

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (“MOU”) is made and entered into as of this 25th day of September 2019 (the “Effective Date”), by and between Ditech Financial LLC (“the Company”) and the Executive Office for United States Trustees (the “EOUST”), a component within the Department of Justice. The EOUST and the Company (collectively, the “Parties”) have held numerous discussions and meetings dating back to mid-2014 regarding issues concerning the Company’s historical Mortgage Loan practices for Borrowers in Bankruptcy Cases. This MOU is the culmination of those discussions and is intended to set forth a summary of the mutual understanding between the Parties.

I. Definitions

Capitalized terms used in this MOU but not defined in this section are defined elsewhere in the MOU or the Appendices.

“Advances” shall mean fees, expenses or charges assessed against the Borrower’s account during a Bankruptcy Case.

“APOC” shall mean an Amended Proof of Claim.

“Bankruptcy Case” shall mean a case filed under Chapter 13 of Title 11 of the United States Code.

“Bankruptcy Code” shall mean Title 11 of the United States Code.

“Bankruptcy Documents” shall mean PCNs, POCs, APOCs, and NPFCs, as those terms are defined herein.

“Bankruptcy Rule(s)” shall mean the Federal Rules of Bankruptcy Procedure.

“Borrower” shall mean an individual, or his or her authorized agent or attorney, who has or had a Mortgage Loan account serviced by the Company.

“Covered Practices” shall mean and include LMA Practices, Escrow Practices, and Advances Practices, each as defined herein. For the avoidance of doubt, the Covered Practices do not include: (1) the review, preparation, signing and filing of PCNs or the lack of filing of PCNs, or (2) the origination and servicing of reverse mortgages.

“CTO” shall mean the Company’s Compliance Testing Operations division, which is independent of the line of business that performed the LMA Remediation, Escrow Remediation and Advances Remediation.

“Escrow Account” shall mean an account that the Company establishes in connection with a Mortgage Loan for the receipt of Borrower escrow payments and disbursements of taxes, insurance, and/or other assessments on a Borrower’s behalf.

“Investor” shall mean an entity that owns a Mortgage Loan serviced or subserviced by the Company.

“Loan Modification” shall mean an agreement to change existing loan terms in response to a Borrower’s long-term inability to repay the loan. A Loan Modification typically involves a trial payment plan followed by a reduction of the interest rate, an extension of the term of the loan, a change in the type of loan (e.g., adjustable rate to fixed rate), or any combination thereof.

“LMA Reviews” shall mean the individual file reviews and recommendations made by the Vendor regarding the LMA Remediation.

“Motion for Approval” shall mean a motion filed with the bankruptcy court to approve a Loan Modification.

“Mortgage Loan” shall mean any forward federally related mortgage loan, as that term is defined in 12 C.F.R. § 1024.2, or other credit agreement related to a loan secured by residential property that is not federally related. Further, as used herein, the term Mortgage Loan shall refer to a loan that is or was in a Bankruptcy Case.

“NPFC” shall mean a Notice of Post-Petition Fees, Expenses, and Charges required to be filed and served pursuant to Bankruptcy Rule 3002.1.

“PCN” shall mean a Notice of Mortgage Payment Change required to be filed and served pursuant to Bankruptcy Rule 3002.1.

“POC” shall mean a Proof of Claim required to be filed and served pursuant to Bankruptcy Rules 3001 and 3002.

“Reconciliation” shall mean a review, at or around the time of discharge or prior to filing a motion for relief from the automatic stay, of the Borrower’s account to verify that, among other things, all fees, expenses or charges assessed against the Borrower’s account during a Bankruptcy Case were noticed in accordance with the Bankruptcy Rules and were collectible in accordance with the Bankruptcy Code and Rules or were waived from the account.

“Remediation Populations” shall mean and include the LMA Remediation Population, Escrow Remediation Population, and Advances Remediation Population, each as defined herein.

“Streamlined Loan Modifications” shall mean Loan Modifications that do not require a Borrower to submit a financial application, but rather a servicer identifies a pool of eligible Borrowers, as determined by criteria established by the Investor, and sends a solicitation letter to each eligible Borrower.

“Unnoticed Advances” shall mean Advances that are not noticed in accordance with Bankruptcy Rules 3001, 3002 and 3002.1, or allowed by court order.

“USTP” shall mean, collectively, the EOUST and the United States Trustees and Acting United States Trustees for Regions 1 through 21.

“Vendor” shall mean the third party consultant engaged by the Company to assist in the development and execution of the LMA Reviews.

II. Loan Modifications for Accounts in Bankruptcy

A. Statement of Facts

The Company represents that the following facts are accurate to the best of its knowledge and belief:

Between approximately August 2011 and the end of September 2015, the Company regularly completed Loan Modifications for Borrowers in Bankruptcy Cases, including Streamlined Loan Modifications between June 9, 2013 and September 7, 2014.

