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April 16, 2015

Via Federal Express
David M. Louie, Esq.
Hawaii Attorney General
425 Queen St.
Honolulu, HI 96813

Re: *United States, et al., ex rel. Schneider v. J.P. Morgan Chase, N.A. et al.,* D.C. Dist. Ct. No. 1:14-cv-01047-RMC; Chase's Admissions in $50 Million Settlement with U.S. Trustee Program and Schneider's Second Amended Complaint in his private action against Chase.

Dear Mr. Louie:

Enclosed for your information are two documents related to Schneider's False Claims Act action against J.P. Morgan Chase. The first is a letter, with attachments, sent to the U.S. attorneys handling this matter that explains how Chase's admissions in its recent settlement with the U.S. Trustee Program largely confirm many of Schneider's in his FCA action.

The second document is Schneider's Second Amended Complaint filed recently in his private action against Chase, which is now pending in the Southern District of New York. This document expands on Schneider's previous allegations of fraud against him in that case. Because the underlying facts are similar, these allegations also demonstrate fraud against the National Mortgage Settlement Agreement and the Consent Judgment.

Please let me know if you have any questions regarding this matter.

Sincerely,

Joseph A. Black

Enclosures

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April 10, 2015

Via E-mail and First Class Mail

Brian Hudak, Esq.
Assistant United States Attorney
501 Third Street, NW, Fourth Floor
Washington, DC 20530

William C. Edgar, Esq
Department of Justice, Civil Division
601 D Street, N.W., Room 9016
Washington, DC 20004

Re: *United States, et al., ex rel. Schneider v. J.P. Morgan Chase Bank, N.A.., et al.,* D.C. District Court No. 1:14-cv-01047-RMC; Chase's Admissions in $50 Million Settlement with U.S. Trustee Program

Dear Mr. Hudak and Mr. Edgar:

On March 3, 2015 the Department of Justice announced that the U.S. Trustee Program had entered into a $50 million settlement agreement with JP Morgan Chase ("Bankruptcy Settlement"). As part of the settlement, Chase acknowledged that it filed over 50,000 false payment change notices ("PCN") in bankruptcy courts around the country. Exhibit A. The admissions contained in this settlement agreement confirm many of the allegations contained in Schneider's First Amended Complaint ("FCA"). *See e.g.* FAC ¶¶ 163-181.

In the Bankruptcy Settlement Chase gave various excuses why it failed to meet bankruptcy requirements and why it filed false PCNs. These included a failure to review the loan files and "robo" signing by individuals who had not reviewed the files. See ¶¶ 15 – 21. More specifically it stated:

> 22. Other factors that may have contributed to the continuation of the practices that led to Incorrectly Signed PCNs include: (i) MSP and VLS technology limitations; (ii) a lack of clarity in the PCN procedures; (iii) lack of pre-filing quality control; (iv) insufficient quality assurance processes; and (v) inadequate training.

a. MSP and VLS Technology Limitations. Neither MSP nor VLS permitted a reviewer to see a complete PCN form before it was signed and filed. Because the reviewer either did not see a PCN form or only saw a portion of the form, Chase believes that the reviewers did not see that they were verifying the content of a sworn document that was to be signed.

b. PCN Procedures. The step-by-step procedures for processing PCNs did not explain how PCNs were to be electronically signed and filed.

c. Quality Control. During the PCN Relevant Period, although the data in the PCNs were reviewed substantively, Chase employees did not review the fully completed and signed PCNs prior to filing.

d. Quality Assurance. During the PCN Relevant Period, Chase had quality assurance processes in place to check a sample of filed PCNs. The quality assurance sample review of filed MSP PCNs did not include a review of PCN signatures or whether the person whose electronic signature appeared on the PCN reviewed the document. There was no quality assurance review of VLS PCNs.

e. Training. PCN reviewers received general training on sworn documents but the training could have been more targeted to PCNs and their electronic signing and filing.

These admissions demonstrate direct violations of the foreclosure and bankruptcy documentation standards set out in Exhibit A of the Consent Judgment. See for example the paragraphs under section I. of that document:

A. Standards for Documents Used in Foreclosure and Bankruptcy Proceedings.

1. Servicer shall ensure that factual assertions made in pleadings (complaint, counterclaim, cross-claim, answer or similar pleadings), bankruptcy proofs of claim (including any facts provided by Servicer or based on information provided by the Servicer that are included in any attachment and submitted to establish the truth of such facts) ("POC"),

* * *

2. Servicer shall ensure that affidavits, sworn statements, and Declarations are based on personal knowledge, which may be based on the affiant's review of

Servicer's books and records, in accordance with the evidentiary requirements of applicable state or federal law.

* * *

4. Servicer shall have standards for qualifications, training and supervision of employees. Servicer shall train and supervise employees who regularly prepare or execute affidavits, sworn statements or Declarations.

* * *

8. Affidavits, sworn statements and Declarations shall not contain information that is false or unsubstantiated.

* * *

Also, Chase's admissions acknowledge violations of the more general servicing requirements of Exhibit A of the Consent Judgment, which are set out in ¶ 181 of the FAC:

B. Requirements for Accuracy and Verification of Borrower's Account Information.

1. Servicer shall maintain procedures to ensure accuracy and timely updating of borrower's account information, including posting of payments and imposition of fees. Servicer shall also maintain adequate documentation of borrower account information, which may be in either electronic or paper format.

* * *

8. Servicer shall take appropriate action to promptly remediate any inaccuracies in borrowers' account information, including:

a. Correcting the account information;
b. Providing cash refunds or account credits; and
c. Correcting inaccurate reports to consumer credit reporting agencies.

In paragraph 22 of the Bankruptcy Settlement, Chase admitted to violating all of these conditions. Chase's admissions apply to all loans – similar to the loans that were in bankruptcy – that had been charged-off and placed in RCV1 and were no longer serviced. By definition, such loans could not meet the servicing requirements of the Consent Judgment or the HAMP because they were not being serviced.

The likely reason why the Monitor of the Consent Judgment did not detect these violations was because these loans were hidden from him in RCV-1. As we have demonstrated previously, the loans in RCV1 were not reported in the population of loans tested for compliance with the Consent Judgment.

The Bankruptcy Settlement refers to two "mortgage servicing platform[s]," MSP and VLS. Exhibit A. Definitions at 4. As noted, Chase attributed one of the reasons for its filing of false PNC notices was "MSP and VLC technology limitations." Exhibit A, ¶ 22. In the Chase system of records MSP is the "Mortgage Servicing Platform," which is Chase's core servicing System of Records ("SOR") for closed end mortgage loans. The VLS, or "Vendor Loan System" is the core SOR for open-ended home equity loans or HELOC loans. "Monitor's Interim Consumer Relief Report Regarding Defendant J.P. Morgan Chase Bank, N.A." Case No. 12-00361(RMC), Doc.106 at 22 (Oct. 16, 2013). Amended Statement of Material Evidence ("SME"), Ex. 77. While the loans were in Chase's main SOR, these platforms were fully capable of producing reliable PCNs. When a secured mortgage (as defined by an "enforceable lien") was "charged-off" and coded as inactive in its primary SOR a record of the loan was created in Chase's RCV1 data base. RCV1 is not a servicing platform for federally related mortgage loans, and the payment information necessary to produce accurate PCN's was no longer systematically maintained or readily available. Therefore, the problem was not "technology," but instead the technology could not be used to resurrect the fatally corrupted data caused by Chase's deliberate concealment of these loans in RCV1upon its decision to "charge off" a loan.

The "charged-off" loan with a valid mortgage was still a potentially valuable asset to Chase so the charge-off data was entered into its RCV1 database. Since these charged-off loans still had a valid mortgage lien, they were federally related mortgage loans and still were required to be serviced. Upon Chase's notification of a bankruptcy filing by a borrower, Chase sent the notification to the Recovery Department for the processing of a Proof of Claim "(POC"). The employees within the bankruptcy department used information contained in the RCV1 database to complete the POC forms. These employees knew or should have known that the loans in the RCV1 database lacked all accuracy and integrity relating to the borrowers' loan information. Despite this knowledge, they did as they were told and submitted fraudulent proofs of claim to the bankruptcy court.

In some cases, the borrower's charged-off loan was no longer in the Recovery Department, but instead had been assigned to an external third party collection agency. Once assigned to a collection agency the loan data was further corrupted. The collection agencies used by Chase were not licensed to service mortgage loans, and did not service the loans through a mortgage servicing platform which could properly track the borrower's loans according to the conditions set out in the loan documents between the borrower and the original lender.

The problems Chase acknowledged in the Bankruptcy Settlement with the MSP and VLS subsystems apply to all loans in RCV1. Again, it was not because of technology failures, but instead the failure to service the loans in RCV1 that was the root cause of Chase's false PNCs. Further, because loans involved were not being serviced they would have would have failed the related servicing metrics had they been identified to the Monitor as part of the entire SOR for testing.

In the DOJ press release explaining the Bankruptcy Settlement, Acting Associate Attorney General Stuart Delery is quoted:

> It is shocking that the conduct admitted to by Chase in this settlement . . . continued as long as it did [,and] years after uncovering improper mortgage servicing practices and entering into court-ordered settlements to fix flawed systems, it is deeply disturbing that a major bank would still make improper court filings and fail to provide adequate and timely notices to homeowners about payments due.

DOJ Bankruptcy Settlement Press Release, March 3, 2015, Exhibit B.

Once the inherent flaws in Chase's mortgage servicing systems as described in Schneider's FAC are understood, it should no longer be a surprise that Chase would continue to commit the servicing violations described in Bankruptcy Settlement. They are at base the cause of those violations and Chase's violations of the HAMP and the Consent Judgment.

Please let us know if you have any questions regarding this submission.

Sincerely,

Joseph A. Black

Enclosures

EXHIBIT A

UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF MICHIGAN
NORTHERN DIVISION-BAY CITY

In re:

DAVID S. BELZAK,
LYNDA J. BELZAK,

Debtors.
_______________________________________/

Case No. 10-23963-dob

Chapter 13

Hon. Daniel S. Opperman

STIPULATION FOR ENTRY OF ORDER APPROVING SETTLEMENT BETWEEN THE UNITED STATES TRUSTEE PROGRAM AND JPMORGAN CHASE BANK, N.A.

Daniel M. McDermott, the United States Trustee for Region 9, the Executive Office for United States Trustees (EOUST), the United States Trustees and Acting United States Trustees for Regions 1 through 21, and JPMorgan Chase Bank, N.A., by their respective counsel, respectfully request that this Court enter the Order Approving Settlement between the United States Trustee Program and JPMorgan Chase Bank, N.A. A copy of the proposed Order is attached.

DANIEL M. McDERMOTT
UNITED STATES TRUSTEE
Region 9

By: /s/ Kelley Callard (P68537)
Kelley.Callard@usdoj.gov
Trial Attorney
Office of the U.S. Trustee
211 West Fort Street - Suite 700
Detroit, Michigan 48226
(313) 226-6773

Dated: February 27, 2015

DYKEMA GOSSETT PLLC

By: /s/ Brian M. Moore (P58584)
bmoore@dykema.com
Attorneys for JPMorgan Chase Bank, N.A.
39577 Woodward Avenue
Suite 300
Bloomfield Hills, Michigan 48304
(248) 203-0772

Dated: February 27, 2015

EXECUTIVE OFFICE FOR UNITED STATES TRUSTEES	**JPMORGAN CHASE BANK, N.A.**, *On behalf of itself and its affiliates*
By: Ramona D. Elliott	By: Kevin P. Watters
Ramona D. Elliott	Kevin P. Watters
Deputy Director/General Counsel	Chief Executive Officer, Mortgage Banking
Dated: February 27th, 2015	Dated: February 26, 2015

K&L GATES LLP

By:

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Attorneys for JPMorgan Chase Bank, N.A.
State Street Financial Center
One Lincoln Street
Boston, MA 02111
(617) 261-3100
Admitted in the Eastern District of Michigan as of August 2014

Dated: February 27, 2015

UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF MICHIGAN
NORTHERN DIVISION-BAY CITY

In re:

DAVID S. BELZAK,	Case No. 10-23963-dob
LYNDA J. BELZAK,	Chapter 13
Debtors.	Hon. Daniel S. Opperman

______________________________________/

ORDER APPROVING SETTLEMENT BETWEEN THE UNITED STATES TRUSTEE PROGRAM AND JPMORGAN CHASE BANK. N.A.

RECITALS

Whereas, on October 26, 2010, David S. Belzak and Lynda J. Belzak (the "Belzaks") filed a chapter 13 Bankruptcy Petition in the United States Bankruptcy Court for the Eastern District of Michigan, captioned *In re David S. Belzak and Lynda J. Belzak*, Case No. 10-23963 (the "Belzaks' Case").

Whereas, on January 19, 2011, JPMorgan Chase Bank, N.A. ("Chase") filed a Proof of Claim in the Belzaks' Case asserting a secured claim arising out of a Home Equity Line of Credit Agreement dated September 7, 1999, executed by the Belzaks (the "Loan"). (Claims Register for Case No. 10-23963, Claim 15).

Whereas, on July 30, 2013, pursuant to Bankruptcy Rule 3002.1, Chase filed a payment change notice ("PCN") for the Loan. (Dkt. No. 57).

Whereas, on August 7, 2013, the Belzaks objected to the PCN, and the Court sustained the objection by Order entered on September 4, 2013. (Dkt. Nos. 59 & 63).

Whereas, on November 8, 2013, the United States Trustee for Region 9 (the "United States Trustee") filed an *ex-parte* motion requesting, among other things, that the Court enter an order requiring Chase to appear for an examination under Bankruptcy Rule 2004 and to produce certain documents (the "2004 Motion"). (Dkt. No. 71).

Whereas, on November 8, 2013, the Court entered an Order granting the 2004 Motion. (Dkt. No. 72).

Whereas, on November 25, 2013, Chase filed a motion for protective order seeking to modify the discovery ordered by the Court. (Dkt. No. 82).

Whereas, thereafter Chase engaged the United States Trustee in discussions to resolve the discovery disputes, and on January 10, 2014, the Court entered an Order Staying all UST-Related Proceedings. (Dkt. No. 101).

Whereas, Chase engaged K&L Gates LLP to conduct a review of its policies and practices related to PCNs and escrow matters as described further below.

Whereas, Chase has since engaged the Executive Office for United States Trustees (the "EOUST") in discussions concerning its policies and practices relating to PCNs and the administration of escrow accounts for residential mortgage loans in chapter 13 bankruptcy cases as described below.

Whereas, as a result of their discussions, the Parties have reached an agreement as set forth in this Order Approving Settlement Between the United States Trustee Program and JPMorgan Chase Bank, N.A.

Whereas, in consideration of the foregoing, and of the mutual promises and compromises between them, the EOUST and the United States Trustees and Acting United States Trustees for Regions 1 through 21 (collectively "the United States Trustee Program" or "USTP"), and Chase (Chase and USTP are collectively referred to here as the "Parties") do hereby agree, stipulate and consent to the Court's entry of this Order Approving Settlement Between the United States Trustee Program and J.P. Morgan Chase Bank, N.A. (this "Order"), and the Court otherwise being fully advised of the premises. Accordingly,

IT IS ORDERED AS FOLLOWS:

ARTICLE I

JURISDICTION AND VENUE

This Court has subject matter jurisdiction over this matter pursuant to 28 U.S.C. § 1334(b). This is a core proceeding under 28 U.S.C. § 157(b)(2). Venue in the United States Bankruptcy Court for the Eastern District of Michigan is proper pursuant to 28 U.S.C. § 1409(a).

ARTICLE II

DEFINITIONS

Capitalized terms used in this Order but not defined in this Article are defined elsewhere in the Order.

“Bankruptcy Case” shall mean or refer to a case filed under chapter 13 of the United States Bankruptcy Code.

“CM/ECF” means the bankruptcy courts’ Case Management/Electronic Case Filing system.

“Covered Conduct” shall mean and include:

(1) With respect to PCNs:

(a) the accuracy of the payment change date or payment change amount in PCNs during the PCN Relevant Period;

(b) the review, preparation, signing and filing of PCNs or the lack of filing of PCNs during the PCN Relevant Period and the Moratorium;

(c) the adequacy of Chase’s policies and procedures concerning PCNs during the PCN Relevant Period and the Moratorium;

(d) the timeliness of PCNs filed during the PCN Relevant Period; and

(e) the timeliness of PCNs that should have been filed during the Moratorium and will be filed late due to the Moratorium and the time needed to prepare, execute and file PCNs delayed by the Moratorium; and

(2) With respect to the administration of escrow accounts for mortgage loans during the Escrow Relevant Period:

(a) the timeliness of post-petition annual escrow analyses during the Escrow Relevant Period or as a consequence of the Moratorium for borrowers in the Pre-Moratorium Delayed Escrow Population and Moratorium Delayed Escrow Population; and

(b) the Escrow Remediation Project and any incorrect application of payments resulting from the Escrow Overlay Issue for borrowers in the Escrow Remediation Population.

“Escrow Relevant Period” shall mean the time period between February 9, 2012 and November 19, 2013.

“Escrow Shortage” shall mean and include both escrow shortages and deficiencies as those terms are defined under the Real Estate Settlement Procedures Act of 1974.

“HELOC loan” shall mean a home equity line of credit mortgage loan, and includes those loans serviced on the VLS system (and any successor servicing system).

“Incorrectly Signed PCNs” are PCNs filed with bankruptcy courts during the PCN Relevant Period in which the signature of the person executing and filing the PCN on Chase’s behalf is that of the individual whose CM/ECF credentials were used to file the PCN with the relevant bankruptcy court although that individual did not review and verify the contents of the PCN.

"Identified PCNs" are the 462 Substantively Inaccurate PCNs identified by Chase as having been filed with bankruptcy courts during the PCN Relevant Period.

"MSP" shall mean the mortgage servicing platform Chase used and uses to service its first lien mortgage loan portfolio during the time period relevant to the subject matter of this Order.

"Moratorium" shall mean the time period beginning November 19, 2013, when Chase generally stopped filing PCNs in Bankruptcy Cases and stopped running annual escrow analyses for loans in Bankruptcy and ending on a date on which Chase gives notice to the EOUST and the Court that it has resumed filing PCNs and running annual escrow analyses for loans in Bankruptcy in the ordinary course. Chase began filing MSP PCNs on July 24, 2014, steadily increased its PCN filing capacity and the MSP Moratorium ended on October 31, 2014. Chase will begin filing VLS PCNs prior to December 31, 2014, and the VLS Moratorium shall end no later than May 31, 2015, unless a later date is agreed to by the Parties in writing ("VLS Moratorium").

"PCN Relevant Period" shall mean the time period between December 1, 2011 and November 19, 2013.

"Properly Filed PCN" shall mean a PCN: (i) timely filed with the bankruptcy court that provides the borrower with the correct payment change amount and the correct date that the new payment change will go into effect; (ii) that has been reviewed and verified by the person who signs the PCN, and (iii) that is otherwise in compliance with the requirements of the Bankruptcy Code and Federal Rules of Bankruptcy Procedure.

"Substantively Inaccurate PCNs" are PCNs filed with bankruptcy courts during the PCN Relevant Period that did not provide the borrower with (1) the correct payment change amount, or (2) the correct date that the new payment change would go into effect.

"Superseding PCN" shall mean a PCN that is filed as an affirmative obligation under the corrective action provisions of this Order that otherwise satisfies the requirements of a Properly Filed PCN except for the timeliness requirement under Bankruptcy Rule 3002.1.

"Untimely PCNs" are PCNs filed with bankruptcy courts (1) during the PCN Relevant Period, and (2) less than twenty-one (21) days before a payment in the new amount was due or after the effective date of the new payment amount.

"VLS" shall mean the mortgage servicing platform Chase used and uses to service its HELOC loan portfolio during the time period relevant to the subject matter of this Order.

ARTICLE III

THE REVIEW

Chase represents to the Court as follows:

1. Upon review of the PCN that was the subject of the objection in the *Belzak* case, Chase determined that the amount of the monthly payment in the PCN was erroneous and that the PCN had been filed using the CM/ECF credentials of a former Chase employee and contained the electronic signature of that former Chase employee.

2. On November 19, 2013, as a result of the issues found with the PCN in the *Belzak* case, Chase instituted a Moratorium on filing PCNs and commenced a review of the manner in which PCNs were prepared, reviewed, signed and filed, as described further below.

3. On or about December 5, 2013, as a result of the issues found with the PCN in the *Belzak* case, Chase retained K&L Gates, a law firm, to conduct a review of the Covered Conduct related to PCNs in order to determine how PCNs were prepared, reviewed, signed and filed and whether PCNs were accurate and timely; to assist with changes to Chase's PCN policies and procedures in order to accomplish the enhancements referenced in Article V, and to assist with establishing appropriate borrower corrective action and remediation. In late February 2014, the scope of the review was expanded to include the escrow matters described in the Covered Conduct (hereafter collectively the "Review").

4. K&L Gates was assisted in the Review by attorneys in Chase's Cross Consumer Investigations Legal team ("CCIL"). K&L Gates and CCIL determined the persons to be interviewed and the documents to be reviewed.

5. During the course of the Review, over 60 Chase employees, former employees, and third-parties involved in or with knowledge relating to the Covered Conduct were interviewed.

6. The Review also included the review of thousands of documents concerning the Covered Conduct, including but not limited to policies and procedures, internal quality assurance test results, training materials, results and validation of the review of PCNs for accuracy, timeliness and signatures, internal communications, communications with 4S Technologies ("4S"), documents concerning the Escrow Remediation Project (described below) and loan level account records, loan documents and escrow statements for a number of individual loans.

7. The Review conducted by K&L Gates and Chase is privileged. In addition, K&L Gates and CCIL reviewed privileged documents and other privileged communications as part of the Review. Privileged information is not disclosed in this Order. Chase has not waived and does not intend to waive the attorney-client privilege, the work product doctrine or any other applicable privilege.

8. K&L Gates has prepared and provided to the EOUST a report concerning the Review that contains its non-privileged findings and conclusions.

ARTICLE IV
FACTS AS THEY RELATE TO PCNS

Without waiving any privilege, Chase represents that the following facts are accurate to the best of its knowledge and belief:

9. During the PCN Relevant Period (which began on December 1, 2011, when Bankruptcy Rule 3002.1 became effective), Chase, through its outside vendor 4S, filed approximately 53,000 PCNs with the bankruptcy courts.

Review and Accuracy of PCNs

10. During the PCN Relevant Period, Chase filed approximately 462 Substantively Inaccurate PCNs (which is less than 1% of PCNs filed by Chase during the PCN Relevant Time Period).

11. Chase believes the inaccuracies that occurred were caused primarily by human error in the manual entry of data and the lack of quality control (meaning a second review) before filing the PCNs with the bankruptcy courts.

12. During the PCN Relevant Period, Chase had policies and procedures in place that required Chase employees to, among other things, verify the contents of a PCN by reviewing the data in the PCN and comparing it to the account information contained in the system of record (either MSP or VLS). For loans on VLS in particular, the Chase reviewer often had to subtract out fees from the monthly amount due that Chase does not charge to customers in bankruptcy.

13. For both MSP loans and VLS loans, the PCN could not be sent to 4S for filing unless a Chase employee clicked an "approve" button after reviewing the PCN data.

14. A sample of MSP PCNs underwent a post-filing quality assurance check to verify the accuracy of the data in the PCNs.

Signature and Filing of PCNs

15. During the PCN Relevant Period, Chase filed Incorrectly Signed PCNs. These Incorrectly Signed PCNs were signed electronically. The electronic signature reflected the name of the individual whose CM/ECF credentials were used to file the PCN with the relevant bankruptcy court even if that individual was not the same individual who reviewed and verified the contents of the PCN. As described above, it is Chase's belief that its PCNs were substantively reviewed before they were filed even if an Incorrectly Signed PCN was not reviewed by the person who signed it.

16. Chase did not have enough PCN reviewers with CM/ECF credentials so that those reviewers' CM/ECF credentials could be used to file the PCNs that they reviewed. Rather, only some of the Chase employees who reviewed PCNs had CM/ECF credentials in some jurisdictions.

17. As of the time that Bankruptcy Rule 3002.1 became effective, a former Chase employee who was then the manager for the bankruptcy group was aware that PCNs were filed and would continue to be filed using the electronic signature of and under the CM/ECF credentials of persons who did not review the contents of the PCNs being filed under their electronic signature. The bankruptcy group manager's superiors in the mortgage default servicing group did not know that PCNs were being filed with the signatures of persons who did not review the contents of the PCNs.

18. In light of the rule change, in 2012, Chase took steps to obtain additional CM/ECF credentials for its reviewers. In the interim, it continued to file PCNs using the limited CM/ECF credentials it had. Where Chase lacked CM/ECF credentials in a bankruptcy jurisdiction, PCNs were filed with the signature of and using the CM/ECF credentials of 4S employees. The "I am the Creditor" box on the PCN was checked. Chase also changed its process, however, to identify the PCN reviewer on the PCN. In general, Incorrectly Signed PCNs either: (1) contained the Chase employee identification number of the Chase employee who verified the contents of the PCN at the bottom of the signature page, or (2) beginning in approximately August, 2012, for escrow changes on MSP loans, contained a disclosure on the signature page that read "Approved by:" followed by the name of the Chase employee who reviewed and verified the contents of the PCN.

19. Chase's efforts to secure additional CM/ECF credentials for its reviewers stalled in 2012 and were not effectuated. Instead, the process described in paragraph 18 for signing and filing PCNs continued until the PCN Moratorium.

20. The names of two former Chase bankruptcy employees and of four bankruptcy employees who transferred to another group within Chase appeared as the signatories on PCNs after those employees had left Chase or transferred to another group within Chase because Chase did not have a formal process for deactivating employees' CM/ECF credentials.

21. When an employee left Chase or the bankruptcy group, the employee's supervisor was supposed to remove the former employee's access to the 4S system. There was a written procedure for this, but it did not include the deactivation of an individual's CM/ECF credentials. A former Chase employee who was a supervisor in the bankruptcy group was aware of the continued use of at least one of the departed employee's CM/ECF credentials but did not deactivate the credentials.

