

monitor *of the 2014 Bank of America
Mortgage Settlement*



Initial Progress Report

from the Monitor of the 2014 Bank of America Mortgage Settlement



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A Letter from Monitor Eric D. Green



Eric D. Green

February 17, 2015

On August 20, 2014, Bank of America agreed to settle potential legal claims by the United States Department of Justice and the Attorneys General of six states that the Bank or its affiliates violated the law in connection with the origination, packaging, marketing, and issuance of mortgage-based securities. The Bank agreed to provide nearly \$17 billion under the Settlement Agreement, including “Consumer Relief” valued at \$7 billion, to be distributed by the Bank over the next four years.

As part of the Settlement Agreement, I was appointed as the independent Monitor to determine whether Bank of America satisfies the Consumer Relief obligations set forth in Annex 2 to the Settlement Agreement, to report to the public on the Bank’s performance, and to perform other duties.

This is my initial Report as Monitor. In it, I describe the Settlement Agreement, in particular the Consumer Relief provisions, and the Monitor’s roles and responsibilities. I also describe the Monitor’s procedures and protocols for testing the accuracy of information provided by the Bank, and report on the first batch of Consumer Relief for which the Bank has sought credit.

Examination of the first batch of 100 loans amounts to a test drive, assessing Bank of America’s plan for delivering much-needed assistance to homeowners and its methodology for calculating how the assistance qualifies for credit under the Settlement Agreement. The Bank is extending relief to tens of thousands of homeowners, and in coming months we should get a clearer picture of how quickly the Bank has delivered on its Consumer Relief obligations, how much of what kind of relief has been delivered, and where relief has been distributed.

I recognize and accept the serious responsibility of my assignment. For many, if not most, Americans, family and the family home are core values, at the center of the lives they hope to live. Owning a family home is the dream. Losing that home is the nightmare. The mortgage crisis of the last decade disrupted the dream for too many. This Settlement Agreement acknowledges that the Bank has committed to do its part to help repair the dream and to avert the nightmare for those still in their homes but struggling with their mortgage payments. Bank of America has committed vast resources to this effort. I have been charged to monitor and report on how well the Bank keeps its commitment. I, in turn, commit to homeowners and communities eligible for relief under this Settlement to be unrelentingly diligent and thorough in the fulfillment of my duty.

I encourage you to read this Report carefully and send me any questions, comments, or concerns you may have.

A handwritten signature in black ink, appearing to read "E D Green".

EXECUTIVE SUMMARY

This is the initial 180-day Report of the independent Monitor who was appointed under the August 20, 2014, Settlement Agreement between Bank of America and the United States Department of Justice, the states of California, Delaware, Illinois, Maryland, and New York, and the Commonwealth of Kentucky (referred to in the Settlement Agreement as the “Participating States”). The Settlement Agreement settled claims that Bank of America and its subsidiaries had violated federal and state laws in connection with residential mortgage-backed securities.

The Monitor is responsible for determining whether Bank of America satisfies its obligation under the Settlement Agreement to provide Consumer Relief valued at \$7 billion. Bank of America can earn “Credit” toward meeting this \$7 billion target by:

- Modifying homeowners’ loans to make them more affordable.
- Making new loans to low-income and moderate-income borrowers.
- Donating money and real-estate assets toward community reinvestment and neighborhood stabilization.
- Supporting affordable low-income rental housing.

The Settlement Agreement sets the rules for how Bank of America can earn Credit for providing Consumer Relief. These rules, which are described in more detail in this Report, specify such things as how much Consumer Relief must be provided in each of the above categories, the types of organizations to which donations must be made, and the locations where support for affordable housing must be given. The Settlement Agreement also provides that Consumer Relief efforts will be eligible for Credit only if Bank of America completes those efforts by August 31, 2018. Within these rules and this timeframe, the Settlement Agreement gives Bank of America discretion regarding when, how, and to whom it offers Consumer Relief.

To confirm that the terms of the Settlement Agreement are being met and that Bank of America's Consumer Relief efforts are properly credited, the Settlement Agreement provided for the appointment of Professor Eric D. Green as the independent Monitor. As the Monitor, Professor Green also maintains a Tax Relief Payment Account that holds \$490,160,000 deposited by Bank of America. The purpose of the Tax Relief Payment Account is to assist homeowners who may be subject to additional federal income-tax liability as a result of Bank of America's modification of their mortgages.¹ The Monitor's job is (a) to receive and review reports from Bank of America that detail the Bank's efforts to provide Consumer Relief and the Credit the Bank is claiming for those efforts, (b) to determine whether the Bank's efforts satisfy the rules in the Settlement Agreement and are thus entitled to Credit, and (c) to report periodically to the public about the Bank's progress toward meeting its obligations and about any tax relief payments made by the Monitor.