Historically, the Company or a prior servicer did not consistently seek approval and provide notice to bankruptcy courts through either a Motion for Approval, APOC, and/or PCN when a Borrower in an active Bankruptcy Case entered into a Loan Modification. As a result, in certain instances, the Company continued to accept monthly mortgage payments at the (typically higher) pre-modification amount as well as arrearage payments even though such arrearages had been capitalized. These issues were complicated by the nature of Streamlined Loan Modifications, where the review of the account for bankruptcy status was not typically conducted prior to Loan Modification solicitation. Not all Mortgage Loans modified by the Company in Bankruptcy Cases were missing court approval or notice and nothing herein should be construed to imply that such issues apply to all Loan Modifications.

Additionally, the Company sometimes calculated amounts to be capitalized in Loan Modifications without determining whether any fees and/or costs to be capitalized were properly noticed in accordance with Bankruptcy Rules 3001, 3002 or 3002.1, or were allowed by court order. Neither was such a determination made following the completion of the Loan Modification. Not all Mortgage Loans modified by the Company in Bankruptcy Cases had unnoticed fees and/or costs capitalized, and nothing should be construed herein as to unnoticed fees and/or costs capitalized to apply to all Loan Modifications.

The practices described directly above are collectively defined as the “**LMA Practices.**”

B. Population & Remediation

The Company has undertaken corrective action as described in Appendix 1¹ to address the LMA Practices. Such corrective actions are referred to as the “**LMA Remediation.**” To determine the population eligible for LMA Remediation, the Company identified Mortgage Loans according to the criteria described in Appendix 1. This population is the “**LMA Remediation Population.**”

The final in-scope LMA Remediation Population is comprised of 2,731 Loans. The final LMA Remediation consisted of:

¹ Appendices 1-3 reflect the Company’s representations as to the corrective action and remediation undertaken with respect to the Covered Practices in keeping with the requirements of the MOU.

- approximately \$3.86M in account adjustments; and
- approximately \$5.75M in overpayments identified, some of which were returned to Chapter 13 trustees and/or Borrowers. The balance of identified overpayments remained on Borrowers' Mortgage Loan accounts.

C. Operational Enhancements

The Company implemented a number of operational enhancements to address the LMA Practices. In particular, the Company has:

- as of September 7, 2014, ceased the practice of sending solicitation letters for Streamlined Loan Modifications to Borrowers in a Bankruptcy Case;
- enhanced its practices to ensure that only fees and costs properly noticed in accordance with Bankruptcy Rules 3001, 3002 and 3002.1, or allowed by court order, will be assessed and/or capitalized into Loan Modifications that occur during Bankruptcy Cases. These enhanced processes and procedures also ensure that all accounts are reviewed at certain milestones such as following the implementation of the Loan Modification and discharge for any unnoticed capitalized fees or costs;
- appointed a designated bankruptcy liaison to coordinate loss mitigation efforts for bankruptcy accounts and facilitate communication between the loss mitigation and bankruptcy departments regarding bankruptcy Loan Modification issues; and
- enhanced its policies and procedures for the preparation and filing of Bankruptcy Documents related to Loan Modifications, including a more robust reporting mechanism so that the reports make clear that, at a minimum: (i) Motions for Approval, PCNs, and/or APOCs are appropriately and timely filed in Bankruptcy Cases in which the Company enters into a Loan Modification with a Borrower as may be required by a particular jurisdiction;² and (ii) there is a process for escalating and resolving issues about a proposed pleading to management as necessary.

The operational enhancements described above were implemented by the Company on or before the third quarter of 2017.

III. Escrow

A. Statement of Facts

The Company represents that the following facts are accurate to the best of its knowledge and belief:

With respect to Bankruptcy Cases filed before January 1, 2015, the Company historically did not always run annual escrow analyses for certain Mortgage Loan accounts for Borrowers in

² Requirements regarding the approval of the Loan Modification may differ based on jurisdictional practice or rules. For example, some jurisdictions may require the Borrower to file a Motion to Approve the Loan Modification.

Bankruptcy Cases,³ as a result of the Company’s understanding of the federal regulatory requirements for accounts in bankruptcy, and the functionality of the Company’s escrow analysis automation. Not all Mortgage Loan accounts in bankruptcy had missing annual escrow analyses and nothing herein should be construed to imply that such issues apply to all Mortgage Loan accounts in bankruptcy (the “**Escrow Practices**”).

Even where the Company did not conduct an escrow analysis for each twelve month period that a Mortgage Loan account was in active bankruptcy (the “**Escrow Cycle**”), it made the required disbursements to third parties for taxes, insurance or other assessments for the benefit of Borrowers, as well as in the interest of the Investor(s).

