Expiration date	Default date ²⁸	Oldest unpaid installment date	Loss date	Loss amount	Lender status ²⁹
381-7454342	n/a	09/21/09	11/01/04	08/01/10	08/07/12	83,092	T
411-2890337	n/a	07/27/03	03/31/99	02/01/04	04/25/06	33,237	A
411-2975189	n/a	03/10/04	09/30/99	05/01/06	07/25/08	77,048	A
411-3186014	n/a	11/14/05	12/01/00	09/01/06	01/16/09	50,558	T
412-3903298	n/a	06/17/02	10/31/97	01/01/05	12/31/07	112,411	T
412-4324045	n/a	03/29/05	07/31/00	05/01/10	01/15/13	267,147	T
412-4539153	n/a	06/24/08	02/01/02	08/01/08	04/29/11	104,779	A
412-4641046	n/a	11/13/07	12/01/01	03/01/08	12/15/09	75,535	T
412-4875251	n/a	02/24/09	09/01/03	06/01/10	12/31/12	147,615	A
413-3852456	n/a	09/24/08	11/01/02	06/01/09	08/09/12	126,030	A
421-3285485	n/a	02/11/02	05/31/98	01/01/07	05/21/08	29,648	A
421-3722099	n/a	01/19/10	04/01/02	09/01/10	05/27/11	13,582	A
422-1791497	n/a	09/13/96	01/31/92	12/01/02	04/19/06	19,285	T
431-3354794	n/a	07/23/04	02/29/00	07/01/04	01/25/07	43,281	T
431-3435166	n/a	08/30/07	05/31/01	04/01/08	08/26/10	94,319	A
441-5315990	n/a	02/25/02	11/30/97	06/01/07	05/26/10	41,930	A
442-1850902	n/a	01/03/02	12/31/97	12/01/03	10/04/06	35,067	T
481-2097385	n/a	03/15/04	10/31/99	10/01/07	04/09/09	41,193	A
481-2149605	n/a	10/20/04	03/31/00	12/01/04	08/17/07	19,998	T
482-2292893	n/a	04/21/02	01/31/97	07/01/10	11/09/12	10,891	A
482-2752643	n/a	07/12/00	12/31/95	08/01/02	04/09/07	45,873	A
482-2806945	n/a	08/31/00	05/31/96	04/01/06	03/21/08	41,399	A
482-2840130	n/a	12/06/00	08/31/96	04/01/04	06/27/06	48,491	A
482-2921438	n/a	07/23/01	09/30/00	02/01/12	01/09/13	21,055	A
482-2921654	n/a	09/16/01	05/31/97	06/01/03	02/16/06	22,044	T
482-2921864	n/a	11/18/01	06/30/01	09/01/03	07/20/05	26,718	A
482-3040175	n/a	12/03/02	12/31/98	12/01/08	03/30/10	68,123	T
482-3049528	n/a	05/22/03	09/30/99	07/01/03	10/17/05	52,463	A
482-3087297	n/a	07/09/03	09/30/99	09/01/04	07/01/05	20,980	A
482-3298000	n/a	02/28/05	10/01/00	09/01/05	04/08/08	36,705	T
482-3315331	n/a	05/16/05	09/30/00	03/01/09	07/28/10	59,048	A
483-2642990	n/a	04/16/04	11/30/99	12/01/04	04/17/07	18,219	T
483-2856486	n/a	11/19/07	02/28/01	07/01/08	10/21/10	39,247	A
483-3266688	n/a	04/12/09	09/01/07	04/01/10	11/06/12	82,944	A
491-5934051	n/a	04/12/00	06/30/95	10/01/03	01/26/07	20,507	A
491-6148717	n/a	12/11/05	06/01/03	03/01/07	07/24/09	46,881	T
491-6168025	n/a	12/19/01	01/31/98	07/01/06	01/09/08	23,905	T
491-6336018	n/a	01/30/03	10/31/98	04/01/06	06/26/07	36,982	T
491-6347969	n/a	12/12/02	09/30/98	11/01/09	05/06/13	60,775	T
491-6396300	n/a	10/16/03	10/31/98	02/01/05	02/21/06	22,326	T
491-6425935	n/a	04/23/04	04/30/00	07/01/07	12/31/09	32,139	T
491-6473772	n/a	08/04/03	03/31/99	04/01/05	09/22/06	19,292	T
491-6497342	n/a	11/05/03	02/29/00	07/01/05	01/23/08	42,696	T
491-6651914	n/a	04/05/04	07/01/05	01/01/09	09/14/12	42,648	T
491-6842307	n/a	01/07/05	11/30/00	07/01/06	07/11/07	39,235	A