22. Other factors that may have contributed to the continuation of the practices that led to Incorrectly Signed PCNs include: (i) MSP and VLS technology limitations; (ii) a lack of clarity in the PCN procedures; (iii) lack of pre-filing quality control; (iv) insufficient quality assurance processes; and (v) inadequate training.

a. MSP and VLS Technology Limitations. Neither MSP nor VLS permitted a reviewer to see a complete PCN form before it was signed and filed. Because the reviewer either did not see a PCN form or only saw a portion of the form, Chase believes that the reviewers did not see that they were verifying the content of a sworn document that was to be signed.

b. PCN Procedures. The step-by-step procedures for processing PCNs did not explain how PCNs were to be electronically signed and filed.

c. Quality Control. During the PCN Relevant Period, although the data in the PCNs were reviewed substantively, Chase employees did not review the fully completed and signed PCNs prior to filing.

d. Quality Assurance. During the PCN Relevant Period, Chase had quality assurance processes in place to check a sample of filed PCNs. The quality assurance sample review of filed MSP PCNs did not include a review of PCN signatures or whether the person whose electronic signature appeared on the PCN reviewed the document. There was no quality assurance review of VLS PCNs.

e. Training. PCN reviewers received general training on sworn documents but the training could have been more targeted to PCNs and their electronic signing and filing.

23. In early 2013, a former Chase Bankruptcy employee filed a wrongful employment termination lawsuit against Chase. The former employee's complaint contained various allegations regarding her employment (which had ended in mid-2012), including that her electronic signature was used on legal documents without her full knowledge or consent.

Untimely PCNs

24. Fewer than 5% of the PCNs filed during the PCN Relevant Time Period were Untimely. Chase's bankruptcy employees who reviewed PCNs had difficulty handling the volume of PCNs in a timely manner, particularly HELOC loan PCNs, which took longer to process because of additional steps needed prior to filing. In addition, HELOC loans for which interest is calculated on a daily simple interest basis ("DSI Loans") change monthly payment amounts frequently, and this volume of PCNs (caused by the DSI feature) was difficult to process in a timely manner. 4S had a failsafe mechanism that could automatically reject the late filing of PCNs. However, that failsafe mechanism was turned off during the PCN Relevant Period.

Testing of PCNs Pursuant to the Review

25. As part of the Review, Chase conducted tests to determine the numbers of Substantively Inaccurate PCNs and Untimely PCNs and to determine the identities of the persons whose electronic signatures appeared on PCNs filed during the PCN Relevant Period as well as

those persons' affiliation with Chase at the time of each PCN filing. The tests were validated by two levels of review as described below.

26. Chase's bankruptcy group conducted the initial testing of the PCN population by:

a. identifying the population of PCNs filed during the PCN Relevant Period;

b. identifying the Untimely PCNs by comparing the PCN filing date with the PCN effective date;

c. identifying the Substantively Inaccurate PCNs by reviewing the filed PCN population for the PCN Relevant Period and comparing the data in the filed PCNs with the data appearing in Chase's systems of record (MSP for non-HELOC loans and VLS for HELOC loans); and

d. then individually reviewing the PCNs for loans on the VLS system where the two data sets differed to identify Substantively Inaccurate PCNs for VLS loans. For loans on the MSP system, the bankruptcy group determined that the data in some filed PCNs differed from data on MSP due to the Escrow Overlay Issue but that when correct historical escrow data (as reflected in the Escrow Remediation Statements) was reviewed, this subpopulation of MSP PCNs had accurate payment amount information. The bankruptcy group then reviewed the remainder of MSP PCNs where the data in the PCN differed from the data on MSP to identify Substantively Inaccurate PCNs. The bankruptcy group compared the names on the signature line of the PCNs with Chase employment records to determine whether the signatory was employed by Chase at the time of filing, and if so, whether the person was assigned to the bankruptcy group at the time of the filing.

27. Chase's Control Team then confirmed the validity of the bankruptcy group's methodology and test results. The Control Team is independent of the bankruptcy group but is part of the Mortgage Banking business. The Control Team's review included an independent statistically valid sample of filed PCNs. Based on the results of that sample, the Control Team concluded that the findings of the bankruptcy group's review for numbers of Substantively Inaccurate PCNs and Untimely PCNs were consistent with the rates of those same findings in Control Team's independent testing.

28. The Control Team confirmed instances identified by the bankruptcy group where PCN payment effective dates were misstated. The Control Team also confirmed instances identified by the bankruptcy group where the payment change amount was misstated on the PCN. Finally, the Control Team confirmed instances where the PCN file date was less than 21 days prior to the PCN effective date.

29. Operational Risk Oversight then validated the Control Team's review. Operational Risk Oversight is an arm of the Independent Risk Management Function and resides completely outside of Chase's Consumer and Community Banking Line of Business (of which

Mortgage Banking is a part). Operational Risk Oversight concluded that the Control Team's approach to testing and validation was adequate. In conducting its review, Operational Risk Oversight examined the Control Team's methodology in sampling and reviewing the bankruptcy group's testing. As part of its independent review, Operational Risk Oversight also confirmed that the Control Team followed its stated procedures for the PCN review.

30. The bankruptcy group's testing, as reviewed and validated by the Control Team, found the following numbers of Inaccurate PCNs, Untimely PCNs and the various subpopulations of Incorrectly Signed PCNs filed during the PCN Relevant Period described below:

a. Approximately 53,000 PCNs were filed during the PCN Relevant Period.

b. Approximately 4,380 of the Incorrectly Signed PCNs were filed with the signature and using the CM/ECF credentials of an individual who no longer worked for Chase at the time that the PCNs were filed.

c. Approximately 2,285 of the Incorrectly Signed PCNs were filed with the signature of and using the CM/ECF credentials of a Chase employee who no longer worked in Chase's bankruptcy department at the time that the PCNs were filed.

d. Approximately 26,225 of the Incorrectly Signed PCNs were filed with the signature of and using the CM/ECF credentials of an employee of 4S.

e. Approximately 20,301 of the Incorrectly Signed PCNs were filed with the signature of and using the CM/ECF Credentials of a current Chase bankruptcy employee, but in most instances this employee was not the same employee who reviewed and verified the contents of the PCNs pursuant to the policies and procedures described in paragraph 12.

f. Chase filed approximately 462 Substantively Inaccurate PCNs for approximately 325 HELOC loans and 106 non-HELOC loans (which is less than 1% of PCNs filed by Chase during the PCN Relevant Time Period).

g. Chase filed approximately 2,554 Untimely PCNs for 1,892 HELOC loans and 606 non-HELOC loans (which is less than 5% of PCNs filed by Chase during the PCN Relevant Time Period).

31. There were instances during the PCN Relevant Period in which borrowers' payments changed under the terms of their mortgage documents and monthly account statements, ARM letters or escrow analysis statements were mailed to the borrowers, but PCNs were not filed with the bankruptcy court. Chase has not quantified the number of times that a PCN should have been but was not filed during the PCN Relevant Period.

ARTICLE V

PCN SYSTEM AND OPERATIONAL ENHANCEMENTS

32. Chase has implemented, or will implement, a number of operational enhancements to ensure that all PCNs filed in Bankruptcy Cases going forward are Properly Filed PCNs. Chase has or will:

a. enhance policies and procedures for the preparation, signing and filing of PCNs so that they make clear that, at minimum: (i) a PCN is filed in bankruptcy court not less than 21 days before a payment in the new amount is due; (ii) the person who signs a PCN is the same person who verifies and reviews the PCN (the "PCN Signer"); (iii) the PCN is accurate and (iv) there is a process for escalating questions about a proposed PCN to management as necessary;

b. revise policies and procedures so that there are two levels of substantive, pre-filing PCN review, including a Quality Control ("QC") review;

c. enhance its training for PCN Signers and QC reviewers of PCNs;

d. train and certify current and additional Chase employees to become PCN Signers;

e. obtain CM/ECF credentials for all PCN Signers so that each PCN Signer has credentials to file PCNs that she/he reviewed and signed provided that the Parties understand and agree that there are certain jurisdictions that grant credentials to Chase and not individual signers and there are jurisdictions that provide means other than CM/ECF for filing PCNs. In all jurisdictions the person who signs a PCN will be the person who verified and reviewed the PCN;

f. discontinue using its current third-party vendor, 4S, to file PCNs in Bankruptcy Cases (although non-law firm third party vendors, including 4S, may still provide technological assistance (e.g., creating the blank template for PCNs) and provide a mailing service (e.g., certificates of service for PCNs)); and,

g. implement additional post-filing quality assurance ("QA") review processes for PCNs to ensure that systems and operational enhancements are functioning as intended.

33. Chase's operational enhancements described in Paragraph 32 shall be implemented on or before September 30, 2014 for the MSP system (the "MSP Operational Implementation Date"), unless a later date is agreed to by the Parties in writing.

34. Chase's operational enhancements described in Paragraph 32 shall be implemented on or before December 31, 2014 for the VLS system (the "VLS Operational Implementation Date"), unless a later date is agreed to by the Parties in writing.

35. Chase is implementing a temporary reduction in the annual interest rate to 0.00% for certain DSI Loans on VLS. The temporary reduction will only be implemented for HELOCs as to which PCNs are required to be filed and that are DSI Loans that do not already have a fixed monthly payment amount. The reduction will be applied to: (I) all active Bankruptcy Cases for borrowers with DSI Loans when the next PCN is filed for such loan and (II) newly filed Bankruptcy Cases when the applicable proof of claim is filed. In each Bankruptcy Case, this reduced rate will remain in effect until the earlier to occur of the following: (a) the debtor's bankruptcy proceeding is dismissed, (b) the debtor successfully completes his or her Chapter 13 plan and is discharged by the Bankruptcy Court, (c) the debtor's discharge, if the debtor's bankruptcy proceeding is converted to a Chapter 7. Upon the occurrence of any of these events, the debtor's interest rate and related payment will revert back to the higher rate and the payment determined in accordance with the HELOC agreement. If during the term of the bankruptcy proceeding, the HELOC agreement requires the debtor to begin making principal payments, Chase will expect the debtor to make principal payments in accordance with the terms of the HELOC agreement. Chase has the option to terminate the voluntary interest rate reduction for Chapter 13 DSI Loans if Chase migrates any applicable DSI loans from VLS to MSP.

36. Chase is planning to implement additional technological enhancements to its MSP and VLS systems to further improve the PCN preparation and filing process. Once the system enhancements are completed, Chase will modify its PCN policies and procedures to conform to the new systems technology while maintaining the enhancements described in Paragraph 32. These additional technological enhancements shall be implemented on or before July 31, 2016, unless a later date is agreed to by the Parties in writing.

ARTICLE VI

PCN CORRECTIVE ACTION

37. Chase will undertake corrective action as described below to address the Substantively Inaccurate PCNs.

38. In those cases in which a Substantively Inaccurate PCN pertaining to a HELOC loan was filed during the PCN Relevant Period, regardless of whether the case is still pending, Chase will forgive the outstanding principal balance of the HELOC loan and any other due and unpaid amounts relating thereto in its entirety. HELOC loan borrowers shall receive 30 days' notice and a right to opt out of this offer. In the event, however, that a HELOC loan as to which a Substantively Inaccurate PCN was filed during the PCN Relevant Period has already been foreclosed upon or subject to a short sale as of the effective date of this Order, Chase will confirm that any deficiency has been waived or will waive any remaining deficiency and the borrower or former borrower shall not be entitled to any additional relief under this Order.

Chase is offering this relief because of the difficulty in implementing account-by-account retroactive changes for HELOC loans for this particular issue on the VLS system.

39. In the event that a HELOC borrower opts out of the forgiveness offer set forth in paragraph 38 or in the event that the HELOC loan has been closed or has a zero ($0) principal balance as a result of payment in full of the loan balance by the borrower at the time of the offer, Chase will:

a. take corrective action for borrowers who: (i) reached the post-petition payment effective date of a Substantively Inaccurate PCN that overstated the actual monthly payment amount due and (ii) paid more than the actual monthly amount due for one or more months while the Substantively Inaccurate PCN was effective, by paying to the borrower or the borrower's Bankruptcy trustee the amount of the relevant aggregate overpayment;

b. take corrective action for borrowers who: (i) reached the post-petition payment effective date of a Substantively Inaccurate PCN that understated the actual monthly payment amount due and (ii) paid less than the actual monthly amount due for one or more months while the Substantively Inaccurate PCN was effective, by crediting the borrower's mortgage loan account with the aggregate difference between the amount paid by the borrower and the amount due for those months that the Substantively Inaccurate PCN was effective; or

c. take corrective action for borrowers (i) as to whom Chase filed a Substantively Inaccurate PCN with an inaccurate effective date that sought to change the borrower's monthly amount, and (ii) who, as a result of the inaccurate effective date, paid an incorrect monthly amount for one or more months while the Substantively Inaccurate PCN was effective, by either crediting the borrower's mortgage loan account or refunding to the borrower or the borrower's Bankruptcy trustee, the aggregate difference between the previous monthly payment amount and the new monthly payment amount in the Substantively Inaccurate PCN for the time period between (i) the inaccurate effective date of the payment change set forth in the Substantively Inaccurate PCN and (ii) the correct effective date;

d. file a notice of withdrawal, withdrawing Substantively Inaccurate PCNs that are still effective, overstate the monthly payment amount and have not been otherwise superseded by an accurate PCN. If a new PCN is required, Chase will file a Properly Filed PCN simultaneously with the withdrawal; and

e. as to any cases with Substantively Inaccurate PCNs that are still effective, understate the monthly payment amount and have not been otherwise superseded by an accurate PCN, will file a Properly Filed PCN.

40. For those debtors whose mortgage loan is a DSI Loan without a fixed monthly payment amount and whose Bankruptcy case was pending as of October 31, 2013, Chase will

mail a check to the borrower in the amount of $20.00 (payment on a per loan and not per borrower basis) by no later than July 31, 2015; unless Chase has already forgiven the DSI Loan as of May 31, 2015.

41. In those cases in which Substantively Inaccurate PCNs pertaining to non-HELOC loans were filed during the PCN Relevant Period, regardless of whether the case is still pending, Chase will:

a. if the Substantively Inaccurate PCN misstated the monthly payment amount due, either credit the borrower's mortgage loan account or refund to the borrower or the borrower's Bankruptcy trustee, the aggregate difference between the correct contractually due amount (or in the case of a cram down the payment amount required by the confirmed bankruptcy plan) and the payment amount set forth in the Substantively Inaccurate PCN for those months that the Substantively Inaccurate PCN was effective; or

b. if the Substantively Inaccurate PCN had an inaccurate effective date and sought to change the borrower's monthly amount then the credit or refund shall be in the amount of the aggregate difference between the previous monthly payment amount and the new monthly payment amount for the time period between (i) the inaccurate effective date of the payment change set forth in the Substantively Inaccurate PCN and (ii) the correct effective date; and

c. file a notice of withdrawal, withdrawing Substantively Inaccurate PCNs that are still effective, overstate the monthly payment amount and have not been otherwise superseded by an accurate PCN. If a new PCN is required, Chase will file a Properly Filed PCN simultaneously with the withdrawal; and

d. as to any cases with Substantively Inaccurate PCNs that are still effective, understate the monthly payment amount and have not been otherwise superseded by an accurate PCN, file a Properly Filed PCN;

e. provided, however, that if the borrower had already filed an intention to surrender the property that served as collateral for the loan at the time that the Substantively Inaccurate PCN was filed and has in fact surrendered the property then Chase need not take any action.

42. In those cases in which a Substantively Inaccurate PCN or an Untimely PCN was filed or where no PCN was filed for a Non-HELOC payment change during the PCN Relevant Period, the Bankruptcy Case is still pending and the borrower or Bankruptcy trustee has disputed a payment increase or fees, charges, and costs imposed in connection therewith at the time of execution of this Order, and the overall result is thereafter successful, Chase will reimburse the borrower for his or her reasonable attorneys' fees. Provided however that in order to identify such instances, Chase shall only be required to review any internally maintained list of escalated bankruptcy matters and to request its outside bankruptcy counsel to bring any such cases to

Chase's attention. If a case that meets the criteria described in the first sentence of this paragraph is brought to Chase's attention by a borrower, trustee, the Independent Reviewer or the USTP, then Chase will also reimburse such borrower for his or her reasonable attorneys' fees.

43. Chase confirms that, as a matter of practice, it does not impose post-petition late fees on borrowers in the course of a Bankruptcy Case (the "Late Fee Policy").

44. Chase confirms that it has adhered, and will continue to adhere, to the Late Fee Policy in any Bankruptcy Case in which Chase filed a Substantively Inaccurate PCN or Untimely PCN, or did not file a PCN for a payment change during the PCN Relevant Period or Moratorium (hereafter an "Un-Noticed Payment Change"). Chase further confirms that it has a policy not to impose additional fees, penalties, or charges on a borrower in a Bankruptcy Case as a result of a Substantively Inaccurate PCN, Untimely PCN or because there was an Un-Noticed Payment Change (collectively with the Late Fee Policy, the "PCN Policies"). Chase confirms that it has adhered during the PCN Relevant Time Period, and will continue to adhere, to the PCN Policies in Bankruptcy Cases. If it is determined that Chase did not adhere to the PCN Policies in any Bankruptcy Case, Chase will take appropriate corrective action and remediation, including crediting the borrower's mortgage loan account with all amounts assessed or imposed against the borrower in contravention of the PCN Policies or refunding all amounts improperly collected in contravention of the PCN Policies.

45. In the event Chase previously resolved any objection to or adversary proceeding regarding a PCN filed during the PCN Relevant Period, and the dispute was related to the accuracy, timeliness or proper execution of the PCN, Chase shall have no further obligation under this Order to pay any borrower or Bankruptcy trustee on account of such PCN except as set forth in Paragraph 42.

46. Chase shall complete all affirmative obligations in paragraphs 38, 39, 41 and 42 on or before May 31, 2015, (the "PCN Corrective Action Date"), unless a later date is agreed to by the Parties in writing.

47. As of the effective date of this Order, Chase shall not seek relief from the automatic stay in any Bankruptcy Case in which a payment increase was not noticed via a filed PCN during the PCN Relevant Period until:

a. Chase has undertaken a full account reconciliation of all payments received post-petition (whether from the borrower or the Bankruptcy trustee) to determine that all amounts claimed due and owing are properly collectible; and

b. based upon the account reconciliation performed pursuant to subparagraph 47(a), in the event that the Un-Noticed Payment Change increased the payment amount due, Chase has credited the borrower's account for the aggregate difference between (i) the payment amount noticed in the last-filed PCN and (ii) the increased un-noticed payment amount, and has therefore given the borrower the benefit of the lower payment amount where a payment change went unnoticed.

Chase will not rely upon any post-petition payment increase in obtaining stay relief unless it was disclosed in an accurate filed PCN or took place before Bankruptcy Rule 3002.1 went into effect.

48. As of the effective date of this Order, Chase shall not seek relief from the automatic stay in any Bankruptcy Case in which a payment decrease was not noticed via a filed PCN during the PCN Relevant Period until:

a. Chase has undertaken a full account reconciliation of all payments received post-petition (whether from the borrower or the Bankruptcy trustee) to determine that all amounts claimed due and owing are properly collectible; and

b. Chase has given the borrower the benefit of the un-noticed, post-petition payment decrease in obtaining stay relief.

49. As of the effective date of this Order, Chase shall not seek relief from the automatic stay in any Bankruptcy Case in which a payment increase was untimely noticed via a filed PCN during the PCN Relevant Period until:

a. Chase has undertaken a full account reconciliation of all payments received post-petition (whether from the borrower or the Bankruptcy trustee) to determine that all amounts claimed due and owing are properly collectible; and

b. Chase has credited the borrower's account for the aggregate difference between the previous monthly payment amount and the new monthly payment amount for the time period between (i) the effective date of the payment change set forth in the Untimely PCN and (ii) the first payment due date falling 21 days or more after the date that the Untimely PCN was filed and has therefore given the borrower the benefit of the lower payment amount where the payment change was late.

50. As of the effective date of this Order, upon receipt of a Notice of Final Cure in any Bankruptcy Case in which a payment increase was not noticed via a filed PCN during the PCN Relevant Period:

a. Chase will undertake a full account reconciliation of all payments received post-petition (whether from the borrower or the Bankruptcy trustee) to determine that all amounts claimed due and owing are properly collectible, and Chase will not rely upon a post-petition payment increase in responding to a Notice of Final Cure unless it was disclosed in a filed PCN or took place before Bankruptcy Rule 3002.1 went into effect; and

b. based upon the account reconciliation performed pursuant to subparagraph 50(a), in the event that the Un-Noticed Payment Change increased the payment amount due, Chase will credit the borrower's account for the aggregate difference between (i) the payment amount noticed in the last-filed PCN and (ii) the increased un-noticed payment amount, and will therefore give the borrower the benefit of the lower payment amount where a payment increase went unnoticed; however, Chase is not obliged to credit the borrower's account where the borrower already has received a credit for an un-noticed payment increase pursuant to paragraph 47 above.

51. As of the effective date of this Order, upon receipt of a Notice of Final Cure in any Bankruptcy Case in which a payment decrease was not noticed via a filed PCN during the PCN Relevant Period:

a. Chase will undertake a full account reconciliation of all payments received post-petition (whether from the borrower or the Bankruptcy trustee) to determine that all amounts claimed due and owing are properly collectible, and Chase will give the borrower the benefit of an un-noticed, post-petition payment decrease in responding to a Notice of Final Cure; and

b. based upon the account reconciliation performed pursuant to subparagraph 51(a), in the event that the Un-Noticed Payment Change decreased the payment amount due, Chase will credit the borrower's account for the aggregate difference between (i) the payment amount noticed in the last-filed PCN and (ii) the un-noticed payment decrease.

52. As of the effective date of this Order, upon receipt of a Notice of Final Cure in any Bankruptcy Case in which a payment increase was untimely noticed via a filed PCN during the PCN Relevant Period:

a. Chase will undertake a full account reconciliation of all payments received post-petition (whether from the borrower or the Bankruptcy trustee) to determine that all amounts claimed due and owing are properly collectible, and Chase will not rely upon any untimely noticed post-petition payment increase in obtaining stay relief for the time period between (i) the effective date of the payment change set forth in the Untimely PCN and (ii) the first payment due date falling 21 days or more after the filing of the Untimely PCN; and

b. Chase has credited the borrower's account for the aggregate difference between the previous monthly payment amount and the new monthly payment amount for the time period between (i) the effective date of the payment change set forth in the Untimely PCN and (ii) the first payment due date falling 21 days or more after the date that the Untimely PCN was filed and has therefore given the borrower the benefit of the lower payment amount where the payment change was late

53. As of the effective date of this Order, in those cases in which (a) a Substantively Inaccurate PCN was filed, (b) the Substantively Inaccurate PCN overstated the payment amount, and (c) Chase seeks to file a motion for relief from stay or to respond to a Notice of Final Cure, Chase will rely on its system of record and will not rely on an incorrect payment amount set forth in the Substantively Inaccurate PCN as it performs its post-petition payment account reconciliation.

ARTICLE VII

PCN MORATORIUM CORRECTIVE ACTION

54. In those Bankruptcy Cases that are still pending in which PCNs were not filed during the Moratorium for payment changes attributable to increases or decreases in principal and interest amounts due per the terms of an adjustable rate mortgage loan, Chase will either credit to the borrower's account or refund the aggregate difference between the prior payment amount and the new payment amount for the time period during which no PCN was filed.

55. For loans in the Moratorium Delayed Escrow Population as to which the Bankruptcy Case was still pending as of May 1, 2014, following the MSP Operational Implementation Date, Chase will prepare an annual escrow analysis and:

a. for payment changes attributable to a Shortage in the new escrow analysis credit the borrower's escrow account with the amount of the Shortage that accrued after the first twelve months from the last escrow analysis;

b. If the new escrow analysis results in an escrow surplus of $50 or greater, and if the borrower is contractually current, Chase will refund the entire surplus.

56. Chase confirms that it has adhered to and will continue to adhere to the PCN Policies with respect to loans impacted by the Moratorium. If it is determined that Chase did not adhere to the PCN Policies in any Bankruptcy Case, Chase will take appropriate corrective action and remediation, including crediting the borrower's mortgage loan account with all amounts assessed or imposed against the borrower in contravention of the PCN Policies or refunding all amounts improperly collected in contravention of the PCN Policies.

57. As to any loan receiving a refund or a credit pursuant to paragraph 54 or 55, Chase will send a written notice to the borrower (and if the Bankruptcy Case is still active, the borrower's Bankruptcy trustee) informing them of any refund or credit being applied to the borrower's account as a result of the Moratorium, and will file a Superseding PCN on or before the PCN Moratorium Corrective Action Date if required in accordance with the Bankruptcy Rules.

58. Chase shall complete all affirmative obligations under this Article on or before November 30, 2015 (the "PCN Moratorium Corrective Action Date"), unless a later date is agreed to by the Parties in writing.

ARTICLE VIII

FACTS AS THEY RELATE TO ESCROW

Without waiving any privilege, Chase represents that the following facts are accurate to the best of its knowledge and belief:

Delayed Annual Escrow Analyses

59. During the Escrow Relevant Period, Chase did not always prepare annual escrow analyses for loans of borrowers in Bankruptcy Cases. Prior to the Spring of 2012, Chase had a practice of not running annual escrow analyses for loans that were more than 12 months contractually delinquent. This practice applied to loans that were in Bankruptcy, but it appears that sometimes annual escrow analyses were run nonetheless. If an annual escrow analysis was run, a statement of that analysis would be sent to the borrower. Chase's procedures during the PCN Relevant Period also called for the annual escrow analysis statement to be attached to a PCN and filed in the Bankruptcy Case and served. As mentioned in paragraph 31, sometimes PCNs were not filed so it is possible that not every escrow analysis statement was filed with a PCN.

60. Chase has identified approximately 2,225 loans in Bankruptcy Cases as of November 19, 2013, that as of November 19, 2013, had not had an escrow analysis run in more than 12 months (the "Pre-Moratorium Delayed Escrow Population").

61. In addition, Chase has not been running annual escrow analyses for loans in Bankruptcy during the Moratorium. As of September 10, 2014, there were approximately 16,058 loans that were due for but had not had an annual escrow analysis performed because of the Moratorium (the "Moratorium Delayed Escrow Population").

62. Even if Chase did not run an annual escrow analysis, Chase made the disbursements (such as tax and insurance payments) for which the escrow account was established.

Escrow Overlay Issue

63. In or around 2009, Chase become aware of a technical issue with the MSP system as it relates to storing escrow analyses for delinquent loans (the "Escrow Overlay Issue"). Specifically, MSP could only store 2 escrow analyses at a time: the currently effective escrow analysis; and the "pending" escrow analysis that would next go into effect. If a third escrow analysis was run, and the pending escrow analysis had not yet become effective, the newly generated third escrow analysis would overwrite or 'overlay' the pending escrow analysis.