B. Population & Remediation

The Company has undertaken corrective action as described in Appendix 2 to address the Escrow Practices. Such corrective actions are referred to as the “**Escrow Remediation.**” To determine the population eligible for Escrow Remediation, the Company identified Mortgage Loans according to the criteria described in Appendix 2. This population is the “**Escrow Remediation Population.**”

The final in-scope Escrow Remediation Population is comprised of 13,774 Mortgage Loans. The final Escrow Remediation consisted of approximately \$23.98M million in credits to escrow accounts or refunds to Borrowers.

C. Operational Enhancements

The Company has implemented a number of operational enhancements to address the Escrow Practices. In particular, the Company has:

- established a requirement that escrow analyses be run annually for Mortgage Loans in Bankruptcy Cases unless an exception applies;
- established a requirement for PCNs to be filed for such escrow analyses;
- established control processes and reporting mechanisms to identify any Mortgage Loans in Bankruptcy Cases with an Escrow Account that have not had an escrow analysis run for each Escrow Cycle, and to complete analyses for such Mortgage Loans unless an exception applies; and
- implemented various technological enhancements to further enhance its escrow process.

The operational enhancements described above were implemented by the Company on or before the fourth quarter of 2016.

³ Because an escrow analysis was not conducted, the Borrower’s monthly escrow payment amount did not change on the Company’s system of record.

IV. Unnoticed Advances

A. Statement of Facts

The Company represents that the following facts are accurate to the best of its knowledge and belief:

Prior to the fourth quarter of 2016, the Company had inconsistent legacy practices for noticing Advances during a Bankruptcy Case in accordance with Bankruptcy Rule 3002.1(c). Additionally, upon the account review following the Borrower's discharge, or prior to filing a POC in a subsequent Bankruptcy Case, the Company did not always consistently review and remove previously unnoticed fees and costs. These inconsistencies were largely caused by the fact that the Company's historical reporting did not adequately identify instances when Advances were assessed to a Mortgage Loan account that was in an active Bankruptcy Case such that a NPFC could be timely filed with the bankruptcy court. The practices described directly above are collectively defined as the "**Advances Practices.**" Not all Mortgage Loans had unnoticed Advances related to a Bankruptcy Case or had unnoticed Advances related to a Bankruptcy Case that were not timely removed from the borrower's account and nothing herein should be construed to imply such issues apply to all Mortgage Loans.

B. Population & Remediation

The Company has undertaken corrective action as described in Appendix 3 to address the Advances Practices. Such corrective actions are referred to as the "**Advances Remediation.**" To determine the population eligible for Advances Remediation, the Company identified Mortgage Loans according to the criteria described in Appendix 3. This population is the "**Advances Remediation Population.**"

The final in-scope Advances Remediation Population is comprised of 785 Mortgage Loans. The final Advances Remediation comprised of approximately \$.90M in waivers and refunds to Borrowers.

C. Operational Enhancements

The Company has implemented a number of operational enhancements to address the Advances Practices. In particular, the Company has:

- established a team within the bankruptcy department with the responsibility of preparing, reviewing, and filing NPFCs;
- adopted or enhanced checklists to assist in the preparation of and quality control review of NPFCs as they relate to Advances in order to ensure compliance with the requirements of the Bankruptcy Code and Bankruptcy Rules;
- established a procedure by which, when performing a Reconciliation of an account for a Borrower in a Bankruptcy Case, all Unnoticed Advances will be waived from the Borrower's account in accordance with the Bankruptcy Rules; and

- established a procedure by which, when preparing a POC, bankruptcy representatives will review the Mortgage Loan for Unnoticed Advances from a previous, discharged Bankruptcy Case that remain on the account or were previously paid, and will waive or credit, as appropriate, any such Unnoticed Advances before a POC is filed in a subsequent Bankruptcy Case.

The operational enhancements described above were implemented by the Company on or before fourth quarter of 2016.

V. Company Validation Assurances

A. Validation Processes and Reporting

The Company has completed a review and validation of the LMA Remediation, Escrow Remediation and Advances Remediation undertaken pursuant to the MOU. The Company represents that it utilized the CTO to independently review the population approach, review the remediation via a statistically valid sampling of Mortgage Loans in the Remediation Populations and confirm the Operational Enhancements via review of present day policies and procedures (the “Validation Assurances”).⁴ The CTO provided a written summary of its findings to the Company that detailed the background of the review, the population approach, the sampling methodology, and the review’s conclusions for the LMA Remediation, Escrow Remediation and Advances Remediation (the “Summary”) and the Company will provide a copy of the Summary to the USTP within 15 business days of the Effective Date. Supporting materials related to the Summary will include policies and procedures, test scripts, and example work papers (the “CTO Materials”). The USTP shall have an opportunity to review the Summary and CTO Materials.

