

**ATTORNEY GENERAL OF THE STATE OF NEW YORK
CIVIL RIGHTS BUREAU**

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In the Matter of:)
GREENPOINT MORTGAGE FUNDING, INC.)
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**ASSURANCE OF
DISCONTINUANCE
PURSUANT TO
EXECUTIVE LAW
SECTION 63(15)**

WHEREAS, pursuant to the provisions of Section 63(12) of the Executive Law, Andrew M. Cuomo, Attorney General of the State of New York, has made an inquiry into the policies, procedures, and practices of GreenPoint Mortgage Funding, Inc. ("GreenPoint") regarding its residential mortgage lending within the State of New York;

WHEREAS, GreenPoint is a California-based financial institution licensed by the New York State Banking Department to make residential mortgage loans within the State of New York;

WHEREAS, GreenPoint regularly makes residential mortgage loans to residents of the State of New York;

WHEREAS, in 2004 and 2005, GreenPoint originated over 14,000 wholesale residential mortgage loans (i.e., loans arranged by independent mortgage brokers) in connection with property located within the State of New York, about 3,200 of which were made to African-American and Latino customers;

WHEREAS, the Office of the Attorney General ("OAG") and GreenPoint share the common goal of assuring that all individuals who apply for a GreenPoint mortgage loan receive equal treatment regardless of their race, ethnicity, or any other legally protected characteristic;

WHEREAS, GreenPoint has cooperated fully with the OAG's investigation of this matter;

WHEREAS, GreenPoint asserts that it has long had fair lending compliance procedures and policies that reflect its strong commitment to fair lending;

WHEREAS, GreenPoint expressly denies any wrongdoing or liability in this matter, disputes the OAG's findings in this regard, denies that it has violated any New York or federal fair lending laws, and maintains that it has complied and will continue to comply with all applicable state and federal fair lending laws;

WHEREAS, GreenPoint specifically denies that it can be held liable for the conduct of independent mortgage brokers;

WHEREAS, the parties herein desire to obviate further investigation or potential litigation, and it is expressly understood that, with respect to the OAG's investigation, this is a compromise settlement entered into solely for the purposes of avoiding the expense and inconvenience of further investigation and potential litigation;

WHEREAS, in consideration of the covenants and understandings set forth herein and intending to be legally bound thereby, GreenPoint and the OAG hereby agree as follows:

I.
DEFINITIONS

- 1.1 "APR" means Annual Percentage Rate, or the cost of the credit to the consumer as defined in 12 C.F.R. § 226.22.
- 1.2 "Agreement" means this Assurance of Discontinuance.
- 1.3 "Basis Point" means one-hundredth of one percent of the loan amount, such that 100 Basis Points equals one percent of the loan amount.
- 1.4 "Broker" means any independent entity that places wholesale loans with GreenPoint.
- 1.5 "Broker Compensation" means all remuneration received by a Broker from the customer or GreenPoint in connection with a GreenPoint residential mortgage loan, including but not limited to yield spread premiums, origination fees, and processing fees, but excluding any fees passed through to third parties, such as appraisal and credit report fees.
- 1.6 "GreenPoint" means GreenPoint Mortgage Funding, Inc. and all of its officers, employees, and agents.
- 1.7 "Effective Date" means the date this Agreement is executed by the parties hereto.
- 1.8 "HMDA" means the federal Home Mortgage Disclosure Act and its implementing regulation.
- 1.9 "Loan" refers to any residential mortgage loan originated by GreenPoint through its wholesale channel (i.e., arranged by a Broker) that is secured by a lien against property located within the State of New York and is required to be reported under HMDA.
- 1.10 "White" means Non-Latino White.
- 1.11 The use of the singular form of any word includes the plural and vice versa.

- 1.12 “And” and “Or” shall be construed conjunctively or disjunctively as necessary to make the meaning inclusive rather than exclusive.

II.

