

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

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In the Matter of:) **ASSURANCE OF**
) **DISCONTINUANCE**
) **PURSUANT TO**
COUNTRYWIDE HOME LOANS, INC.) **EXECUTIVE LAW 63(15)**
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WHEREAS, pursuant to the provisions of Section 63(12) of the Executive Law, Eliot Spitzer, Attorney General of the State of New York, has made an inquiry into the policies, procedures, and practices of Countrywide Home Loans, Inc. (“Countrywide”) regarding its residential mortgage lending within the State of New York;

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

WHEREAS, in 2004, Countrywide originated nearly 20,000 residential mortgage loans in connection with property located within the State of New York, about 4,500 of which were made to black and Hispanic customers;

WHEREAS, the Office of the Attorney General (“OAG”) and Countrywide share the common goal of assuring that all individuals who apply to Countrywide for mortgage loans receive equal treatment regardless of their race or ethnicity;

WHEREAS, Countrywide has long had fair lending compliance protocols, policies and procedures in place, has confirmed its strong commitment to fair lending, and has cooperated fully with the OAG’s investigation of this matter;

WHEREAS, Countrywide expressly denies any wrongdoing or liability in this matter, strongly disputes the OAG’s conclusions and findings in this regard, and maintains that it has complied and will continue to comply with state and federal legal fair lending requirements;

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, Countrywide and the OAG hereby agree as follows:

I.
DEFINITIONS

- 1.1 “Anonymous Audit” means a paired testing process in which similarly-situated testers of different races and/or ethnicities pose as loan applicants and the treatment and services they receive are compared for disparities.
- 1.2 “APR” means Annual Percentage Rate, or the cost of the credit to the consumer as defined in 12 C.F.R. § 226.22.
- 1.3 “Agreement” means this Assurance of Discontinuance.
- 1.4 “Broker Compensation” means all remuneration received by a broker from the customer or Countrywide in connection with a Countrywide 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.
- 1.5 “Countrywide” means Countrywide Home Loans, Inc. and all of its officers, employees, agents, and representatives.
- 1.6 “Effective Date” means the date this Agreement is executed by the parties hereto.
- 1.7 “HMDA” means the federal Home Mortgage Disclosure Act and its implementing regulation.
- 1.8 “Loan” refers to any residential mortgage loan originated by Countrywide that is secured by a lien against property located within the State of New York and is required to be reported under HMDA.
- 1.9 “Loan Officer” means any Countrywide retail employee whose responsibilities include generating Loans on behalf of Countywide, including all loan officers and account executives.
- 1.10 “MSA” means Metropolitan Statistical Area.
- 1.11 “Nontraditional Mortgage Product” means a residential loan product that allows the customer to defer repayment of principal or interest, including but not limited to an interest-only mortgage loan product and a negative amortization mortgage loan product.
- 1.12 “Pricing Exception” means a departure from the rate sheet pricing for a loan.

- 1.13 “Reduced Documentation Product” means a loan product/underwriting feature whereby the customer provides less-than-full documentation of assets and/or income.
- 1.14 “Underwriting Exception” means any exception to Countrywide’s standards with respect to loan parameters or borrower qualifications that may affect the price of a loan.
- 1.15 The use of the singular form of any word includes the plural and vice versa.
- 1.16 “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 In or around April 2005, Countrywide disclosed demographic and other data about its 2004 loans as required under HMDA. Countrywide’s HMDA data, which did not take into account certain credit risk factors, revealed that black and Hispanic 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. While less than 12% of Countrywide’s Loans to white customers were higher-cost, more than 15% of Loans to Hispanic customers and 27% of Loans to black customers fell into this category.
- 2.2 On the basis of these disparities, the OAG initiated an investigation into Countrywide’s residential lending practices in New York State during 2004.
- 2.3 As part of its investigation, the OAG reviewed Countrywide’s lending policies and procedures and conducted subpoena hearings of senior Countrywide officials. The OAG also conducted statistical analyses of Countrywide’s loan-level data for 2004 Loans in an effort to determine whether there were racial and 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 and were maintained in Countrywide’s electronic databases.
- 2.4 Those statistical analyses revealed racial and ethnic disparities that the OAG concluded could support a claim under state and federal laws, such as New York Executive Law § 296-a, that prohibit discrimination in the extension of credit. Specifically, the OAG found that, on average, after controlling for such race-and-ethnicity-neutral factors, black and Hispanic customers paid more for Loans than white customers in Countrywide’s prime retail and wholesale channels. This was due, in part, to racial and ethnic differences in the discretionary components of pricing, principally Pricing Exceptions in the retail sector and Broker Compensation in the wholesale sector.

THEREFORE, Countrywide 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 Countrywide 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.
CONSUMER EDUCATION PROGRAM

- 4.1 Within 120 days of the Effective Date, Countrywide will develop a comprehensive Consumer Education Program (“CEP”) that will inform consumers at no cost about the home buying and mortgage application process. The CEP will not in any way involve the promotion or sale of Countrywide’s own products. The CEP will include clear and meaningful instruction on the following topics:
- (a) the steps involved in the home buying process;
 - (b) the steps involved in applying for a mortgage loan and the type of information typically required as part of that process;
 - (c) the role a person’s credit history plays in the mortgage loan application process;
 - (d) the types of loan products and features available (e.g., fixed rate, adjustable rate, Reduced Documentation Products, Nontraditional Mortgage Products);
 - (e) the advantages and disadvantages of such products and features, including their relative cost in dollar terms (e.g., the typical dollar cost, up front or over the life of a loan, of obtaining a Reduced Documentation Product rather than a full documentation product);
 - (f) the fact that interest rates and fees are often negotiable;
 - (g) the role of mortgage brokers and how they are compensated (e.g., yield spread premiums, broker points, and origination and other processing fees);
 - (h) Pricing Exceptions, their impact on the cost of a loan, and the fact that such variances are negotiable;
 - (i) the importance of comparison shopping when seeking a loan; and

- (j) questions to ask and guidelines to follow to obtain the most affordable and appropriate loan for the individual.