64. Chase sought the assistance of Black Knight Financial Services, Inc. formerly known as LPS in connection with its MSP system, to modify MSP to eliminate the Escrow Overlay Issue. However, it became apparent that it would take some time for LPS to implement changes to MSP to eliminate the issue. In addition, Chase came to recognize that the Escrow Overlay Issue was having an effect on some borrower's escrow accounts. On January 27, 2012, Chase stopped running annual escrow analyses for loans in Bankruptcy to address the Escrow Overlay Issue.

65. Chase identified approximately 8,165 borrowers in Bankruptcy Cases, whose loans had been impacted by the Escrow Overlay Issue (the "Escrow Remediation Population").

66. Chase used a third-party vendor, 4S, to restate the escrow history for the Escrow Remediation Population and send those borrowers corrected escrow analyses ("Escrow Remediation Statements"). The Escrow Remediation Statements were attached to PCNs and filed and served on the borrower and the Bankruptcy trustee.

67. If an Escrow Remediation Statement showed that the borrower had a shortage over a certain threshold then Chase automatically provided the borrower with more than 12 months to repay the shortage without interest or any other penalty.

68. The identification of the Escrow Remediation Population, the creation and provision of the Escrow Remediation Statements to borrowers and the extensions described in paragraphs 65-67 are referred to collectively herein as the "Escrow Remediation Project."

69. Chase did not make corresponding historical adjustments to the borrowers' accounts in MSP to reflect the figures contained in the Escrow Remediation Statements. As a result, if a borrower made a payment for an overlay impacted month, MSP did not always apply that payment in a way that matched the way in which the Escrow Remediation Statement stated that the funds were applied. In these instances, the account history of the application of payments on a borrower's account in MSP could be inconsistent with the Escrow Remediation Statement.

70. The inconsistency between MSP and the Escrow Remediation Statements could, but did not always, lead to incorrect payment applications in MSP.

71. The pending payment in the Escrow Remediation Statement was entered into the borrower's escrow account information stored on and utilized by MSP. The new payment set forth in the Escrow Remediation Statement was also entered into the borrower's account information stored on and utilized by MSP. Because these payment amounts were entered into the borrower's account information on MSP, MSP applied payments correctly on a going-forward basis.

72. Technological upgrades were made to MSP to allow the system to hold more than 2 escrow analyses at a time and eliminate the Escrow Overlay Issue permanently on a going forward basis. These technological upgrades became effective in November, 2013.

73. Attached to this Order as Exhibit B is a chart that summarizes the populations of borrowers impacted by the PCN facts described in Article IV, the populations of borrowers impacted by the escrow facts set forth in this Article and, where known, the value of the remediation being offered by Chase to those borrowers due to the issues identified in Article IV and this Article.

ARTICLE IX

ESCROW OPERATIONAL ENHANCEMENTS

74. Chase has implemented or will implement a number of operational enhancements to address the escrow-related issues identified in Article VIII (the "Escrow Operational Enhancements"). Chase has or will:

a. adhere to its escrow policies and procedures, which now call for escrow analyses to be run annually for loans in Bankruptcy regardless of delinquency status;

b. run monthly control reports to identify any loans in Bankruptcy that have not had an escrow analysis run annually, and run escrows for such loans unless an exception applies;

c. remove impediments, as appropriate, to the running of escrow analyses on loans in Bankruptcy; and

d. continue to review and enhance quality assurance and testing processes to detect errors relating to application of payments in (a) discharge audits and (b) pay histories prepared in connection with motions for relief from stay.

75. The Escrow Operational Enhancements shall be implemented on or before December 1, 2014, unless a later date is agreed to by the Parties in writing.

ARTICLE X

ESCROW CORRECTIVE ACTION AND BORROWER REMEDIATION

76. Chase will undertake corrective action as described below to address: (i) the delay in running annual escrow analyses for the Pre-Moratorium Delayed Escrow Population, and (ii) payment application issues for the Escrow Remediation Population.

77. Chase will run escrow analyses for the Pre-Moratorium Delayed Escrow Population following the MSP Operational Implementation Date, and:

a. if the new escrow analysis for a loan in the Pre-Moratorium Delayed Escrow Population results in an escrow Shortage, Chase will credit the borrower's escrow account with the amount of the Shortage that accrued after the first twelve months from the last escrow analysis;

b. if the new escrow analysis results in an escrow surplus of $50 or greater, and if the borrower is contractually current, Chase will refund the entire surplus;

c. Chase will send a written notice to all borrowers (and if the Bankruptcy Case is still active, the borrowers' Bankruptcy trustee) in the Pre-Moratorium Delayed Escrow Population who receive a credit as a result of this provision informing them of the credit to their escrow account and the reason for the credit; and

d. in all Bankruptcy Cases where the escrow analysis results in a payment change Chase will file a Properly Filed PCN if required in accordance with the Bankruptcy Rules.

78. Chase will pay the borrower(s) for each loan in the Escrow Remediation Population the sum of $600.00. The $600.00 payment will be made on a per loan basis regardless of the number of borrowers for each loan.

79. Chase shall complete the affirmative obligations in Paragraph 77 on or before November 30, 2015 (the "Delayed Escrow Corrective Action Date"). Chase shall mail the payments provided for in paragraph 78 to the last known notice address for each loan no later than May 31, 2015.

ARTICLE XI

CHARITABLE CONTRIBUTION

80. Within 14 days after the effective date of this Order, Chase will make a contribution of $7,500,000.00 to the American Bankruptcy Institute's endowment for financial education and support for the Credit Abuse Resistance Education Program. The Parties understand and agree that neither has any involvement in or oversight over the American Bankruptcy Institute or the Credit Abuse Resistance Education Program, and neither will monitor the use of the contribution by the recipient.

ARTICLE XII

INDEPENDENT REVIEWER

Retention, Disinterestedness, and Access

81. The Parties have selected Amy Walsh as independent reviewer (the "Independent Reviewer") with respect to this Order, subject to the provisions of this Article and a Retention Agreement to be negotiated between the Independent Reviewer and Chase as defined and described below. Chase will pay reasonable fees and costs arising out of the retention of the Independent Reviewer, including compensation and reimbursement of expenses to the Independent Reviewer and his or her professionals. The process for selecting the Independent Reviewer required that Chase submit candidates to the USTP for selection.

82. The Independent Reviewer will be entitled to retain professionals with the qualifications, expertise, and skills appropriate for the tasks required under this Article.

83. Any professionals retained by the Independent Reviewer shall not have been, within the two (2) years before the date of this Order, an equity security holder, director, officer, employee, or agent of the Released Parties.

84. The Independent Reviewer and his professionals will disclose to this Court any connections they have to the Released Parties, their subsidiaries, directors, or officers in the manner provided under section 327(a) of the Bankruptcy Code and Bankruptcy Rule 2014.

85. The Independent Reviewer must agree not to be retained by the Released Parties, for a period of two (2) years after the conclusion of the terms of this engagement unless a shorter time period is agreed to by the Parties.

86. Any professionals retained by the Independent Reviewer who work on the engagement must agree not to work on behalf of, or render services to, the Released Parties for a period of one (1) year after the conclusion of the term of this engagement, unless the Parties consent to such retention, which consent shall not be unreasonably withheld.

87. Any professional firm (including any law partnership or corporation or accounting partnership or corporation) retained by the Independent Reviewer must agree not to work on behalf of, or render services to, the Released Parties' related to the Released Parties' servicing of residential mortgages for a period of one (1) year after the conclusion of the terms of this engagement, unless a shorter time period is agreed to by the Parties.

88. The Retention Agreement entered into between the Independent Reviewer and Chase shall include a term protecting the confidentiality of information shared by Chase with the Reviewer. Nothing in this provision shall prevent the Reviewer from providing USTP, orally or through written communication, with information concerning Chase's implementation and compliance with the terms of this Order.

Duties and Methodology of the Independent Reviewer

89. The manner in which the Independent Reviewer will carry out his or her responsibilities under this Order will be set forth in a retention agreement (the "Retention Agreement") agreed upon between the Independent Reviewer and Chase. The Retention

Agreement will be negotiated in good faith by the Independent Reviewer and Chase and shall include the rights and duties set forth in this Article XII. The Independent Reviewer and Chase shall reach agreement on the Retention Agreement within 90 days of the entry of this Order, which time can be extended by written agreement of the Independent Reviewer and Chase. Chase will provide to the EOUST a copy of the Retention Agreement once executed by the Independent Reviewer and Chase.

90. The Independent Reviewer shall report on Chase's ongoing compliance with the terms of this Order on a semi-annual basis (the "Semi-Annual Reports") so long as this Order remains effective as set forth in paragraph 114. Prior to issuing any Semi-Annual Report, the Independent Reviewer shall provide a copy of the draft report to and consult with the Parties regarding his preliminary findings. Chase may submit comments to the Independent Reviewer, which shall either be appended to or otherwise incorporated into the final version of such report as appropriate in the Independent Reviewer's discretion, exercised reasonably. Within a reasonable time after the consultation, the Independent Reviewer shall finalize the Semi-Annual Report and provide copies to the EOUST and Chase. The Independent Reviewer shall file the Semi-Annual Report with this Court after having provided the EOUST and Chase with a copy.

91. The Retention Agreement shall:

a. Provide that the Independent Reviewer and any professional retained to assist the Independent Reviewer shall pass a background check and be subject to Chase's Third Party Oversight Process and all other Chase processes and security safeguards in place for Chase employees or other third parties with access to Chase customer information;

b. Subject to appropriate confidentiality restrictions and without waiving Chase's right to invoke the attorney-client privilege, the work product doctrine and other privileges, provide the Independent Reviewer with reasonable access to screen shots of Chase's systems of record, account records and any other documents and records relevant to the scope of the assessment and reasonably necessary for the Independent Reviewer to fulfill his duties. Professionals retained by the Independent Reviewer shall be subject to the same confidentiality restrictions;

c. Provide that Chase will appoint a single point of contact to facilitate timely responses to all information requests;

d. Provide the scope of the Independent Reviewer's mandate as set forth in paragraph 92;

e. Specify the sampling methodology to be used in connection with the assessments set forth in paragraph 92 and provide for a reasonable margin or threshold of error in any review of a sample of filings; and

f. Subject to appropriate confidentiality restrictions and without waiving Chase's right to invoke the attorney-client privilege, the work product doctrine and other privileges, provide the Independent Reviewer with reasonable access to documents and records relevant to operational enhancements implemented by Chase under this Order and reasonably necessary for the Independent Reviewer to discuss those operational enhancements and their impact on Chase's ability to file Properly Filed PCNs in the final Report under paragraph 95.

The Independent Review

92. The Independent Reviewer's mandate shall be to assess only the following (the "Independent Review"):

a. Whether Chase employees substantively reviewed and verified the data contained in the Incorrectly Signed PCNs before the PCNs were filed through a review methodology that is agreed upon by the Independent Reviewer and Chase;

b. Whether the numbers of PCNs set forth in sub-paragraphs 30(a) through (g) are substantially accurate by conducting a review of such PCNs utilizing a sampling methodology (including, for the avoidance of doubt, reviewing that Chase's determination of the number of Substantively Inaccurate PCNs and Untimely PCNs was substantially accurate);

c. Whether the number of loans set forth in paragraph 60 is substantially accurate by conducting a review of such loan accounts utilizing a sampling methodology;

d. Whether Chase has fulfilled all affirmative obligations set forth in paragraphs 38-42, and whether Chase has timely completed such obligations;

e. Whether Chase is fulfilling its obligations set forth in paragraphs 44 and 56 through a review methodology that is agreed upon by the Reviewer and Chase;

f. Whether Chase has fulfilled all affirmative obligations set forth in paragraphs 54, 55 and 57 through a review methodology that is agreed upon by the Reviewer and Chase, and whether Chase has timely completed such obligations;

g. Whether Chase is fulfilling its obligations set forth in paragraphs 47-53 through a review methodology that is agreed upon by the Reviewer and Chase;

h. Whether Chase has fulfilled all affirmative obligations set forth in Article X through a review methodology that is agreed upon by the Reviewer and Chase;

i. Whether MSP PCNs filed in Bankruptcy Cases subsequent to the MSP Moratorium have been verified and reviewed by a PCN Signer, are accurate and complete, and otherwise comply with the requirements of the Federal Rules of Bankruptcy Procedure by conducting a review of a sample of such PCNs;

j. Whether VLS PCNs filed in Bankruptcy Cases subsequent to the VLS Moratorium have been verified and reviewed by a PCN Signer, are accurate and complete, and otherwise comply with the requirements of the Federal Rules of Bankruptcy Procedure by conducting a review of a sample of such PCNs; and

k. Whether Chase's post-petition annual escrow analyses attached to PCNs filed subsequent to the Moratorium no longer overlay any prior escrow analysis by conducting a review of a sample of such post-petition annual escrow analyses attached to PCNs. For those post-petition annual escrow analyses attached to PCNs that were not part of the Pre-Moratorium Delayed Escrow Population or the Moratorium Delayed Escrow Population, the sampling will also review whether the annual escrow analysis is timely and otherwise complies with the requirements of the Federal Rules of Bankruptcy Procedure.

93. With respect to the determinations in each of the sub-paragraphs 92(a)-(k), if the Independent Reviewer's assessment concludes that Chase has met the standard or fulfilled the condition required by the sub-paragraph, then the Independent Reviewer will include this determination as a final assessment in his next scheduled Semi-Annual Report under paragraph 90; appointment of the Independent Reviewer with respect to that assessment shall terminate and the Independent Reviewer shall have no further duties with respect to such assessment and shall take no further action with respect to the subject matter of that assessment.

94. With respect to the determinations in each of the sub-paragraphs 92(a)-(k), in the event the Independent Reviewer's assessment concludes that Chase has not yet met the standard or fulfilled the condition required by the assessment:

a. The Independent Reviewer shall deliver to the Parties a report of his assessment in accordance with the time limits set forth in paragraph 97. Chase shall have 30 days (which deadline may be extended by agreement in writing by the Independent Reviewer and Chase) to provide additional information to the Independent Reviewer or to object to the Independent Reviewer's assessment. The Independent Reviewer shall consider such information or objections in good faith. No later than 60 days (which deadline may be extended by agreement in writing by the Independent Reviewer and Chase) following the delivery of the assessment, the Independent Reviewer shall file his assessment with the Court; and

b. Chase shall submit to the Independent Reviewer for his approval a corrective action plan and the appointment of the Independent Reviewer with respect to that particular subparagraph assessment shall continue. Once approved, Chase shall implement the corrective action plan within the time set forth therein and, provided the Independent Reviewer determines that Chase has fully and successfully implemented such corrective action plan, the Independent Reviewer shall file a final assessment that states that Chase has met the standard or satisfied the condition of the subparagraph at issue; appointment of the Independent Reviewer with respect to that assessment shall terminate and the Independent Reviewer shall have no further duties with respect to such assessment and shall take no further action with respect to the subject matter of that assessment. In addition to implementing the corrective action plan, Chase will provide any borrower harmed monetarily by the failure to fulfill the subparagraph at issue with the remediation to which they are entitled under Articles VI, VII and X of this Order.

95. The Independent Review shall conclude when the Independent Reviewer has completed and filed a final assessment under either paragraph 93 or 94 for each of the sub-paragraphs 92(a)-(k). After the conclusion of the Independent Review, the Independent Reviewer shall file a final Report setting forth the results of the Independent Review and disclosing his or her findings and conclusions. The final Report shall include a discussion of the operational enhancements implemented by Chase and their impact on Chase's ability to file Properly Filed PCNs. The final Report shall be filed within 120 days of the conclusion of the Independent Review under this paragraph. Except as otherwise provided in paragraph 114, the Order shall remain in effect until the final Report is filed.

96. Either the Independent Reviewer or Chase may seek relief from the Court in the event that a dispute develops concerning the Independent Review that cannot be resolved through good faith negotiations between the Independent Reviewer and Chase.

Time Limits for Assessments

97. If delivery of a report of an assessment is required under paragraph 94, then the deadline for delivering the report shall be as follows:

a. With respect to sub-paragraphs 92(a)-(c), the Independent Reviewer shall have 180 days from the execution of the Retention Agreement;

b. With respect to sub-paragraph 92(d), the Independent Reviewer shall have the later of 180 days from May 31, 2015 or 180 days from the execution of the Retention Agreement;

c. With respect to sub-paragraph 92(e), the Independent Reviewer shall have the later of 180 days from June 30, 2015 or 180 days from the execution of the Retention Agreement;

d. With respect to sub-paragraph 92(f), the Independent Reviewer shall have the later of 180 days from November 30, 2015 or 210 days from the execution of the Retention Agreement;

e. With respect to sub-paragraph 92(g), the Independent Reviewer shall have the later of 180 days from September 30, 2015 or 210 days from the execution of the Retention Agreement;

f. With respect to sub-paragraph 92(h), the Independent Reviewer shall have the later of 180 days from November 30, 2015 or 210 days from the execution of the Retention Agreement;

g. With respect to sub-paragraphs 92(i-k), the Independent Reviewer shall have the later of 180 days from June 30, 2015 or 210 days from the execution of the Retention Agreement .

98. Each of the time limits set forth in paragraph 97 can be extended if agreed to in writing by the Independent Reviewer and the Parties.

ARTICLE XIII

RELEASE

99. Upon becoming effective as set forth in paragraph 114:

a. The USTP consents and agrees to take such steps as may be reasonably necessary to fully and finally withdraw or facilitate the dismissal with prejudice of pending objections and all related discovery requests, whether formal or informal, and requests for examination under Bankruptcy Rule 2004 (collectively, "the Discovery Requests") and subpoenas or subpoenas *duces tecum* (collectively, "the Subpoenas") directed to or filed against: Chase and the following affiliates: Chase Home Finance, LLC, Chase Bank USA, N.A., Chase Manhattan Mortgage Corp., Chase Mortgage Services, Inc., EMC Mortgage Corporation, EMC Mortgage Company LLC, JPMC Specialty Mortgage LLC, Washington Mutual Bank, FA, and Washington Mutual Home Loans, Inc., their current or former directors, officers and employees and any of their respective corporate successors or assigns whether acting on their own behalf or as servicer or agent for a third party (the "Released Parties") and based on the Covered Conduct in the individual Bankruptcy Cases set forth on Exhibit A (the "Covered Cases");

b. The Released Parties consent and agree to take such steps as may be reasonably necessary to fully and finally withdraw or facilitate the dismissal with prejudice of pending contested matters, adversary proceedings, and other actions filed by the Released Parties, including all Discovery Requests and Subpoenas, directed to or filed against any United States Trustee based on the Covered Conduct in the Covered Cases;

c. Except as otherwise provided herein, the USTP consents and agrees to fully and finally release any claims, and will refrain from instituting, directing or maintaining any contested matter, adversary proceeding or participating in any contested matter or adversary proceeding by a third party (except that the United States Trustees may participate in an action to the extent ordered by a court provided that the United States Trustees may not seek such a court order formally or informally), against the Released Parties, individually and collectively, pertaining to the Covered Conduct and arising out of or relating to: (1) Substantively Inaccurate, Untimely, and Incorrectly Signed PCNs or Un-Noticed Payment Changes during the PCN Relevant Time Period and the Moratorium in Bankruptcy Cases; (2) delayed annual escrow analyses for borrowers in the Pre-Moratorium Delayed Escrow Population and the Moratorium Delayed Escrow Population; and (3) the Escrow Overlay Issue for borrowers in the Escrow Remediation Population.

d. The Released Parties consent and agree to fully and finally release the USTP and its current and former employees from claims under the Equal Access to Justice Act, 28 U.S.C. § 2412 based on the USTP's investigation and prosecution of claims pertaining to the Covered Conduct, including in the Covered Cases; and

e. Notwithstanding the foregoing, nothing in this Paragraph shall be construed as a waiver of, or a restriction or prohibition on the USTP's ability:

i. In individual Bankruptcy Cases (other than in Covered Cases where an order has been entered, or other final resolution adjudicating PCN issues arising out of or relating to the Covered Conduct has been reached) to seek corrective action and remediation (but not sanctions, fines or punitive damages) arising out of or related to the Covered Conduct where the Released Parties fail to take corrective action or remediation required by this Order within the time frames established under this Order;

ii. In individual Bankruptcy Cases to undertake any formal or informal action with respect to any: (1) PCN or escrow related filing subsequent to the Moratorium, other than to the extent that a PCN or escrow related filing is untimely because it is part of the corrective action required by the terms of this Order and the filing is otherwise within the time frames established under this Order; and (2) Substantively Inaccurate PCNs that are not Identified PCNs;

iii. In individual Bankruptcy Cases to undertake any formal or informal action with respect to any filing by the Released Parties in a Bankruptcy Case not based on the Covered Conduct; and

iv. To seek and obtain discovery in any Bankruptcy Case or proceeding, including discovery based on or pertaining to the Covered Conduct, as long as such discovery is not sought for the purpose of enforcing claims or causes of action released herein;

v. To assert defenses or claims against any other party, and the USTP shall have no obligation to seek dismissal of any pending adversary proceedings, contested matters, appeals, and other actions filed by the USTP against any other party in the Covered Cases, and;

vi. To cooperate with or provide assistance to other governmental agencies in connection with the Covered Conduct, or sharing information or discovery arising out of or pertaining to the Covered Conduct with other governmental agencies.

100. Chase represents to the Court as follows:

a. Before the filing of the Joint Stipulation seeking entry of the Order, lawyers for Chase involved in negotiating the terms of the Order became aware of an issue with certain post-petition monthly account statements sent to certain customers in Bankruptcy with home equity loans serviced on VLS. Chase notified the EOUST of this issue on December 23, 2014.

b. Chase believes the issue is the result of a VLS coding error that has since been corrected. Chase is still reviewing the nature of the issue but has determined that in July 2010, the computer code for setting up new Bankruptcy filings on VLS was modified, and the new VLS code contained an error that resulted in pre-petition fees sometimes being included in the "post-petition payment amount" figure appearing on the bankruptcy information page of VLS monthly statements.

c. Chase believes that only loans that had pre-petition fees or deferred interest are potentially affected by the issue. Even for accounts with such charges, the error does not occur in every statement.

d. Chase is still reviewing the nature of the issue and working to understand which account statements were impacted and whether any customers paid more than they should have as a result. The VLS code was updated and changed in April 2013 and the monthly statement issue does not affect customers filing for Bankruptcy from that time forward. Chase intends to provide remediation to customers who paid more than they should have as a result of this issue.

e. Chase will notify appropriate federal regulatory authorities of the issue and acknowledges that this Order does not restrict in any way the ability of the USTP to conduct further investigation, take enforcement action, or seek additional remedies related to this issue.

101. The scope of the matters being resolved via this Order is limited to the Covered Conduct. This Order does not settle, resolve, or prejudice any other rights or claims against the Released Parties, including claims arising under the National Mortgage Settlement and the matter described in paragraph 100 above, pertaining to matters other than Covered Conduct. Notwithstanding any other provision of this Order, claims with respect to any criminal liability are especially reserved and are not released.

ARTICLE XIV

MISCELLANEOUS PROVISIONS

102. The Court shall retain exclusive jurisdiction over all matters subject to this Order, including disputes arising under the Order, construction, interpretation, modification and enforcement of the Order, and shall retain exclusive jurisdiction to hear and adjudicate any motions related to the Order.

103. This Order (and its contents) is not and shall not be used as an admission of liability, violation, or wrongdoing by Chase to any person or entity or on any legal or equitable theory. This Order is made without trial or adjudication of any issue of fact or law and does not contain any injunctive measures against Chase or any of its affiliates referenced in paragraph 104. Nothing in the preceding sentence reduces Chase's obligations under this Order or affects USTP's authority to enforce any rights hereunder.

104. This Order will not bind or prejudice the rights and claims of non-Parties. This Order binds Chase and its affiliates Chase Home Finance, LLC, Chase Bank USA, N.A., Chase Manhattan Mortgage Corp., Chase Mortgage Services, Inc., EMC Mortgage Corporation, EMC Mortgage Company LLC, JPMC Specialty Mortgage LLC, Washington Mutual Bank, FA, and Washington Mutual Home Loans, Inc., and their respective corporate successors and assigns. This paragraph shall not be construed to limit or modify paragraph 107 of this Order.

105. This Order does not alter the Parties' rights, releases and obligations under the National Mortgage Settlement or any other settlements, agreements or orders to which Chase is a party. Chase is not receiving credit (including any "soft credits") under any other such settlement or order for the financial relief being provided in this Order.

106. This Order does not prohibit Chase from making other or additional changes to the bankruptcy policies and procedures addressed in this Order, provided that such policies and procedures continue to comply with the Bankruptcy Code and Rules and are not otherwise inconsistent with the terms of this Order. If this Order provides that a notice will be sent to a borrower and such a notice has not already been mailed as of the effective date of the Order then the USTP shall have the right to review the notice and approve the portion of the notice that references the reason for the notice but this approval shall not be unreasonably withheld.

107. In the event of a sale of the mortgage servicing rights for a loan subject to or covered by this Order, Chase shall either (a) fulfill its obligations under Articles VI, VII, and X

prior to transferring servicing of such loan, or (b) require that the transferee servicer provide the remediation specified in paragraphs 38-42, 44, 47-52, 54-55, 77-78 for such loan. In the event that Chase transfers the mortgage servicing of any loan subject to or covered by this Order pursuant to regulatory requirement or directive, or investor requirement (including but not limited to Fannie Mae, Freddie Mac, Ginnie Mae, the Federal Housing Administration, the Department of Veterans Affairs or the Department of Agriculture), Chase shall use its best efforts to ensure that the new servicer cooperates in its efforts to effectuate the applicable relief set forth in paragraphs 38-42, 44, 47-52, 54-55, 76-78; provided, however, that the USTP agrees and acknowledges that Chase cannot control the actions of any third party servicer with respect to such requests. As part of its best efforts, when contacted by a borrower impacted by a transfer of servicing, Chase shall direct the borrower to the appropriate contacts at the successor servicer with knowledge of Chase's request to honor the relief set forth above.

108. This Order constitutes the entire agreement between the Parties relating to the subject matter reflected herein and may not be modified except in writing executed and delivered by the parties hereto. However, should Chase become engaged in a dispute, including an actual or threatened contested matter, adversary proceeding or other litigation with an individual borrower who is represented by counsel, then Chase shall have the discretion to provide different relief to such borrower with his or her written consent and to take other customary litigation precautions.