ATTORNEY GENERAL’S INVESTIGATION AND FINDINGS

- 2.1 GreenPoint disclosed demographic and other data about its 2004 loans as required under HMDA. GreenPoint’s HMDA data, which did not include certain credit risk factors, revealed that minority customers in New York State were more likely to receive higher-cost loans (*i.e.*, loans where the APR surpassed the yield on Treasury securities of comparable maturity by a certain threshold) than White customers in 2004.
- 2.2 On the basis of these disparities, the OAG initiated an investigation into GreenPoint’s residential mortgage lending practices in New York State.
- 2.3 As part of its investigation, the OAG conducted statistical analyses of GreenPoint’s loan-level data for 2004 and 2005 to determine whether there were racial and/or ethnic disparities in loan pricing, after taking into account legitimate credit risk factors (such as credit score or loan-to-value ratio) that may affect the price of a loan. The OAG also reviewed GreenPoint’s lending policies and procedures.
- 2.4 The statistical analyses revealed disparities in the pricing of Loans that the OAG concluded would support a claim against GreenPoint under state and federal laws that prohibit discrimination in the extension of credit, such as New York Executive Law § 296-a. Specifically, the OAG found that, on average, after controlling for race-and-ethnicity neutral credit risk factors, minority customers paid more than White customers for Loans generated through GreenPoint’s wholesale channel (*i.e.*, loans arranged by Brokers). From 2004-2005, approximately 75% of GreenPoint’s New York loans were made through its wholesale channel.
- 2.5 The pricing disparities were primarily due to significant racial and/or ethnic differences in the Broker Compensation charged to customers – the key discretionary component of the price of a Broker-arranged loan. The differences were especially stark for Loans generated by certain Brokers who did substantial business with minority GreenPoint customers.
- 2.6 The OAG concluded that GreenPoint had an obligation to take corrective action against Brokers whose Loans revealed significant pricing disparities and that GreenPoint lacked adequate policies and procedures for taking such corrective action.

THEREFORE, although GreenPoint denies all liability and specifically denies that it can be held liable for the conduct of Brokers, GreenPoint offers this Agreement as a compromise and in settlement of the violations alleged by the OAG, and the OAG accepts the specific

undertakings made herein pursuant to Executive Law § 63(15) in lieu of commencing a civil action.

III.
COMPLIANCE WITH THE LAW

- 3.1 GreenPoint will comply with the obligations, terms, and conditions of Section 296-a of the New York State Human Rights Law, N.Y. Exec. Law § 296-a, and Section 805 of the Fair Housing Act, 42 U.S.C. § 3605.

IV.
COMPENSATION OF NEW YORK AFRICAN-AMERICAN AND LATINO CUSTOMERS AND CONSUMER FINANCIAL EDUCATION

- 4.1 GreenPoint will pay to the OAG the sum of \$1,000,000. Payment will be made within 30 days of the Effective Date in the form of a certified or bank check made out to the New York State Department of Law and forwarded to the Office of Attorney General, Civil Rights Bureau, 120 Broadway, New York, New York 10271, Attention: Dianne E. Dixon, Civil Rights Bureau Chief.
- 4.2 The OAG will use these funds to provide restitution to certain African-American and Latino customers who received Loans during the period 2004-2006 from:
- (a) Brokers who charged African-Americans and/or Latinos significantly more in Broker Compensation than similarly-situated Whites; or
 - (b) Brokers who had a predominantly African-American or Latino customer base and charged more in Broker Compensation than Brokers with a predominantly White but otherwise similarly-situated customer base.

(Hereinafter, such Brokers will be referred to as “High Disparity Brokers.”)

Any funds remaining after restitution is paid shall be distributed by the OAG cy pres to not-for-profit corporations or organizations to provide consumer financial education and/or fair lending training within the State of New York.

- 4.3 A customer will be eligible for compensation only if the OAG determines that the APR of the customer’s Loan was greater than the APR that a similarly-situated White customer would have been charged.
- 4.4 The OAG will determine, in a fair and equitable manner and as the OAG deems appropriate, whether an African-American or Latino customer is entitled to compensation and, if so, in what amount. The OAG will then disburse the funds accordingly.

GreenPoint will play no role in identifying High Disparity Brokers or in determining whether and to what extent individual customers are entitled to compensation.