4.2 *Consumer Education Seminars*

- (a) The CEP will include a series of consumer education seminars to be held in communities with significant black and/or Hispanic populations throughout the State of New York. The seminars will cover the subject matters referenced in Section 4.1. If the consumer education seminars are held in a community with a significant Spanish-speaking population, the seminars will be offered in Spanish as well as English.
- (b) Countrywide will develop a written curriculum for these seminars that will be provided to the OAG for review and will be subject to the OAG's approval, which will not be unreasonably withheld.
- (c) Countrywide will retain a qualified organization or consultant ("Seminar Provider") to organize and conduct these seminars. The Seminar Provider will have appropriate training in and be knowledgeable of the subject matters to be covered in the seminars. The selection of the Seminar Provider will be subject to the OAG's approval, which will not be unreasonably withheld. Countrywide employees will not participate in the seminars.
- (d) Countrywide will prepare consumer educational materials to be distributed at the seminars ("Educational Materials"). The Educational Materials will be subject to the OAG's approval, which will not be unreasonably withheld. These materials will not reference Countrywide or its loan products, and will be available in Spanish and English.
- (e) During the duration of this Agreement, there will be at least 15 seminars held during each calendar year following the Effective Date. During each calendar year, at least five seminars will be held within New York City, at least five seminars will be held within Nassau and Suffolk Counties, and at least five seminars will be held elsewhere in New York State.
- (f) Attendance at each seminar will be recorded and tracked.
- (g) Seminar attendees will be encouraged to complete written surveys, which will solicit their feedback on the utility and effectiveness of the seminar. Countrywide and the Seminar Provider will periodically review these surveys, and use the results to improve the program on an ongoing basis.

- (h) Countrywide will conduct an advertising campaign to inform the public about upcoming seminars. The advertising will be conducted through a combination of print media, direct mailing, and/or radio. The advertising will target black and Hispanic consumers, and will specify if a seminar will be offered in Spanish.
- (i) Countrywide will advertise upcoming seminars on a consumer education website to be created by Countrywide.
- (j) Nothing herein shall preclude Countrywide from identifying itself as the sponsor of the seminars, or from responding to a seminar attendee's inquiry for location or contact information for Countrywide.

4.3 *Telephone Counseling Services*

- (a) As part of the CEP, Countrywide will provide a no-cost one-on-one telephone counseling services program ("TCSP") that offers independent, individualized counseling to all callers on the subject matters referenced in Section 4.1. The counseling provided pursuant to the TCSP will include budget counseling and credit analysis.
- (b) Countrywide will devote sufficient resources and staff to the TCSP to ensure that it effectively responds to each caller's inquiries in a prompt and comprehensive manner. TCSP staff may not include any Countrywide sales staff. Countrywide will ensure that TCSP staff are appropriately trained and qualified to provide high-quality mortgage counseling services. Counseling services will be available from 11am – 8 pm EST.
- (c) The TCSP will be accessible through toll-free numbers that are distinct from any other Countrywide phone number. The TCSP will offer counseling services in Spanish as well as English.
- (d) Each time TCSP staff provide counseling services to a caller, they must document the following: (1) the date and time of the call; (2) the nature of the inquiry; and (3) the nature of the counseling and information provided to the caller.
- (e) Countrywide will conduct an advertising campaign to inform the public about the TCSP and the toll-free TCSP number. The advertising will be conducted through a combination of print media, direct mailing, and/or radio. The advertising will target black and Hispanic consumers, and will specify that counseling services are available in Spanish. The advertising will clearly state that the TCSP is designed to provide independent, individualized mortgage counseling services.
- (f) Countrywide will advertise the TCSP and the toll-free TCSP number on a consumer education website to be created by Countrywide.

- (g) Countrywide will conduct periodic test telephone calls to monitor the quality and timeliness of services provided by TCSP staff. Countrywide will conduct at least five test calls each quarter, which will be placed on different days and at different times of the day. Countrywide will maintain records reflecting the results of these test calls, including an evaluation of the staff member's response to the inquiry.
 - (h) Nothing herein shall preclude TCSP staff from responding to a caller's inquiry for location or contact information for Countrywide.
- 4.4 Countrywide will allocate and spend no less than \$3 million during the duration of this Agreement to develop, implement, and advertise the various components of the CEP.
- 4.5 *Community Events.* Countrywide staff will periodically attend and offer consumer education at events and programs held in communities with significant black and/or Hispanic populations throughout the State of New York. Countrywide will include the Educational Materials with any other materials it distributes at such events and programs.

V.
INDEPENDENT CONSULTANT

- 5.1 Countrywide will engage an individual, who has extensive experience in developing statistical models and conducting regression analyses that are designed to test for racial and/or ethnic disparities in loan pricing, to serve as an independent consultant for purposes of this Agreement (the "Independent Consultant" or "Consultant"). The selection of the Independent Consultant will be subject to the OAG's approval, which will not be unreasonably withheld. The Independent Consultant will review, provide consultation on, and approve the proposed statistical and other models, methodologies, and analyses that Countrywide is required to develop and implement pursuant to Article VI below. Within 90 days of the Effective Date, Countrywide will submit such proposed models, methodologies, and analyses to the Independent Consultant.
- 5.2 The Independent Consultant's duties will be as follows:
- (a) examining the proposed models, methodologies and analyses and any related assumptions to ensure that they are reasonable, as defined by Section 5.4;
 - (b) reviewing and approving the level(s) of analysis that should be performed (e.g., State, MSA, branch, Loan Officer, broker) and ensuring that the methodology selected is appropriate for each level;
 - (c) discussing the proposed models, methodologies, and analyses with Countrywide and proposing any necessary modifications thereto;

- (d) assisting Countrywide to identify what should qualify as a material disparity for purposes of the monitoring analyses described in Article VI;
 - (e) reviewing and approving the product placement remedial procedures and methodologies contemplated in Section 6.3(c) below; and
 - (f) periodically reviewing the regression and other analyses required under Article VI to ensure that they are being conducted in accordance with the specifications approved by the Independent Consultant.
- 5.3 Within 30 days of receiving the proposed models, methodologies, and analyses, the Independent Consultant will determine whether such models, methodologies, and analyses and any related assumptions are reasonable, as defined by Section 5.4. The Independent Consultant will provide a written certification to Countrywide and the OAG setting forth his or her conclusion and the basis therefore. If the Independent Consultant determines that any aspect of the proposed models, methodologies, and analyses is not reasonable, as defined in Section 5.4, the Independent Consultant will provide Countrywide and the OAG with a written statement specifying proposed changes to ensure that the analyses are conducted in an effective and appropriate manner. Countrywide will have an opportunity to comment on and discuss these proposed changes with the Independent Consultant, and then will promptly adopt and implement any changes deemed necessary by the Independent Consultant after these discussions.
- 5.4 For purposes of Articles V and VI, proposed models, methodologies, and analyses will be deemed reasonable if they are reasonably calculated (a) to statistically measure racial and/or ethnic disparities in the identified areas, and (b) to ensure that potential racial and/or ethnic disparities are not masked as result of the use of any factor, approach, or assumption. Nothing in this Agreement will require Countrywide to violate any requirements imposed upon the company by its federal regulators.
- 5.5 The Independent Consultant will have access to review any data, documents, or other material that the Independent Consultant reasonably believes is necessary to carry out his or her duties under this Agreement.
- 5.6 If at any time during the duration of this Agreement Countrywide determines it is necessary to replace the Independent Consultant, it will provide the OAG with written notification of the reasons for this determination and the identity of the proposed replacement Consultant. The selection of the replacement Consultant will be subject to the OAG's approval, which will not be unreasonably withheld.