109. This Order may be executed by the Parties in one or more counterparts, or via facsimile or electronically scanned signatures, each of which shall be deemed an original, all of which together shall constitute one and the same instrument.

110. If any time period in this Order is stated in days, the Parties and the Reviewer shall exclude the day of the event that triggers the period; count every day, including intermediate Saturdays, Sundays and legal holidays and include the last day of the period, but if any time period set forth in this Order expires on a Saturday, Sunday or legal holiday, such time period shall continue to run until the end of the next day that is not a Saturday, Sunday or legal holiday.

111. In no event shall Chase be required to refund distributions to a borrower or trustee in a Bankruptcy Case if such refund has previously been made to any such party in the case; e.g., Chase shall not be required to refund distributions to the chapter 13 trustee if refunds have already been made to the debtor, and vice-versa.

112. The costs, fees and expenses of the Independent Reviewer and any of his or her professionals shall be actual and reasonable as applied to professional persons under 11 U.S.C. § 328 and § 330. Should Chase deem the costs, fees and expenses incurred by the Independent Reviewer or any of his or her professionals to be unreasonable, it shall be authorized to seek reduction or disallowance of such fees from this Court, and this Court shall apply the same standards for professional fees as is appropriate under 11 U.S.C. § 330.

113. Chase shall in no event be required to provide any information hereunder to the USTP or the Independent Reviewer which shall constitute a violation of any federal or state law, including, but not limited to, privacy laws and the Truth In Lending Act, without an express order compelling such delivery by this Court.

114. This Order shall become effective upon the running of any appeal period following its execution by the Parties and its entry by the Court. Except as provided in paragraphs 44, 47-53, and 56, Chase's obligations under this Order shall end as described in paragraph 95.

115. In the event the USTP determines that Chase is in violation of this Order, it shall provide notice of such violation to Chase and provide Chase 45 days to cure or otherwise purge the conduct deemed by the USTP to constitute the violation prior to the filing of any motion to enforce this Order in this Court, unless more time is agreed to by the Parties.

116. Chase recognizes that the USTP is entering into this Order in reliance on the material accuracy and material completeness of the factual representations set forth herein and that in the event of fraud or misrepresentation of material facts the USTP may seek relief from the final judgment in accordance with FRCP 60(b) and other authorities, subject to providing reasonable notice to Chase and opportunity for Chase to respond.

117. Any payments required to be made under this Order shall be deemed made when deposited in the United States mail, postage prepaid and addressed to the last known notice address for a loan or when transmitted by wire transfer to the recipient. Any payee's failure or refusal to accept such payment shall not be deemed a breach of Chase's obligations under this Order. Upon request, Chase shall reissue a check that the payee failed to timely negotiate provided that such request is in writing and received prior to March 1, 2016.

118. Closure of the Belzaks' Case will not excuse compliance with the terms of this Order and the parties may reopen the Belzaks' Case to enforce or otherwise seek relief under the Order. The Independent Reviewer may file the reports contemplated by the Order without seeking to reopen the Belzaks' Case.

EXHIBIT A

Exhibit A

Belzak (E.D. Mich. 10-23963)

Spain (E.D. Mich. 10-33312)

Harper (S.D. Ohio 10-61422)

Palmer (W.D. Pa. 07-11476)

Lykens (W.D. Pa. 12-70026)

McDonough (D. Or. 13-64417)

Colunga (E.D. Mich. 08-34178)

Austin (W.D. Wis. 12-13664)

Maldonado (S.D. Tex. 11-20062)

Miller (W.D. Pa. 07-20858)

Fry (N.D. Ind. 11-32841)

EXHIBIT B

Type of Issue:	Impacted Cases:	Proposed Remediation[1]:	Total Estimated Approximate Monetary Remediation:
PCN Filing Issues			
Substantively Inaccurate PCNs	HELOC Loans No. of impacted cases: 325	Forgiveness of entire unpaid principal balance of the loans. Any borrowers who opt out will receive account review and appropriate credit if borrower actually paid incorrect amount in reliance on Inaccurate PCN.	$22,100,000
	Non-HELOC Loans No. of impacted cases: 106	Borrowers to receive credit for aggregate difference between amount set forth in the inaccurate PCN and correct monthly amount due for the time period that the PCN on file was inaccurate. Effective date inaccuracies calculated based on time period between the correct effective date and the effective date set forth in the PCN.	$300,000
PCNs Impacted by the Moratorium[2]	No. of impacted cases: 12,119 [3]	Provide credit to suspense where no PCN filed or PCN filed late for ARM MSP changes and VLS changes for aggregate difference between old amount due and new amount due.	$10,800,000 [4]

[1] These descriptions summarize proposed action but language of the Order controls over this summary.

[2] Includes the interest rate changes on adjustable rate mortgage loans (ARMs), which includes HELOC and non-HELOC loans and monthly payment amount changes on products such as daily simple interest loans. However, this row does not include any changes to the escrow balances, which are covered below.

[3] As of October 8, 2014.

Type of Issue:	Impacted Cases:	Proposed Remediation[1]:	Total Estimated Approximate Monetary Remediation:
DSI Loans / Untimely DSI Loan PCNs	No. of Impacted cases: 10,743 [5]	Payment of $20.00 per DSI Loan whose borrowers were in an active Chapter 13 bankruptcy case as of October 31, 2013.	$214,000 [2]
<u>Escrow Issues</u>			
Pre-Moratorium Delayed Escrow Population	No. of impacted cases: 2,225	Credit escrow shortage for shortage amounts that accrued after the first 12 months from prior escrow analysis and refund surpluses for contractually current borrowers per RESPA.	$800,000 [6] [7]
Moratorium Delayed Escrow Population	No. of impacted cases: 16,058 [8]	Credit escrow shortage for shortage amounts that accrued after the first 12 months from prior escrow analysis and refund surpluses for contractually current borrowers per RESPA	$4,000,000 [7] [8]
Escrow Remediation Population	No. of impacted cases: 8,165	Payment of $600.00 per loan to each loan in the population	$4,900,000

[4] Approximate, and assumes that Chase files all PCNs for loans in bankruptcy with principal and interest changes (including HELOCs) impacted by the Moratorium on MSP by November 30, 2014, and for VLS, by December 31, 2014. If PCNs are filed on a more delayed schedule, this amount is expected to increase.

[5] Chase plans to forgive certain of these loans for reasons unrelated to the settlement. The borrower(s) for any loan forgiven on or before March 31, 2015 will not receive payment pursuant to this provision so this number is likely to decrease.

[6] Approximate, and assumes that Chase files all PCNs for loans in bankruptcy with escrows impacted by the Moratorium on MSP by November 30, 2014. If PCNs are filed on a more delayed schedule, this amount is expected to increase.

[7] This amount is an estimate based on the aggregate amount of escrow shortages existing on loans in bankruptcy (which includes the aggregate of the Pre-Moratorium Delayed Escrow Population and Moratorium Delayed Escrow Population), calculated based on an average shortage assumption per loan in this row. Actual shortages in this row may differ; the actual escrow shortages per loan cannot be determined until loan-level escrow analyses are run.

[8] As of September 10, 2014. For each month thereafter and until PCNs can be filed for loans in bankruptcy with an escrow, this number may increase.

Type of Issue:	Impacted Cases:	Proposed Remediation[1]:	Total Estimated Approximate Monetary Remediation:
Aggregate Estimated Approximate Monetary Remediation:[9]			**$43,114,000**

In addition, Chase shall undertake the following:

Type of Issue:	Proposed Remediation[1]:
DSI Loans / Daily Simple Interest Calculation Complexity	Temporary reduction in the annual interest rate to 0.00% for certain DSI Loans on VLS (as described in Paragraph 35 of the Order).

[9] Does not include a contribution of $7,500,000.00 to the American Bankruptcy Institute's endowment for financial education and support for the Credit Abuse Resistance Education Program as described in the Order.

EXHIBIT B

JUSTICE NEWS

Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE Tuesday, March 3, 2015

U.S. Trustee Program Reaches $50 Million Settlement with JPMorgan Chase to Protect Homeowners in Bankruptcy

Settlement Addresses Robo-Signing and Other Improper Practices in Bankruptcy Cases

The Department of Justice's U.S. Trustee Program (USTP) has entered into a national settlement agreement with JPMorgan Chase Bank N.A. (Chase) requiring Chase to pay more than $50 million, including cash payments, mortgage loan credits and loan forgiveness, to over 25,000 homeowners who are or were in bankruptcy. Chase will also change internal operations and submit to oversight by an independent compliance reviewer. The proposed settlement has been filed in the U.S. Bankruptcy Court for the Eastern District of Michigan, where it is subject to court approval.

In the proposed settlement, Chase acknowledges that it filed in bankruptcy courts around the country more than 50,000 payment change notices that were improperly signed, under penalty of perjury, by persons who had not reviewed the accuracy of the notices. More than 25,000 notices were signed in the names of former employees or of employees who had nothing to do with reviewing the accuracy of the filings. The rest of the notices were signed by individuals employed by a third party vendor on matters unrelated to checking the accuracy of the filings.

Chase also acknowledges that it failed to file timely, accurate notices of mortgage payment changes and failed to provide timely, accurate escrow statements.

"It is shocking that the conduct admitted to by Chase in this settlement, including the filing of tens of thousands of documents in court that never had been reviewed by the people who attested to their accuracy, continued as long as it did," said Acting Associate Attorney General Stuart F. Delery. "Such unlawful and abusive banking practices can deprive American homeowners of a fair chance in the bankruptcy system, and we will not tolerate them."

"This settlement should signal once again to banks and mortgage servicers that they cannot continue to flout legal requirements, compromise the integrity of the bankruptcy system and abuse their customers in financial distress," said Director Cliff White of the U.S. Trustee Program. "It should be acknowledged that Chase responded to the U.S. Trustee's court actions by conducting an internal investigation and taking steps to mitigate harm to homeowners. But years after uncovering improper mortgage servicing practices and entering into court-ordered settlements to fix flawed systems, it is deeply disturbing that a major bank would still make improper court filings and fail to provide adequate and timely notices to homeowners about payments due. Other servicers should take note that the U.S. Trustee Program will continue to police their practices and will work to ensure that those who do not comply with bankruptcy law protections for homeowners will pay a price, just as Chase has done in this matter."

Payments, Credits and Contributions of More Than $50 Million:

In the proposed settlement, Chase agrees to provide payments, credits and contributions totaling more than $50 million:

- Chase will provide $22.4 million in credits and second lien forgiveness to about 400 homeowners who received inaccurate payment increase notices during their bankruptcy cases.
- Chase will pay $10.8 million to more than 12,000 homeowners in bankruptcy through credits or refunds for payment increases or decreases that were not timely filed in bankruptcy court and noticed to the homeowners.
- Chase will pay $4.8 million to more than 18,000 homeowners who did not receive accurate and timely escrow statements. This includes credits for taxes and insurance owed by the homeowners and paid by Chase during periods covered by escrow statements that were not timely filed and transmitted to homeowners.
- Chase will pay $4.9 million, through payment of approximately $600 per loan, to more than 8,000 homeowners whose escrow payments Chase may have applied in a manner inconsistent with escrow statements it provided to the homeowners.
- Chase will contribute $7.5 million to the American Bankruptcy Institute's endowment for financial education and support for the Credit Abuse Resistance Education Program.

Changes to Internal Operations: In the proposed settlement Chase also agrees to make necessary changes to its technology, policies, procedures, internal controls and other oversight systems to ensure that the problems identified in the settlement do not recur.

Oversight by Independent Reviewer: Amy Walsh, a partner with the law firm Morvillo LLP, has been selected to serve as independent reviewer to verify that Chase complies with the settlement order. The independent reviewer will file public reports with the bankruptcy court.

No Effect on Additional Relief by Homeowners: This settlement does not affect the rights of any homeowners to seek any relief against Chase that they may deem appropriate.

Chase Contact Information: Homeowners with questions about the settlement may contact Chase at 866-451-2327.

The settlement is the culmination of actions taken by the U.S. Trustee Program in districts around the country concerning Chase's improper practices in bankruptcy cases, including robo-signing. Director White commended the U.S. Trustee Program team in the field and headquarters who expertly identified, investigated, litigated and settled this matter, including Deputy Director and General Counsel Ramona Elliott, National Creditor Enforcement Coordinator Gail Geiger and Trial Attorneys Diarmuid Gorham and Kelley Callard.

The U.S. Trustee Program is the component of the Justice Department that protects the integrity of the bankruptcy system by overseeing case administration and litigating to enforce the bankruptcy laws. The U.S. Trustee Program has 21 regions and 93 field office locations.

15-256

U.S. Trustee Program

Updated March 3, 2015

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

Mortgage Resolution Servicing, LLC; 1st Fidelity Loan Servicing, LLC, and S&A Capital Partners, Inc., Plaintiffs,	No. 15-CV-293-LTS-JCF
-against-	**SECOND AMENDED COMPLAINT**
JPMorgan Chase Bank, N.A., Chase Home Finance LLC, and JPMorgan Chase & Co., Defendants.	**JURY TRIAL DEMANDED**

Plaintiffs Mortgage Resolution Servicing, LLC ("MRS"), 1st Fidelity Loan Servicing, LLC (1st Fidelity"), and S&A Capital Partners, Inc. ("S&A") (collectively, "Plaintiffs" or the "Schneider Entities"), by and through their attorneys, Perkins Coie LLP, file this second amended complaint against Defendants JPMorgan Chase Bank, N.A., JPMorgan Chase & Co., and Chase Home Finance LLC, (collectively, "Chase" or "Defendants"), and respectfully alleges as follows:

I. NATURE OF THE ACTION

1. This action arises from Defendants' actionable and ongoing misconduct in connection with the offer and sale of certain federally related first and second lien mortgage loans and pools of such loans to the Schneider Entities. Federally related mortgages are subject in some respects to review and oversight by federal regulators.

2. For over fifteen years, since the enactment of the Gramm-Leach-Bliley Act of 1999, Defendants have been engaged in an ongoing pattern of fraudulent and wrongful

conduct, including, inter alia, large-scale deception, breaches of contract, and tortious interference with the contractual relationships between the Schneider Entities and the borrowers whose loans Chase sold to the Schneider Entities. This pattern of wrongful and fraudulent conduct can be traced directly to Chase's servicing practices for certain federally related mortgage loans that Chase decided to "charge off."

3. Chase's "charging-off" of a secured first or second lien mortgage loan for accounting purposes did not relieve it of its obligation to service a borrower's federally related mortgage loan. Even after a charge-off, Chase was required to comply fully with all applicable federal laws and perform servicing obligations in accordance with the underlying contractual loan documents between the borrower and the financial institution.

4. However, upon information and belief, the Defendants did not satisfy their ongoing servicing obligations for charged off loans, which loans were subject to governmental oversight. Rather, Defendants created a second set of books to continue collection activity on secured mortgages, which have potential value through eventual borrower payments, refinances and short-sales (i.e., sales of homes for less than the amount of the debt owing under the corresponding mortgage. Upon information and belief, the second set of books was created to conceal these federally related mortgages from the regulators with responsibility for ensuring that Defendants were not engaged in any wrongful activity or violations of federal borrower rights and consumer protection laws. Upon information and belief, the charge off of the mortgage loans from their balance sheets reduced the Defendants' bad-debt cash reserves, which the Defendants were required by regulators to maintain to ensure Defendants' safety and soundness as financial institutions. Upon information and belief, the Recovery One second set of

books (the "RCV1," "RCV1 database," or "RCV1 SOR"), utilized by a division not associated with the servicing of mortgage loans was the tool used to perpetrate this concealment.

5. This RCV1 second set of books and false records led to the harms caused to the Schneider Entities, including the wrongful mailing of debt forgiveness letters and the wrongful releasing of hundreds of liens securing loans that Chase previously sold to the Schneider Entities. As it turned out, Defendants' misconduct directed at the Schneider Entities inflicted harm not only on the Schneider Entities, but also formed part of a larger scheme and conspiracy by Defendants to evade their legal obligations and liabilities with respect to the proper servicing of residential mortgage loans; and to evade their legal obligations and liabilities under federal law as parties to multiple consent orders, settlements and agreements entered into with various branches of federal and state governments (the "Lender Settlements").

6. The Schneider Entities' damages are on a scale exceeding the collective face value of the loans that the Schneider Entities own. Essentially, Defendants, with callous disregard for the Schneider Entities, engaged in unlawful activity that destroyed the Schneider Entities' residential mortgage loan purchasing and servicing business. The end goal of Defendants' unlawful activity was to make the Schneider Entities the scapegoats for Chase's own mortgage loan misconduct. This is the same misconduct that brought about the Lender Settlements (which, parenthetically, Chase continues to flout and evade).

II. THE PARTIES

A. Plaintiffs

7. S&A Capital Partners, Inc. ("S&A") is a Florida corporation located at 6810 N. State Rd. 7, Coconut Creek, Florida 33073. Laurence Schneider is the President and

shareholder of S&A. From 2005 to 2010, S&A purchased approximately 650 first lien and second lien residential mortgage loans owned by Chase.

8. 1st Fidelity Loan Servicing, LLC ("1st Fidelity") is a Florida Limited Liability Company located at 6810 N. State Rd. 7, Coconut Creek, Florida 33073. Mr. Schneider is the President and managing member of 1st Fidelity. From 2007 to 2010, 1st Fidelity purchased approximately 350 first lien and second lien residential mortgage loans owned by Defendant Chase.

9. Mortgage Resolution Servicing, LLC ("MRS") is a Florida Limited Liability Company located 6810 N. State Rd. 7, Coconut Creek, Florida 33073. Mr. Schneider is the President and managing member of MRS. MRS purchased a pool of what Chase represented to be 3,529 First Lien residential mortgage loans from Chase on February 25, 2009.

B. <u>Defendants</u>

10. Defendant JPMorgan Chase & Co. is a Delaware corporation. Its headquarters is located at 270 Park Avenue, New York, New York.

11. Defendant JPMorgan Chase Bank, N.A. ("JPMorgan Chase Bank") is a national banking association and a wholly-owned subsidiary of Defendant JPMorgan Chase & Co. Its headquarters is located at 270 Park Avenue, New York, New York. On September 25, 2008, Washington Mutual Bank, F.S.B., a federal savings bank headquartered in Henderson, Nevada, failed, and JPMorgan Chase Bank, N.A., purchased substantially all of the assets and assumed all deposit and substantially all other liabilities of Washington Mutual Bank, F.S.B., pursuant to a Purchase and Assumption Agreement with the Federal Deposit Insurance Corporation (FDIC) and the FDIC as Receiver for Washington Mutual Bank, F.S.B.

12. Defendant Chase Home Finance, LLC ("Chase Home Finance") was a Delaware limited liability company that offered mortgage and loan services, with its headquarters at 343 Thornall Street, Edison, NJ 08837. Chase Home Finance, at all times relevant to this action prior to May 1, 2011, was qualified to do business in New Jersey. Effective May 1, 2011, Chase Home Finance merged into JPMorgan Chase Bank and JPMorgan Chase Bank is now the owner and servicer of the residential mortgage loans previously held by Chase Home Finance.

III. JURISDICTION AND VENUE

13. This Court has jurisdiction pursuant to 28 U.S.C. § 1331 (federal question), 28 U.S.C. § 1332 (diversity), 28 U.S.C. § 1367(a) (supplemental) and 18 U.S.C. 1964(c).

14. This Court has personal jurisdiction over the Defendants pursuant to N.Y. C.P.L.R. §§ 301 and 302, because on information and belief, Defendants are registered to do business in the State of New York and conduct business in the State of New York, including in this District, and because a substantial part of the events or omissions giving rise to the claims herein occurred in this District.

15. Venue is proper under 28 U.S.C. § 1391(b) and (c) because at least one of the Defendants resides in the Southern District of New York.

IV. FACTUAL ALLEGATIONS

A. The Schneider Entities' Business Model and Relationship with Defendants

16. The Schneider Entities are in the business of buying defaulted residential mortgage loans, including both the note obligation and the security interest (mortgage or deed of

trust), and working out reasonable and sustainable payment plans with the borrowers of those loans, through BSI Financial, their third party servicer. By working directly and closely with borrowers, and by treating those borrowers with respect and dignity, the Schneider Entities enabled borrowers to re-perform their payment obligations, which substantially increased the value of the mortgage loans above a price set based on their identity as defaulted obligations. By extension, these practices mean that the Schneider Entities frequently provide avenues for homeowners to stay in their homes, rebuild their credit, and realize a renewed peace of mind.

17. Laurence Schneider is the President of each of the Schneider Entities. He is a real estate finance specialist who works and resides in Boca Raton, Florida. Mr. Schneider began his mortgage related career in 1992, through a formal training program with a mortgage lender. He became branch manager of several offices of that lender, including its main headquarters in Miami, Florida. It addition to a formal training program, Mr. Schneider had a mortgage brokerage license for many years and complied with many years of post-licensing education courses, which emphasized the various laws pertaining to federally related mortgage loans. Since 2003, through the Schneider Entities, Mr. Schneider has purchased thousands of first and second lien residential mortgage loans from numerous banks, servicers, and mortgage insurance companies, along with purchases from Chase.

18. Beginning in April 2005, Mr. Schneider began regularly purchasing defaulted residential mortgage loans for S&A from Bank One, a division of Chase. This relationship became official upon the mutual execution and delivery of a Master Mortgage Loan Sale Agreement ("MMLSA") between S&A Capital Partners and Chase Home Finance. From April 2005 to June 2010, S&A acquired approximately 650 individual defaulted first and second lien, federally related residential mortgage loans from Chase Home Finance through the

MMLSA. S&A was never offered, and never purchased, unsecured loans (second mortgages that have been extinguished by first lien foreclosures) or unsecured deficiencies (debt owned by a borrower after the mortgage has been foreclosed and the property sold).

19. Among the hundreds of loans purchased by S&A were the following:

- On November 22, 2006, S&A purchased a $35,730 residential mortgage loan from Chase. The borrowers on the loan were Carol Laug and Garry Keeton ("Laug Loan"). The Laug Loan was originated on January 24, 2001 and secured by a recorded mortgage. The Assignment of Mortgage Agreement was signed by Patricia Lopez, Corporate Executive Officer for Chase.

- On September 13, 2007, S&A purchased a $16,132 residential mortgage loan from Chase. The borrowers on the loan were Allen and Gloria Bradley ("Bradley Loan"). The Bradley Loan was originated on April 26, 2000 and secured by a recorded mortgage. The Assignment of Mortgage Agreement was signed by Patricia Lopez, Corporate Executive Officer for Chase and prepared by Launi Solomon, Corporate Executive Officer for Chase.

- On September 26, 2007, S&A purchased a $29,000 mortgage loan from Chase. The borrowers on the loan were Frank Demske and Barbara Yockey ("Yockey Loan"). The Yockey Loan was originated on November 20, 2000 and secured by a recorded mortgage. The Assignment of Mortgage Agreement was signed by Patricia Lopez, Corporate Executive Officer for Chase and prepared by Launi Solomon Corporate Executive Officer for Chase.

- On September 27, 2007, S&A purchased a $9,844 residential mortgage loan from Chase. The borrowers on the loan were Jerry and Linda Grimm ("Grimm Loan"). The Grimm Loan was originated on March 8, 2001 and secured by a recorded mortgage. The Assignment of Mortgage Agreement was signed by Patricia Lopez, Corporate Executive Officer for Chase and prepared by Launi Solomon Corporate Executive Officer for Chase.

- On September 18, 2007, S&A purchased a $25,000 residential mortgage loan from Chase. The borrower on the loan was Randy Frazier ("Frazier Loan"). The Frazier Loan was originated on July 28, 2004 and secured by a recorded mortgage. The Assignment of Mortgage Agreement was signed by Patricia Lopez, Corporate Executive Officer for Chase.

- On June 24, 2008, S&A purchased a $91,000 residential mortgage loan from Chase. The borrower on the loan was Diane Busza ("Busza Loan"). The Busza Loan was originated on December 21, 2005 and secured by a recorded mortgage. The Assignment of Mortgage Agreement was signed by Patricia Lopez, Corporate

Executive Officer for Chase and prepared by Launi Solomon, Corporate Executive Officer for Chase.

- On March 22, 2010, S&A purchased a $20,200 residential mortgage loan from Chase. The borrower on the loan was Dianna Goodwin ("Goodwin Loan"). The Goodwin Loan was originated on June 28, 2004 and secured by a recorded mortgage. The Assignment of Mortgage Agreement was signed and prepared by Launi Solomon, Corporate Executive Officer for Chase.

- On July 23, 2010, S&A purchased a $79,000 residential mortgage loan from Chase. The borrowers on the loan were Dorothy and Jeffery Vance ("Vance Loan"). The Vance Loan was originated on May 4, 2006 and secured by a recorded mortgage. The Assignment of Mortgage Agreement was signed and prepared by Launi Solomon, Corporate Executive Officer for Chase.

20. Beginning in May 2005, Mr. Schneider began purchasing defaulted, federally related residential mortgage loans for 1st Fidelity from Chase Home Finance. From May 2005 to November 2010, 1st Fidelity acquired approximately 350 individual defaulted first and second lien mortgage loans from Chase Home Finance through individual note sale agreements that included the assignment of the mortgage (or deed of trust) securing the loan. As with S&A, 1st Fidelity was never offered, and never purchased, unsecured loans or unsecured deficiencies.

21. Among the hundreds of loans purchased by 1st Fidelity were the following:

- On October 14, 2009, 1st Fidelity purchased a $50,000 residential mortgage loan from Chase. The borrowers on the loan were Jacob Rossatto and Miriam Alvarez ("Rossatto Loan"). The Rossatto Loan was originated on October 6, 2006 and secured by a recorded mortgage. The Assignment of Mortgage Agreement was signed and prepared by Eddie Guerrero, Corporate Executive Officer for Chase.

- On October 14, 2009, 1st Fidelity purchased a $90,000 residential mortgage loan from Chase. The borrower on the loan was Matthew Di Minno ("Di Minno Loan"). The Di Minno Loan was originated on September 20, 2006 and secured by a recorded mortgage. The Assignment of Mortgage Agreement was signed and prepared by Eddie Guerrero, Corporate Executive Officer for Chase.