- 4.5 The OAG's determinations will be based on its review and analysis of loan-level data for the period 2004-2006. The OAG already has received data for Loans originated in 2004 and 2005. Within five days of the Effective Date, GreenPoint will provide the OAG with a database containing, for each Loan originated in 2006, the same data elements that were previously provided to the OAG for 2004 and 2005 Loans.

V.

MONITORING BROKER PRICING PRACTICES

5.1 *Annual Review of Broker Compensation.*

- (a) Within 60 days of the Effective Date and on an annual basis thereafter for the duration of the Agreement, GreenPoint will conduct the following analyses of Loans from the prior calendar year:
- (1) GreenPoint will analyze the Loans of Brokers to determine whether there are material disparities between the Broker Compensation charged to African-American and Latino customers and the Broker Compensation charged to similarly-situated White customers. GreenPoint will conduct this analysis for every Broker who generated at least ten Loans to White customers and either (A) five Loans to African-American customers or (B) five Loans to Latino customers.
 - (2) GreenPoint will analyze the Loans of Brokers who have a predominantly African-American and/or Latino customer base to determine whether the Broker Compensation they have charged is materially higher than the Broker Compensation charged by Brokers with a predominantly White but otherwise similarly-situated customer base. GreenPoint will conduct this analysis for every Broker who generated at least ten Loans to African-American and/or Latino customers and no more than 25% of whose Loans were to White customers.
- (b) In conducting the aforementioned analyses, GreenPoint may control only for race-and-ethnicity-neutral factors that may include the following: loan purpose, credit score, loan-to-value ratio, term, lien status, adjustable rate vs. fixed rate, documentation level, geographic location (at a level broader than census tract or zip code), property type, and occupancy status (*e.g.*, investor purchase, second home).

5.2 *Remedial Steps.*

- (a) If the analyses described in Section 5.1 reveal a racial and/or ethnic pricing disparity of at least 25 and less than 50 Basis Points for any Broker, GreenPoint will notify the Broker in writing of the disparity. In addition, GreenPoint will implement appropriate remedial measures to minimize the potential for future pricing disparities by the Broker, including mandatory fair lending training and oral and/or written counseling. If the same Broker is found to have a pricing disparity of at least 25 and less than 50 Basis Points during the next calendar year in which the Broker's Loans are reviewed, GreenPoint will implement escalating remedial measures, which may include retraining and enhanced scrutiny of the Broker's future Loans.
- (b) If the analyses described in Section 5.1 reveal a racial and/or ethnic pricing disparity of 50 or more Basis Points for any Broker, GreenPoint will notify the Broker in writing of the disparity and of the fact that GreenPoint may terminate the Broker relationship if the disparity persists. GreenPoint will implement appropriate remedial measures to minimize the potential for future pricing disparities by the Broker, including mandatory fair lending training; oral and/or written counseling; and enhanced scrutiny of the Broker's future Loans. If the same Broker is found to have a pricing disparity of 50 or more Basis Points during the next calendar year in which the Broker's Loans are reviewed, GreenPoint will terminate its relationship with the Broker.
- (c) GreenPoint will not be required to take the aforementioned remedial steps: (1) if the disparity was due to a legitimate, non-discriminatory reason; (2) if the Broker has taken appropriate remedial actions to address the cause of the disparity; or (3) with respect to Broker offices that do not materially contribute to the disparity.

5.3 *Notification to Brokers.* Within 60 days of the Effective Date, GreenPoint will in writing advise all Brokers approved to submit Loans that:

- (a) GreenPoint has implemented processes to closely monitor loans at the individual Broker level to ensure compliance with state and federal fair lending laws, including processes to assess potential racial and/or ethnic disparities in Broker Compensation;
- (b) GreenPoint may take various remedial steps with respect to Brokers based on the results of its fair lending monitoring activities, including mandatory fair lending training; oral and/or written counseling; enhanced scrutiny of the Broker's future Loans; and terminating the Broker relationship; and

- (c) GreenPoint encourages Brokers to review the fair lending training materials that will be made available on its website.