VI.
MONITORING NEW YORK LOANS

- 6.1 *Discretionary Pricing.* The OAG acknowledges that Countrywide currently has a series of existing models, methodologies, and analyses for examining whether racial and/or ethnic disparities exist in Pricing Exceptions and Broker Compensation. Countrywide will modify such models, methodologies, and analyses as necessary to perform the analyses required by this Section in connection with the Loans. All such models, methodologies and analyses will be performed within Countrywide's four divisions (currently referred to as Consumer Markets Division, Full Spectrum Lending, Wholesale Lending Division and Specialty Lending Group), respectively, and nothing herein shall require any analysis or review across divisions.
- (a) *Pricing Exceptions.*
- (1) Countrywide will perform on a periodic basis (but no less than twice a year) Pricing Exception regression analyses to examine:
 - (A) whether there are material disparities in Pricing Exceptions for black and Hispanic customers as compared to similarly-situated non-Hispanic white customers; and
 - (B) whether retail branches or Loan Officers with a significant black or Hispanic customer base have materially higher overages or materially lower underages than retail branches or Loan Officers with a predominantly non-Hispanic white and otherwise similarly-situated customer base within the same MSA.
 - (2) Countrywide will perform Pricing Exception regression analyses at all levels (e.g., State, MSA, branch, Loan Officer) approved by the Independent Consultant.
 - (3) If any of the Pricing Exception analyses described in Section 6.1(a)(1) reveal material disparities for black or Hispanic customers as compared to similarly-situated non-Hispanic white customers, Countrywide will take appropriate corrective action, including measures such as verbal or written counseling; retraining; enhanced scrutiny of the Loans originated by the branch and/or Loan Officer; developing a mitigation plan; limiting or eliminating Pricing Exception discretion; and termination of employment. The specific corrective action pursued will depend, among other things, on the size and scope of the disparity and its persistence; the extent of the problem throughout the State; and the prior conduct of the branch or Loan Officer involved.

(4) *Second-Level Reviews.* Countrywide will identify any retail branch or Loan Officer for which the Pricing Exception regression analyses described in Section 6.1(a)(1)(A) reveal more than 65 Basis Points of disparity for black or Hispanic customers as compared to similarly-situated non-Hispanic white customers. Upon identification, such retail branch or Loan Officer will be subject to a second-level review, pursuant to which the Director of Fair Lending, or his or her designee, will review, prior to closing, the loan file of each future black or Hispanic customer serviced by that branch or Loan Officer. The review will determine whether the proposed Pricing Exception appears reasonable in the particular case. The review will continue as long as there are disparities of 65 Basis Points or more. For purposes of this section, “Basis Points” are calculated as a percentage of the loan amount; 100 Basis Points equals one percent of the loan amount.

(b) *Broker Compensation.*

- (1) Countrywide will perform on a periodic basis (but no less than twice a year) Broker Compensation regression analyses to examine:
 - (A) whether there are material disparities in Broker Compensation for black and Hispanic customers as compared to similarly-situated non-Hispanic white customers; and
 - (B) whether brokers with a significant black or Hispanic customer base have materially higher Broker Compensation than brokers with a predominantly non-Hispanic white and otherwise similarly-situated customer base within the same MSA.
- (2) Countrywide will perform the Broker Compensation regression analyses at the State and broker levels. When performing Broker Compensation regression analyses at the broker level, Countrywide will review a broker’s Loans over a 6-month period unless the broker did not deliver a sufficient number of Loans to Countrywide during that period to permit a probative Broker Compensation regression analysis. In such case, Countrywide will review the broker’s Loans over a 12-month or longer period if such an extended review period would permit a probative Broker Compensation regression analysis. Countrywide’s methodology for determining whether a broker received a sufficient number of Loans to permit a probative Broker Compensation regression analysis will be subject to the review and approval of the Independent Consultant.
- (3) If any of the Broker Compensation analyses described in Section 6.1(b)(1) reveal material disparities, Countrywide will take appropriate corrective

action, including measures such as verbal or written counseling; mandatory fair lending training; enhanced scrutiny of the broker's Loans; reducing Broker Compensation caps; and severing all or part of the broker relationship. The specific corrective action pursued will depend, among other things, on the size and scope of the disparity and its persistence; the extent of the problem throughout the State; and the prior conduct of the broker involved.

- (4) Countrywide will identify any broker for whom the Broker Compensation regression analyses described in Section 6.1(b)(1)(A) reveal more than 65 Basis Points of disparity for black or Hispanic customers as compared to similarly-situated non-Hispanic white customers ("High Disparity Broker"). For purposes of this section, "Basis Points" are calculated as a percentage of the loan amount; 100 Basis Points equals one percent of the loan amount.
 - (A) Countrywide will advise High Disparity Brokers in writing of the disparity and the fact that Countrywide may terminate all or part of the broker relationship if the disparity persists.
 - (B) Unless the High Disparity Broker can demonstrate that (1) the disparity was due to a legitimate, non-discriminatory reason or (2) the broker has taken appropriate remedial actions to address the cause of disparity, Countrywide will take the following steps:
 - (i) promptly reduce the Broker Compensation cap for the High Disparity Broker by an amount that is at least 20% of the standard cap; and
 - (ii) terminate all or part of the broker relationship if the Broker Compensation regression analysis for that broker during the next review period reveals more than 65 Basis Points of disparity for black or Hispanic customers as compared to similarly-situated non-Hispanic white customers. Countrywide promptly will advise the OAG in writing any time it decides not to take the aforementioned remedial steps with respect to a High Disparity Broker. Such notice will identify the broker and will explain the reasons for Countrywide's decision.

6.2 *Underwriting Exceptions.* Countrywide will develop and implement procedures within each of its divisions to track and monitor Underwriting Exceptions to ensure that they are granted in a non-discriminatory manner. Countrywide has procedures and databases to capture Underwriting Exceptions, and will modify such procedures and databases as

necessary to perform the analyses required by this Section in connection with the Loans.