- On October 14, 2009, 1st Fidelity purchased a $190,000 residential mortgage loan from Chase. The borrowers on the loan were Yvonne and Edward Harrity ("Harrity Loan"). The Harrity Loan was originated on March 8, 2006 and secured by a recorded mortgage. The Assignment of Mortgage Agreement was signed and prepared by Eddie Guerrero, Corporate Executive Officer for Chase.

- On October 14, 2009, 1st Fidelity purchased a $60,400 residential mortgage loan from Chase. The borrowers on the loan were Marvin and Cassandra Cornish ("Cornish Loan"). The Cornish Loan was originated on January 27, 2006 and secured by a recorded mortgage. The Assignment of Mortgage Agreement was signed and prepared by Eddie Guerrero, Corporate Executive Officer for Chase.

- On October 14, 2009, 1st Fidelity purchased a $37,000 residential mortgage loan from Chase. The borrowers on the loan were Saleh Ahmed and Beverly Ahmed ("Ahmed Loan"). The Ahmed Loan was originated on May 21, 2007 and secured by a recorded mortgage. The Assignment of Mortgage Agreement was signed and prepared by Eddie Guerrero, Corporate Executive Officer for Chase.

- On October 30, 2009, 1st Fidelity purchased a $60,400 residential mortgage loan from Chase. The borrowers on the loan were Vito Derosa and Nicolette Derosa ("Derosa Loan"). The Derosa Loan was originated on October 19, 2005 and secured by a recorded mortgage. The Assignment of Mortgage Agreement was signed and prepared by Launi Solomon, Corporate Executive Officer for Chase.

- On November 4, 2009, 1st Fidelity purchased a $25,000 residential mortgage loan from Chase. The borrower on the loan was Teresa Hancock ("Hancock Loan"). The Hancock Loan was originated on March 31, 2006 and secured by a recorded mortgage. The Assignment of Mortgage Agreement was signed and prepared by Launi Solomon, Corporate Executive Officer for Chase.

- On November 10, 2009, 1st Fidelity purchased a $44,000 residential mortgage loan from Chase. The borrowers on the loan were William Spence and Laura Spence ("Spence Loan"). The Spence Loan was originated on June 20, 2005 and secured by a recorded mortgage. The Assignment of Mortgage Agreement was signed and prepared by Launi Solomon, Corporate Executive Officer for Chase.

- On October 30, 2009, 1st Fidelity purchased a $100,000 residential mortgage loan from Chase. The borrower on the loan was Irene Williams ("Williams Loan"). The Williams Loan was originated on January 7, 2005 and secured by a recorded deed of trust. The Assignment of Mortgage Agreement was signed and prepared by Launi Solomon, Corporate Executive Officer for Chase.

- On January 15, 2010 1st Fidelity purchased a $19,950 residential mortgage loan from Chase. The borrowers on the loan were George and Theresa Lawwill ("Lawwill

Loan"). The Lawwill Loan was originated on April 5, 2005 and secured by a recorded mortgage. The Assignment of Mortgage Agreement was signed and prepared by Launi Solomon, Corporate Executive Officer for Chase.

22. Through September 2008, S&A and 1st Fidelity purchased defaulted, federally related first and second lien residential mortgage loans from Chase without incident; and continued servicing the loans, including making payment arrangements with borrowers, in a way that both enabled homeowners to keep their homes and allowed these companies to earn a profit. Relying on Chase for their supply of loans (who in turn valued its relationship with 1st Fidelity and S&A), 1st Fidelity and S&A built strong portfolios with high levels of re-performance on the residential mortgage loans they purchased, while preserving opportunities for thousands of home owners to remain in their homes and rebuild their credit. In short, S&A and 1st Fidelity's business model was able to achieve results that Chase could not.

23. Indeed, Defendants and their representatives have expressly acknowledged the successes of 1st Fidelity and S&A. For example, in January 2009, Eddie S. Guerrero, Chase Home Finance's Loss Recovery Supervisor, and one of Mr. Schneider's primary contacts in dealing with Defendants, drafted a recommendation letter for S&A to submit to HSBC Bank Consumer Lending as part of the vetting process for S&A to obtain approval to purchase residential mortgage loans from HSBC. In that letter, Mr. Guerrero stated that "S&A Capital Partners continues to exceed our expectations" and that many of Chase's former customers have contacted Chase regarding "the great experience that they have had with S&A Capital Partners."

B. <u>The Mortgage Loan Purchase Agreement Between MRS and Chase</u>

24. After many years of the close, reliable, and mutually beneficial business relationship that Chase experienced with 1st Fidelity and S&A, Chase, through Mr. Guerrero, in 2008, approached Mr. Schneider about the opportunity to purchase a pool of loans initially

described to Mr. Schneider as closed end first lien residential mortgage loans that had been labeled "First Lien Walks." These were loans that Chase claimed to Mr. Schneider were first mortgage loans from which Chase had decided to "walk away" based on a cost-benefit analysis. In other words, as Chase communicated to Mr. Schneider, Chase had decided it was more financially beneficial to forego foreclosing on the properties because the sales proceeds would not justify the costs that Chase anticipated would be associated with foreclosure. As it turns out, that explanation was a pretext to lure the Schneider Entities into purchasing these loans.

25. Chase, through Mr. Guerrero, further expressed to Mr. Schneider that, based on reputational and political risks, the "highest levels of management" had made it an urgent priority for Chase to get rid of the loans at issue. The population of residential mortgage loans at issue consisted of very low-valued properties, mostly in parts of the country that were hardest hit by the recent housing crisis, such as Detroit and Flint, Michigan and St. Louis and St. Louis County (including Ferguson), Missouri. Additionally, Chase represented that, on account of the dramatic increase in the volume of defaulted loans at that time and Chase's limited default servicing resources, Chase had set new thresholds in determining whether a particular first lien loan was worth foreclosing, resulting in a higher volume of "First Lien Walks" that Chase wanted to sell.

26. In response to Chase's proposal, Mr. Schneider, who was at first reluctant, eventually was convinced by Chase to conduct some due diligence, in part because Mr. Guerrero claimed that the proposed loan package included some "cherries" (valuable loans) that were erroneously charged off.

27. In October 2008, Chase, through Mr. Guerrero, sent to Mr. Schneider an email attaching the preliminary data tape for the "First Lien Walks" available for sale. However,

this preliminary data tape did not include any borrowers' names or collateral addresses. As a result, Mr. Schneider informed Mr. Guerrero that the information was insufficient to enable basic due diligence to assess the value of the underlying properties securing the mortgage loans.

28. In November 2008, Chase, through Mr. Guerrero, sent to Mr. Schneider another email, attaching a second data tape (the "November 2008 Data Tape") of the overall population of first lien loans that Chase offered to sell. The November 2008 Data Tape clearly identified all the loans as first lien mortgages. Mr. Guerrero's email acknowledged, however, that information for some of the loans did not include basic information, such as borrowers' names or collateral addresses, but that Mr. Guerrero would help obtain that information. Mr. Guerrero stated that Mr. Schneider should look first at the loans for which the November 2008 Data Tape contained complete information and they would "go from there." The spreadsheet within the November 2008 Data Tape contained a total population of approximately 5,785 mortgage loans, with an aggregate "charge off" balance of approximately $230 million, all of them represented to be first lien residential mortgage loans. Based on Mr. Schneider's ongoing investigation of the November 2008 data tape and other activities of Defendants, Mr. Schneider believes that Defendants have been engaged in the practice of charging off first lien mortgage loans and concealing them in its RCV1 database since 1999, which happens to be the same year in which the Gramm-Leach-Bliley Act was enacted.

29. When Mr. Schneider enquired as to why some of the names and addresses were missing from the November 2008 Data Tape, Mr. Guerrero responded that Chase had all of the information, but the information was not yet accessible because of the fact that Chase had just acquired Washington Mutual and had not yet completed the lengthy process of converting the data from Washington Mutual's system to Chase's system. Mr. Guerrero assured Mr.

Schneider that Chase was in possession of all the data and would supply all the necessary borrower information and collateral files. Mr. Guerrero also stressed that the loan sale deal had to close by December 31, 2008 so that Chase could get the loans off its books. This exchange of information took place by a series of telephone conversations during November 2008.

30. Pursuant to Mr. Guerrero's suggestion, Mr. Schneider conducted what due diligence he could on the loans for which the November 2008 Data Tape did include sufficient borrower and property information. Based on the limited due diligence that he was able to perform, Mr. Schneider discovered a number of high value loans within the loan pool. These discoveries, which included a search of the public records to confirm the existence of the Chase lien, coupled with Mr. Guerrero's repeated assurances that the pool consisted entirely of first lien residential mortgages and that Chase would subsequently supply a complete and accurate data tape for the entire loan pool, induced Mr. Schneider to continue to pursue the purchase of the loan pool.

31. By email dated October 30, 2008, Mr. Guerrero had informed Mr. Schneider that the proposed sale was to be made through a process of seeking competitive bids. Mr. Schneider declined to bid on the loan pool because of his concerns on the due diligence and his pursuit of other potential loan purchase opportunities.

32. In response, on December 22, 2008, Mr. Guerrero sent Mr. Schneider an email urging Mr. Schneider to prepare, instead of a competitive bid letter, a letter "reiterating your acceptance to our offer" on the portfolio of loans for $200,000. Since some of the Schneider Entities had been purchasing loans from Defendant since 2005 based on the MMLSA, it was Mr. Schneider's understanding that the actual MLPA would contain the similar provisions, representations and warranties of the MMLSA, which includes that Seller is servicing loans in

accordance with (a) accepted mortgage servicing practices of prudent lending institutions and (b) all applicable federal, state and local laws and regulations. Because the Schneider Entities relied on Chase Home Finance for their supply of loans, and in reliance on Mr. Guerrero's repeated assurances that the pool consisted of first lien mortgages and that Chase would supply the customary borrower and collateral data for the loans once the data became accessible, Mr. Schneider complied with Mr. Guerrero's request and prepared a bid letter for the purchase of a "Non-Performing Closed End First Mortgage Loan Portfolio." Mr. Schneider advised Mr. Guerrero that he was using a newly formed entity named "Mortgage Resolution Servicing, LLC" (one of the Plaintiffs in this action) as the purchaser. Mr. Guerrero gave his approval.

33. On December 23, 2008, Mr. Schneider sent Chase, to Mr. Guerrero's attention, a cashier's check made payable to Chase in the amount of $200,000 for payment in full for the Non-Performing Closed End First Mortgage Loan Portfolio. The memorandum portion of the cashier's check states "1st Lien Pool." This was, of course, based on Chase's representation that the loans to be purchased were all first lien mortgage loans.

34. On February 4, 2009, Mr. Schneider received an email from Mr. Guerrero, attaching the Mortgage Loan Purchase Agreement ("MLPA") that Mr. Schneider was to review and to sign, with a placeholder for inclusion of Exhibit A as the list of mortgage loans being sold pursuant to the MLPA. The preliminary draft of the MLPA provided for sale of 4,271 loans with an outstanding principal balance of $172,093,033.13. This was $72,093,033.13 more than Mr. Schneider had been informed would be in the pool, yet Chase did not ask for any additional rebidding or funds. The list was to be drawn from the loans on the November 2008 Data Tape, as these were the set of loans that Mr. Schneider had reviewed and evaluated.

35. On February 25, 2009, Mr. Schneider received the final MLPA via email

which provided for sale of 3,529 loans with an outstanding balance of $156,324,399.24. Although the final MLPA contained approximately 650 fewer loans and approximately $16M less in outstanding balance, it was still far more than Mr. Schneider had expected from the Bid Agreement. Mr. Schneider then received, via fax, the fully executed MLPA from Chase, with Victor Fox's signature on behalf of Chase Home Finance. Later that day, Mr. Guerrero emailed the purported data tape to Mr. Schneider.

36. The MLPA repeatedly confirmed that the pool of loans that Chase Home Finance was selling, and that MRS was purchasing, consisted of non-performing first lien mortgage loans. The MLPA further specified that the agreement was on a "servicing-released basis," which, based on what Mr. Guerrero had communicated to him, Mr. Schneider understood to refer only to secured mortgage loans. Indeed, "servicing-released basis" is a concept in the finance industry that generally applies to mortgage loans.

37. Though the MLPA did not include the Mortgage Loan Schedule, which was to be "Exhibit A," at the time that the parties executed the MLPA, and as specified in the MLPA itself, the parties intended that the Mortgage Loan Schedule would consist of 3,529 loans with an outstanding principal balance as of December 22, 2008 in the amount of approximately $156 million, drawn from the November 2008 Data Tape. Further, Mr. Guerrero represented that MRS would receive the updated loan schedule and corresponding information on the loans sold once Mr. Guerrero completed "scrubbing" the November 2008 Data Tape to ensure that MRS was buying only closed end first lien mortgages that were listed on the November 2008 Data Tape.

38. Mr. Schneider and the Schneider Entities relied on the fact that Chase, as a federally regulated bank subject to the Federal Deposit Insurance Act ("FDI Act"), was required

to service its loans in accordance with accepted mortgage servicing practices of prudent lending institutions and all applicable federal, state and local laws and regulations. Such laws include:

- Real Estate Settlement and Procedures Act ("RESPA")
- Truth in Lending Act ("TILA")
- Fair Debt Collection Practices Act ("FDCPS")
- Fair Trade Commission Act ("FTC")

39. To insure compliance with the FDI Act and various laws regarding federally regulated mortgage loans and oversee the overall safety and soundness of the United States Banking System, the Defendants are regulated and examined by numerous government regulatory agencies which include but are not limited to:

- Comptroller of the Currency ("OCC")
- Board of Governors of the Federal Reserve Bank ("FRB")
- Federal Deposit Insurance Corporation ("FDIC")
- Consumer Financial Protection Agency ("CFPB") in accordance with the Dodd-Frank Act
- Department of Housing and Urban Development ("HUD")
- Securities and Exchange Commission (SEC")

40. The Schneider Entities had a reasonable expectation that Chase was in compliance with all such laws based on the representations in the MLPA.

41. In addition, Mr. Schneider and the Schneider Entities reasonably relied on these representations, and based on Mr. Schneider's prior dealings with Mr. Guerrero and Chase Home Finance, they reasonably believed that the promised information would be forthcoming and that Exhibit A would consist of 3,529 loans from the November 2008 Data Tape with accompanying usual and customary data and information reasonably necessary to service

mortgage loans. That usual and customary data and information would have contained greater and more specifically detailed information than that provided on the November 2008 Data tape.

C. Defendants' Breaches of its Obligations under the MLPA and Breaches of Representations and Warranties in the MLPA

42. Despite repeated efforts and a multitude of requests by Mr. Schneider, Chase has yet to supply the required complete data tape for the loans sold to MRS through the MLPA. Chase's failure to provide these documents and information constitute ongoing breaches of its obligations under the MLPA.

43. Despite promises that Mr. Schneider would receive an updated version of the November 2008 Data Tape as Exhibit A of the MLPA, Mr. Schneider was never provided an updated data tape. On February 25, 2009, less than an hour after Mr. Schneider received the fully executed MLPA from Chase, Chase purported to deliver an updated loan schedule as Exhibit A in the form of a data tape titled "First Lien Final" (the "Corrupted List"). Accompanying the email transmission of the Corrupted List was a smug note from Mr. Guerrero stating, "All yours…."

44. However, contrary to a customary data tape that clearly identifies borrower and loan information, and contrary even to the much more minimal information provided on the November 2008 Data Tape, the Corrupted List did not have any clearly defined column descriptions. In addition to omitting basic information such as borrower names and phone numbers and collateral addresses on many accounts, with respect to most of the loans listed, the Corrupted List did not provide any critical information such as lien priority, current outstanding principal balance, status of the property as occupied or vacant, cross-reference of

borrower name with collateral address and other customary information for the accurate boarding and servicing of federally related mortgage loans.

45. Following receipt of the Corrupted List, Mr. Schneider had multiple conversations and exchanges of emails with representatives of Chase Home Finance regarding the absence of borrower and collateral information. These communications and exchanges did not achieve any concrete results for Mr. Schneider, just the opposite. For example, in response to repeated requests from Mr. Schneider, on March 18, 2009, Mr. Guerrero sent Mr. Schneider an email attaching a data tape that was purported to contain updated information for boarding and servicing the mortgage loans. The attached data tape, however, like the Corrupted List, did not contain the necessary information and MRS remained unable to service the loans it acquired through the MLPA. Each time Mr. Schneider enquired about the missing information, he was provided with the same explanation about the delays associated with converting information from Washington Mutual's system.

46. As discussed in further detail below, however, this explanation was false. The data problems associated with the loans that Chase sold to MRS did not resulted from any problems with converting data from Washington Mutual's system. Rather, the data problems stemmed from the complete corruption of the data as a result of Chase's abandonment of all servicing obligations with respect to those loans

D. <u>Mortgage Servicing Systems of Record ("SOR's")</u>

47. Chase maintained two primary Systems of Record ("SOR") for the servicing of mortgage loans. These two SOR's are known as Mortgage Servicing Platform ("MSP") and Vendor Loan Servicing ("VLS").

48. The MSP is the servicing platform in which Chase services "closed end", first and second lien mortgages. Loans serviced in this MSP SOR include:

- Loans guaranteed by government sponsored entities ("GSE's") such as Fannie Mae ("FNMA"), Freddie Mac ("Freddie"), and the Federal Housing Administration ("FHA").
- Loans insured by the government such as Veterans Administration "(VA") loans.
- Sub-prime loans originated and purchased from other originators, which were packaged, marketed and sold as Residential Mortgage Backed Securities ("RMBS"), many in which the servicing of the loans were retained for a servicing fee, per the terms of numerous master pooling and servicing agreements.

49. Loans in the MSP SOR are grouped and identified by several factors, including the heritage of the loan, such as Bank One, Chase, WAMU, Advanta, Wendover, etc. Other codes identify whether the loan was a first or second lien mortgage loan. These MSP account codes include:

- LS1
- 156
- 465
- ACL

50. The VLS SOR is the servicing platform in which Chase services Home Equity Line of Credit ("HELOC's"). Although the VLS SOR contains both first and second lien mortgages, this SOR is predominantly comprised of second lien mortgages based on the characteristics of the loans. These HELOC's generally have repayment terms which are based on an index, such as the prime rate, the rate at which banks borrow money from each other plus a margin which is the profit portion retained by the bank. HELOC's are considered "open ended"

mortgages. These loans were generally originated and held for investment by the Bank. These VLS account codes include:

- VLS
- CRE

51. Chase also maintains a second set of books in the RCV1 SOR, which is utilized to conceal the existence of non-performing and charged off mortgage loans from the various government regulators.

52. The conversion of a loan from its primary and properly regulated mortgage servicing platform to the hidden RCV1 database begins with a loan that was originally boarded in the MSP and VLS SOR's. The RCV1 database contains both first and second lien mortgage loans.

53. Upon making a determination that a non-performing first lien mortgage owned by the Defendants is not financially profitable to foreclose or is a non-performing loan that is not owed by Defendants but is only contractually serviced under master servicing agreements that do not provide for reimbursement of foreclosure related expenses and property preservation fees, the loan is closed or made inactive in its MSP or VLS SOR. The next step is to create a boarding entry in its RCV1 SOR. However, the RCV1 SOR is not a platform which can perform the normal, customary and required servicing functions for federally related mortgages or any contractual mortgages whatsoever. As such, it cannot produce information or statements as to the last paid date, next due date, outstanding principal balance, interest rate, payment amount, etc. Therefore the process of boarding the loan into the RCV1 SOR means that the loan is no longer capable of being serviced, updated or maintained in any commercially reasonable fashion (let alone in compliance with applicable laws).

54. Indeed, it was those realities that motivated Chase to seek to saddle the Schneider Entities with ownership of these problematic loans in the first place.

55. The MLPA also required Chase to execute and to deliver allonges to the notes evidencing the MLPA mortgage loans and assignments of mortgages securing the notes. They failed to perform these requirements. Since, as it turned out (contrary to the representations in the MLPA), many of the mortgage loans were not in fact mortgage loans but instead deficiency claims remaining after foreclosure (including a number of deficiency claims that were owing from borrowers in states where deficiency judgments were unrecoverable as a matter of law), this fact played a role in Chase's failure to deliver the required assignments of mortgages. Chase remains in breach of its obligation to deliver allonges and assignments of mortgage for many of the loans purchased by MRS through the MLPA.

56. After attempting to obtain information on the mortgage loans that MRS had acquired through the MLPA so that MRS could service the loans in accordance with federal, state, and local laws and regulations, Mr. Schneider further discovered that many of the representations and warranties contained in the MLPA were false.

57. First and foremost, the loans at issue were defined in the MLPA as first lien mortgage loans. Contrary to information contained in the November 2008 Data Tape and Chase's repeated representations to the contrary, the vast majority of the loans sold to MRS have proven to be deficiency claims rather than secured mortgage loans. Mr. Schneider discovered, and alerted Chase, that a significant number of the loans were coded incorrectly as first lien mortgages, when in fact they were unsecured mortgage deficiencies. Despite being informed of this clear and fundamental breach of the representations and warranties in the MLPA, and the representations made to Mr. Schneider by Chase's representatives, Chase has taken no action to

remedy the problem. In fact, all of the loans sold to MRS and all the information provided in the MLPA were based on the data contained in the RCV1 database, not from the MSP or VLS system of records. As a result, Defendants could not and cannot identify or remediate the problems because they were not servicing the loans.

58. Mr. Schneider was able to determine this breach by painstaking efforts to determine some borrower identities, property location, and occupancy status. To do so, Mr. Schneider, among other steps, caused numerous public record and other internet searches to be made in order to trace borrower identities, and reconciled the search information to the bare information provided in Exhibit A of the MLPA. Mr. Schneider also procured broker opinions of value as to many of the properties and sought from those brokers information on whether the underlying properties were then currently occupied. As it turns out, many of properties were occupied by new owners who purchased the property from Defendants, and Defendants obtained title only by foreclosing on the mortgage that Chase sold and represented to MRS as a first lien mortgage.

59. The MLPA also contains representations and warranties that the mortgage loans are in compliance with all federal, state and local laws. Mr. Schneider discovered that Chase had failed to comply with nearly all such laws and had continued to perpetuate severe and long-running servicing violations. Indeed, as shown below, the fact of Chase's failure to comply with such laws was a prime factor motivating the sale of the loans at issue to MRS, and Chase's subsequent acts are part of Chase's overall scheme to conceal its violations of law and evade its obligations under the FDI Act and associated federal laws, the Lender Settlements, and the government loan programs in which Chase participated.

60. Mr. Schneider discovered that the loans at issue, which are federally related, had long since been removed from Chase's active MSP and VLS servicing systems and moved into the recovery department and its RCV1 database, far from the oversight of government regulators. Once the loans were placed into the RCV1 database, Chase stopped servicing the loans entirely and merely attempted to collect the debt in-house for a period of time.

61. On account of the tens of thousands of federally related mortgage loans which were made inactive in the MSP and VLS SOR's each month, the hundred or so Recovery Collectors in the Mortgage Recovery Departments located in Wisconsin, Phoenix and Dallas were each assigned thousands of mortgages from which to collect. In addition, their bonuses were based on a percentage of the total outstanding charge-off amount for the loans assigned to a particular collector during each month.

62. In order to increase its revenues while decreasing its expenses, irrespective of its responsibilities under the FDI Act, mortgage servicing and consumer protection laws, Chase utilized a multitude of external, third-party debt collection agencies to decrease its servicing expenses and partially shield itself from the fraudulent and predatory mortgage servicing practices.

63. These third party collection agencies were not licensed to service federally related mortgage loans, their employees did not possess the knowledge required to service federally related loans, and they did not have the proper mortgage servicing platforms to perform servicing requirements of federally related mortgages.

64. However, even if the third party collection agencies had possessed the proper licensing, experience and software to service federal related mortgage loans, these

agencies would not have been able to perform any of these functions as the information provided to the third-party collection agencies by Defendants was derived from Chase's hidden and limited RCV1 database and not from its actual MSP and VLS SOR's.

65. These third part collection agencies include, but are not limited to:

- Real Time Resolutions
- LSC
- Five Lake Agency

66. Mr. Schneider discovered that Chase violated federal, state and local laws and regulations relating to the proper servicing of mortgage loans by engaging in the following conduct:

- Transferring the servicing of the mortgage loans to and from multiple unlicensed and unregulated debt collection agencies;
- Knowingly providing these collection agencies false and misleading borrower information;
- Failing to provide escrow account record keeping;
- Stripping loan files of most origination documentation, including federal disclosures and good faith estimates, thus rendering MRS unable to respond to borrower's inquiries;
- Failing to provide accurate borrower payment histories;
- Knowingly executing assignments of mortgage for loans when Defendants knew that the underlying property had already been foreclosed and sold and the tenant had already been evicted; and
- Failing to maintain operating procedures and written policies in connection with federally related mortgage loans.

67. Further, after analyzing the November 2008 data tape and the Corrupted List, Mr. Schneider discovered that the MLPA's representations about the quantity and value of the loans being sold were also false. The MLPA specifies that MRS purchased 3,259 loans from

Chase with a combined principal value of $156,324,613.80. But after painstaking efforts to reconcile the corrupted data, and with no assistance from Chase, Mr. Schneider discovered that 685 of those loans were duplicates. The duplicate loans carry a total approximate face value of $22 million. In total, the remaining 2,483 unique loans' aggregate "principal" amounts total $133,782,353.72.

68. The MLPA states that the aggregate outstanding principal balance of the loans being sold pursuant to the MLPA is $156,324,613.80. However, the Corrupted List included a column labeled "COAT." Subsequent to execution and delivery of the MLPA, Mr. Schneider learned that "COAT" is the acronym for charge-off amount. Since the records of loans in the RCV1 database were created upon the loan being charged off from its mortgage servicing SOR, the entry made into the RCV1 database was for the total charge-off amount at that time, which included the principal balance, accrued interest, late fees, property tax advances and other customary default servicing fees—a sum greater than the principal balance itself, of course. Thus, Chase overstated—and cannot provide—the outstanding principal balance as of December 22, 2008, contrary to the terms of the MLPA. Similarly, the Corrupted List provided a field labeled "CODT," which is the acronym for charge-off date. Since the loans in the RCV1 database are not serviced, Chase does not know the last date on which a payment was made for any particular borrower.

69. However, not only were the number of loans inflated and the outstanding balance of any borrower's account unknown, the duplicate loans listings also provided conflicting amounts owed by the same borrower for the same loan number. These conflicting amounts likely arose from problems caused by Chase's use of the RCV1 database and its use of

serial collection agencies. These actions decreased the value of the loans because of the corruption and inaccuracy of the borrower loan data.