Following Ditech’s submission of the Summary and CTO Materials, the USTP shall have 45 days (or as otherwise agreed upon between the Parties) to submit questions, concerns or otherwise respond to the Validation Assurances and results set forth in the Summary and CTO Materials. Such matters shall be submitted to the Company in writing. If the USTP does not raise issues or otherwise respond as set forth in this provision, the Company shall have no further obligations under the MOU.

If the USTP submits questions, concerns or otherwise responds to the Validation Assurances and the results set forth in the Summary and CTO Materials, the Company shall submit a response to the USTP within 45 days (or as otherwise agreed upon between the Parties) in writing. If the Company’s response thereto is satisfactory to the USTP, then the Company shall have no further obligations under the MOU. As set forth herein, the Parties agree to work in good faith informally to resolve any disputes arising in connection with the Validation Assurances.

B. Access to Information and Confidential Information

Upon reasonable notice to be made within 90 days of Ditech’s submission of the Summary and CTO Materials (or as otherwise agreed upon between the Parties), the Company shall permit the USTP to inspect and copy non-privileged records pertinent to this MOU. The Company, if appropriate, may designate documents, information, or portions of a document or other tangible

⁴ The Company has engaged a Vendor to assist in the LMA Review, LMA Remediation and validation.

thing (except this MOU, the Appendices, and the Summary) provided by the Company to the USTP, which the Company asserts contains a trade secret or confidential research, development, or commercial information subject to protection under applicable state or federal laws as Confidential (collectively, “Confidential Information”).

The USTP agrees to protect Confidential Information to the extent permitted by law. However, this agreement shall not prevent or in any way limit the ability of USTP to comply with any subpoena, Congressional demand for documents or information, court order, request under the Right to Financial Privacy Act, or a public records or a Freedom of Information Act request; provided, however, that in the event that USTP receives such a subpoena, Congressional demand, court order or other request for the production of any Confidential Information covered by this MOU, the USTP shall, unless prohibited under applicable law or unless the USTP would violate or be in contempt of the subpoena, Congressional demand, or court order, (1) notify⁵ the Company of such request as soon as practicable and in no event more than ten (10) calendar days of its receipt or three (3) calendar days before the return date of the request, whichever is sooner, and (2) allow the Company ten (10) calendar days from the receipt of the notice to obtain a protective order or stay of production for the documents or information sought, or to otherwise resolve the issue, before the USTP discloses such documents or information. In all cases covered by this provision, the USTP shall inform the requesting party that the documents or information sought were produced subject to the terms of the MOU and these requirements.

VI. USTP Actions

For the purposes of this section, the “Company” includes the Company and any affiliated entity⁶ and any of their respective successors or assigns, as well as any current or former director, current or former officer, and current or former employee of any of the foregoing, individually and collectively, and shall specifically include any third-party that may purchase the servicing rights to the Remediation Populations referenced herein through the asset sales process in the Bankruptcy Court for the Southern District of New York in *In re Ditech Holding Corporation, et al.*, Case No. 19-10412.

Upon execution of this MOU, the USTP will take such steps as may be reasonably necessary to fully and finally withdraw or facilitate the dismissal with prejudice of pending objections and other actions by the United States Trustees, including 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 the Company based on the Covered Practices in the active individual Bankruptcy Cases and contested matters set forth on Exhibit A. Nothing in this Paragraph requires the USTP to withdraw or facilitate the dismissal of Discovery Requests and Subpoenas to the extent that relief against another party, other than the Company, its affiliates, or directors, employees and officers of the Company or its affiliates, is the purpose of such discovery.

⁵ Any notification to the Company shall include counsel for the Company, Christian W. Hancock at Bradley Arant Boult Cummings LLP.

⁶ For the purposes of this MOU, Reverse Mortgage Solutions is not considered an affiliated entity.

The USTP will refrain from instituting, directing or maintaining any action or participating in any action by a third party (except that the USTP may participate in an action to the extent ordered by a court provided that the USTP may not seek such a court order formally or informally), against the Company, pertaining to the Company's mortgage-related claims filed in a Borrower's Bankruptcy Case prior to the Effective Date of this MOU and based on the Covered Practices. Further, except as provided in subsection (v) below, and as provided in existing protective orders between the Parties, the USTP shall refrain from sharing information obtained via the Discovery Requests and Subpoenas (unless required to do so under applicable law or pursuant to a court order) in support of any action against the Company pertaining to the Company's mortgage-related claims filed in a Borrower's Bankruptcy Case prior to the Effective Date of this MOU and based on the Covered Practices.

Notwithstanding the foregoing, nothing in this MOU shall be construed as a waiver of, or a restriction or prohibition on, the USTP's ability following the entry of this MOU:

(i) In individual Bankruptcy Cases for Mortgage Loans in the Remediation Populations, to seek corrective action by Ditech Financial, LLC to ensure that the remediation required under the MOU as described in Appendices 1-3 has been provided;

(ii) Except as otherwise addressed in sub-section (i) above, in individual Bankruptcy Cases to the extent permitted by law, to formally or informally seek corrective action (but not fines, penalties, or sanctions), to address material inaccuracies relating to the Company's mortgage-related filings based on the Covered Practices; provided, however, that this provision shall not constitute a waiver of, or restriction or prohibition on, the Company's ability to dispute whether the United States Trustees have authority or ability to seek such a cure.