Case number	Refinanced case number	Expiration date	Default date ²⁸	Oldest unpaid installment date	Loss date	Loss amount	Lender status ²⁹
491-6893481	n/a	04/18/05	07/31/00	10/01/08	06/30/10	38,262	A
491-6981852	n/a	08/07/05	05/31/01	09/01/05	09/26/06	32,194	A
491-6986271	n/a	07/11/08	12/01/01	08/01/08	10/05/11	119,756	A
491-7350357	n/a	01/26/11	11/01/02	05/01/11	07/09/12	39,948	A
491-7374919	n/a	11/30/06	07/01/05	02/01/09	08/22/11	72,903	A
491-8777894	n/a	02/28/11	12/01/09	04/01/11	10/29/12	66,547	A
492-3710911	n/a	09/17/95	07/31/94	12/01/03	11/30/04	14,669	T
492-5084426	n/a	11/26/01	09/30/97	12/01/02	03/01/05	45,622	T
492-5117147	n/a	01/28/02	08/31/97	01/01/04	01/18/05	14,414	T
492-5164770	n/a	07/16/02	12/31/97	08/01/07	10/07/08	14,875	A
492-5329690	n/a	10/26/03	03/31/99	06/01/08	06/21/10	33,612	A
492-5377673	n/a	07/20/03	03/31/00	02/01/06	02/06/08	24,454	T
492-5410984	n/a	09/15/03	03/31/00	11/01/06	11/21/07	20,182	A
492-5647595	n/a	07/16/04	11/30/00	08/01/05	06/15/06	17,607	T
492-5918953	n/a	04/30/08	02/01/02	12/01/09	04/19/11	81,338	A
492-5943153	n/a	02/22/06	08/31/01	11/01/10	08/29/12	56,780	A
492-6498822	n/a	01/26/11	01/01/03	01/01/11	03/22/12	89,129	A
492-6512221	n/a	07/23/09	07/01/03	12/01/10	09/26/12	116,790	T
493-6203100	n/a	05/11/03	09/30/98	01/01/05	11/19/08	32,403	T
493-6224225	n/a	06/10/03	11/30/98	11/01/04	02/21/06	11,347	T
493-6292556	n/a	10/09/03	08/31/99	08/01/05	12/03/08	31,066	T
493-6331039	n/a	10/22/03	10/31/99	02/01/05	08/03/07	45,073	T
493-6572716	n/a	09/10/09	06/30/01	07/01/11	04/30/13	27,202	A
493-6845821	n/a	01/24/08	01/01/05	03/01/10	03/15/12	36,536	A
493-6942832	n/a	08/06/08	03/31/02	10/01/09	12/05/11	58,457	A
493-7094112	n/a	01/22/09	05/01/02	11/01/10	05/05/13	65,330	A
493-7369615	n/a	05/02/08	08/01/04	05/01/09	11/09/10	64,113	A
494-2415914	n/a	07/01/03	01/31/00	03/01/05	04/06/07	11,269	T
494-2624369	n/a	08/19/07	11/01/01	01/01/10	01/19/12	34,842	T
495-4463361	n/a	07/25/00	09/30/96	12/01/03	10/03/06	6,699	T
495-4849442	n/a	10/31/02	11/30/98	09/01/10	09/26/12	36,734	T
495-4985536	n/a	04/23/03	09/30/98	09/01/04	10/31/05	16,967	A
495-4994885	n/a	03/30/03	02/28/99	12/01/11	05/10/13	2,657	T
495-5090222	n/a	09/15/03	05/31/99	07/01/11	05/14/13	18,538	T
495-5112617	n/a	09/22/03	02/28/99	10/01/04	01/03/08	30,842	A
495-5354756	n/a	06/28/04	11/30/99	03/01/09	10/04/12	37,053	T
495-6016319	n/a	06/04/08	04/01/02	08/01/11	07/25/12	57,225	T
541-4841576	n/a	06/04/02	06/30/00	08/01/09	09/12/11	39,232	A
541-4961315	n/a	11/06/02	03/31/98	12/01/10	02/11/13	97,162	T
541-6213277	n/a	02/27/09	05/01/02	02/01/09	08/22/12	51,520	A
561-7098671	n/a	03/13/08	02/01/01	03/01/10	07/23/12	40,827	T
561-7143498	n/a	04/11/08	10/01/01	07/01/09	07/07/11	76,514	T
561-7498261	n/a	11/25/08	03/01/03	01/01/09	10/06/10	43,819	T
562-1822045	n/a	11/08/09	11/01/03	11/01/10	04/30/12	73,284	T
581-1990581	n/a	01/16/02	01/31/98	01/01/03	06/17/05	18,246	T