Because this is the Monitor's first Report, it describes the background of the Settlement and includes a detailed discussion of the Consumer Relief framework ("Annex 2" to the Settlement Agreement) and tax relief provisions ("Annex 3" to the Settlement Agreement). In particular, this Report sets forth the ways in which Bank of America can earn Credit under the Settlement Agreement by providing Consumer Relief, and the efforts that Bank of America must take to make borrowers aware of the availability of the relief through direct communication, community outreach, and other means. This Report also describes the Monitor's powers and duties under the Settlement Agreement. Finally, as will be the case in future Reports, this Report describes Bank of America's progress toward completion of Consumer Relief (including its progress on outreach events), Credit it has earned to date, and Tax Relief Payments.

After the Settlement Agreement was signed, Bank of America began working with the Monitor and his professional advisers to develop a methodology for validating Credit that the Bank claims to have earned for its Consumer Relief efforts. There are several layers of review in this process. As part of this methodology, Bank of America employs an Internal Review Group (IRG), which consists of employees independent of Bank of America's mortgage loan servicing

¹ It is possible that the Monitor may not make a payment of tax relief funds as a result of future federal legislation that may extend tax forgiveness for mortgage debt relief. If the Monitor is not required to make any tax payments out of the Tax Relief Payment Account, the funds in the Account will go to the community-outreach groups and legal aid organizations identified in the Settlement Agreement.

operations. A specially designated Bank of America servicing team periodically reports its efforts to the IRG, along with the amount of Credit the Bank believes it is entitled to receive for those efforts. The IRG independently tests the Bank's claimed Credit to determine whether it complies with the terms of the Settlement Agreement. The IRG then reports the results of its testing to the Monitor in a document termed an "Assertion." The Monitor and his professionals review the IRG's work to determine independently whether the Bank has appropriately claimed Credit.

In December 2014, as an initial test of the appropriateness of this methodology, Bank of America submitted to the IRG 100 first-lien mortgage loans that it had modified. Bank of America claimed \$8,948,684 of Credit for these modifications. The IRG reviewed the modifications to each of the 100 loans and the claimed Credit, and determined that the claimed amount was correct and proper under the Settlement Agreement. The Monitor and his professionals then reviewed the IRG's work as to each of the 100 loans and determined that the IRG had correctly validated the Credit claimed by Bank of America. Based on these results, and on the Monitor's and his professionals' ongoing review of Bank of America's methodologies and approach, the Monitor believes that the Bank is employing a logical and appropriate approach to seeking Credit for its Consumer Relief efforts.

In some cases in the future, the IRG's reviews of Bank of America's requests for Credit will be done by statistical sampling, rather than a review of every loan (as was the case with the first 100 loans discussed above). The Monitor anticipates that based on the volume of Consumer Relief Bank of America is providing, the Consumer Relief it will submit for Credit will increase dramatically in the first half of 2015. This is because the Settlement Agreement offers Enhanced Early Incentive Credit of 150% for certain Consumer Relief efforts completed before May 31, 2015, and Early Incentive Credit of 115% for certain Consumer Relief efforts offered or completed before August 31, 2015. Therefore, the Monitor understands that Bank of America has decided to expedite its Consumer Relief efforts, choosing to modify mortgages and provide other kinds of Consumer Relief in the early months of the Settlement in a burst of effort.

From the viewpoint of homeowners, the speedy provision of Consumer Relief will be valuable, as the Settlement Agreement recognizes with its reward of Enhanced Early Incentive Credit. Accordingly, it is likely that there will be much more activity between now and August 2015 than in the rest of the four years that Bank of America has to complete its obligations under the Settlement Agreement.

The Monitor’s job of scorekeeping—determining whether Bank of America lives up to the terms of the Settlement Agreement—will continue after the Bank’s opportunity to earn Early Incentive Credit ends. It is important to remember that even if a modification does not ultimately qualify for Credit under the Settlement Agreement, it will still help a homeowner by reducing his or her obligations. That benefit to the homeowner does not go away, regardless of whether the Monitor gives the Bank Credit for it.

The Monitor expects that his first quarterly report on Bank of America’s Consumer Relief efforts and other activities will be issued on or around July 31, 2015, covering the Monitor’s work through June 30, 2015. That report will reflect the IRG’s next Assertion, which is expected at the end of May 2015 for Bank activity during the quarter ending March 31, 2015.

SETTLEMENT BACKGROUND, PARTICULARS, AND CONSUMER RELIEF

On August 20, 2014, Bank of America entered into a Settlement Agreement with the United States Department of Justice (DOJ) and the Attorneys General of six Participating States: California, Delaware, Illinois, Kentucky, Maryland, and New York. The Settlement Agreement settled claims that Bank of America—along with Countrywide Financial Corporation, Merrill Lynch, Pierce, Fenner & Smith, and First Franklin Financial Corporation (and certain subsidiaries and affiliates of those companies)—violated federal and state laws in connection with the packaging, origination, marketing, sale, structuring, arrangement, and issuance of residential mortgage-backed securities and collateralized debt obligations. Bank of America has acknowledged a “Statement of Facts” concerning these activities that is set forth in Annex 1 to the Settlement Agreement. The Settlement Agreement is one of several settlements between federal and state governments and financial institutions to resolve claims relating to improper mortgage practices and to provide relief to homeowners who have borrowed money from, or whose mortgage loans have been serviced by, those financial institutions. To learn more about related settlements, please turn to the final section of this report, “Other Mortgage Settlements.”