(iii) In individual Bankruptcy Cases, to undertake any formal or informal action with respect to any filing by the Company in a Bankruptcy Case that is not based on the Covered Practices described herein;

(iv) To seek and obtain discovery from the Company in any Bankruptcy Case or proceeding, including discovery based on or pertaining to the Covered Practices, 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 Bankruptcy Cases involving Mortgage Loans; and

(vi) To cooperate with or provide assistance to other governmental agencies in connection with the Covered Practices, or sharing information or discovery arising out of or pertaining to the Covered Practices with other governmental agencies (while adhering to all applicable protective orders between the Parties).

VII. Miscellaneous Provisions

This MOU is intended to be solely for the benefit of the Parties hereto and is not intended to confer any benefits upon, or create any rights in favor of, any person other than the Parties

hereto. This MOU will not bind or prejudice the rights and claims of non-Parties, including other components of the Department of Justice, any other federal agencies, or any state, local or foreign law enforcement or regulatory agencies, or any other authorities. Notwithstanding any other provision of this MOU, claims with respect to any criminal liability are especially reserved and are not released.

This MOU sets forth all the terms of the understanding 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.

If the USTP believes that there has been a failure by the Company to perform in a timely manner any act required by this MOU, or otherwise to act in conformance with any provision thereof, the USTP will notify the Company in writing. In individual Bankruptcy Cases (other than Bankruptcy Cases where an assignment, transfer of claim, or other documentation has been filed pursuant to Bankruptcy Rule 3001(e) to indicate termination of Ditech Financial LLC's servicing of the Mortgage Loan), the USTP will first seek any such corrective action from Ditech Financial LLC if the USTP is aware that the Mortgage Loan subject to inquiry is in the Remediation Populations and the action relates to the Covered Practices; if such corrective action must be sought from the purchaser of the servicing rights to the Remediation Populations, the USTP will provide contemporary notice of such requests to Ditech Financial LLC or its resulting bankruptcy estate. The parties shall endeavor in good faith to resolve any disputes regarding interpretation of, or compliance with this MOU prior to initiating any action. In the event the parties are unable to resolve any dispute, the Parties each reserve all rights to take whatever action they deem appropriate in any appropriate forum.

The Company recognizes that the USTP is entering into this MOU 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 reserves all rights to take whatever action it deems appropriate in any appropriate forum.

Nothing in this MOU shall relieve the Company (including all entities defined as the "Company" in Section VI) of its obligation to comply with applicable state and federal laws. To the extent any provision contained herein is determined to be invalid or unenforceable under applicable law, such provisions shall be limited or eliminated only to the minimum extent necessary so that this MOU shall otherwise remain in full force.

This MOU may be executed in one or more counterparts, each of which, when so executed, shall be deemed to be an original and all of which shall constitute one and the same agreement.

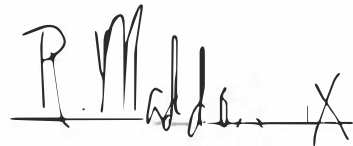
The undersigned agree to the terms of this Memorandum of Understanding.

Seen and agreed to:

DITECH FINANCIAL LLC



Jerry Lombardo
Chief Financial Officer
Ditech Holding Corporation



Robert R. Maddox
Christian W. Hancock
Bradley Arant Boult Cummings LLP

EXECUTIVE OFFICE FOR UNITED STATES TRUSTEES

Ramona D. Elliott
Deputy Director/General Counsel
Executive Office for United States Trustees
United States Department of Justice
441 G Street, NW
Suite 6150
Washington, DC 20530

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APPENDICES

The Company developed the populations and implemented the remediation approaches discussed herein as required under the MOU. The below descriptions set forth the steps taken to identify the remediation populations and complete the remediation required by the MOU. As set forth in the appendices below, the Company represents that it has accurately identified the populations and completed the remediation required under the MOU.

Appendix 1 – LMA Remediation Population & Remediation

1. To determine the population eligible for LMA Remediation, the Company identified Mortgage Loans that have been or are serviced by the Company and where:
 - a. One or more of the Borrowers entered into a Loan Modification at some point between December 1, 2011 and September 30, 2015;
 - b. At the time the Loan Modification was completed, one or more of the Borrowers was a debtor in a Bankruptcy Case;
 - c. A court order approving the Loan Modification was not entered prior to the first payment due date of the Loan Modification; and
 - d. At the time of the LMA Review and/or LMA Remediation implementation:
 - i. The Borrower’s Bankruptcy Case had not been dismissed or converted to another chapter;
 - ii. The Company had not received relief from the automatic stay; and
 - iii. The Mortgage Loan had not been resolved,⁷ paid in full or charged off on the Company’s system of record.

