

Annex 3

Tax Payments on Consumer Relief for Homeowners

In accordance with Paragraph 2 (“Consumer Relief”) of the Settlement Agreement between Bank of America Corporation, Bank of America, N.A., and Banc of America Mortgage Securities (collectively, “Bank of America”) and the United States, the States of California, Delaware, Illinois, Maryland, and New York, and the Commonwealth of Kentucky, Bank of America shall pay or cause to be paid into the Tax Relief Payment Account the Total Tax Relief Payment Amount in respect of potential tax liabilities arising from the consumer relief it is providing under Annex 2. The Total Tax Relief Payment Amount shall be distributed as set forth in this Annex 3.

In anticipation that consumer relief provided by Bank of America under Menu Items 1.A, 1.B, 1.D, 1.E, or 3.A of Annex 2 may result in the recipient of such consumer relief receiving income from discharge of indebtedness pursuant to section 61(a)(12) of the Internal Revenue Code, 26 U.S.C. § 61(a)(12), or any successor or subsequent provision of the Internal Revenue Code, the Monitor shall pay an amount set forth below from the Tax Relief Payment Account on behalf of such recipient in respect of a portion of the recipient’s potential federal income tax liability associated with the income from discharge of indebtedness (the “Tax Relief Payment”).

The Monitor will pay such amount to the Internal Revenue Service (“IRS”) as an estimated payment of tax for the account of the recipient of the consumer relief as provided for herein. In accordance with Paragraph 2 of the Settlement Agreement, once Bank of America has deposited the Total Tax Relief Payment Amount into the Tax Relief Payment Account, all aspects of the Tax Relief Payments therefrom shall be handled by the Monitor provided for herein and shall not be the responsibility of Bank of America.

1. Notice to Monitor

Until the earlier of: (1) August 31, 2018; (2) when the Tax Relief Payments equal to the Total Tax Relief Payment Amount; or (3) when any extension to the Mortgage Forgiveness Debt Relief Act of 2007 or its equivalent becomes effective through the end of 2015, for any consumer relief provided by Bank of America under Annex 2 that is expected to be reported as discharge of indebtedness income on IRS Form 1099-C, and as to which Bank of America expects to seek Credit under Annex 2 of this Agreement, Bank of America will provide monthly notice to the Monitor of the modifications and other actions completed¹ within that month by no later than 10 days following the last calendar day of the month for which notice is being provided.² Notwithstanding the foregoing, for

¹ For purposes of this Annex 3, a modification under Menu Item 1.A shall be deemed “completed” on the first payment date for the completed modification. For purposes of this Annex 3, principal forgiveness of forbearance under Menu Item 1.B, extinguishment of second liens, junior liens, or unsecured mortgage debt under Menu Items 1.D or 1.E, and forgiveness of principal associated with a property where foreclosure is not pursued and liens are released under Menu Item 3.A shall be deemed “completed” 90 days after Bank of America communicates the action to the borrower, unless the borrower elects to opt-out of the action within that 90-day period.

² The Monitor and Bank of America will agree in good faith to a reasonable monthly reporting schedule for loans in subservicing, it being understood that Bank of America may require additional time to provide notice to the Monitor for modifications completed by subservicers.

modifications under Menu Item 1.A that are expected to be completed within calendar year 2014, Bank of America will provide the Monitor with the status of any such modifications that are in the trial period as soon as practicable, and will provide notice to the Monitor of completion of those modifications as soon as practicable after completion.

Until the earlier of: (1) August 31, 2018; (2) or when the Tax Relief Payments equal to the Total Tax Relief Payment Amount; or (3) when any extension to the Mortgage Forgiveness Debt Relief Act of 2007 or its equivalent becomes effective through the end of 2015, for principal forgiveness of forbearance under Menu Item 1.B, extinguishment of second liens, junior liens, or unsecured mortgage debt under Menu Items 1.D or 1.E, and forgiveness of principal associated with a property where foreclosure is not pursued and liens are released under Menu Item 3.A, Bank of America will also provide notice to the Monitor within 10 days of Bank of America's communication of the action to the borrower for purposes of the Monitor's additional tax disclosure to the borrower. In all instances, notice to the Monitor shall include the name of the borrower, Social Security Number or taxpayer ID number of borrower, current contact information for the borrower, and a present estimate of the amount of relief being provided.

In the event that Bank of America is unable to provide timely notice to the Monitor despite using its best efforts (as confirmed by the Monitor), the Monitor shall provide Bank of America with flexibility on the timing of its Notices to the Monitor.

2. Determination of Tax Relief Payment

For the consumer relief provided by Bank of America under Annex 2 that is expected to be reported as discharge of indebtedness income on IRS Form 1099-C, the Monitor shall calculate the consumer's Tax Relief Payment as the smaller of:

- (1) 25% of the amount reportable as income from discharge of indebtedness on the IRS Form 1099-C; or
- (2) \$25,000.

The Monitor may revisit the figures set forth in this paragraph 2 on a quarterly basis and adjust either the percentage under subparagraph (1) and/or the dollar amount under subparagraph (2) as appropriate in light of the amount of Tax Relief Payments made and the likely remaining tax liability for consumers receiving consumer relief from Bank of America under Annex 2.

3. Payment of the Tax Relief Payment

The Monitor will make the Tax Relief Payments in accordance with the appropriate IRS procedures. This Annex 3 does not create any third-party rights on behalf of consumers.

4. Reporting of the Tax Relief Payment

The Monitor shall publicly report the amounts of the Tax Relief Payments quarterly as set forth in Annex 2.

5. Payment of Any Remainder

The Monitor shall make Tax Relief Payments to the IRS for the accounts of consumers until the earlier of: (1) August 31, 2018; (2) or when the Tax Relief Payments equal to the Total Tax Relief Payment Amount; or (3) when any extension to the Mortgage Forgiveness Debt Relief Act of 2007 or its equivalent becomes effective through the end of 2015. If, at that time, the Monitor determines that the total of the Tax Relief Payments made under the Settlement Agreement and this Annex is less than the Total Tax Relief Payment Amount (the difference between the Total Tax Relief Payment Amount and the total Tax Relief Payments is defined as the “Surplus”), the Monitor shall pay (i) an amount equal to 25% of the Surplus to Neighborworks America, to provide housing counseling, neighborhood stabilization, foreclosure prevention or similar programs, and (ii) an amount equal to 75% of the Surplus to state-based Interest on Lawyers’ Trust Account (IOLTA) organizations (or other statewide bar association affiliated intermediaries) that provide funds to legal aid organizations to be used for foreclosure prevention legal assistance and community redevelopment assistance.³

³ For purposes of the 75% Surplus payment to state-based Interest on Lawyers’ Trust Account (IOLTA) organizations (or other statewide bar association affiliated intermediaries), to the extent practicable, a minimum amount of \$200,000 will be provided to the IOLTA or other eligible organization in each jurisdiction, with all remaining Surplus to be distributed pro rata among all jurisdictions based on poverty population data, in the manner employed for funding distribution by the Legal Services Corporation based on data collected by the U.S. Census Bureau.