70. These representations regarding the quantity and value of the loans were material to Plaintiff MRS's decision to enter into the MLPA.

71. After the sale of loans through the MLPA was completed, Chase attempted to change the list of loans sold, including by attempting to add hundreds of loans that violate loan servicing and consumer protection laws and attempting to pull back valuable loans originally included in the Data Tape—and even included in the Corrupted List. For example, despite the MLPA specifying no buybacks of loans, in March and April 2009, Mr. Schneider received emails from Chase stating that Chase was "recalling" a number of loans, including a number of the most valuable loans in the loan pool. The inclusion of these valuable loans in the loan pool to be sold was material in MRS's decision to enter into the MLPA. Their attempted removal was a breach of the MLPA.

72. On October 31, 2009, Mr. Guerrero passed away unexpectedly at age 29. The reported cause of death was sleep apnea. Prior to his death, Mr. Guerrero was supposedly working on putting together an updated list of loans that would have accurate information, reimburse MRS for the loans "recalled" in April 2009, and reimburse MRS for the time and money expended as a result of the data problems associated with the loans purchased.

73. On November 13, 2009, in an effort to obtain reimbursement for the "recalled" loans and to finalize an agreement with Chase that would rectify Chase's breaches of the MLPA, Mr. Schneider sent an email regarding the ongoing data integrity issues to Mark Davis, Senior Vice President of Recovery, and Chad Paxton, Vice President of Relationship Management, at Chase Home Finance. In this email, Mr. Schneider explained, *inter alia*, that

approximately two-thirds of the loans sold to MRS were coded incorrectly and turned out to be mortgage deficiencies and not secured loans. Further, Mr. Schneider's email urged Chase to finalize the efforts started by Mr. Guerrero to reimburse MRS adequately for "recalled loans" and expenses and liabilities resulting from data deficiencies for and breach of warranties with respect to the MLPA loans.

74. Mr. Schneider's November 13, 2009 email was forwarded to Patrick "Mike" Boyle, Vice President of Loss Mitigation Recovery. In response, Mr. Boyle sent Mr. Schneider an email on November 17, 2009 stating that he had recently assumed the leadership role for recovery operations, and had not yet been brought up to speed on the information Mr. Schneider provided, but wanted to get "a full understanding of the efforts . . . underway prior to [Mr. Guerrero's] passing, and move forward as appropriate."

75. On December 9, 2009, Mr. Schneider sent Mr. Boyle an email confirming a verbal conversation that they had regarding Chase's exposure to potential liability as a result of its mishandling of certain defaulted loans. In particular, Mr. Schneider explained that most of the third party collection agencies used by Chase were licensed to collect debt in general but were not specifically licensed to service mortgage loans on a lender's behalf. Mr. Schneider offered to take most or all of the first lien walks off of Chase's hands through an existing master mortgage loan sales agreement between the parties and that Chase would only need to "identify the queues relating to these accounts and have a spreadsheet generated with the name, address, loan number and loan amount." Despite receiving this information, and despite other communications between Mr. Schneider and Mr. Boyle over the next several months, Mr. Boyle did not take up Mr. Schneider on his offer.

76. Upon information and belief, Mr. Boyle did not do so in part because Chase did not want Mr. Schneider to learn of the RCV1 database or Chase's real motive for entering into the MLPA.

77. In addition to recalling high-value loans, Chase has also attempted to include additional problematic loans among the loans sold under the MLPA after the agreement was already executed. This is reflected on a list (the "Post-MLPA List") that Chase sent to MRS in December 2009, purporting to include an additional 850 loans "sold" to MRS. The Post-MLPA List, to the extent it includes loans that were not on the November 2008 Data Tape, is an improper attempt by Chase to saddle MRS with liability for Chase's violations of laws relating to the 850 loans set forth on the Post-MLPA List. The Post-MLPA List's transmission is also consistent with Chase's improper conduct in delivering the legally deficient Corrupted List following execution of the MLPA. Despite numerous inquiries to upper management at Chase regarding these issues, Mr. Schneider still has not received any response.

78. On November 18, 2010, Mr. Schneider received an email from Launi Solomon, Loss Recovery Support Supervisor at Chase Home Finance, forwarding a message from Omar Kassem, the new Recovery Portfolio Manager, informing all note sale investors that Chase was suspending all note sales through the Recovery Department. The Chase representatives with whom Mr. Schneider regularly interacted were also instructed to cease providing support on prior note sales or otherwise communicate with Mr. Schneider. As a result, Mr. Schneider has been unable to obtain any resolution of issues relating to loans the Schneider Entities purchased from Chase, despite his continuing efforts.

79. Other breaches of representations and warranties of the MLPA may exist of which the Schneider Entities are unaware and the Schneider Entities reserve the right to develop proof of same through discovery.

E. Defendants' Additional Post-Sale Misconduct Resulting in Harm to the Schneider Entities

80. In addition to the breaches of the MLPA and its representations and warranties described above, subsequent to the execution of the MLPA, Defendants engaged in a series of additional misconduct relating to the loans sold to the Schneider Entities, resulting in significant loss to the Schneider Entities.

81. Chase has continued to collect payments (on its own or through collection agencies) on many of the loans it sold through the MLPA, without remitting such payments to MRS. Chase has also continued to receive payments from borrowers and insurance carriers and refusing to remit such payments to the Schneider Entities. These payments include payments on insurance claims against loans owned by Schneider Entities.

82. Chase has continued to approve short sales on properties subject to loans that Chase had previously sold to the Schneider Entities.

83. On multiple occasions, Chase has directed enforcement agencies seeking to investigate complaints by homeowners regarding Chase's violations to the Schneider Entities as the responsible party.

84. After the Schneider Entities had acquired certain loans from Chase, the borrowers of those loans began to receive written correspondence from Chase as well as collection agencies working for Chase, including Real Time Resolutions ("Real Time"),

representing that Chase or the collection agency owned the loan at issue and/or was the authorized servicer for the loans at issue.

85. In some of these instances, Chase contacted borrowers directly and told them that Chase reacquired ownership of the loan and that the borrowers should make payments to Chase. This information conveyed to the borrowers was false.

86. Chase has also falsely represented to certain borrowers that their loans had been transferred to one of the Schneider Entities when, in fact, the Schneider Entities never acquired the loans at issue. Such false statements by Chase have led to significant damages to and liability for Mr. Schneider and the Schneider Entities. For example, Chase's false representations have prompted complaints to be filed with various state and federal agencies. These filings are impeding the ability of the Schneider Entities to generate new business.

87. The deficient records maintained by Chase impede the Schneider Entities' ability to respond to borrower inquiries about loan balances, payment histories, and other information relating to their loans.

88. Because Chase representatives have been prohibited from communicating in any manner with Mr. Schneider or any other representatives of the Schneider Entities, despite repeated efforts, Mr. Schneider has found it impossible for any of the Schneider Entities to resolve this matter.

F. <u>Chase Sends Thousands of Improper Debt Forgiveness Letters</u>

89. On September 13, 2012, Chase mailed debt forgiveness letters (the "Forgiveness Letters") to thousands of defaulted borrowers whose loans were in the RCV1 database. The recipients of the September 2012 mailing included borrowers for whom Chase

neither owned nor serviced their mortgages, and included borrowers whose loans Chase had previously sold to one or more of the Schneider Entities.

90. A sample Forgiveness Letter, one that Chase sent to a Robert W. Warwick, contained language typical of Forgiveness Letters. It stated in bold all capitals lettering on the upper right hand side of the page: "WE ARE CANCELLING THE REMAINING AMOUNT YOU OWE CHASE!" This forgiveness letter proceeded to state in the main body of its text: "We are writing to let you know that we are cancelling the amount you owe Chase on the loan referenced below, totaling $167,003.51, as a result of a recent mortgage servicing settlement reached with the states and federal government." The letter proceeded to state in the following paragraph, in bold type: "**This means you owe nothing more on the loan and your debt will be cancelled. You don't need to sign or return anything for this to happen.**"

91. Mr. Schneider, through his contacts at Chase, has been made aware that on September 13, 2012, Chase sent approximately 33,456 Forgiveness Letters to borrowers (including, as described above, to borrowers on loans that Chase had previously sold to the Schneider Entities and other investors). On December 13, 2012 another 10,000 Forgiveness Letters were sent, and on January 31, 2013 another 8,000 Forgiveness Letters were sent. In total, Chase sent over 50,000 Forgiveness Letters between September 2012 and January 2013.

92. As it turns out, an unknown number of borrowers to whom Chase sent Forgiveness Letters were borrowers whose loans Chase had previously sold to one or more of the Schneider Entities. Chase had no right to send a Forgiveness Letter to any of those borrowers whose loans one of the Schneider Entities owned.

93. Per a November 2012 Chase document, loans included in the September 13, 2012 population of 33,456 loans which were sent 2nd Lien Extinguishment letters included loans with charge off dates as early as the year 2000.

94. In fact, Chase in June 2012 sent Mr. Schneider a data tape (the "June 2012 Data Tape") containing 19,655 loans for his review. Omar Kassem, Vice President and Portfolio Manager for Mortgage Banking of JPMorgan Chase & Co., led Mr. Schneider to believe that Chase had sent him the June 2012 Data Tape for the purpose of exploring further potential loan sale transactions between Chase and the Schneider Entities. In his review, Mr. Schneider discovered that the data tape included many of the loans that Chase had already sold to the Schneider Entities. Mr. Schneider warned Chase personnel in writing about this problem and requested that the loans should be removed from consideration for the Second Lien Extinguishment Program that Chase entered into to meet its obligations under the National Mortgage Settlement Agreement. Nonetheless, Chase failed to comply with Mr. Schneider's warning and request.

95. As a result, starting in September 2012, after receiving Chase's baseless Forgiveness Letters, a number of borrowers informed the Schneider Entities that they would no longer be making payments on their mortgages.

96. In response to the wrongful and unlawful Forgiveness Letters that Chase sent to the Schneider Entities' borrowers, Mr. Schneider immediately called and emailed Mr. Kassem and explained that borrowers whose mortgage notes the Schneider Entities owned had received loan forgiveness letters, all signed by Patrick Boyle as Vice President of Chase, even though Chase did not hold the note.

97. Over the next few weeks, the Schneider Entities and BSI, their third party servicer, received numerous calls from borrowers expecting the Schneider Entities to honor Chase's forgiveness letters. Despite daily calls and emails to Mr. Kassem and other Chase employees, Chase could not explain what had happened or elaborate on the number of borrowers affected. Mr. Schneider wanted to take proactive steps to notify potentially affected borrowers of the situation and protect the integrity of the relationships between the Schneider's Entities and its borrowers. However, Chase did not know how many loans were potentially affected because the RCV1 database is not a servicing platform and the mortgages are not being serviced. Had the loans been maintained in the primary SOR's, which are mortgage servicing platforms, Chase could have instantly produced a query of affected borrowers.

98. Significantly, Chase did not dispute that it had forgiven loans it did not own. However, rather than correcting the error and Chase's misrepresentations to borrowers, however, Chase offered to buy back the mortgages at issue that it had sold to S&A and 1st Fidelity.

99. On December 5, 2012 Chase sent Mr. Schneider two letters offering to buy back over 20 mortgages that had been improperly forgiven. These letters stated in relevant part:

> As part of the recent mortgage servicing settlement reached with the states and federal government, JPMorgan Chase Bank, N.A. (Chase) elected to participate in a second lien extinguishing program. Because of this, we sent letters to certain customers notifying them that we were extinguishing their debt with Chase and releasing the associated lien. However, ***we subsequently found that several of your customers received this letter in error because of an incorrect coding entry***. These customers and their respective loans were identified and are appended to this letter and referenced as "Exhibit A." We apologize for any inconvenience this may have caused you.

(Emphasis added.)

100. The letter regarding the loans sold to S&A acknowledged that Chase had inaccurately and without authorization sent the S&A borrowers Forgiveness Letters. Similarly, the letter regarding the loans sold to 1st Fidelity acknowledged that Chase had inaccurately and without authorization sent the 1st Fidelity borrowers Forgiveness Letters.

101. Though Chase claimed that the erroneous letters were caused by a "coding error," the problem actually resulted because the loans chosen for receipt of the Second Lien Extinguishment program were identified using the secondary set of books, namely the RCV1 database, from which Chase obtained the names and loans for the mailings.

102. Between September and November 2012, Mr. Schneider made repeated demand upon Chase for a list of borrowers to whom Chase had sent Forgiveness Letters where those borrowers' loans had previously been sold by Chase to one or more of the Schneider Entities. Chase did not provide this list. Further, Chase could not provide this list, because its corruption of its records through establishment of the RCV1 database had resulted in Chase disabling itself from being able to determine which borrowers' loans had previously been sold by Chase to one or more of the Schneider Entities and had received Forgiveness Letters. This is because many of the borrowers sent Forgiveness Letters were borrowers whose loans were maintained in the RCV1 database, preventing proper servicing or identification of the borrowers receiving Forgiveness Letters despite Chase no longer owning their loans.

103. After months of negotiation between Chase and Mr. Schneider, the Schneider Entities sold back some of the loans for which borrowers were erroneously sent loan forgiveness letters. However, the Schneider Entities initially declined to sell back several of the loans, including the following loans: Lawwill Loan; Rossatto Loan; Di Minno Loan; Harrity

Loan; Warwick Loan; Hancock Loan; Spence Loan; Derosa Loan; Cornish Loan; and the Ahmed Loan.

104. In an attempt to conceal Chase's fraudulent scheme, and only after Mr. Schneider refused to sell back and after borrowers had filed complaints with various enforcement agencies, Chase agreed to repurchase the Warwick Loan, Cornish Loan and Harrity Loan at the full balance owed on each mortgage, totaling $428,053.61.

105. With respect to the Ahmed Loan, owned by 1st Fidelity, Chase stated that it was not a "big enough problem." This same loan remains embroiled in litigation regarding the validity of the Second Lien Extinguishment Program and the litigation names Chase as an additional party.

G. Chase Wrongfully Released Liens on Property Associated with Loans Sold to the Schneider Entities

106. In addition to wrongfully forgiving debt on loans that Chase had previously sold to the Schneider Entities, Chase also engaged in a practice of wrongfully releasing and discharging liens on properties that served as collateral for loans sold to the Schneider Entities. As explained by Chase employee Kimberly Cowman, Chase had received notices regarding certain properties from municipal authorities. Ms. Cowman feared that "the city could fine Chase daily or charge [Chase] with all cost of repairs/demolition if the city did the work." Accordingly, Ms. Cowman urged that Chase release liens "[i]n order to not have a judgment filed on Chase . . . [and] so Chase would not have any legal responsibility/liability."

107. Chase's efforts to evade its responsibility to maintain properties and avoid blight, however, resulted in the release of liens on numerous properties securing loans that Chase had previously sold to the Schneider Entities, including the following examples:

- Loan number 167446, held by borrower Ray Robert Brazelle, was acquired by MRS as part of the pool of loans purchased through the MLPA. On February 8, 2011, MRS assigned its interests in the loan to 1st Fidelity, and the assignment of mortgage was recorded on March 1, 2011. On October 30, 2013, Chase executed a release of lien on the property despite having already sold the loan at issue. The release was recorded on December 5, 2013.

- On November 10, 2009, Chase assigned to 1st Fidelity its interests in loan number 20040177974, held by borrowers Barbaros Ayaz and Fatma M. Ayaz. The assignment of mortgage was recorded on December 9, 2009. On November 6, 2013, Chase executed a release of lien on the property despite having previously sold the loan to 1st Fidelity. The release was recorded on November 14, 2013.

- On October 12, 2010, Chase assigned to 1st Fidelity its interest in loan number 200426760, held by borrower Keylla S. Farrell. The assignment was recorded on November 12, 2010. Through a public records search, Mr. Schneider learned that Chase had recorded a release of the lien on November 21, 2013.

- On April 30, 2009, Chase assigned to MRS its interest in a loan held by borrowers Bruce R. Grimm and Rebecca A. Grimm, recorded as Document No. 50088, Book 4659, page 605. The assignment was recorded on June 22, 2009. MRS then assigned its interests in the loan to 1st Fidelity. On November 25, 2013, Chase recorded a Mortgage Satisfaction Piece on the property.

- On March 11, 2010, Chase assigned to S&A its interest in a loan held by borrower Cruz Anita Serrano, recorded as Instrument No. 20070481411. The assignment was recorded on April 1, 2010. S&A then assigned its interests in the loan to 1st Fidelity. On November 6, 2013, Chase executed a Deed of Release and Full Reconveyance on the property securing the loan.

- On November 10, 2009, Chase assigned to 1st Fidelity its interest in a loan held by borrowers Jeffery J. Smith Sr. and Lois Ann Smith, recorded as Document No. 2007248011, in Book 15905, page 777-796. The assignment was recorded on December 9, 2009. On October 23, 2013, Chase executed a Release of Lien on the property and recorded the release on November 13, 2013.

- On September 16, 2010, Chase assigned to 1st Fidelity its interest in a loan held by borrower Danette M. Frizalone, recorded as Receipt No. 956290, in Book 6774, page 762. The assignment was recorded on October 12, 2010. On October 23, 2013, Chase executed a Release of Lien on the property and recorded the release on November 21, 2013.

- On November 2, 2010, Chase assigned to 1st Fidelity its interest in a loan held by borrowers Walter Rodriguez and Madelyn Machin, recorded as Instrument No.

3469392, in Book 3637, page 0402. The assignment was recorded on November 23, 2010. On November 6, 2013, Chase executed a Release of Lien on the property and recorded the release on November 27, 2013. On May 12, 2014, Chase executed a Vacation and Rescission of Modification of Mortgage, which "cancels and rescind the Modification" and specifically references the lien release recorded on November 27, 2013. This Vacation and Rescission of Modification of Mortgage was recorded on May 23, 2014.

- On February 16, 2010, Chase assigned to 1st Fidelity its interest in a loan held by borrower Patricia King, recorded as Document No. 2007-246690. The assignment was recorded on March 15, 2010. On November 6, 2013, Chase executed a Release of Lien on the property and recorded the release on November 19, 2013. On May 12, 2014, Chase executed a Vacation and Rescission of Modification of Mortgage, which "cancels and rescind the Modification" and specifically references the lien release recorded on November 19, 2013.

- On or before April 27, 2010, Chase assigned to S & A its interest in a loan held by borrower Norma-Jean Anderson, which mortgage was originally recorded on July 6, 2000 to Ameriquest at book 13114 page 79. The assignment to S & A was recorded in Book 24511, page 308. The assignment was recorded on April 27, 2010. S & A then assigned its interest in that loan to 1st Fidelity by instrument recorded in Book 24511, page 310. That assignment also was recorded on April 27, 2010. On October 3, 2014, Chase executed a Discharge of Mortgage on the property and recorded the discharge on October 10, 2014.

108. Chase's attempt to "rescind" certain lien releases as described above has, upon information and belief, been done without the knowledge of the corresponding borrowers. This exposes the Schneider Entities to the risk that those borrowers will assert that one or more of the Schneider Entities that hold the liens whose releases Chase has attempted to "rescind" are slandering those borrowers' titles, exposing the Schneider Entities to further potential liabilities.

109. The lien releases and various documents purportedly vacating the improper lien releases appear to be "robo-signed" in that they appear to have been mass produced and signed by persons without knowledge of the facts to which their signature attests.

110. As a result of Chase's repeated misconduct relating to loans sold to the Schneider Entities and Chase's failure to correct its many mistakes, the Schneider Entities have

suffered significant losses and remain mired in legal issues that have resulted from Chase's conduct.

111. In addition to the specific harm to the Schneider Entities described above, Defendants' post-sale misconduct also caused grave injury to the Schneider Entities' business relationships and reputation. The Schneider Entities' business model relied on good will between borrowers and the Schneider Entities. Chase's misconduct, including its wrongful mailing of forgiveness letters to borrowers and wrongful release of liens owned by the Schneider Entities, has entangled the Schneider Entities in ongoing disputes with borrowers and governmental agencies with whom the Schneider Entities previously enjoyed positive working relationships. Chase's misconduct harmed the Schneider Entities' reputation by effectively portraying the Schneider Entities as predatory businesses attempting to collect payments on loans that had been forgiven or released, when, to the contrary, the Schneider Entities only took action to which they were legally entitled as the rightful owners of the loans at issue.

H. Defendants' Broader Scheme and Conspiracy to Evade Obligations and Liabilities Under Various Laws and Settlement Agreements

112. Defendants' misconduct directed at the Schneider Entities inflicted harm not only on the Schneider Entities, but rather formed part of a larger scheme and conspiracy by Defendants to evade their legal obligations and liabilities with respect to the proper servicing of federally related mortgage loans and their legal obligations and liabilities as parties to the Lender Settlements, including Chase's agreement with the Federal Deposit Insurance Corporation ("FDIC") in connection with Chase's acquisition of Washington Mutual, Henderson, Nevada ("WAMU-Henderson"). While the damages that Defendants have inflicted on the Schneider

Entities are immense and continue to amass, as described below, the Schneider Entities are in fact just several of many more victims of Defendants' broader conspiracy.

i. *Chase's Systematic Violation of Servicing Laws*

113. Chase has faced and continues to face enormous potential liability for its violations of laws and agreements relating to the servicing of mortgage loans. Chase's violations of basic servicing standards stem from the process by which Chase improperly handled (and failed to service) defaulted mortgage loans that it deems to be not profitable enough to foreclose. Since 2000, Chase has removed these loans from its active servicing queue and conceals them within Chase's unregulated RCV1 database that was established to administer (without servicing) defaulted mortgage loans. The loans that Chase dumped on MRS through the MLPA were pulled directly from the RCV1 database.

114. As explained in part above, the RCV1 database is a hidden secondary database of records that Chase maintained outside of its primary system of records. The RCV1 is essentially a secondary set of books utilized as a "back room" operation to avoid regulatory compliance examination and scrutiny. The existence of the RCV1 database is still only known internally to a select few within Chase. The RCV1 database includes various levels of defaulted, charged off loans, in both first and second lien positions. It also includes bankruptcies and foreclosure deficiencies. These loans were removed from Chase's primary system of records upon a determination that the loans were valueless based on Generally Acceptable Accounting Principles (GAAP) and other internal methods of bookkeeping.

115. Chase's practice of porting loans out of its primary system of records and into the RCV1 database dates back to the year 2000. The loans within the RCV1 database

contain charge-off dates that go back to the beginnings of the merger between JPMorgan and Chase and the subsequent merger of Bank One.

116. The loans contained in the RCV1 population are not maintained or serviced according to any servicing standards and fail to meet basic servicing requirements under federal, state and local laws. The practices implemented by Chase on the RCV1 mortgage banking population were focused on debt collection, as opposed to servicing. Chase seeks to maximize the revenue from charged off loans by converting loans that are secured by primary residences into collection cases that are akin to bad credit card debt. By doing so, Chase ignores most, if not all, servicing of the loans—and the servicing obligations attendant thereto. Chase's policy of porting charged off home loans into the RCV1 database, unsurprisingly, also damaged its ability to document properly the servicing of those loans, which in turn led to a complete corruption of the records for these mortgage loans. In short, the RCV1 database is a loose collection of once-compliant loans, which were serviced on a fully integrated servicing platform, that Chase has subsequently relegated to the "No Man's Land" of the bank to avoid regulatory compliance. The effect is that these mortgage loans and the associated borrowers were mishandled to the point where compliance with any regulatory requirements became impossible.

117. In furtherance of its scheme to increase profits and conceal misconduct, Chase utilized the services of serial collection agencies to collect on the loans in the RCV1 database. Indeed, by the time the parties signed the MLPA, some of the loans included in the MLPA had, upon information and belief, been subjected to the use of quinary (i.e., fifth in a series of) collection agencies that do not provide mortgage servicing functions. This set of actions, coupled with Chase's own institutional unwillingness to service loans properly, further

ensures that Chase violated its servicing obligations for hundreds of thousands of mortgage loans.

118. Thus, in an effort to evade liability for these legal violations, Chase sought to conceal its systemic misconduct by passing on the loans at issue to the Schneider Entities. This process has impacted and will continue to impact thousands of homeowners. By intentionally entangling (and at times specifically targeting) the Schneider Entities through Chase's scheme, Chase has ensured that the resulting liabilities for the Schneider Entities will only continue to grow.

ii. *Developments Further Incentivizing Chase's Scheme to Conceal Violations and Unload Problem Loans—EMC Mortgage*

119. Though, upon information and belief, the RCV1 database was in existence prior to 2008, a number of developments in connection with the 2008 mortgage crisis hastened Chase's realization of its potential liability for those violations and served as strong impetuses for Chase to develop a scheme for quickly unloading the problem loans. Some background puts this in perspective.

a. EMC Mortgage

120. The first development involved EMC Mortgage Corporation and The Bear Stearns Companies LLC (collectively, "EMC"). On or about September 9, 2008, the Federal Trade Commission ("FTC") filed a complaint for permanent injunctive and other equitable relief against EMC in the United States District Court for the Eastern District of Texas. In the complaint, the FTC asserted that EMC had engaged in a series of improper practices in connection with its residential mortgage lending and loan servicing business. This included, among other misconduct, inaccurate representations by EMC representatives to borrowers about

the amounts due under residential mortgage loans, failure to obtain accurate and complete information about the borrower's loan account before making such representation, failure to investigate and resolve disputes in a timely manner, failure to report borrower loan accounts as disputed to consumer reporting agencies, violations of the Fair Debt Collections Practices Act ("FDCPA"), failure to send proper written notice of the debt and the creditor's name, improper collection calls, improper advances and addition of those advances to the debts, improper charging of fees and improper aiding of modification fees to principal amounts, together with unauthorized assertions of fees in connection with reinstatement or payoff letters.

121. The same day that the FTC filed the complaint against EMC, EMC agreed to pay $28 million to settle the charges set forth in that complaint. In addition, the settlement:

- Barred EMC from misrepresenting amounts due and other loan terms;
- Barred charging unauthorized fees and limited property inspection fees even if authorized by contract;
- Barred initiating foreclosure prior to reviewing all available records;
- Barred the Defendants from violating the FDCPA, FCRA, and TILA;
- Required EMC to possess and rely upon competent evidence to support statements to consumers about their loans;
- Required the establishment and maintenance of a comprehensive data integrity program to ensure the accuracy and completeness of data and other information about their consumers' loan accounts in order to service them; and
- Required defendants to obtain an assessment from a qualified, independent, third party professional within six months and then every two years for the next eight years (ending September 8, 2016), to assure that their data integrity programs meet the standards of the order.