This population is the “**LMA Remediation Population.**”

2. The Company has remediated the LMA Remediation Population as described below:⁸
 - a. **Notice of Post-Petition Payments:** If the post-petition monthly payments due on the system of record for a particular Mortgage Loan were greater than the post-petition monthly payments noticed to the bankruptcy court in accordance with Bankruptcy Rules 3001, 3002 and 3002.1 at any time between the petition date and the earlier of: i) the LMA Review completion or ii) the date of Borrower’s discharge, the Company credited the Borrower’s account with the difference between the funds due and the funds noticed for the applicable time period.

⁷ Resolved means the Company’s servicing of the Mortgage Loan ended via foreclosure sale, short sale, deed in lieu of foreclosure, or other similar event.

⁸ Variations in the remediation process have occurred on certain Mortgage Loans due to the passage of time, refinement of the remediation process, specific borrower request or litigation, separate USTP stipulation requests, and other similar factors. In addition, Mortgage Loans for which servicing transferred prior to the LMA Review implementation may receive a check in the amount of the remediation, instead of an account adjustment.

b. Overpayments in Discharged Bankruptcy Cases:

- i. **Post-Petition Payments.** If the funds disbursed by the Chapter 13 Trustee or the Borrower were greater than the post-petition monthly payments due on the system of record for a particular Mortgage Loan at any time between the Petition Date and the date of Borrower's discharge, the Company identified the difference between the funds disbursed and the funds due for that time period as a potential overpayment to be refunded. However, in Bankruptcy Cases where the Borrower has already received the benefit of the overpayment and issuing a refund would cause Borrower's account to become delinquent or more delinquent, a Borrower may be advised that the funds will remain on the account and will not be issued to him or her because refunding this amount would cause their account to become delinquent or more delinquent.
- ii. **Arrearage payments.** If the Company (a) received any arrearage payments greater than the amount properly noticed or (b) capitalized arrearage amounts into the Loan Modification, and then applied the overpayment to the account after the implementation of the Loan Modification on the system of record (and such payments were not previously refunded), the Company identified the arrearage payments applied to the account after the implementation of the Loan Modification as a potential overpayment to be refunded. However, in Bankruptcy Cases where the Borrower has already received the benefit of the overpayment and issuing a refund would cause Borrower's account to become delinquent or more delinquent, a Borrower may be advised that the funds will remain on the account and will not be issued to him or her because refunding this amount would cause his or her account to become delinquent or more delinquent.
- iii. **Refund Threshold.** Excluding post-petition overpayments made by the Borrower, if the sum of any overpayments identified in Paragraphs 2(b) (i) and (ii) above are greater than or equal to \$5,500, the Company contacted the Chapter 13 Trustee in the Bankruptcy Case to confirm whether the overpayment should be sent to the Chapter 13 Trustee and if so, whether the Company should file a motion to reopen the Bankruptcy Case.

 1. If the Chapter 13 Trustee requested that the funds be sent to them, the Company issued a refund in the amount of the overpayment to the Chapter 13 Trustee and if requested, filed a motion to reopen the Bankruptcy Case.
 2. If the Chapter 13 Trustee disclaimed or failed to claim the overpayment within a reasonable time period, the Company issued any refund to the Borrower to the extent that it would not cause his or her account to become delinquent or more delinquent.

c. **Overpayments in Active Bankruptcy Cases:**

i. **Post-Petition Payments.** If the funds disbursed by the Chapter 13 Trustee or the Borrower were greater than the post-petition monthly payments due on the system of record for a particular Mortgage Loan at any time between the Petition Date until the LMA Review completion,⁹ the Company identified the difference between the funds disbursed and the funds due for that time period to the Chapter 13 Trustee as a potential overpayment to be refunded.

1. In Bankruptcy Cases where the Chapter 13 Trustee is making post-petition payments to the Company, the Company issued a refund in the amount of the overpayment to the Chapter 13 Trustee.