Case number	Refinanced case number	Expiration date	Default date ²⁸	Oldest unpaid installment date	Loss date	Loss amount	Lender status ²⁹
Totals						\$12,490,032	A = 98 T = 119

Appendix G

LOANS FOR WHICH THE INDEMNIFICATION AGREEMENTS DID NOT EXTEND TO STREAMLINE REFINANCES

Case number	Refinanced case number	Status ³⁰	Expiration date	Default date ³¹	Oldest unpaid installment date	Unpaid balance	Loss amount	Lender status ³²
043-7722365	043-8992630	A	01/30/14	03/01/10	10/01/13	\$ 115,703		A
105-0046490	105-5054345	A	01/26/11	01/01/10	09/01/13	123,570		A
105-3224211	105-4800302	A	01/15/13	01/01/10	02/01/12	195,658		A
137-0990845	137-4363521	A	01/26/11	06/01/09	04/01/13	88,755		A
137-3759603	137-4807212	A	12/31/12	08/01/09	07/01/13	172,558		A
137-4126063	137-4470336	A	09/18/13	09/01/09	07/01/10	228,127		A
151-5362976	151-7189293	A	03/26/28			47,156		A
221-3216094	221-3378270	A	02/13/06	10/01/03	02/01/13	128,362		T
381-6006353	381-8021925	A	01/26/11	09/01/10	12/01/10	119,029		A
381-6175501	381-8949501	A	01/26/11	11/01/10	10/01/13	122,550		A
483-3114991	483-3720550	A	01/26/11	07/01/08	02/01/14	93,456		A
483-3817247	483-4164551	A	03/26/13	09/01/09	12/01/13	90,858		A
483-3961641	483-4585952	A	09/29/15			109,388		A
491-7441589	491-9464582	A	01/26/11	11/01/09	08/01/12	104,659		A
492-6424772	492-7864951	A	01/26/11	12/01/07	12/01/13	116,528		A
023-2630332	023-3618469	C	02/21/13	10/01/09	10/01/09		\$ 160,196	A
137-4157422	137-4592927	C	08/11/13	08/01/02	04/01/04	143,922 ³³		A
151-5444143	151-5752533	C	07/27/28	06/01/03	07/01/05		76,628	A
422-2409027	422-2516869	C	07/31/05	04/01/03	04/01/03		30,662	T
521-4594629	521-5435734	C	08/21/05	03/01/03	03/01/03		58,933	A
521-4646936	521-4939083	C	10/02/05	11/01/09	08/01/12		46,809	T
Totals		A = 15 C = 6	Totals			\$2,000,279	\$373,228	A = 18 T = 3

³⁰ A = active; C = claim

³¹ Either the first unpaid default date (if earlier than the expiration date) or the open default status date. The open default status date is the status date that was submitted to the Single Family Default Monitoring System for the loan.

³² A = active; T = terminated

³³ The amount noted is the claim amount. The property had not been sold by HUD as of April 30, 2014.