122. Chase had acquired EMC in March 2008 and acquired Bear Sterns in May 2008, months before the FTC complaint and settlement. Thus, though the FTC's complaint

expressly stated that the misconduct described therein took place prior to Chase's acquisition of EMC, the parties' settlement impacted Chase directly.

123. Upon the making of the settlement of the FTC complaint, Chase realized that it owned thousands of loans against which the FTC could make allegations similar to those in the complaint against EMC. Thus, upon settlement of the FTC complaint, upon information and belief, Chase began to formulate a plan and a scheme to transfer secretly thousands of its loans that give rise to violations similar to those underlying the FTC complaint against EMC.

b. WAMU Agreement

124. Later in September 2008, JPMorgan Chase Bank pursued purchase of WAMU-Henderson. At the time, the FDIC was the receiver for WAMU-Henderson. In connection with JPMorgan Chase Bank's potential purchase of WAMU-Henderson, a form of Purchase Assumption Agreement was prepared, negotiated and ultimately signed between the FDIC as receiver for WAMU-Henderson and JPMorgan. That agreement was executed and delivered on or about September 25, 2008 (the "WAMU Agreement").

125. Article XI of the WAMU Agreement contained certain representations from JPMorgan Chase Bank. Among the most significant were found in Article XI, paragraph (d)(i), which provided:

> (d) <u>Compliance with Law</u>.
>
> (i) Neither the Assuming Bank nor any of its Subsidiaries is in violation of any statute, regulation, order, decision, judgment or decree of, or any restriction imposed by, the United States of America, and State, municipality or other political subdivision or any agency of any of the foregoing, or any court or other tribunal having jurisdiction over the Assuming Bank or any of its Subsidiaries or any assets of any such Person, or any foreign government or agency thereof having such jurisdiction, with respect to the conduct of the business of the Assuming Bank or of any of its Subsidiaries, or the ownership of the properties of the

> Assuming Bank or any of its Subsidiaries, which, either individually or in the aggregate with all other such violations, would materially and adversely affect the business, operations or condition (financial or otherwise) of the Assuming Bank or the ability of the Assuming Bank to perform, satisfy or observe any obligation or condition under this Agreement.

Further, Article XI (e) of the WAMU Agreement provided:

> (e) Representations Remain True. The Assuming Bank represents and warrants that it has executed and delivered to the Corporation a Purchaser Eligibility Certification and Confidentiality Agreement and that all information provided and representations made by or on behalf of the Assuming Bank in connection with this Agreement and the transactions contemplated hereby, including, but not limited to, the Purchase Eligibility Certification and Confidentiality Agreement (which are affirmed and ratified hereby) are and remain true and correct in all material respects and do not fail to state any fact required to make the information contained therein not misleading.

126. Those representations made by JPMorgan Chase Bank in the WAMU Agreement were false. At the time of execution and delivery of the WAMU Agreement, Chase owned thousands of loans with respect to which, through its improper servicing and other misconduct, Chase was in violation of many federal and state laws, including without limitation, many similar to the violations alleged in the complaint against EMC.

127. Further, by reason of EMC's settlement with the FTC, on or about September 8, 2008, JPMorgan Chase Bank knew that it owned thousands of loans with violations similar to those acknowledged in the FTC settlement of the EMC complaint.

128. Further, in executing and delivering the WAMU Agreement with this set of false representations, JPMorgan Chase Bank knew that, from the outset, it was in breach of its obligations to the FDIC under the WAMU Agreement and was making a knowing misrepresentation to the FDIC, an arm of the United States government.

129. For these reasons, Chase had even more incentive to develop quickly a

scheme to "dump" thousands of loans that gave rise to liability for Chase's illegal conduct.

130. To that end, Chase targeted an individual investor dependent on Chase because of their business relationship. This investor was to be the sacrificial lamb, to be compelled to acquire thousands of loans with respect to which Chase was in violation of many laws and its obligations to the FDIC under the WAMU Agreement. Thus, as it turns out, instead of the reasons that Chase gave to Mr. Schneider for entering into the MLPA, Chase in fact targeted Mr. Schneider as a scapegoat onto whom Chase sought to offload first lien mortgage loans that posed serious problems for Chase.

131. Specifically, being aware of the Schneider Entities' dependence on a continued positive relationship with Chase for the success of their business model, Chase targeted the Schneider Entities to be the "dumping ground" for thousands of loans that violated Chase's legal obligations under myriad federal and state laws, violations rendering Chase in breach of the WAMU Agreement. Because of the dependence of the Schneider Entities on their relationship with Chase, MRS had no practical choice but to enter into the MLPA.

c. Legislative and Regulatory Enactments in 2008 and 2009

132. While the realizations attendant to the EMC and WAMU acquisitions provided sufficient incentive for Chase to seek a scheme to "dump" thousands of loans that gave rise to liability for Chase's illegal conduct, a series of legislative and regulatory enactments in 2008 and 2009 further compelled Chase to implement the scheme as quickly and quietly as possible.

133. Congress enacted the Emergency Economic Stabilization Act of 2008 (EESA) in response to the economic crisis gripping the country. The EESA included the Troubled Asset Relief Program (TARP), which charged the Secretary of the Treasury with

developing a program to provide relief to struggling homeowners while offering incentives to the loan servicers of homeowner mortgages.

134. In early 2009, pursuant to sections 101 and 109 of the EESA, as amended by the American Recovery and Reinvestment Act of 2009 (ARRA), the U.S. Department of the Treasury ("Treasury") launched the Making Home Affordable Program ("MHA") as part of the Government's broader strategy to help homeowners avoid foreclosure, stabilize the housing market, and improve the nation's economy by setting uniform and industry-wide default servicing protocols, policies, and procedures for the distribution of federal and proprietary loan modification programs.

135. The cornerstone of the MHA Program is the Home Affordable Modification Program ("HAMP"). Under HAMP, mortgage servicers, including Chase, must comply with certain guidelines to modify homeowners' mortgage loans in a particular and uniform fashion. Further, in March 2009, Treasury issued uniform guidance for loan modifications across the mortgage industry, and subsequently updated and expanded that guidance in a series of policy announcements and Treasury Directives. In exchange for compliance with the programs' strict guidelines, the servicers receive significant incentive payments for loan modifications executed.

136. Chase sought to benefit from the incentive payments available to it through the MHA and HAMP programs. However, as described in this Complaint, the loans contained in the RCV1 population are not maintained, or serviced, according to any servicing standards. Thus, in addition to failing to meet any requirements set forth in the past standards under prior laws and regulations, the loans failed to meet the requirements established for them to qualify for incentive payments through the MHA and HAMP programs.

137. Thus, passage of the ESSA in 2008 and the ARRA in 2009, along with the Government's launch of the MHA and HAMP programs pursuant to these pieces of legislation, added further urgency to Chase's need to "dump" its problem loans in the RCV1 database. Further, upon information and belief, Chase became aware, between enactment of EESA and ARRA but prior to March 2009, that the Treasury Department was in the process of adopting regulations (the "Implementation Regulations") to implement these statutes. Because of that awareness, upon information and belief, Chase knew that its loans in the RCV1 database would, upon Treasury's adoption in March 2009 of the Implementation Regulations, potentially prevent Chase from qualifying for incentive payments through the MHA and HAMP programs. This shows a further motive for Chase's insistence that MRS close the deal on the MLPA as soon as possible in late 2008 and in February 2009 (prior to issuance of the Implementing Regulations), even though Chase could not yet provide a final data tape. Again, as discussed above, the incomplete and corrupted final data tape came from the RCV1 database, not from the MSP and VLS mortgage servicing platforms.

d. The Alternative Foreclosure Program and Retaliation

138. The Lender Settlements imposed various servicing and reporting obligations on Chase with which Chase could not comply because of its maintenance of the RCV1 database. In an effort to conceal or avoid these obligations, Chase instituted what it has described internally as the "Alternative Foreclosure Program."

139. The Alternative Foreclosure Program is an effort by Chase to circumvent its obligations under the Lender Settlements to deter community blight. The Consent Judgment that Chase entered into pursuant to the National Mortgage Settlement Agreement requires that Chase implement anti-blight programs. The heart of the Alternative Foreclosure Program is that

Chase simply files satisfactions of mortgages on subject properties, without notice to any interested parties (including the current holders of the mortgages) and with callous disregard for the multitude of damages those acts cause. Chase then walks away from its responsibilities under the Consent Judgment and saddles actual holders of mortgages, such as the Schneider Entities, with the consequences of Chase's actions.

140. Chase aimed its Alternative Foreclosure Program at the valueless RCV1 first mortgage loans, which it had previously failed to service in accordance with law, thereby fostering community blight. This Alternative Foreclosure Program is Chase's ongoing effort to conceal these violations by trying to make them disappear. The implications of leaving blighted properties for the impacted municipalities to deal with are immense. The Schneider Entities' loans were caught in this web of deceit because Chase's records were so poorly maintained that Chase had rendered itself incapable of distinguishing between loans that they had sold, and on which they ceased receiving income, for loans that had defaulted.

141. By using the Alternative Foreclosure Program on Schneider Entities loans, as described above, not only does Chase interfere with the Schneider Entities' relationships with borrowers whose loans the Schneider Entities own, Chase also runs afoul of its obligation under the Consent Judgment to deter community blight. Chase, having failed in many cases to have made assignments of record to MRS (thereby impeding MRS' ability to engage in its business of restructuring borrower loans), discharges the lien of record, to the detriment of the Schneider Entity holding the mortgage loan, while Chase walks away from its obligations for avoiding community blight and leaves the Schneider Entities to face the ire of governmental entities seeking to enforce property maintenance obligations against mortgage holders.

142. Compounding the egregiousness of Chase's conduct under the Alternative Foreclosure Program, Chase internally in or about October 2013 established the "Pre DOJ Lien Release Project" as described on internal Chase records. Upon information and belief, the Pre DOJ Lien Release Project was established by Chase as a project within the Alternative Foreclosure Program and a means for deliberate releases of liens in further circumvention of Chase's obligations under the Lender Settlements.

143. Every loan purchased by the Schneider Entities from Defendants was purchased through the Recovery Department. The data provided to the Schneider Entities was derived from the limited information contained in the RCV1 database, not from the Defendants main MSP and VLS SOR's.

144. However, the "Pre DOJ Lien Release Project" was initiated, completed, and its comments notated within its MSP SOR, despite those loans having been inactive in that SOR for many years.

145. Chase's activities under the Pre DOJ Lien Release Project were directed purposefully at retaliating against Mr. Schneider for having filed a federal False Claims Act complaint (the "FCA Complaint") as relator against Chase alleging the filing of false claims in derogation of certain obligations under the National Mortgage Settlement Agreement. The FCA Complaint was partially unsealed on or about November 1, 2013[1] and its filing became known to Chase on or about (and perhaps before) that date.

146. Indeed, through its use of the RCV1 database of records, Chase has intentionally corrupted the data on its loan population to such a degree that Chase continues to

[1] That complaint was filed on May 6, 2013 and entitled *United State of America et al. ex rel. Laurence Schneider v. J.P. Morgan Chase Bank, National Association et al.*, C/A: 3:13-1223-JFA. The partial unsealing was made with consent of Mr. Schneider's acting counsel in the District of South Carolina at the time but Mr. Schneider himself did not authorize or consent to that partial unsealing.

release mortgages securing loans that the various Schneider Entities own. Further, the scores of lien releases are ongoing, and certain lien releases are targeted at the Schneider Entities, despite the Schneider Entities' repeated written notices to Chase that those releases are improper.

147. Indeed, in connection with the Schneider Entities' business activities, Mr. Schneider discovered that multiple liens sold by Chase to one or more of the Schneider Entities have been released by Chase under the Pre DOJ Lien Release Project.

148. Compounding the burgeoning litany of liabilities, the act of releasing these liens is triggering additional violations of law. Borrowers and enforcement agencies are seeking to hold the Schneider Entities liable for the consequences of Chase' actions. This swells the damages faced by the Schneider Entities to much more than the value of the loans sold to them by Chase.

149. Many of the post-MLPA harms that Chase inflicted on the Schneider Entities were committed in furtherance of Defendants' broader scheme and enterprise to increase profits by evading their obligations and liabilities under the National Mortgage Settlement Agreement, including its obligations to deter community blight.

FIRST CLAIM FOR RELIEF
(Breach of Contract)

150. Plaintiffs repeat and reallege each of the allegations set forth in the preceding paragraphs of the Complaint as if set forth here in full.

151. The MLPA is a valid and binding contract between the Plaintiff MRS and Defendants.

152. Plaintiff MRS has at all times fully and faithfully performed all of its obligations under the MLPA.

153. The MLPA contains warranties and obligations that bind Defendants, including a warranty that the loans Defendants sold to Plaintiff MRS are in compliance with all federal, state, and local laws. The MLPA also defines the mortgage loans being sold under the MLPA as first lien mortgage loans.

154. Defendants have breached their warranties and obligations to Plaintiff MRS under the MLPA, and caused damage to Plaintiffs, by among other things, (1) selling non-conforming deficiency claims in place of first lien mortgage loans; (2) purposefully withholding servicing information and documents for the loans it sold to Plaintiffs; and (3) attempting to change the list of loans sold post-sale, including by pulling valuable loans back and attempting to add loans that violate loan servicing and consumer protection laws.

155. In addition, Defendants were under a duty of good faith and fair dealing with respect to Plaintiffs.

156. As more fully stated above, Defendants have breached the implied covenant of good faith and fair dealing that exists in every contract, including the MLPA, by among other things, failing to disclose that the loans sold to Plaintiffs were not serviced in accordance with state and federal laws; and thus might not be serviceable in the future, or that their value may be diminished as a result of the servicing violations, or that their sale could lead to Plaintiffs being held responsible for Defendants' servicing violations.

157. To the extent that Defendants' actions were not expressly forbidden by any contractual provision, Defendants' actions breached the implied covenant of good faith and fair dealing by denying Plaintiffs the benefit of their bargain, which has had the effect of destroying and injuring Plaintiffs' rights under the MLPA.

158. By reason of Defendants' breaches of the MLPA, Plaintiffs have incurred,

and will continue to incur, damages in an amount to be determined at trial.

SECOND CLAIM FOR RELIEF
(Promissory Estoppel)

159. Plaintiffs repeat and reallege each of the allegations set forth in the preceding paragraphs of the Complaint as if set forth here in full.

160. As set forth above, Defendants clearly and unambiguously promised to Plaintiffs that, among other things, Defendants would deliver a materially complete Exhibit A substantially in the format as the November 2008 Data Tape together with sufficient information to permit proper servicing of the loans being sold.

161. Plaintiffs reasonably and foreseeably relied on Defendants' promises to their detriment.

162. As a direct and proximate result of Defendants' actions, Plaintiffs have incurred, and will continue to incur, damages in an amount to be determined at trial.

THIRD CLAIM FOR RELIEF
(Conversion)

163. Plaintiffs repeat and reallege each of the allegations set forth in the preceding paragraphs of the Complaint as if set forth here in full.

164. Plaintiffs have valid and enforceable rights and interests in the loans they purchased from Defendants.

165. Defendants were aware of Plaintiffs' rights and interests in the loans. Nevertheless, Defendants have exercised dominion over, and interfered in, Plaintiffs' rights and interests by presenting themselves as lienholders for loans previously sold to Plaintiffs, collecting payments on previously sold loans, and releasing hundreds of liens on loans previously sold to Plaintiffs, all in derogation of Plaintiffs' rights.

166. As a result of these actions, Defendants have converted and continue to convert Plaintiffs' property to their own use and benefit without authority to do so.

167. As a direct and proximate result of Defendants' actions, Plaintiffs have incurred, and will continue to incur, damages in an amount to be determined at trial.

168. Plaintiffs are also entitled to special damages as a result of the injury to Plaintiffs' business and reputation caused by Defendants' actions.

169. Plaintiffs are further entitled to punitive damages because Defendants' actions were malicious, reckless, wanton, and in willful disregard of Plaintiffs' rights.

FOURTH CLAIM FOR RELIEF
(Unfair Competition)

170. Plaintiffs repeat and reallege each of the allegations set forth in the preceding paragraphs of the Complaint as if set forth here in full.

171. By sending and recording lien releases for loans sold to Plaintiffs, Defendants have unfairly misappropriated Plaintiffs' property, and Defendants have represented to borrowers and the public that Defendants are the valid lienholders and are entitled to release liens that actually belong to Plaintiffs.

172. By representing themselves as the holders of the loans sold to Plaintiffs, Defendants have engaged in activities that have caused confusion with, or have been mistaken for Plaintiffs' activities in the mind of the public, or are likely to cause such confusion and mistake.

173. Further, as set forth above, Defendants have acted unfairly and have misappropriated Plaintiffs' property rights for Defendants' commercial advantage by forgiving loans sold to Plaintiffs and claiming credits for the releases under the Lender Settlements.

174. In so doing, Defendants have sought to impair unfairly Plaintiffs' ability to compete for business, and have acted maliciously or in bad faith and for the sole purpose of inflicting harm on Plaintiffs or to benefit themselves at Plaintiffs' expense. In particular, Defendants' activities result in Defendants acting as if they are the servicers for loans that Plaintiffs own, and their conduct impairs Plaintiffs' ability to acquire and service the loans they own and additional loans potentially available for purchase from other lenders.

175. As a direct and proximate result of Defendants' acts, Plaintiffs have incurred, and will continue to incur, damages in an amount to be determined at trial.

FIFTH CLAIM FOR RELIEF
(Unjust Enrichment)

176. Plaintiffs repeat and reallege each of the allegations set forth in the preceding paragraphs of the Complaint as if set forth here in full.

177. Defendants have continued to receive post-sale loan payments and insurance benefits for loans sold to Plaintiffs. Defendants have also received credits under the Lender Settlements and other benefits for releasing liens or forgiving debts that pertain to loans sold to Plaintiffs.

178. Through these wrongful acts, Defendants received and retained monies, properties, or benefits to which they are not entitled.

179. Defendants also unlawfully, and to Plaintiffs' detriment, failed to satisfy liabilities for which Defendants are responsible, including, but not limited to, legal liabilities for breach of servicing obligations, which liabilities Defendants unlawfully saddled upon Plaintiffs.

180. As a result of Defendants' actions, Defendants have been enriched unjustly and without adequate compensation to Plaintiffs.

181. As a direct and proximate result of Defendants' acts, Plaintiffs have incurred, and will continue to incur, damages in an amount to be determined at trial.

SIXTH CLAIM FOR RELIEF
(Tortious Interference with Contractual Relations)

182. Plaintiffs repeat and reallege each of the allegations set forth in the preceding paragraphs of the Complaint as if set forth here in full.

183. Valid and enforceable contracts exist between Plaintiffs and borrowers whose loans Defendants sold to Plaintiffs.

184. Defendants were aware of these contractual relationships as Defendants sold the very loans at issue to Plaintiffs. Further, Defendants and their representatives regularly acknowledged Plaintiffs' successes in creating payment arrangements with borrowers that enabled them to keep their homes and rebuild their credit.

185. Despite their knowledge of the contractual relationships between Plaintiffs and borrowers, Defendants intentionally, and in violation of Plaintiffs' rights under the loans, wrongfully released hundreds of liens on loans they previously sold to Plaintiffs and recorded those lien releases. In additional, Defendants intentionally, and in violation of Plaintiffs' rights under the loans, wrongfully notified certain borrowers that their loans had been discharged or forgiven. Further, Defendants falsely informed borrowers in writing that Defendants are the owners of certain loans, even though Defendants had already sold those loans to Plaintiffs, and that collection agencies working for Defendants were the authorized agents for servicing of those loans. Through these acts, Defendants have induced, and continue to induce, borrowers to discontinue payment on their loans and otherwise breach their contracts with Plaintiffs.

186. Defendants' wrongful release of liens on, and/or discharges of, loans sold to Plaintiffs and Defendants' false communications to borrowers stating that Defendants owned their loans have also interfered with Plaintiffs' contractual relationships with third-party servicers whose services Plaintiffs utilize. The wrongful forgiveness letters and lien releases have become known to at least one third-party servicer, and the servicers have concern that the lien releases may give rise to liability to them and to Plaintiffs. As a result, Defendants' conduct has induced these servicers to fail to perform on their servicing contracts with Plaintiffs and has otherwise harmed Plaintiffs' relationships with these servicers.

187. As a result of Defendants' intentional and wrongful acts, the contractual relationships between Plaintiffs and the borrowers have been disrupted. As a direct and proximate result of Defendants' misconduct, certain borrowers are unwilling to cooperate with Plaintiffs in creating, entering into, and performing payment arrangements on the loans at issue, and other borrowers have ceased payment on their loans and otherwise breached their contracts with Plaintiffs. Plaintiffs have incurred, and continue to incur, damages in an amount to be determined at trial.

188. As Defendants' interference with Plaintiffs' contractual relationships with borrowers was intentional, willful, wanton, and malicious, Plaintiffs are also entitled to punitive damages.

SEVENTH CLAIM FOR RELIEF
(Fraud and Fraudulent Omission)

189. Plaintiffs repeat and reallege each of the allegations set forth in the preceding paragraphs of the Complaint as if set forth here in full.

190. Defendants, by their statements, acts, omissions, and conduct, knowingly made false representations to Plaintiffs to induce Plaintiff MRS to enter into the MLPA. Those misrepresentations include false statements and omissions made by Mr. Guerrero and others beginning in October 2008 that (a) misrepresented that Defendants would provide a complete Exhibit A detailing full and customary servicing information for all the loans sold under the MLPA; (b) misrepresented that the loans sold to Plaintiff MRS under the MLPA consisted of first lien, properly serviced loans; (c) failed to disclose the existence of the RCV1 database and the lack of controls on loans placed within it; (d) failed to disclose that the loans in the RCV1 database, including those being sold to MRS under the MLPA, were not serviced in compliance with federal, state, and local laws.

191. Those misrepresentations were fraudulent and false when made. Defendants knew at the time that those misrepresentations were made that at least some of the loans sold to MRS under the MLPA were in fact deficiency claims, not first lien mortgages, and that Defendants' improper servicing of the loans violated federal, state, and local laws. Defendants knew at the time they made those promises that they could not provide an appropriate Exhibit A due to Defendants' failure to service the loans and the data problems caused by, among other things, Defendants' use of the RCV1 database.

192. As set forth above, after Plaintiff MRS executed the MLPA, Defendants knowingly continued to misrepresent their intention to provide Plaintiffs with full and complete servicing data in the form of an updated, complete Exhibit A. From February 2009 until November 2010, Eddie Guerrero and others repeatedly misrepresented to Plaintiffs that Defendants were in the process of compiling complete servicing data. Following receipt of the Corrupted List, Mr. Schneider had multiple conversations and exchanges of emails with

representatives of Chase Home Finance regarding the absence of borrower and collateral information. Each time Mr. Schneider enquired about the missing information, he was provided with the same explanation about the delays associated with converting information from Washington Mutual's system. And at the time Mr. Guerrero died in October 2009, he purportedly was still preparing a full and complete Exhibit A. Those misrepresentations were false when made. Defendants were not working to provide a complete Exhibit A and in fact could not provide a complete Exhibit A.

193. Defendants also deceptively exploited their long-term business relationship with Plaintiffs and Plaintiffs' dependence on Defendants for a continued supply of loans to purchase by withholding certain facts from Plaintiffs regarding, among other things, the quality of the loans and their servicing status. As a result, Defendants occupied a special position of confidence and trust, and possessed superior knowledge about the loans due to its position in the transaction, and these facts were not readily available to Plaintiffs. Defendants knew that Plaintiffs were acting on the basis of incomplete and mistaken facts about the quality of the loans and their servicing status.

194. Based on these statements, acts, omissions, and conduct, Defendants had a duty to disclose material information that would complete or clarify Defendants' partial or ambiguous statements regarding Chase's ability to provide a complete Exhibit A, the quality and servicing status of the loans being sold, and the existence of the RCV1 database and the lack of controls on loans placed within it.

195. Through these statements, acts, omissions, and conduct, Defendants fraudulently induced Plaintiff MRS to enter the MLPA.

196. Defendants did so with the knowledge that (i) such statements, representations, and/or omissions were false, misleading, and material, and (ii) Plaintiff MRS would rely thereon in agreeing to enter the MLPA and in continuing to do business with Defendants.

197. Plaintiff MRS reasonably and justifiably relied on Defendants' misrepresentations and omissions given (1) Plaintiffs' long-standing business relationship with Defendants, (2) Defendants were the only source for information regarding the loans and had superior knowledge of material facts, and (3) the parties' ongoing course of conduct, including Plaintiff's past contractual dealings with Defendants, and Defendants' continued reassurances that they recognized the need to produce a complete data file on the loans, and would do so. Those misrepresentations and omissions were material in that they significantly affect the value and serviceability of the loans that Plaintiff MRS purchased through the MLPA.

198. As a direct and proximate result of Defendants' fraudulent conduct, Plaintiff MRS has incurred, and continues to incur, damages, including damages for foregone opportunities, and losses sustained as a result of the fraud, in an amount to be determined at trial.

199. As Defendants' fraud and deceit was intentional, willful, wanton, and malicious, Plaintiff MRS is also entitled to punitive damages.

EIGHTH CLAIM FOR RELIEF
(Negligent Misrepresentation)

200. Plaintiffs repeat and reallege each of the allegations set forth in the preceding paragraphs of the Complaint as if set forth here in full.

201. Defendants, by their statements, acts, omissions, and conduct have, at the very least, made negligent representations to Plaintiffs, including, as set forth above,

misrepresentations and omissions regarding the nature and quality of the loans sold to Plaintiff MRS under the MLPA and Defendants' pervasive violations of federal, state and local consumer protection and loan servicing laws with respect in relation to those loans.

202. Through these statements, acts, omissions, and conduct, Defendants wrongfully induced Plaintiff MRS to enter the MLPA.

203. Defendants did so with, at the very least, negligence as to whether such statements, representations, and/or omissions were false, misleading, and material, and with the expectation that Plaintiff MRS would rely thereon in agreeing to enter the MLPA.