- (a) Countrywide will require any Underwriting Exception to be recorded electronically or in the customer's loan file, along with the reason why the exception was made. Countrywide will further develop a system for classifying Underwriting Exceptions by type and tracking the frequency with which each type of exception is granted to non-Hispanic white, black, and Hispanic customers.
- (b) Countrywide will develop and perform on a periodic basis (but no less than annually) regression and other analyses to determine whether there are material disparities in the granting of any category of Underwriting Exception to black or Hispanic customers as compared to similarly-situated non-Hispanic white customers.
- (c) If the Underwriting Exception analyses described in Section 6.2(b) reveal material disparities, Countrywide will take appropriate corrective action, including measures such as counseling and retraining; establishing more objective criteria for granting particular exceptions; eliminating discretion for particular Underwriting Exceptions; and discipline. The specific corrective action pursued will depend, among other things, on the size and scope of the disparity and its persistence and the extent of the problem throughout the State.

6.3 *Product Placement.*

- (a) Countrywide will develop and perform on a periodic basis (but no less than annually) regression and other analyses to determine whether black and Hispanic customers with prime credit disproportionately receive subprime or Alt-A Loan products as compared to similarly-situated non-Hispanic white customers. Such analyses may not control for documentation type (*i.e.*, no income/asset, stated income/stated asset, fast and easy, etc.) unless and until Countrywide has fully implemented the procedures set forth in Article VII regarding disclosures for Reduced Documentation Products.
- (b) If the product placement analyses described in Section 6.3(a) reveal material disparities for black or Hispanic customers as compared to similarly-situated non-Hispanic white customers, Countrywide will take appropriate corrective action to ensure that such disparities do not recur, including measures such as retraining and counseling; enhanced scrutiny of loan files of prime credit black or Hispanic applicants; imposing additional product disclosure obligations; discipline and termination. The specific corrective action pursued will depend, among other things, on the size and scope of the disparity and its persistence; the extent of the problem throughout the State; and the prior conduct of any branch, Loan Officer, or broker involved.

- (c) Countrywide will also develop procedures to (1) identify whether any specific black or Hispanic customers were improperly given a higher-cost subprime or Alt-A Loan and (2) compensate such customers for the higher costs they incurred as a result of the improper product placement. Countrywide will submit its proposed remedial procedures and methodologies to the Independent Consultant for review and approval, and will implement procedures that the Consultant agrees are reasonable for accomplishing the intended goals.
- (d) Countrywide will continue to review loan files for customers with high FICO scores who received subprime Loans in order to assess whether the customers were appropriately placed in subprime Loans. Countrywide will use a FICO threshold for such review of 660 or higher.

6.4 *APR Analysis.*

- (a) Countrywide will develop and perform on a periodic basis (but no less than annually) regression analyses designed to determine whether there material disparities in the APRs paid by black or Hispanic customers as compared to similarly-situated non-Hispanic white customers.
- (b) If the APR analyses contemplated in Section 6.4(a) reveal material disparities as described above, Countrywide will take appropriate steps to determine whether these disparities are due, in whole or in part, to racial and/or ethnic disparities in (1) discretionary pricing practices; (2) Underwriting Exception practices; or (3) product placement practices. If the material disparities are not explained by one or more of these practices, Countrywide will take additional steps to identify the source(s) of the material APR disparities and take appropriate remedial steps.

6.5 *Anonymous Audits.* Countrywide will develop and implement an Anonymous Audit program for retail branches and Loan Officers selected by Countrywide whose loans revealed material disparities in pricing or product assignment for black or Hispanic customers as compared to similarly-situated non-Hispanic white customers. Countrywide will select targets for its Anonymous Audit program based on the results of the analyses required by Sections 6.1-6.3, as well as any information suggesting disparate treatment. The program will be specifically designed to:

- (a) compare the loan products offered, prices quoted, and information provided to similarly-situated non-Hispanic white and black or Hispanic customers;
- (b) determine whether customers are being informed in a consistent and non-discriminatory manner of the best mortgage loan product options, including with respect to price, for which they qualify and that meet their expressed needs and preferences;

- (c) determine whether Countrywide's protocols and procedures for identifying and presenting loan product options are being followed in a consistent and non-discriminatory manner; and
 - (d) determine whether customers are being informed of the costs of different loan product features in a consistent and non-discriminatory manner.
- 6.6 *Modifications to Regression and Other Analyses.* If at any time during the duration of this Agreement Countrywide determines that it is necessary to significantly modify any of the statistical or other analyses, models, and methodologies required under Article VI, it will provide a written description of the proposed modifications and the rationale for such modifications to the OAG and the Independent Consultant. The proposed modifications will be subject to the review and approval of the Independent Consultant under the reasonableness standard set forth in Section 5.4.

VII.

DISCLOSURE REQUIREMENTS FOR NEW YORK LOANS

- 7.1 Countrywide will take appropriate steps to ensure that Loan Officers inform customers of the best mortgage loan product options, including with respect to price, for which they qualify and that meet their expressed needs and preferences.
- 7.2 *Reduced Documentation Product Disclosures.*
- (a) Countrywide has developed a brief handout ("Reduced Documentation Product Disclosure Statement") for consumers providing important disclosures concerning Reduced Documentation Products, which is attached as Exhibit A hereto. The Reduced Documentation Product Disclosure Statement will be made available in Spanish as well as English. Within three business days after receiving a loan application for a Reduced Documentation Product, Countrywide will send the customer the Reduced Documentation Product Disclosure Statement.
 - (b) Countrywide will take appropriate steps to ensure that Loan Officers, when presenting a Reduced Documentation Product quote to a customer, will inform the customer that full documentation products are generally less expensive and offer to provide the customer with a quote for a full documentation product of the same or similar type.
 - (c) Within 90 days of the Effective Date, Countrywide will in writing advise all brokers who have brokered a Loan since January 1, 2006, that, prior to seeking Countrywide's approval of a Reduced Documentation Product, they should disclose to customers that Reduced Documentation Products generally are more expensive than full documentation mortgage loans, and should offer to quote the

customer a price for a full documentation mortgage loan of the same or similar type.

- (d) If Countrywide identifies an instance where the requirements of this Section have been violated, resulting in the origination of a Reduced Documentation Product that was not in a customer's best interests, Countrywide will compensate the customer for any additional costs he or she incurred as a result of not receiving a less expensive and more appropriate mortgage loan product.
- 7.3 Countrywide will develop and implement control systems to ensure compliance with the requirements of this Article, including but not limited to mystery shopping of Loan Officers, monitoring telephone calls between Loan Officers and customers, and surveys of customers. If Countrywide identifies any Loan Officer who is not in compliance with the requirements of this Article, Countrywide will take appropriate remedial steps, including measures such as retraining, enhanced scrutiny of the Loan Officer's Loans, and termination of the Loan Officer's employment.