5.4 *Notification to Newly Approved Brokers.* The notification described in Section 5.3 will be provided by GreenPoint to any Broker approved to submit Loans after the date of the original notifications.

VI.

CORRECTIVE ACTIONS FOR 2004-2006 HIGH DISPARITY BROKERS

- 6.1 Within 30 days of the Effective Date, the OAG will provide GreenPoint with a list of the High Disparity Brokers identified by the OAG. The OAG will identify no more than 20 High Disparity Brokers.
- 6.2 GreenPoint will in writing advise each High Disparity Broker that an analysis of its 2004-2006 Loans shows that it charged GreenPoint's African-American and/or Latino customers significantly more in Broker Compensation than similarly-situated White customers, and that GreenPoint may terminate the Broker relationship if the disparity persists.
- 6.3 With respect to each High Disparity Broker, GreenPoint will, within 60 days of the Effective Date, and subject to the application of Section 5.2(c), take the initial remedial steps set forth in Section 5.2(b) (i.e., written notification, fair lending training, counseling, and enhanced scrutiny of future Loans). If the High Disparity Broker is found to have a pricing disparity of 50 or more Basis Points during the next calendar year in which the Broker's Loans are reviewed, GreenPoint will, subject to the application of Section 5.2(c), terminate the Broker relationship.

VII.

RECORD-KEEPING

- 7.1 GreenPoint will maintain the following records for the duration of the Agreement:
 - (a) GreenPoint's fair lending monitoring analyses conducted with respect to Loans, including but not limited to all Broker Compensation monitoring analyses required by Section 5.1.
 - (b) All documents relating to customer complaints of discrimination involving the origination of a Loan, including records reflecting the nature of each complaint, the investigation conducted, the results of the investigation, and any actions taken as a result of the investigation.
- 7.2 Within 21 days after receiving a written request from the OAG, GreenPoint will provide to the OAG any documents or data that GreenPoint is required to maintain under the

terms of this Agreement or that are reasonably necessary to effectuate compliance with this Agreement. This Agreement is not intended in any way to impair or affect the right of the OAG to obtain documents from GreenPoint pursuant to subpoena.

VIII.
REPORTING

- 8.1 GreenPoint will provide annual monitoring reports to the OAG that will set forth, with respect to any Broker with a disparity of 25 Basis Points or more, the specific results of the Broker Compensation analyses required by Section 5.1, and any remedial steps taken with respect to any Broker in response to these results. In the event that GreenPoint determines pursuant to Section 5.2(c) not to take the remedial actions required by Sections 5.2(a)-(b) with respect to a Broker, the reports will specifically explain the reason(s) for GreenPoint's decision. The reports will also include a summary of any customer complaints of discrimination involving the origination of Loans and GreenPoint's investigation into such complaints and response thereto. The first report also will include a summary of the specific corrective actions taken with respect to each High Disparity Broker identified pursuant to Section 6.1.
- 8.2 The reports under this section will be provided to the OAG no later than August 31, 2007, May 31, 2008, May 31, 2009, and May 31, 2010.

IX.
PAYMENT OF INVESTIGATION COSTS

- 9.1 In addition to the payment required under Section 4.1, GreenPoint will pay the sum of \$125,000 to cover the costs of the OAG's investigation.
- 9.2 Payment will be made within 30 days of the Effective Date in the form of a certified or bank check made out to the New York State Department of Law and forwarded to the Office of Attorney General, Civil Rights Bureau, 120 Broadway, New York, New York 10271, Attention: Dianne E. Dixon, Civil Rights Bureau Chief.

X.
JURISDICTION AND OTHER PROVISIONS

- 10.1 This Agreement will expire on July 31, 2010.
- 10.2 GreenPoint expressly consents that, during the duration of this Agreement, it will remain bound by all the terms and provisions of this Agreement to the extent permitted by law.
- 10.3 This Agreement shall apply only with respect to GreenPoint's Loans within New York State.