<input type="radio"/> A. Antitrust <input type="checkbox"/> 410 Antitrust	<input type="radio"/> B. Personal Injury/ Malpractice <input type="checkbox"/> 310 Airplane <input type="checkbox"/> 315 Airplane Product Liability <input type="checkbox"/> 320 Assault, Libel & Slander <input type="checkbox"/> 330 Federal Employers Liability <input type="checkbox"/> 340 Marine <input type="checkbox"/> 345 Marine Product Liability <input type="checkbox"/> 350 Motor Vehicle <input type="checkbox"/> 355 Motor Vehicle Product Liability <input type="checkbox"/> 360 Other Personal Injury <input type="checkbox"/> 362 Medical Malpractice <input type="checkbox"/> 365 Product Liability <input type="checkbox"/> 367 Health Care/Pharmaceutical Personal Injury Product Liability <input type="checkbox"/> 368 Asbestos Product Liability	<input type="radio"/> C. Administrative Agency Review <input type="checkbox"/> 151 Medicare Act <u>Social Security</u> <input type="checkbox"/> 861 HIA (1395ff) <input type="checkbox"/> 862 Black Lung (923) <input type="checkbox"/> 863 DIWC/DIWW (405(g)) <input type="checkbox"/> 864 SSID Title XVI <input type="checkbox"/> 865 RSI (405(g)) <u>Other Statutes</u> <input type="checkbox"/> 891 Agricultural Acts <input type="checkbox"/> 893 Environmental Matters <input type="checkbox"/> 890 Other Statutory Actions (If Administrative Agency is Involved)	<input type="radio"/> D. Temporary Restraining Order/Preliminary Injunction Any nature of suit from any category may be selected for this category of case assignment. *(If Antitrust, then A governs)*
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<input checked="" type="radio"/> E. General Civil (Other)		OR	<input type="radio"/> F. Pro Se General Civil	
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<u>Real Property</u> <input type="checkbox"/> 210 Land Condemnation <input type="checkbox"/> 220 Foreclosure <input type="checkbox"/> 230 Rent, Lease & Ejectment <input type="checkbox"/> 240 Torts to Land <input type="checkbox"/> 245 Tort Product Liability <input type="checkbox"/> 290 All Other Real Property <u>Personal Property</u> <input type="checkbox"/> 370 Other Fraud <input type="checkbox"/> 371 Truth in Lending <input type="checkbox"/> 380 Other Personal Property Damage <input type="checkbox"/> 385 Property Damage Product Liability	<u>Bankruptcy</u> <input type="checkbox"/> 422 Appeal 27 USC 158 <input type="checkbox"/> 423 Withdrawal 28 USC 157 <u>Prisoner Petitions</u> <input type="checkbox"/> 535 Death Penalty <input type="checkbox"/> 540 Mandamus & Other <input type="checkbox"/> 550 Civil Rights <input type="checkbox"/> 555 Prison Conditions <input type="checkbox"/> 560 Civil Detainee – Conditions of Confinement <u>Property Rights</u> <input type="checkbox"/> 820 Copyrights <input type="checkbox"/> 830 Patent <input type="checkbox"/> 840 Trademark <u>Federal Tax Suits</u> <input type="checkbox"/> 870 Taxes (US plaintiff or defendant) <input type="checkbox"/> 871 IRS-Third Party 26 USC 7609	<u>Forfeiture/Penalty</u> <input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881 <input type="checkbox"/> 690 Other <u>Other Statutes</u> <input type="checkbox"/> 375 False Claims Act <input type="checkbox"/> 376 Qui Tam (31 USC 3729(a)) <input type="checkbox"/> 400 State Reapportionment <input type="checkbox"/> 430 Banks & Banking <input type="checkbox"/> 450 Commerce/ICC Rates/etc. <input type="checkbox"/> 460 Deportation <input type="checkbox"/> 462 Naturalization Application <input type="checkbox"/> 465 Other Immigration Actions	<input type="checkbox"/> 470 Racketeer Influenced & Corrupt Organization <input type="checkbox"/> 480 Consumer Credit <input type="checkbox"/> 490 Cable/Satellite TV <input type="checkbox"/> 850 Securities/Commodities/Exchange <input type="checkbox"/> 896 Arbitration <input checked="" type="checkbox"/> 899 Administrative Procedure Act/Review or Appeal of Agency Decision <input type="checkbox"/> 950 Constitutionality of State Statutes <input type="checkbox"/> 890 Other Statutory Actions (if not administrative agency review or Privacy Act)
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<input type="radio"/> G. Habeas Corpus/ 2255 <input type="checkbox"/> 530 Habeas Corpus – General <input type="checkbox"/> 510 Motion/Vacate Sentence <input type="checkbox"/> 463 Habeas Corpus – Alien Detainee	<input type="radio"/> H. Employment Discrimination <input type="checkbox"/> 442 Civil Rights – Employment (criteria: race, gender/sex, national origin, discrimination, disability, age, religion, retaliation) <i>*(If pro se, select this deck)*</i>	<input type="radio"/> I. FOIA/Privacy Act <input type="checkbox"/> 895 Freedom of Information Act <input type="checkbox"/> 890 Other Statutory Actions (if Privacy Act) <i>*(If pro se, select this deck)*</i>	<input type="radio"/> J. Student Loan <input type="checkbox"/> 152 Recovery of Defaulted Student Loan (excluding veterans)
<input type="radio"/> K. Labor/ERISA (non-employment) <input type="checkbox"/> 710 Fair Labor Standards Act <input type="checkbox"/> 720 Labor/Mgmt. Relations <input type="checkbox"/> 740 Labor Railway Act <input type="checkbox"/> 751 Family and Medical Leave Act <input type="checkbox"/> 790 Other Labor Litigation <input type="checkbox"/> 791 Empl. Ret. Inc. Security Act	<input type="radio"/> L. Other Civil Rights (non-employment) <input type="checkbox"/> 441 Voting (if not Voting Rights Act) <input type="checkbox"/> 443 Housing/Accommodations <input type="checkbox"/> 440 Other Civil Rights <input type="checkbox"/> 445 Americans w/Disabilities – Employment <input type="checkbox"/> 446 Americans w/Disabilities – Other <input type="checkbox"/> 448 Education	<input type="radio"/> M. Contract <input type="checkbox"/> 110 Insurance <input type="checkbox"/> 120 Marine <input type="checkbox"/> 130 Miller Act <input type="checkbox"/> 140 Negotiable Instrument <input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment <input type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits <input type="checkbox"/> 160 Stockholder's Suits <input type="checkbox"/> 190 Other Contracts <input type="checkbox"/> 195 Contract Product Liability <input type="checkbox"/> 196 Franchise	<input type="radio"/> N. Three-Judge Court <input type="checkbox"/> 441 Civil Rights – Voting (if Voting Rights Act)