VIII. **REVIEW OF LOAN FILES FROM 2004**

- 8.1 Countrywide will conduct a file review to compare selected retail loan files from 2004 to ensure that non-Hispanic white customers and black or Hispanic customers were treated similarly, as described below.
- 8.2 *Selection of Loan Files for Review.* Countrywide will select matched pairs of Loan files to review, subject to the following provisions:
- (a) The review will include only retail Loans originated during calendar year 2004. Each matched pair of Loans will be comprised of one Loan to a black or Hispanic customer and one Loan to a similarly-situated non-Hispanic white customer.
 - (b) Countrywide will identify (1) all subprime Loans (including Expanded Approval Loans) made to black and Hispanic customers; and (2) all Alt-A Loans made to black and Hispanic customers (collectively, "Select Minority Loans"). Countrywide will then select a prime Loan made to a similarly-situated non-Hispanic white customer ("Comparator White Loan") to compare to each Select Minority Loan. Countrywide will select the Comparator White Loan by using factors to be submitted and approved pursuant to Section 8.6.
- 8.3 *Procedure for Loan File Review.* Countrywide will review the entire loan file for both Loans in each matched pair to determine whether the difference in product placement between the paired Loans was justified by legitimate, non-discriminatory factors that are documented in the loan file. In each instance where Countrywide cannot identify a legitimate, non-discriminatory reason for the difference in product placement, the Select

Minority Loan recipient will be entitled to monetary compensation pursuant Section 8.5, except for Select Minority Loan recipients who received Alt-A Reduced Documentation Products, who must submit the information described in Section 8.4 to receive compensation.

8.4 *Notice and Claim Procedure for Alt-A Reduced Documentation Products.*

- (a) With respect to each Alt-A Reduced Documentation Select Minority Loan where Countrywide cannot identify a legitimate, non-discriminatory reason for the difference in product placement, the OAG will mail to the Select Minority Loan recipient a cover letter from the OAG (attached as Exhibit B) along with a Notification Letter from Countrywide (attached as Exhibit C). The letters will be provided in English as well as in Spanish. Countrywide will assemble the mailings and pay the costs of any postage.
- (b) For each Select Minority Loan recipient who responds to the Notification Letter, Countrywide will review the relevant income and asset verification documents or federal income tax returns in accordance with Countrywide's 2004 underwriting requirements to determine whether the Select Minority Loan recipient would have qualified for a full documentation, prime loan under such underwriting requirements. If the Select Minority Loan recipient would have so qualified, Countrywide will provide the Select Minority Loan recipient with monetary compensation pursuant to Section 8.5.
- (c) Within 60 days after the date the Notification Letter is mailed, Countrywide will advise the OAG of each Select Minority Loan recipient who has not responded to the Notification Letter. Countrywide will call the last-known telephone number of each Select Minority Loan recipient who has not yet responded to advise him or her of the opportunity to obtain compensation pursuant to the terms of this Article. If Countrywide receives no response from a Select Minority Loan recipient within one year after the Notification Letter is mailed, Countrywide will not be required to provide compensation to such recipient.

8.5 *Monetary Compensation.*

- (a) For Alt-A Loans, compensation will consist of a refund of the added cost, expressed in points, resulting from the receipt of an Alt-A Loan rather than a prime loan plus simple interest on such points at 5%. For purposes of this paragraph, points will be calculated based on the interest rate and point conversion in effect for the applicable loan products at the time the Select Minority Loan recipient obtained his or her Loan.
- (b) For subprime Loans, compensation will consist of modifying the Loan to the terms of the prime loan that the Select Minority Loan recipient could have

obtained in 2004, and refunding the difference in payments over the term of the Loan prior to modification, or, if the Loan has paid off, refunding the difference in payments over the term of the Loan prior to payoff.

- (c) Select Minority Loan recipients will be required to provide Countrywide with a release of claims regarding origination matters as a condition to receiving the compensation described herein.
- 8.6 Within 90 days of the Effective Date, Countrywide will submit its proposed file selection methodology and file review procedure (collectively, "File Review Plan") in writing to the OAG. The File Review Plan will be designed to ensure that each Select Minority Loan is reviewed, provided that there is an appropriate Comparator White Loan. The File Review Plan will be subject to the OAG's approval, which will not be unreasonably withheld. Upon the OAG's approval, Countrywide will conduct the file review in accordance with the terms of the File Review Plan.

IX. **TRAINING**

- 9.1 Countrywide will ensure that its fair lending training specifically addresses the following areas:
- (a) The legal prohibition against discriminating against customers in any aspect of the credit transaction, including when offering price quotations for loan products, deciding whether to seek an Underwriting Exception, selecting loan products to offer customers, and charging overages and underages.
 - (b) Countrywide's requirement that customers be (1) presented with the best mortgage loan product options, including with respect to price, for which they qualify and that meet their expressed needs and preferences; and (2) informed of the advantages and disadvantages of any loan products and loan features presented to them, including their relative terms, risks, and costs in dollar terms.
 - (c) The fact that Countrywide will conduct monitoring to ensure that customers are treated fairly with respect to the pricing of loans and product offerings, and the array of remedial steps that may be taken if racial or ethnic disparities are identified.
 - (d) The disclosure requirements set forth in Article VII of this Agreement, and the processes in place to ensure compliance with these requirements.
 - (e) Countrywide's prohibition against recommending loan products (including but not limited to Reduced Documentation Products and Nontraditional Mortgage Products) for a customer based on a customer's race and/or ethnicity or

assumptions about racial or ethnic groups.

- (f) For retail divisions, Countrywide's disciplinary policies applicable to Loan Officers who unlawfully discriminate against customers.
- 9.2 Within 90 days of the Effective Date, Countrywide will update its training materials to the extent necessary to be consistent with this Agreement and to cover the areas set forth in Section 9.1. All Loan Officers employed by Countrywide will receive fair lending training using the updated training materials within 180 days of the Effective Date. All Loan Officers hired subsequently will receive such fair lending training within 30 days of their respective start dates. Such training will also be made available to brokers who express interest in receiving it.
- 9.3 Within 120 days of the Effective Date, Countrywide will in writing advise all brokers who have brokered Loans since January 1, 2006, that:
- (a) the training set forth in Section 9.1 is available to brokers;
 - (b) Countrywide 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 product placement and loan pricing; and
 - (c) Countrywide may take various remedial steps with respect to brokers based on the results of its fair lending monitoring activities, including reducing Broker Compensation caps upon a finding of substantial and unexplained racial and/or ethnic disparities and terminating all or part of the broker relationship if such disparities persist.