2. In Bankruptcy Cases where the Borrower is making post-petition payments directly to the Company and issuing a refund would cause Borrower's account to become delinquent or more delinquent, a Borrower may be advised that the funds will remain on the account and will not be issued to him or her because refunding this amount would cause their account to become delinquent or more delinquent.

ii. **Arrearage payments.** If the Company (a) received any arrearage payments greater than the amount properly noticed or (b) capitalized arrearage amounts into the Loan Modification, and then applied the overpayment to the account after the implementation of the Loan Modification on the system of record (and such payments were not previously refunded), the Company refunded the arrearage payments applied to the account after the implementation of the Loan Modification to the Chapter 13 Trustee.

d. **Post-Modification Fees and Costs:** If, after the implementation of a Loan Modification, the Company (i) failed to notice fees and/or costs assessed to the Borrower's account to the bankruptcy court or (ii) fees and/or costs assessed to Borrower's account were higher than the amount noticed to the bankruptcy court, the Company credited Borrower's account with the difference between the amount assessed and the amount noticed.

e. **Capitalization Remediation:** The Company also reviewed Mortgage Loans that met all of the criteria set forth in Paragraphs (1) (a), (b) and (d) and for which bankruptcy court order approving the Loan Modification was entered prior to the first payment due date of the Loan Modification to determine if any fees/costs capitalized were unnoticed to the bankruptcy courts. If any fees or costs capitalized during that Loan Modification were not timely noticed to the bankruptcy court by either the Company or a prior servicer, the Company

⁹ Mortgage Loans may have received additional remediation post-LMA Review completion via court order, stipulation, or Reconciliation.

reduced the principal balance of the Mortgage Loan or refunded the amount of the unnoticed fees or costs, as appropriate.

- f. In certain circumstances where the account service transferred before LMA Remediation was implemented, the Company issued a refund check instead of processing a credit for the remediation amount as outlined above.

Appendix 2 – Escrow Population & Remediation

1. The Company has identified the relevant population of Mortgage Loans as those that have been or are serviced by the Company and:

- a. Which were in a Bankruptcy Case any time after December 1, 2011;
- b. Which had an open and Active Escrow Account¹⁰ at a time that was both i) after December 1, 2011 and ii) during a period the Mortgage Loan was in an active Bankruptcy Case;
- c. Where the Mortgage Loan had at least one period, longer than 12 months, between i) the later of the bankruptcy Petition Date, the date the Company acquired the Mortgage Loan, the escrow account open date, or December 1, 2011 (the “**Evaluation Begin Date**”) and ii) the earlier of the bankruptcy disposition date or September 30, 2016, (the “**Evaluation End Date**”),¹¹ where it was in active bankruptcy and had no escrow analysis (the entire period identified as the “**Evaluation Period**”);
- d. Where the borrower did not surrender their property or cram down their loan during the Subject Bankruptcy Case;¹²
- e. Where there was no order granting relief from the automatic stay related to the Borrower’s Mortgage Loan;
- f. Where the Borrower was discharged from his or her Bankruptcy Case, the Borrower has not filed a subsequent Bankruptcy Case, and the Mortgage Loan account is less than 180 days delinquent at the time of evaluation for remediation;
- g. Which are not in foreclosure at time of evaluation for remediation;
- h. Which had an escrow analysis delayed more than four months during the Evaluation Period;
- i. Which, at the time of evaluation for remediation, had not been resolved,¹³ paid in full, or charged off on the Company’s system of record; and
- j. Where, at the time of remediation, the Subject Bankruptcy Case had not been dismissed.

¹⁰ “Active Escrow Account” means an account where the Company’s system of record indicated an amount greater than zero due monthly from the borrower for escrow, and from which the Company disbursed funds to pay taxes and/or insurance premiums on behalf of the borrower.

¹¹ The Escrow Remediation Population was determined in September 2016. In 2018, following numerous discussions with the EOUST, the Company reviewed all Mortgage Loans that had been excluded from the population solely due to the September 2016 Evaluation End Date, re-reviewed those loans through present day, and returned a subset of Mortgage Loans to the Escrow Remediation Population because they evidenced a period without escrow analyses.

¹² “Subject Bankruptcy Case” means the bankruptcy case during which the Company did not run annual escrow analyses. The Borrower may have filed for bankruptcy relief at a later time during which the Company did run annual escrow analyses. This would not remove the Borrower from the Escrow Remediation Population.

¹³ “Resolved” could mean the Company’s servicing of the Mortgage Loan ended via service transfer prior to the time period that the population was identified, foreclosure sale, short sale, or deed in lieu of foreclosure.

2. This population is the “**Escrow Remediation Population.**”

3. The Company has remediated the Escrow Remediation Population in varying forms. Mortgage Loans with a Chapter 13 discharge received Variance Determination, as detailed herein. Mortgage Loans still in an active Bankruptcy Case had the existing shortage, if any, waived.