V. ORIGIN
☒ 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 Mag. Judge
 ☐ 8 Multi-district Litigation – Direct File

VI. CAUSE OF ACTION (CITE THE U.S. CIVIL STATUTE UNDER WHICH YOU ARE FILING AND WRITE A BRIEF STATEMENT OF CAUSE.)
 5 U.S.C. Section 551, et. seq. review of the final decision of HUD

VII. REQUESTED IN COMPLAINT

☒ CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23

DEMAND \$ > \$175,000.00
JURY DEMAND:

Check YES only if demanded in complaint
 YES ☐ NO ☒

VIII. RELATED CASE(S) IF ANY

(See instruction)

YES ☐ NO ☒

If yes, please complete related case form

DATE: 1/12/17

SIGNATURE OF ATTORNEY OF RECORD: [Signature]

INSTRUCTIONS FOR COMPLETING CIVIL COVER SHEET JS-44
 Authority for Civil Cover Sheet

The JS-44 civil cover sheet and the information contained herein neither replaces nor supplements the filings and services of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. Consequently, a civil cover sheet is submitted to the Clerk of Court for each civil complaint filed. Listed below are tips for completing the civil cover sheet. These tips coincide with the Roman Numerals on the cover sheet.

- I. COUNTY OF RESIDENCE OF FIRST LISTED PLAINTIFF/DEFENDANT (b) County of residence: Use 11001 to indicate plaintiff if resident of Washington, DC, 88888 if plaintiff is resident of United States but not Washington, DC, and 99999 if plaintiff is outside the United States.
- III. CITIZENSHIP OF PRINCIPAL PARTIES: This section is completed only if diversity of citizenship was selected as the Basis of Jurisdiction under Section II.
- IV. CASE ASSIGNMENT AND NATURE OF SUIT: The assignment of a judge to your case will depend on the category you select that best represents the primary cause of action found in your complaint. You may select only one category. You must also select one corresponding nature of suit found under the category of the case.
- VI. CAUSE OF ACTION: Cite the U.S. Civil Statute under which you are filing and write a brief statement of the primary cause.
- VIII. RELATED CASE(S), IF ANY: If you indicated that there is a related case, you must complete a related case form, which may be obtained from the Clerk's Office.