X. COMPLAINTS

- 10.1 Countrywide will continue to maintain a standardized process that ensures that customer complaints of discrimination involving Loans are promptly and thoroughly investigated in an impartial manner, and that the complainant is promptly informed of the results of the investigation.
- 10.2 If Countrywide determines that discrimination involving a Loan has occurred, Countrywide will take prompt and appropriate disciplinary actions, up to and including termination of the responsible individual(s). If Countrywide determines that the complainant inappropriately received a higher-priced Loan as a result of discrimination, Countrywide will compensate the customer for the additional costs he or she incurred or appropriately reform the customer's Loan.

XI.
RECORD-KEEPING

- 11.1 Countrywide will maintain the following records for the duration of this Agreement:
- (a) All documents required under federal and state residential mortgage lending and consumer protection laws, including records maintained in an electronic form, relating to Loans, including but not limited to loan application files and documents relating to the underwriting of such Loans.
 - (b) Information that must be maintained pursuant to Section 4.3(d) by TCSP staff reflecting counseling services provided to callers.
 - (c) Countrywide's fair lending monitoring analyses conducted with respect to Loans, including but not limited to all fair lending monitoring analyses required by Article VI.
 - (d) Reports of the results of the compliance monitoring required under Section 7.3 of Article VII.
 - (e) All records relating to the file review to be conducted pursuant to Article VIII.
 - (f) All curricula and other materials used to train Loan Officers on prohibitions against discrimination in lending.
 - (g) All documents relating to customer complaints of discrimination involving 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.
- 11.2 Within 21 days after receiving a written request from the OAG, Countrywide will provide to the OAG any documents or data Countrywide is required to maintain under the terms of this Agreement and any documents or data the OAG reasonably believes relate to compliance with this Agreement. This Agreement does not in any way impair or affect the right of the OAG to obtain documents from Countrywide pursuant to subpoena.

XII.
REPORTING

- 12.1 Within six months of the Effective Date, Countrywide will prepare and provide to the OAG a report that sets forth the following information concerning the loan file review required by Article VIII:
- (a) A summary that states, for each Select Minority Loan: (1) whether a Comparator

White Loan was identified; (2) Countrywide's determination as to whether the difference in product placement between the matched pair was justified by legitimate, non-discriminatory factors that are documented in the loan file(s) or obtained through the procedure described in Section 8.4; and (3) the basis or bases for this determination.

- (b) A summary of any remedial actions taken or planned to be taken as a result of the loan file review. This summary will specify how each black or Hispanic customer entitled to compensation pursuant to Section 8.5 has been or will be compensated for the additional cost he or she incurred as a result of having received either an Alt-A or subprime Loan rather than a prime loan.

12.2 In addition to the reporting described in Section 12.1, Countrywide will collect and report information and data over three calendar-year Reporting Periods ending on December 31, 2007, December 31, 2008, and December 31, 2009, respectively. Within 30 days of the close of each Reporting Period, Countrywide will provide a monitoring report to the OAG that will include the following information for the Reporting Period:

- (a) A list of the consumer education seminars held, the location of each seminar, the language(s) in which each seminar was held, and the number of attendees at each seminar.
- (b) A list of the community events and programs where Countrywide staff attended and offered consumer educational services and Educational Materials.
- (c) The number of callers to whom TCSP staff provided mortgage counseling services.
- (d) A detailed breakdown of the funds expended in connection with the CEP, including but not limited to funds expended for advertising.
- (e) An assessment based on participant feedback of the effectiveness of each component of the CEP and whether any component should be modified to improve its effectiveness.
- (f) A summary of the results of the fair lending monitoring analyses, regressions, file reviews, and Anonymous Audits required by Article VI (including but not limited to the scope and nature of any material racial and/or ethnic disparities identified), any remedial steps taken in response to these results, and any follow-up analyses to be conducted based on these results. The summary may use unique identifiers in lieu of names to refer to specific Loan Officers or brokers, provided that such unique identifiers remain the same for all three Reporting Periods.
- (g) A summary of the efforts made under Section 7.3 to monitor compliance with the

disclosure obligations set forth in Article VII, the results of such efforts, and any remedial steps taken in response to such results.

- (h) A summary of all customer complaints of discrimination involving Loans and Countrywide's investigation into such complaints and response thereto.

XIII.

PAYMENT OF INVESTIGATION COSTS

- 13.1 Countrywide will pay the sum of \$200,000 to cover the costs of the OAG's investigation.
- 13.2 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: Natalie Williams, Bureau Chief, Civil Rights Bureau.

XIV.

JURISDICTION AND OTHER PROVISIONS

- 14.1 This Agreement will expire three years and three months after the Effective Date.
- 14.2 This Agreement shall apply only with respect to Countrywide's activities within New York State, including but not limited to any activities relating to Loans.
- 14.3 Notwithstanding any provision of this Agreement to the contrary, the OAG may, in its sole discretion, grant written extensions of time for Countrywide to comply with any provision of this Agreement.
- 14.4 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.
- 14.5 The parties may 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 the applicable statutes 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.
- 14.6 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.

- 14.7 Whenever this Agreement requires Countrywide to submit information or materials to the OAG for its approval, the OAG will make reasonable efforts to promptly respond to Countrywide's request for approval. It shall be presumed that the OAG's approval has been given if the OAG does not object within 45 days of receiving such materials or information.
- 14.8 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.
- 14.9 This Agreement constitutes the entire agreement between Countrywide 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.
- 14.10 Nothing in this Agreement is intended to confer any right, remedy, obligation, or liability upon any person or entity other than the parties hereto.
- 14.11 Nothing in this Agreement waives or in any way impairs Countrywide'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.
- 14.12 This Agreement terminates the OAG's investigation into Countrywide's fair lending practices with respect to loan pricing and resolves all claims related to that investigation that the OAG may have had or may have against Countrywide 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.
- 14.13 This Agreement may be executed in multiple counterparts, each of which shall be deemed a duplicate original.
- 14.14 This Agreement is final and binding on the parties, including principals, agents, representatives, successors in interest, assigns, and legal representatives thereof. No assignment by any party hereto shall operate to relieve such party of its obligations herewith.