- 10.4 Notwithstanding any provision of this Agreement to the contrary, the OAG may, in its sole discretion, grant written extensions of time for GreenPoint to comply with any provision of this Agreement.
- 10.5 The signatories to this Agreement warrant and represent that they are duly authorized to execute this Agreement and that they have the authority to take all appropriate action required or permitted to be taken pursuant to the Agreement to effectuate its terms.
- 10.6 This Agreement is not intended to impair any right that the parties may have to seek to enforce this Agreement through enforcement proceedings, including a civil action in federal or state court, as appropriate, seeking specific performance of the provisions of this Agreement. Pursuant to New York Executive Law § 63(15), evidence of a violation of the Agreement will constitute prima facie proof of a violation of applicable state and federal statutes that prohibit discrimination in the extension of credit, such as New York Executive Law § 296-a, in any civil action or proceeding hereafter commenced by the OAG. In the event of a dispute among the parties regarding any issue arising hereunder, the parties will attempt in good faith to resolve the dispute before seeking judicial intervention.
- 10.7 The failure by the OAG to enforce this entire Agreement or any provision thereof with respect to any deadline or any other provision herein will not be construed as a waiver of the OAG's right to enforce other deadlines and provisions of this Agreement.
- 10.8 If any provisions, terms, or clauses of this Agreement are declared illegal, unenforceable, or ineffective in a legal forum, those provisions, terms, and clauses will be deemed severable, such that all other provisions, terms, and clauses of this Agreement will remain valid and binding on the parties.
- 10.9 This Agreement constitutes the entire agreement between GreenPoint and the OAG on the matters raised herein, and no other statement, promise or agreement, either written or oral, made by either party or agents of either party that is not contained in this Agreement will be enforceable.
- 10.10 Nothing in this Agreement is intended to confer any right, remedy, obligation, or liability upon any person or entity other than the parties hereto.
- 10.11 Nothing in this Agreement waives or in any way impairs GreenPoint's right under New York Public Officers Law Section 89(5) to request an exception from disclosure, or to object to any proposed disclosure, of information provided to the OAG pursuant to this Agreement.
- 10.12 This Agreement terminates the OAG's investigation into GreenPoint's fair lending practices with respect to loan pricing and constitutes a full and final release of all claims related to Loans originated during the period 2004-2006 that the OAG may have had or

may have against GreenPoint as of the Effective Date. However, nothing in this Agreement is intended to, nor will, limit the OAG's investigatory or compliance review powers otherwise provided by law or this Agreement.

- 10.13 This Agreement may be executed in multiple counterparts, each of which shall be deemed a duplicate original.
- 10.14 This Agreement is final and binding on GreenPoint and the OAG, including successors in interest and assigns. No assignment by any party hereto shall operate to relieve such party of its obligations herewith.
- 10.15 Nothing in this Agreement shall be construed as requiring GreenPoint to take any action contrary to the direction of its regulators.
- 10.16 All communications and notices regarding this Agreement shall be sent by first class mail and facsimile, if 25 pages or less in length, to:

OAG
Dianne E. Dixon
Civil Rights Bureau Chief
Office of the NYS Attorney General
120 Broadway
New York, New York 10271
Fax (212) 416-8074

GreenPoint
Chief Counsel
GreenPoint Mortgage Funding, Inc.
100 Wood Hollow Drive
Novato, CA 94945

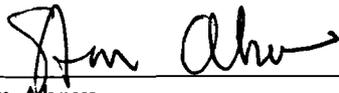
With a copy to

Andrew L. Sandler
Skadden, Arps, Slate, Meagher & Flom LLP
1440 New York Avenue, NW
Washington, DC 20005
Fax (202) 371-7197

IN WITNESS THEREOF, the undersigned subscribe their names:

Dated: Novato, CA
March 23 2007

GREENPOINT MORTGAGE FUNDING, INC.

By: 

Steven Abreu
CEO and President
GreenPoint Mortgage Funding, Inc.

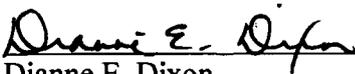
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Warren W. Traiger
Traiger & Hinckley LLP
880 Third Avenue
New York, NY 10022

CONSENTED TO:

Dated: New York, New York
March 26, 2007

ANDREW M. CUOMO
Attorney General of the State of New York

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