Because of the need for accurate and complete information, you should ensure the accuracy of the information provided prior to signing the form.

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA**

ASSOCIATED MORTGAGE BANKERS, INC.

Plaintiff

v.

JULIAN CASTRO and U.S. DEPT. OF HUD

Defendant

Civil Action No.

SUMMONS IN A CIVIL ACTION

To: *(Defendant's name and address)*

Channing D. Phillips, U.S. Attorney
United States Attorney Office
555 4th Street, N.W.
Washington, DC 20530

A lawsuit has been filed against you.

Within 60 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 or a motion under Rule 12 of the Federal Rules of Civil Procedure. The answer or motion must be served on the plaintiff or plaintiff's attorney, whose name and address are:

David M. Souders
Weiner Brodsky Kider PC
1300 19th Street, N.W., Fifth Floor
Washington, DC 20036

If you fail to respond, judgment by default may be entered against you for the relief demanded in the complaint. You also must file your answer or motion with the court.

ANGELA D. CAESAR, CLERK OF COURT

Date: _____

Signature of Clerk or Deputy Clerk

Civil Action No. _____

PROOF OF SERVICE*(This section should not be filed with the court unless required by Fed. R. Civ. P. 4 (l))*

This summons for *(name of individual and title, if any)* _____
 was received by me on *(date)* _____.

☐ I personally served the summons on the individual at *(place)* _____
 _____ on *(date)* _____; or

☐ I left the summons at the individual's residence or usual place of abode with *(name)* _____
 _____, a person of suitable age and discretion who resides there,
 on *(date)* _____, and mailed a copy to the individual's last known address; or

☐ I served the summons on *(name of individual)* _____, who is
 designated by law to accept service of process on behalf of *(name of organization)* _____
 _____ on *(date)* _____; or

☐ I returned the summons unexecuted because _____; or

☐ Other *(specify)*: _____.

My fees are \$ _____ for travel and \$ _____ for services, for a total of \$ _____ 0.00.

I declare under penalty of perjury that this information is true.

Date: _____

Server's signature

Printed name and title

Server's address

Additional information regarding attempted service, etc:

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA**

ASSOCIATED MORTGAGE BANKERS, INC.

Plaintiff

v.

JULIAN CASTRO and U.S. DEPT. OF HUD

Defendant

Civil Action No.

SUMMONS IN A CIVIL ACTION

To: *(Defendant's name and address)*

Loretta Lynch, U.S. Attorney General
United States Department of Justice
950 Pennsylvania Avenue, N.W.
Washington, DC 20530-0001

A lawsuit has been filed against you.

Within 60 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 or a motion under Rule 12 of the Federal Rules of Civil Procedure. The answer or motion must be served on the plaintiff or plaintiff's attorney, whose name and address are:

David M. Souders
Weiner Brodsky Kider PC
1300 19th Street, N.W., Fifth Floor
Washington, DC 20036

If you fail to respond, judgment by default may be entered against you for the relief demanded in the complaint. You also must file your answer or motion with the court.

ANGELA D. CAESAR, CLERK OF COURT

Date: _____

Signature of Clerk or Deputy Clerk

Civil Action No. _____

PROOF OF SERVICE*(This section should not be filed with the court unless required by Fed. R. Civ. P. 4 (l))*

This summons for *(name of individual and title, if any)* _____
 was received by me on *(date)* _____.

☐ I personally served the summons on the individual at *(place)* _____
 _____ on *(date)* _____; or

☐ I left the summons at the individual's residence or usual place of abode with *(name)* _____
 _____, a person of suitable age and discretion who resides there,
 on *(date)* _____, and mailed a copy to the individual's last known address; or

☐ I served the summons on *(name of individual)* _____, who is
 designated by law to accept service of process on behalf of *(name of organization)* _____
 _____ on *(date)* _____; or

☐ I returned the summons unexecuted because _____; or

☐ Other *(specify)*: _____.

My fees are \$ _____ for travel and \$ _____ for services, for a total of \$ _____ 0.00.

I declare under penalty of perjury that this information is true.