4. **Variance Determination:** The Company first determined if each Mortgage Loans in the Escrow Remediation Population reflects a “Negative Variance,” meaning the amounts disbursed from the escrow account exceed the sum of amounts billed for escrow during each Calculation Period, as detailed below.¹⁴

- a. If the Evaluation Begin Date is the date of service transfer:
 - i. The Calculation Begin Date was three (3) months after the date of service transfer if no escrow analysis occurred in the first three (3) months after the date of service transfer; or
 - ii. The Calculation Begin Date was twelve (12) months after an escrow analysis if such escrow analysis occurred in the first three (3) months after the date of service transfer. Any additional escrow analyses that are within twelve (12) months of the prior escrow analyses will continue to extend the Calculation Begin Date by twelve (12) months.
- b. If the Evaluation Begin Date is not the date of service transfer:
 - i. The Calculation Begin Date was twelve (12) months after the Evaluation Begin Date if no escrow analysis occurred in the first twelve (12) months after the Evaluation Begin date; or
 - ii. The Calculation Begin Date was twelve (12) months after the first escrow analysis following the Evaluation Begin Date where another escrow analysis was not present within those twelve (12) months. Any additional escrow analyses that are within twelve (12) months of the prior escrow analyses will continue to extend the Calculation Begin Date by twelve (12) months.
- c. The Calculation End Date will be the earliest of: i) an escrow analysis date; ii) the date the escrow account was closed; or iii) the date the calculation is performed. If a Negative Variance is present, the Company has or will credit the borrower’s escrow account with the full Negative Variance.

5. **Shortage Determination:** For Mortgage Loans in an active Bankruptcy Case at the time of Escrow Remediation, the Company ran a pro forma to determine the likely outcome of an escrow analysis. If that pro forma evidenced a shortage, the amount of the shortage reflected on the pro forma was credited to the Borrower’s escrow account.

6. **Escrow Analysis:** If the Borrower had an open escrow account at the time of Escrow Remediation, an escrow analysis was prepared and provided to the Borrower after any

¹⁴ There can be multiple calculation periods for an individual loan if an escrow analysis was run during the Escrow Remediation Calculation period.

credits due via the Shortage Determination or Variance Determination were made to the escrow account.

7. **Escrow PCNs:** For those Mortgage Loans in the Escrow Remediation Population that were still in active Bankruptcy Case at the time of Escrow Remediation, the Company filed a PCN based on any payment change arising from the escrow analysis.

8. **Escrow Credit Letters:** If the Borrower received a credit for Negative Variance pursuant to Paragraph 4 above, the Company provided written notice of such credit to the Borrower.

Appendix 3 –Advances Population & Remediation

1. The Company has or is remediating two (2) populations of Mortgage Loans collectively described as the “Unnoticed Advances Remediation Population”. The Company has identified the relevant loans as those Mortgage Loans that have been or are serviced by the Company:

- a. Where (i) the Borrower has had two Bankruptcy Cases (the first resulting in a discharge and the second is active at the time of review) and (ii) a POC was filed in the second Bankruptcy Case that included Unnoticed Advances remaining from the Borrower’s first Bankruptcy Case; and
- b. Where the Borrower has obtained a discharge in a Bankruptcy Case and Advances were assessed but not appropriately and timely noticed during that Bankruptcy Case.¹⁵

2. For the Unnoticed Advances Remediation Population identified above, the Company will waive or credit, as appropriate, any Unnoticed Advance.

3. For those where the Borrower has filed a second Bankruptcy Case, in addition to waiving any Unnoticed Advance, the Company will file an APOC in Bankruptcy Cases that are active and where a POC has already been filed.

¹⁵ Any Mortgage Loans subject to a Chapter 13 plan where the entirety of the debt is paid through the Chapter 13 plan are excluded from the population.

EXHIBIT A – USTP ACTIONS

Active:

Grappone	Vermont (D. Vt. 14-10192)
Mischle (Consol. Proc.)	Michigan (E.D. Mich. 14-40885)
Painter	Georgia (N.D. Ga. 14-42520)
Smith	Michigan (E.D. Mich. 12-51589)
Stokes	Mississippi (N.D. Miss. 15-13669)

Closed:¹⁶

Brewster	Georgia (N.D. Ga. 14-10959)
Falanga	Pennsylvania (W.D. Pa. 13-20589)
Gebhardt v. Ditech (Misc. Proc.)	Georgia (N.D. Ga. 16-00503)
Hendrian	Michigan (E.D. Mich. 09-79352)
Hendrickson	Virginia (W.D. Va. 12-71901)
Lee	Georgia (N.D. Ga. 15-55522)
Marshall	Pennsylvania (W.D. Pa. 13-70542)
Moore	Michigan (E.D. Mich. 08-33980)
Pearson	Georgia (N.D. Ga. 12-62207)
Prior	Vermont (D. Vt. 11-10139)
Jacobs	Illinois (N.D. Il. 17-08845)
Ramos	California (C.D. Cal. 14-11489)
Ross	Nevada (D. Nev. 13-14261)
Smith	Pennsylvania (W.D. Pa. 10-26668)
Toby	Georgia (N.D. Ga. 15-58661)
Ware	Indiana (S.D. Ind. 11-06511)
Young	Virginia (W.D. Va. 11-71432)

¹⁶ The USTP will not seek to reopen closed Bankruptcy Cases to withdraw objections or discovery requests.