204. Defendants had special expertise regarding the loan portfolio due to their exclusive knowledge of material facts related to the loans sold to Plaintiff MRS. Defendants were also in a special position of confidence and trust on account of the long-standing business relationship between MRS and Defendants and because Defendants knew that MRS's business model depended on Defendants' continued willingness to sell loans to MRS. Defendants also had a duty to make full and accurate disclosures based on their partial or ambiguous statements regarding the nature and quality of the loans sold to Plaintiff MRS under the MLPA and Defendants' pervasive violations of federal, state and local consumer protection and loan servicing laws with respect in relation to those loans.

205. Plaintiff MRS reasonably and justifiably relied on Defendants' representations and non-disclosures as a result of its special relationship with Defendants.

206. Those representations and non-disclosures were material in that the nature and quality of the loans sold to Plaintiff MRS under the MLPA and Defendants' failure to service the loans significantly affected the value, collectability, and serviceability of the loans that Plaintiff MRS purchased through the MLPA.

207. As a direct and proximate result of Defendants' at least negligent conduct, Plaintiff MRS has incurred, and continues to incur, damages in an amount to be determined at trial.

NINTH CLAIM FOR RELIEF
(Defamation)

208. Plaintiffs repeat and reallege each of the allegations set forth in the preceding paragraphs of the Complaint as if set forth here in full.

209. Despite having sold certain loans to Plaintiffs, Defendants sent communications to borrowers of those loans informing the borrowers that their debt had been cancelled. Defendants also recorded lien releases on hundreds of loans that Defendants previously sold to Plaintiffs.

210. Because Defendants had sold the loans to Plaintiffs and are the sole parties in possession of all information concerning the loans in question, Defendants knew that when they made such statements, those statements would falsely convey that Plaintiffs were wrongfully attempting to collect on the loans in question.

211. Such communications were made with the knowledge that, because these loans had been sold to the Plaintiffs, statements concerning debt cancellation would be readily understood by the borrowers, already in communication with and receiving collection attempts from Plaintiffs, to refer to Plaintiffs, to dispute Plaintiffs' ownership of the loans, and to impugn bad faith onto Plaintiffs' efforts to collect on those loans.

212. Statements such as those in the debt cancellation communications falsely communicated that Plaintiffs had been wrongfully attempting to collect on debts that had been forgiven or on debts where Plaintiffs had no right to collect.

213. Communications suggesting that the Schneider Entities were attempting to collect on debts where the Plaintiffs had no cognizable interest, necessarily communicated to the borrowers and any other reader of the statement that the Plaintiffs' businesses lack credibility and basic integrity (as the statements falsely imply that the Plaintiffs have been collecting debts they do not own). Such statements malign the very nature of Plaintiffs' work and their integrity as collecting on loans one does not own is tantamount to theft.

214. Defendants have also falsely informed, and continue to inform falsely, borrowers in writing that Defendants own certain loans, even though Defendants had already sold those loans to Plaintiffs. Defendants have also falsely informed, and continue to inform falsely, borrowers that the collection agencies working for Defendants were the authorized agents for service of those loans.

215. These statements are false as Defendants had previously sold the loans at issue to Plaintiffs and do not have authority to release the associated liens.

216. Defendants, who either possessed or should have possessed knowledge of what loans had been sold to Plaintiffs nevertheless falsely communicated to borrowers that Defendants, not Plaintiffs had the right to collect on the loans at issue. Again, these statements necessarily communicate that Plaintiffs' businesses collect on debts they do not own, thus compromising Plaintiffs' fundamental integrity.

217. Furthermore, when faced with repercussions for their illegal collection practices, Defendants have falsely informed certain borrowers that their loans had been transferred to one or more of Plaintiffs when, in fact, none of Plaintiffs ever acquired those loans.

218. In making such statements, Defendants acted maliciously, recklessly, or in bad faith, or at the very least, Defendants made these statements recklessly and without regard to the truth or the consequences of their statements.

219. As a result of Defendants' false statements concerning debt cancellation, Plaintiffs' reputation has been damaged. Plaintiffs have been portrayed wrongfully as untrustworthy, predatory, and seeking to collect monies to which they are not entitled, when in fact Plaintiffs are entitled to collect. Plaintiffs have suffered great loss and damage in their business as a result of Defendants' false statements.

220. As a result of Defendants' false statements regarding loans Defendants had sold to Plaintiffs, borrowers have ceased payment to Plaintiffs on the loans at issue, demanded that payments made be returned, and threatened and/or taken legal action against Plaintiffs.

221. These lost payments and demands for the return of payments are the direct and proximate result of Defendants' statements to borrowers and have resulted in special damages to Plaintiff, in a manner that can and will be itemized and proven at trial. Similarly, Plaintiffs have incurred costs and suffered special damages in defending both threatened and pending legal actions, which were the consequence of Defendants' false statements.

222. A reasonably prudent person would or should anticipate that damage to Plaintiffs, the true owner of the loans at issue, will naturally flow from Defendants' false statements.

223. Further, as a result of Defendants' false statements that certain loans had been transferred to Plaintiffs, when in fact Plaintiffs never acquired those loans, complaints were

filed against Plaintiffs with state agencies, resulting in significant damages to and liability for Plaintiffs.

224. As a direct and proximate result of Defendants' conduct, Plaintiffs have incurred, and continue to incur, damages in an amount to be determined at trial.

225. As Defendants' false statements were made intentionally, willfully, wantonly, and maliciously, Plaintiffs are also entitled to punitive damages.

TENTH CLAIM FOR RELIEF
(Slander of Title)

226. Plaintiffs repeat and reallege each of the allegations set forth in the preceding paragraphs of the Complaint as if set forth here in full.

227. Defendants have disparaged title held by Plaintiffs to the loans that Plaintiffs purchased from Defendants by, among other things, (1) sending communications to borrowers of those loans falsely informing the borrowers that their debt had been cancelled, (2) recording lien releases on hundreds of loans that Defendants previously sold to Plaintiffs, and (3) falsely informing borrowers that Defendants own certain loans, even though Defendants had already sold those loans to Plaintiffs.

228. These statements and filings have cast doubt on the validity of Plaintiffs' title to the loans and have impaired Plaintiffs' ability to realize the value of the loans, including by preventing Plaintiffs from collecting payments from borrowers who received the false communications described above.

229. Defendants made these statements maliciously and with the intent to harm Plaintiffs, or at the very least, Defendants made these statements recklessly and without regard to the consequences of the statements.

230. Defendants' false statements were reasonably calculated to cause harm to Plaintiffs because Defendants knew that they had conveyed interest in these loans to Plaintiffs and would be harmed by statements suggesting that Plaintiffs did not in fact own the loans. By clouding Plaintiffs' title to the loans, Plaintiff is left unable to collect on the loans, or sell the loans, and is exposed to significant risk and liability as well as potential and actual litigation.

231. As a direct and proximate result of Defendants' false statements, borrowers have ceased payment to Plaintiffs on the loans at issue, demanded that payments made be returned, and threatened and/or taken legal action against Plaintiffs as a result of Plaintiffs' efforts to service the loans at issue. Thus, Plaintiffs have incurred and are incurring special damages flowing from its attempts to collect on loans that it rightfully owns in the amount of each payment refused as a consequence of Defendants' statements to borrowers, any lost sale of the loans rendered impossible by virtue of Defendants' statements, and any costs associated with potential and actual litigation, all of which can and will be specifically itemized at trial.

232. As a direct and proximate result of Defendants' conduct, Plaintiffs have incurred, and continue to incur, damages in an amount to be determined at trial.

ELEVENTH CLAIM FOR RELIEF
(Negligence)

233. Plaintiffs repeat and reallege each of the allegations set forth in the preceding paragraphs of the Complaint as if set forth here in full.

234. Apart from contractual duties, Defendants owed a common-law duty of care to Plaintiffs to exercise reasonable care and skill in performing Defendants' contract obligations.

235. Defendants also owed a duty of care to Plaintiffs by virtue of being in a special position of confidence and trust on account of the long-standing business relationship between Plaintiffs and Defendants and Plaintiffs' dependence on Chase for the viability of Plaintiffs' business model.

236. Defendants breached their duties towards Plaintiffs by, among other things, (1) sending communications to borrowers of those loans that Plaintiffs purchased from Defendants falsely informing the borrowers that their debt had been cancelled, (2) recording lien releases on hundreds of loans that Defendants previously sold to Plaintiffs, and (3) falsely informing borrowers that Defendants own certain loans, even though Defendants had already sold those loans to Plaintiffs.

237. Defendants' negligent conduct was morally culpable, or actuated by evil and reprehensible motives.

238. As a direct and proximate result of Defendants' conduct, Plaintiffs have incurred, and continue to incur, damages in an amount to be determined at trial.

239. As Defendants' negligence was wanton and malicious, Plaintiffs are also entitled to punitive damages.

TWELFTH CLAIM FOR RELIEF
(Civil RICO: 18 U.S.C. § 1962(c))

240. Plaintiffs repeat and reallege each of the allegations set forth in the preceding paragraphs of the Complaint as if set forth here in full.

241. At all relevant times, Plaintiffs were "persons" within the meaning of RICO, 18 U.S.C. § 1961(3) and Plaintiffs were each a "person injured in his or her business or property by reason of a violation of" RICO within the meaning of 18 U.S.C. § 1964(c).

242. At all relevant times, Defendants were "persons" within the meaning of RICO, 18 U.S.C. §§ 1961(3) and 1962(c) and were employed by or associated with an "enterprise" within the meaning of RICO, 18 U.S.C. §§ 1961(4).

243. The § 1962(c) enterprise is made up of each of the Defendants (JPMorgan, Chase Bank and Chase Home Finance), each of the Schneider Entities (MRS, 1st Fidelity and S&A), and the homeowners on the loans that Defendants sold to the Schneider Entities. The enterprise began in 2005, when S&A and 1st Fidelity began regularly purchasing defaulted residential mortgage loans from Chase Home Finance and then working closely with homeowners to establish payment plans that frequently enabled those homeowners to stay in their homes and rebuild their credit. Following execution of the MLPA, through which Chase Home Finance transferred a pool of loans represented to be first lien mortgages to MRS, MRS attempted to utilize the same strategy as S&A and 1st Fidelity, working closely with homeowners to establish sustainable payment plans. The function and purpose of the enterprise was to enable Defendants properly to unload defaulted mortgage loans, enable the Schneider Entities to build profitable servicing businesses with strong portfolios and high levels of recovery, and enable homeowners to rebuild their credit and stay in their homes. Following transfer of the loans at issue to one of the Schneider Entities, Defendants, through their representatives at Chase Home Finance, continued to provide support in the Schneider Entities' efforts to work out payment plans with borrowers. Until the cumulative effects of Defendants' fraud and other misconduct, including the predicate acts of mail and wire fraud and obstruction of justice, disrupted the enterprise's otherwise legitimate and mutually beneficial operation, the close association between the members of the enterprise enabled the parties to function as an on-going, continuous unit in order to accomplish successfully the enterprise's purpose. Indeed,

Defendants themselves have acknowledged this success. For example, Mr. Guerrero wrote in a January 2009 letter that "S&A Capital continues to exceed our expectations" and that many borrowers had contacted Chase regarding "the great experience that they have had with S&A Capital Partners."

244. At all relevant times, this enterprise was engaged in, and its activities affected, interstate and foreign commerce, within the meaning of RICO, 18 U.S.C. § 1962(c). Defendants JPMorgan, Chase Bank and Chase Home Finance are banking and financial services companies that do business across state lines. JPMorgan serves customers across the United States through the Defendant subsidiaries Chase Bank and Chase Home Finance. Chase Bank maintains more than 5,000 branches in 26 states, and Chase Home Finance offers mortgage-related services to customers in multiple states. Plaintiffs MRS, 1st Fidelity and S&A are Florida-based companies that also operate across state lines, owning and servicing loans to borrowers in multiple states. Borrowers are home purchasers located in multiple states whose loans were sold to Plaintiffs by Defendants. Through its operation and interactions between its members, the enterprise has engaged in, and affected, interstate commerce by using interstate mail and wires to arrange for the sale and transfer of loans, to solicit, make, and collect mortgage payments, negotiate payment terms, service loans and release mortgage liens. Defendants' interstate mail and wire fraud in conducting the affairs of the enterprise (together with Defendants' violations of 18 U.S.C. § 1503) gives rise to Plaintiffs' RICO claims under § 1962(c).

245. At all relevant times, Defendants conducted or participated, directly or indirectly, in the conduct of the enterprise's affairs through a "pattern of racketeering activity" within the meaning of RICO, 18 U.S.C. § 1961(5), in violation of RICO, 18 U.S.C. § 1962(c).

246. Specifically, at all relevant times, Defendants engaged in "racketeering activity" within the meaning of 18 U.S.C. § 1961(1) by engaging in the predicate acts of mail fraud (in violation of 18 U.S.C. § 1341), wire fraud (in violation of 18 U.S.C. § 1343), and obstruction of justice (in violation of 18 U.S.C. § 1503), which comprise Defendants' scheme to evade their legal obligations and liabilities with respect to (a) the proper servicing of federally related mortgages and (b) requirements under the Lender Settlements, conceal their violations, and pass on liability to Plaintiffs. Defendants each committed and/or aided and abetted the commission of two or more of these acts of racketeering activity.

247. The predicate acts include Defendants' use of interstate mail and wires to make myriad fraudulent misrepresentations, including, but not limited to, the following:

- Defendants' representative Eddie Guerrero's misrepresentation to Mr. Schneider in 2008 that the loans MRS would be acquiring were "closed end first lien residential mortgage loans" from which Defendants had decided to "walk away" based on a financial cost-benefit analysis (i.e., the value of the loans was below the costs associated with foreclosing on the loans), when in fact (a) Defendants were really seeking to transfer liabilities associated with these loans to an unsuspecting acquirer, and (b) Defendants actually intended to, and did, transfer deficiency claims, not first lien mortgages;

- Defendants' description of the loans listed in the November 2008 Data Tape, which Defendants sent to and discussed with Mr. Schneider in and around November 2008, as consisting of "first lien mortgages," when in fact the tape lacked sufficient information to make that assertion accurately and—based upon subsequent, painstaking inquiry by Mr. Schneider—most of the loans on the tape turned out to be deficiency claims, not first lien mortgages;

- Defendants' delivery of the "Corrupted List" to Mr. Schneider in February 2009, which Defendants depicted as an updated schedule of the loans MRS was acquiring, but in fact was materially incomplete, and was designed to lure Mr. Schneider into falsely believing that Defendants had transferred the first lien mortgages to which MRS was entitled;

- Defendants' claims in and around March of 2009 that the reason why the November 2008 and Corrupted List were deficient was related to logistical delays associated with converting information from Washington Mutual's system, when in fact the informational failures resulted from Defendants' abandonment of servicing obligations with respect to those and other loans in the RCV1 database;

- Defendants' representations, including in the MLPA, that the mortgage loans being acquired by MRS were in compliance with all federal, state and local laws, when in fact Defendants had abandoned all of its servicing obligations with respect to those loans;

- Defendants' December 2009 e-mail to MRS, which purported to include an additional 850 loans in the portfolio that had been sold to MRS, when in fact Defendants were referencing loans that were not included on the November 2008 data tape for which Defendants were seeking to transfer liability to MRS;

- Defendants' September 2012 mailing of debt Forgiveness Letters to thousands of defaulted borrowers whose loans were in the RCV1 database, which falsely represented to the recipients that Chase was cancelling the amount owed by the homeowner and that the homeowner "owe[s] nothing more on the loan and your debt will be canceled" – statements that were false at least with respect to those loans that had been transferred to the Schneider Entities, and for which Defendants were not authorized to forgive the debt;

- Defendants' communications through mail and/or wire to release liens on property associated with loans sold to the Schneider Entities (examples include: (a) Defendants' execution in October 2013, and recording in December 2013, of a release on Loan number 167446, which had been held by borrower Ray Robert Brazelle and was acquired by MRS, and (b) Defendants' execution and recording in November 2013, of a release on loan number 20040177974, held by Barbaros Ayaz and M. Ayaz, which had been sold to MRS);

- Defendants' use of wire to implement the Pre DOJ Lien Release Project; and

- Defendants' ongoing misrepresentation in the WAMU agreement, dated September 25, 2008, transmitted or delivered by wire or mail, that Chase is not "in violation of any statute, regulation, order, decision, judgment or decree of, or any restriction imposed by, the United States of America, and State, municipality or other political subdivision or agency of any of the foregoing, or any court or other tribunal having jurisdiction over [Chase] … with respect to the conduct of the business of [Chase or the ownership of the properties of [Chase], which, either individually or in the aggregate with all other such violations, would materially and adversely affect the business, operations or condition of [Chase] or the ability of [Chase] to perform, satisfy or observe any obligation or condition under this Agreement."

248. The acts of racketeering activity referred to in the previous paragraph constituted a "pattern of racketeering activity" within the meaning of 18 U.S.C. § 1961(5). The

predicate acts are part of a larger effort by Defendants to relieve themselves of their legal obligations and liabilities and to conceal their improper receipt of credit under, inter alia, applicable law and the Lender Settlements, by defrauding the Schneider Entities and making misrepresentations to homeowners. Defendants regularly and repeatedly used interstate mail and wires, together with obstruction of justice (including relative to the enforcement of the Lender Settlements) to transmit fraudulent communications in furtherance of this scheme. The acts alleged were related to each other by virtue of common participants, common victims, a common method of commission, and the common purpose and common result of evading Defendants' obligations and liabilities with respect to the proper servicing of federally related mortgages and under the Lender Settlements, while concealing Defendants' non-compliance and passing on Defendants' liabilities to Plaintiffs.

249. As a direct result of Defendants' violation of 18 U.S.C. § 1962(c), Plaintiffs have incurred, and continue to incur, damages in an amount to be determined at trial. The destruction of the Schneider Entities' businesses, the expenses and liability incurred by the Schneider Entities, and the loss of revenue from and impairment of the value of the loans that Defendants sold to the Schneider Entities are directly caused by Defendants' use of interstate mail and wires to (1) perpetrate the frauds in connection with the MLPA, (2) fraudulently evade their liabilities occasioned by their mishandling of loans in the RCV1, and (3) fraudulently evade their obligations, and claim wrongful credit, under the Lender Settlements, including by carrying out the Alternative Foreclosure Program, mailing wrongful Forgiveness Letters and issuing lien releases. The specific causal relationships between Plaintiffs' injury and Defendants' acts of mail and wire fraud and violation of 18 U.S.C. § 1962(c) include the following:

- Plaintiffs have lost the benefit of the bargain under loans purchased from Defendants as a result of Defendants' approval short sales on properties subject to loans sold to the Schneider Entities.

- Plaintiffs have lost revenue from borrowers who cease making payments, or dispute the Schneider Entities' right to collect payments or initiate foreclosure proceeding, after the borrowers received Forgiveness Letters from or had liens on the subject properties improperly released by Defendants.

- Plaintiffs have lost revenue because Defendants sent correspondence to borrowers of loans sold to the Schneider Entities misrepresenting that Defendants or the collection agency owned the loan at issue and/or was the authorized servicer for the loans at issue and that the borrowers should make payments to Defendants.

- Plaintiffs have lost revenue as a result of Defendants' wrongful retention of payments on loans that Defendants sold to the Schneider Entities.

- Defendants' acts of mail and wire fraud have harmed Plaintiffs' reputation and relationship with borrowers, resulting in the destruction of Plaintiffs' successful business model, which converted non-performing loans into sustainable payment plans that provided substantial streams of income to the Schneider Entities while enabling many borrowers to keep their homes.

- Defendants' acts of mail and wire fraud have exposed Plaintiffs to legal liability for Defendants' failure to deter community blight, comply with consumer protection laws and otherwise fulfill their servicing obligations, the scope of which is not yet ascertainable.

250. Pursuant to RICO, 18 U.S.C. § 1964(c), Plaintiffs are entitled to recover threefold their damages plus costs and attorneys' fees from Defendants.

<u>THIRTEENTH CLAIM FOR RELIEF</u>
(Consumer Fraud Act: N.J.S.A. § 56:8-1 et seq.)

251. Plaintiffs repeat and reallege each of the allegations set forth in the preceding paragraphs of the Complaint as if set forth here in full.

252. At all times stated, Plaintiffs and Defendants were persons within the meaning of N.J.S.A. § 56:8-1(d).

253. At all times stated, Defendants were engaged in “the sale or advertisement of any merchandise or real estate” within the meaning of N.J.S.A. § 56:8-1 *et seq*. by offering and selling mortgage loans to the Plaintiffs.

254. At all times stated, Defendants acted unlawfully and used unconscionable commercial practices, deception, fraud, false pretenses, false promises and misrepresentations, and knowingly concealed, suppressed and omitted material facts with the intent that Plaintiffs rely on such facts in purchasing mortgage loans in violation of N.J.S.A. § 56:8-2.

255. As a result of Defendants’ violations of N.J.S.A. § 56:8-1 *et seq*. regarding loans Defendants had sold to Plaintiffs, Plaintiffs have expended sums of money and suffered ascertainable losses, including that borrowers have ceased payment to Plaintiffs on the loans at issue, demanded that payments made be returned, and threatened and/or taken legal action against Plaintiffs Further, Plaintiffs have also suffered significant reputational harm and increased liability based on Defendants’ violations.

256. As a direct and proximate result of Defendants’ violations of N.J.S.A. § 56:8-1 *et seq*., Plaintiffs have incurred, and continue to incur, damages in an amount to be determined at trial.

257. Pursuant to N.J.S.A. § 56:8-19, Plaintiffs are entitled to recover threefold their damages plus filling fees, costs, and attorneys’ fees from Defendants.

FOURTEENTH CLAIM FOR RELIEF
(Successor Liability of JPMorgan Chase Bank, N.A. for Acts of Chase Home Finance, LLC)

258. Plaintiffs repeat and reallege each of the allegations set forth in the preceding paragraphs of the Complaint as if set forth here in full.

259. Effective May 1, 2011, Chase Home Finance merged into JPMorgan Chase Bank, and JPMorgan Chase Bank is now the owner and servicer of the residential mortgage loans previously held by Chase Home Finance.

260. By reason of Chase Home Finance's merger into JPMorgan Chase Bank, JPMorgan Chase Bank is liable for the acts of Chase Home Finance, LLC that caused injury to Plaintiffs.

261. Accordingly, JPMorgan Chase Bank is liable to Plaintiffs for all the damages incurred by Plaintiffs as a result of the conduct of Chase Home Finance, as described in the preceding claims for relief.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs respectfully request judgment in their favor and against Defendants, as follows:

(a) On the First Cause of Action, awarding to Plaintiffs compensatory and consequential damages in an amount to be determined at trial;

(b) On the Second Cause of Action, awarding to Plaintiffs compensatory and consequential damages in an amount to be determined at trial;

(c) On the Third Cause of Action, awarding to Plaintiffs injunctive relief and compensatory, consequential, special, and punitive damages in an amount to be determined at trial;

(d) On the Fourth Cause of Action, awarding to Plaintiffs compensatory and consequential damages in an amount to be determined at trial;

(e) On the Fifth Cause of Action, awarding to Plaintiffs compensatory and consequential damages in an amount to be determined at trial;

(f) On the Sixth Cause of Action, awarding to Plaintiffs injunctive relief and compensatory, consequential, and punitive damages in an amount to be determined at trial;

(g) On the Seventh Cause of Action, awarding to Plaintiffs injunctive relief, compensatory, consequential, and punitive damages in an amount to be determined at trial;

(h) On the Eighth Cause of Action, awarding to Plaintiffs compensatory and consequential damages in an amount to be determined at trial;

(i) On the Ninth Cause of Action, awarding to Plaintiffs compensatory, consequential, special, and punitive damages in an amount to be determined at trial;

(j) On the Tenth Cause of Action, awarding to Plaintiffs compensatory, consequential, and special damages in an amount to be determined at trial;

(k) On the Eleventh Cause of Action, awarding to Plaintiffs compensatory, consequential and punitive damages in an amount to be determined at trial;

(l) On the Twelfth Cause of Action, awarding to Plaintiffs threefold their compensatory and consequential damages in an amount to be determined at trial;

(m) On the Thirteenth Cause of Action, awarding to Plaintiffs injunctive relief and threefold their compensatory and consequential damages in an amount to be determined at trial;

(n) On the Fourteenth Cause of Action, declaring JPMorgan Chase Bank, N.A. liable to Plaintiffs for the damages incurred by Plaintiffs as a result of the conduct of Chase Home Finance, LLC;

(o) Restraining and enjoining each Defendant and its respective officers, directors, employees, agents, successors, and assigns, from (1) releasing or discharging liens on properties that serve as collateral for loans Defendants have sold to the Schneider Entities and which Plaintiffs rightfully own, (2) recording any release or discharge of such liens or (3) discharging or otherwise declaring to be satisfied any such loans;

(p) Restraining and enjoining each Defendant and its respective officers, directors, employees, agents, successors, and assigns, from releasing any liens, discharging any debts or otherwise taking any action in furtherance of what any Defendant identifies as the "Alternative Foreclosure Program" that any Defendant or any affiliate of them has implemented or otherwise effectuated;

(q) Restraining and enjoining each Defendant and its respective officers, directors, employees, agents, successors, and assigns, from interfering with or in any way impeding Plaintiffs' exercise of their rights and remedies pursuant to Defendants' sale of the mortgage loans at issue to Plaintiffs (including, without limitation, pursuant to the Mortgage Loan Purchase Agreement between Defendants and MRS, the Master Mortgage Loan Sale Agreement between Defendants and S&A, and the individual note sale agreements between Defendants and 1st Fidelity), including without limitation Plaintiff's rights to collect payments on the loans at issue, obtain access to and to take immediate possession of the properties that serve as collateral for the loans Defendants have sold to Plaintiffs, and sell the collateral properties in any legally permissible manner;

(r) Ordering Defendants to execute and deliver to Plaintiffs all records evidencing the assignment of, or otherwise relating to the servicing or administration of, the mortgage loans at issue to Plaintiffs (including, without limitation, the Mortgage Loan Purchase

Agreement between Defendants and MRS, the Master Mortgage Loan Sale Agreement between Defendants and S&A, and the individual note sale agreements between Defendants and 1st Fidelity), including without limitation all such records as might reasonably be expected to permit MRS to identify the name, address and other pertinent contact information for each borrower and other obligor with respect to each mortgage loan sold pursuant to the MLPA;

(s) Awarding to Plaintiffs all attorneys' fees, costs, and disbursements incurred by them in connection with this action; and

(t) Awarding to Plaintiffs such other or further relief, as the Court may deem just and proper.

Dated: New York, New York
March 31, 2015

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