Date: _____

Server's signature

Printed name and title

Server's address

Additional information regarding attempted service, etc:

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA**

ASSOCIATED MORTGAGE BANKERS, INC.

Plaintiff

v.

JULIAN CASTRO and U.S. DEPT. OF HUD

Defendant

Civil Action No.

SUMMONS IN A CIVIL ACTION

To: *(Defendant's name and address)*

Julian Castro, in his official capacity as Secretary of the U.S. Department of
Housing And Urban Development
451 7th Street, S.W.
Washington, DC 20410

A lawsuit has been filed against you.

Within 60 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 or a motion under Rule 12 of the Federal Rules of Civil Procedure. The answer or motion must be served on the plaintiff or plaintiff's attorney, whose name and address are:

David M. Souders
Weiner Brodsky Kider PC
1300 19th Street, N.W., Fifth Floor
Washington, DC 20036

If you fail to respond, judgment by default may be entered against you for the relief demanded in the complaint. You also must file your answer or motion with the court.

ANGELA D. CAESAR, CLERK OF COURT

Date: _____

Signature of Clerk or Deputy Clerk

Civil Action No. _____

PROOF OF SERVICE*(This section should not be filed with the court unless required by Fed. R. Civ. P. 4 (l))*

This summons for *(name of individual and title, if any)* _____
 was received by me on *(date)* _____.

☐ I personally served the summons on the individual at *(place)* _____
 _____ on *(date)* _____; or

☐ I left the summons at the individual's residence or usual place of abode with *(name)* _____
 _____, a person of suitable age and discretion who resides there,
 on *(date)* _____, and mailed a copy to the individual's last known address; or

☐ I served the summons on *(name of individual)* _____, who is
 designated by law to accept service of process on behalf of *(name of organization)* _____
 _____ on *(date)* _____; or

☐ I returned the summons unexecuted because _____; or

☐ Other *(specify)*: _____

My fees are \$ _____ for travel and \$ _____ for services, for a total of \$ _____ 0.00.

I declare under penalty of perjury that this information is true.

Date: _____

Server's signature

Printed name and title

Server's address

Additional information regarding attempted service, etc:

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA**

ASSOCIATED MORTGAGE BANKERS, INC.

Plaintiff

v.

JULIAN CASTRO and U.S. DEPT. OF HUD

Defendant

Civil Action No.

SUMMONS IN A CIVIL ACTION

To: *(Defendant's name and address)*

U.S. Department of Housing And Urban Development
451 7th Street, S.W.
Washington, DC 20410

A lawsuit has been filed against you.

Within 60 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 or a motion under Rule 12 of the Federal Rules of Civil Procedure. The answer or motion must be served on the plaintiff or plaintiff's attorney, whose name and address are:

David M. Souders
Weiner Brodsky Kider PC
1300 19th Street, N.W., Fifth Floor
Washington, DC 20036

If you fail to respond, judgment by default may be entered against you for the relief demanded in the complaint. You also must file your answer or motion with the court.

ANGELA D. CAESAR, CLERK OF COURT

Date: _____

Signature of Clerk or Deputy Clerk

Civil Action No. _____

PROOF OF SERVICE*(This section should not be filed with the court unless required by Fed. R. Civ. P. 4 (l))*

This summons for *(name of individual and title, if any)* _____
 was received by me on *(date)* _____.

☐ I personally served the summons on the individual at *(place)* _____
 _____ on *(date)* _____; or

☐ I left the summons at the individual's residence or usual place of abode with *(name)* _____
 _____, a person of suitable age and discretion who resides there,
 on *(date)* _____, and mailed a copy to the individual's last known address; or

☐ I served the summons on *(name of individual)* _____, who is
 designated by law to accept service of process on behalf of *(name of organization)* _____
 _____ on *(date)* _____; or

☐ I returned the summons unexecuted because _____; or

☐ Other *(specify)*: _____.

My fees are \$ _____ for travel and \$ _____ for services, for a total of \$ _____ 0.00.

I declare under penalty of perjury that this information is true.

Date: _____

Server's signature

Printed name and title

Server's address

Additional information regarding attempted service, etc:

ClassAction.org

This complaint is part of ClassAction.org's searchable class action lawsuit database and can be found in this post: [U.S. Housing and Urban Dev. Secretary Hit with Class Action Lawsuit](#)