14.15 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

Natalie R. Williams, Esq.
Bureau Chief
Civil Rights Bureau
Office of the NYS Attorney General
120 Broadway, 3rd Floor
New York, New York 10271
Tel. (212) 416-8240
Fax (212) 416-8074

Countrywide

Richard B. Wentz, Esq.
Senior Managing Director, General Counsel,
and Chief Ethics Officer
Countrywide Home Loans, Inc.
5220 Las Virgines Road, MS AC-11
Calabassas, California 91302
Tel. (818) 871-6060
Fax (818) 871-4669

With a copy to:

Melanie Brody, Esq.
Kirkpatrick & Lockhart Nicholson Graham
1601 K Street, N.W.
Washington, DC 20006-1600
Tel. (202) 778-9203
Fax (202) 778-9100



Nov-22-06

10:32am

From-Countrywide Executive Area
FROM-COUNTRYWIDE EXECUTIVE AREA

818 225 4059
818 225 4059

T-830 P.001/001 F-499
T-822 P.002/002 F-490

IN WITNESS THEREOF, the undersigned subscribe their names:

Dated: Calabasas, California
November 22, 2006

COUNTRYWIDE HOME LOANS, INC

By:

Andrew Gissinger III
President and Chief Operating Officer
Countrywide Home Loans, Inc.
4500 Park Granada
Calabasas, CA 91302
Tel. (818) 225-3700

CONSENTED TO:

Dated: New York, New York
November 22, 2006

ELIOT SPITZER
Attorney General of the State of New York

By:

Natalie R. Williams
Bureau Chief
Civil Rights Bureau
120 Broadway
New York, New York 10271
Tel. (212) 416-8240
Fax (212) 416-8074

Exhibit A

Reduced Documentation Product Disclosure Statement

AN IMPORTANT NOTICE ABOUT REDUCED DOCUMENTATION LOANS

At Countrywide, we pride ourselves in having different loan products to meet the needs of all of our customers. We also take pride in making sure that all potential customers understand the different features and costs of the loan products that may be available to them.

For example, Countrywide offers what are known as “Full Documentation” loans and “Reduced Documentation” loans. “Full Documentation” loans are for borrowers who are able to have their income and assets verified by submitting payroll records, bank statements, income tax returns, or other documentation along with their loan application. “Reduced Documentation” loans do not require borrowers to provide some or all of such documents. In some “Reduced Documentation” loans, the lender relies on what the borrowers state in the application without verification, and in others, the lender relies on other information about the borrowers, such as credit ratings and reports, as well as the reasonableness of the stated amounts relative to the borrowers’ other information, such as employment. “Reduced Documentation” loans are available for borrowers who, for various reasons, might find it difficult to provide full documentation of their income or assets, or who choose not to do so.

“Reduced Documentation” loans generally cost more than loans that are fully documented. For example, the cost difference for a typical “Reduced Documentation” 30 year fixed rate loan of \$300,000, expressed as a percentage of the loan amount, might be 0.75% of the loan amount or \$2250.

Alternatively, the borrower may elect to increase the rate of the loan in lieu of paying the fee upfront. Using the same example of a 30 year fixed rate loan of \$300,000, the rate on the “Reduced Documentation” loan might be 0.375% higher in rate than the “Full Documentation” loan, which equates to a difference in payment of \$77 per month.

The actual additional cost of a “Reduced Documentation” loan is dependent on multiple factors, including the nature of income and asset documentation provided (e.g. stated, verified, or no documentation) by the borrowers, the loan program selected, the borrowers’ credit scores, the amount of borrower equity and other loan attributes, as well as the price mortgage investors are willing to pay for “Reduced Documentation” compared to “Full Documentation” loans.

We at Countrywide want you to have this information to help you make the best possible choice of a loan to fit your needs.

Exhibit B

OAG Cover Letter

Dear _____:

The New York State Attorney General has recently reached an agreement with Countrywide Home Loans, Inc. concerning the pricing of certain residential mortgage loans in New York State. Pursuant to that agreement, we enclose a notice from Countrywide that describes a process for obtaining monetary benefits to which you may be entitled. We urge you to read and carefully consider the enclosed notice. Please return the requested information, if applicable, to Countrywide at the address indicated in the notice.

Exhibit C

Notification Letter

[For No Income/Assets]

Re: IMPORTANT: THIS LETTER MAY PROVIDE A SUBSTANTIAL BENEFIT TO YOU SO PLEASE READ CAREFULLY. THIS IS NOT A MARKETING COMMUNICATION.

Dear _____:

Our records show that, in 2004, you obtained a “Reduced Documentation” loan from Countrywide. “Reduced Documentation” means that you were not required to provide documents such as tax returns, pay stubs or bank records to verify your income and/or assets. Instead, your loan was approved without regard to your income and/or assets.

A “Reduced Documentation” loan is appropriate for borrowers who might have difficulty documenting their income or assets, or who do not desire to document their income or assets. However, borrowers typically are charged more (through a higher rate of interest or points) for a “Reduced Documentation” loan than they would be charged if they fully documented their income and assets.

Countrywide is conducting a review of some of the “Reduced Documentation” loans we made in 2004 to make sure our customers who chose such loans understood the consequence, in terms of higher price, of choosing to forego full documentation of income and assets. For those customers who didn’t understand this, and who could have provided full documentation of their income and assets, we want to give you an opportunity to provide that documentation now and we will give you the difference in price between what you paid for your loan and what you would have paid for a “Full Documentation” loan. The potential refund to you, should you qualify for one, will vary based on a number of factors, including the nature of income and asset documentation provided (e.g. stated, verified, or no documentation), the loan program selected, your credit score(s), the amount of borrower equity and other loan attributes, as well as the price mortgage investors were willing to pay for “Reduced Documentation” compared to “Full Documentation” loans at the time your loan was originated.

For example, the cost difference for a typical “Reduced Documentation” 30 year fixed rate loan of \$300,000, as expressed as a percentage of the loan amount, might be 0.75% of the loan amount or \$2250. Alternatively, another way to express this difference in cost would be by comparing the adjustment to the interest rate if the borrower elects to increase the rate of the loan in lieu of paying the fee upfront. Using the same example of a 30 year fixed rate loan of \$300,000, the rate on the “Reduced Documentation” loan might be 0.375% higher in rate than the “Full Documentation” loan, which equates to a difference in payment of \$77 per month. Again, the actual amount of a refund should you qualify for one will be determined based on

your qualifying information, loan parameters including loan amount and market conditions at that time.

To take advantage of this opportunity, you will need to (1) certify that you were not aware of the possible increased cost to you of having been qualified under a "Reduced Documentation" loan program, and (2) provide proof of your income and/or assets in 2004.

Our records show that you will need to verify your

Income [check box]

We are providing two alternative methods by which you can provide the necessary documentation of your income:

- You can provide copies of pay stubs for the month preceding your loan application, a copy of your tax return for the year 2003, and any other records you might possess that document your income in 2004; or
- You can execute the attached form which would authorize Countrywide to obtain a copy of your tax returns for the years 2002 and 2003.

Countrywide will only use tax returns to determine whether you qualified for a full documentation product and not to verify compliance with any state or federal tax requirements.

Assets [check box]

- You can provide bank statements or any other records you might possess that document the liquid assets you had as of the time of your loan application.

If you want to take advantage of this opportunity, please complete the attached form and return it, along with the required information, to the address listed on the form **within 45 days of the date of this letter**. Upon receipt of this information Countrywide will evaluate the submitted materials and notify you whether you qualify for the lower-priced "Full Documentation" loan. Please be advised that you will only qualify for the lower-priced "Full Documentation" loan if the material you submit, or the tax returns you authorize Countrywide to obtain, demonstrate that you had the income and/or assets to qualify for a "Full Documentation" loan under Countrywide's 2004 underwriting requirements. If it is determined that you qualify, you will be provided with a refund equal to the difference in price between what you paid and what you would have paid for a "Full Documentation" loan, provided that you provide Countrywide with a release of claims in connection with the origination of your loan.

If you have any questions about this offer, please call 1-800-xxx-xxxx, and a Countrywide representative will be available to assist you.

To: Countrywide Home Loans

_____ (initial) By signing below I am certifying that, when I applied for my loan in 2004 with Countrywide, I was **not** aware that if I provided proof of my income and/or assets, I might have been entitled to a lower-priced loan.

Choose one of the following options:

_____ Enclosed are documents supporting the income and/or assets I had in 2004.

_____ Enclosed is a signed IRS Form _____ authorizing Countrywide to access my federal tax returns for the years 2002 and 2003.

I understand that Countrywide will review the enclosed documents and/or the federal income tax returns described above and will notify me if I am eligible for a refund.

IT IS IMPORTANT THAT YOU PROVIDE THE FOLLOWING INFORMATION IN THE EVENT COUNTRYWIDE NEEDS TO CONTACT YOU REGARDING YOUR CLAIM:

Name: _____

Current Address: _____

Telephone (Home) _____

Telephone (Business) _____

Telephone (Other) _____

[signature]

Please return the completed form and any relevant documents to the following address:

[FILL IN ADDRESS]

[For Stated Income/Assets]

Re: IMPORTANT: THIS LETTER MAY PROVIDE A SUBSTANTIAL BENEFIT TO YOU SO PLEASE READ CAREFULLY. THIS IS NOT A MARKETING COMMUNICATION.

Dear _____:

Our records show that, in 2004, you obtained a “Reduced Documentation” loan from Countrywide. “Reduced Documentation” means that you were not required to provide documents such as tax returns, pay stubs or bank records to verify the amount of income and/or assets you had at the time of application. Instead, your loan was approved based on the amount of income and/or assets you stated on your application.

A “Reduced Documentation” loan is appropriate for borrowers who might have difficulty documenting their income or assets, or who do not desire to document their income or assets. However, borrowers typically are charged more (through a higher rate of interest or points) for a “Reduced Documentation” loan than they would be charged if they fully documented their income and assets.

Countrywide is conducting a review of some of the “Reduced Documentation” loans we made in 2004 to make sure our customers who chose such loans understood the consequence, in terms of higher price, of choosing to forego full documentation of income and assets. For those customers who didn’t understand this, and who could have provided full documentation of their income and assets, we want to give you an opportunity to provide that documentation now and we will give you the difference in price between what you paid for your loan and what you would have paid for a “Full Documentation” loan. The potential refund to you, should you qualify for one, will vary based on a number of factors, including the nature of income and asset documentation provided (e.g. stated, verified, or no documentation), the loan program selected, your credit score(s), the amount of borrower equity and other loan attributes, as well as the price mortgage investors were willing to pay for “Reduced Documentation” compared to “Full Documentation” loans at the time your loan was originated.

For example, the cost difference for a typical “Reduced Documentation” 30 year fixed rate loan of \$300,000, as expressed as a percentage of the loan amount, might be 0.75% of the loan amount or \$2250. Alternatively, another way to express this difference in cost would be by comparing the adjustment to the interest rate if the borrower elects to increase the rate of the loan in lieu of paying the fee upfront. Using the same example of a 30 year fixed rate loan of \$300,000, the rate on the “Reduced Documentation” loan might be 0.375% higher in rate than the “Full Documentation” loan, which equates to a difference in payment of \$77 per month. Again, the actual amount of a refund should you qualify for one will be determined based on your qualifying information, loan parameters and market conditions at that time.

To take advantage of this opportunity, you will need to (1) certify that you were not aware of the possible increased cost to you of having been qualified under a “reduced documentation” loan program, and (2) provide proof of the income and/or assets that you stated on your loan application in 2004.

Our records show that you will need to verify your

Income [check box]

We are providing two alternative methods by which you can provide the necessary documentation of your income:

- You can provide copies of pay stubs for the month preceding your loan application, a copy of your tax return for the year 2003, and any other records you might possess that document the income as stated on the loan application; or
- You can execute the attached form which would authorize Countrywide to obtain a copy of your tax returns for the years 2002 and 2003.

Countrywide will only use tax returns to determine whether you qualified for a full documentation product and not to verify compliance with any state or federal tax requirements.

Assets [check box]

- You can provide bank statements or any other records you might possess that document the assets as stated on the loan application.

If you want to take advantage of this opportunity, please complete that attached form and return it, along with the required information to the address listed on the form **within 45 days of the date of this letter**. Upon receipt of this information Countrywide will evaluate the submitted materials and notify you whether you qualify for the lower-priced “Full Documentation” loan. Please be advised that you will only qualify for the lower-priced “Full Documentation” loan if the material you submit, or the tax returns you authorize Countrywide to obtain, demonstrate that you had the income and/or assets to qualify for a “Full Documentation” loan under Countrywide’s 2004 underwriting requirements. If it is determined that you qualify, you will be provided with a refund equal to the difference in price between what you paid and what you would have paid for a “Full Documentation” loan, provided that you provide Countrywide with a release of claims in connection with the origination of your loan.

If you have any questions about this offer, please call 1-800-xxx-xxxx, and a Countrywide representative will be available to assist you.

To: Countrywide Home Loans

_____ (initial) By signing below I am certifying that, when I applied for my loan in 2004 with Countrywide, I was **not** aware that if I provided proof of the income and/or assets stated on my loan application, I might have been entitled to a lower-priced loan.

Choose one of the following options:

_____ Enclosed are documents supporting the income and/or assets stated in my application.

_____ Enclosed is a signed IRS Form _____ authorizing Countrywide to access my federal tax returns for the years 2002 and 2003.

I understand that Countrywide will review the enclosed documents and/or the federal income tax returns described above and will notify me if I am eligible for a refund.

IT IS IMPORTANT THAT YOU PROVIDE THE FOLLOWING INFORMATION IN THE EVENT COUNTRYWIDE NEEDS TO CONTACT YOU REGARDING YOUR CLAIM:

Name: _____
Current Address: _____

Telephone (Home) _____
Telephone (Business) _____
Telephone (Other) _____

[signature]

Please return the completed form and any relevant documents to the following address:

[FILL IN ADDRESS]