The Settlement Agreement was announced on August 21, 2014, and was effective immediately. Under the Agreement, Bank of America (a) has paid \$9.16 billion in direct payments to federal agencies and the six Participating States; (b) is obligated to provide Consumer Relief valued at \$7 billion; and (c) has provided over \$490 million for the payment of borrowers' federal income-tax liabilities that may arise as a result of receiving Consumer Relief.

The Settlement Agreement resolved certain claims the federal government and the six Participating States had against Bank of America. It did not resolve claims that individual homeowners may have against Bank of America. As a result, relief a homeowner could receive under the Settlement Agreement might not affect other claims a homeowner might have against Bank of America.

CONSUMER RELIEF UNDER THE SETTLEMENT AGREEMENT

Annex 2 to the Settlement Agreement specifies, in four sets of "Menu Items," various forms of Consumer Relief for which Bank of America can receive Credit. These Menu Items also set forth the principles as to how different forms of Consumer Relief will be valued. The following subsections contain a general overview of those Menu Items and the amount of Credit that Bank of America can claim under them. Also explained in the following subsections are other restrictions, limitations, and requirements that Bank of America must meet pursuant to the Settlement Agreement.

CONSUMER RELIEF FOR HOMEOWNERS (MENU ITEMS 1.A THROUGH 1.E)

Under the Settlement Agreement, Bank of America may receive Credit toward its \$7 billion Consumer Relief obligation by providing different types of relief to its borrowers. A central purpose of Consumer Relief is keeping families in their homes and making those homes more affordable. Consumer Relief is designed to achieve these goals by providing mortgage

modifications that may result in reduction of (a) a homeowner's monthly mortgage payment and/or (b) the total amount a homeowner owes on his or her mortgage. Modifications that Bank of America may offer to borrowers under Annex 2 include:

PRINCIPAL FORGIVENESS (MENU ITEM 1.A)

This type of relief involves a reduction of a borrower's unpaid principal balance. In other words, Bank of America agrees that the borrower is no longer responsible for paying all or part of the money the borrower owes on the loan. In situations where the value of the home has declined below the amount owed on the mortgage, a reduction of principal balance through forgiveness may help bring the amount of the loan below the value of the home. This means the borrower would then have equity in the home and would no longer be "underwater."² This type of relief may also involve a reduction of the interest rate and result in a reduced monthly payment.

PRINCIPAL FORGIVENESS OF FORBEARANCE (MENU ITEM 1.B)

Bank of America may offer this type of relief in situations where it has previously agreed to delay requiring a portion of the principal to be paid until a later date. Bank of America would now be agreeing to forgive that portion of the principal. This form of relief may also result in a positive relationship between the value of the home and the amount of the loan.

² When the ratio between the amount owed on the mortgage loan and the value of the home (known as "the loan-to-value ratio") is below 100%, the borrower is said to have "equity" in his or her home. If the borrower were to sell the home, there could be money left over after paying off the mortgage loan that would belong to the borrower. When the loan-to-value ratio is greater than 100%, the amount the borrower still has to pay exceeds the value of the home. Were the borrower to sell the home, the proceeds from the sale would not be enough to pay back the loan. This is sometimes called being "underwater."

FIRST LIEN—FORBEARANCE (PAYMENT FORGIVENESS) (MENU ITEM 1.C)

This type of relief involves Bank of America agreeing to defer a borrower's repayment of a portion of the principal until a later date, which could be at the end of the loan, likely having the effect of reducing monthly mortgage payments and forgiving the interest associated with such forbore principal.

SECOND LIEN EXTINGUISHMENT (MENU ITEM 1.D)

With this type of relief, Bank of America forgives the full balance of a borrower's second lien mortgage, for example, a home equity line of credit on an already-mortgaged home. A Second Lien Extinguishment may reduce the homeowner's monthly payment and, in some cases, create more homeowner equity in the home.

JUNIOR LIENS—UNSECURED PRINCIPAL FORGIVENESS/EXTINGUISHMENT (MENU ITEM 1.E)

With this type of relief, Bank of America forgives some or all of a homeowner's outstanding debt related to a junior lien or unsecured debt. This forgiveness may create more homeowner equity in the home. It also may result in a reduced monthly payment.

Here is how a typical home loan modification might affect a homeowner with a big mortgage paying a high interest rate and large monthly mortgage payment, and whose home is underwater:

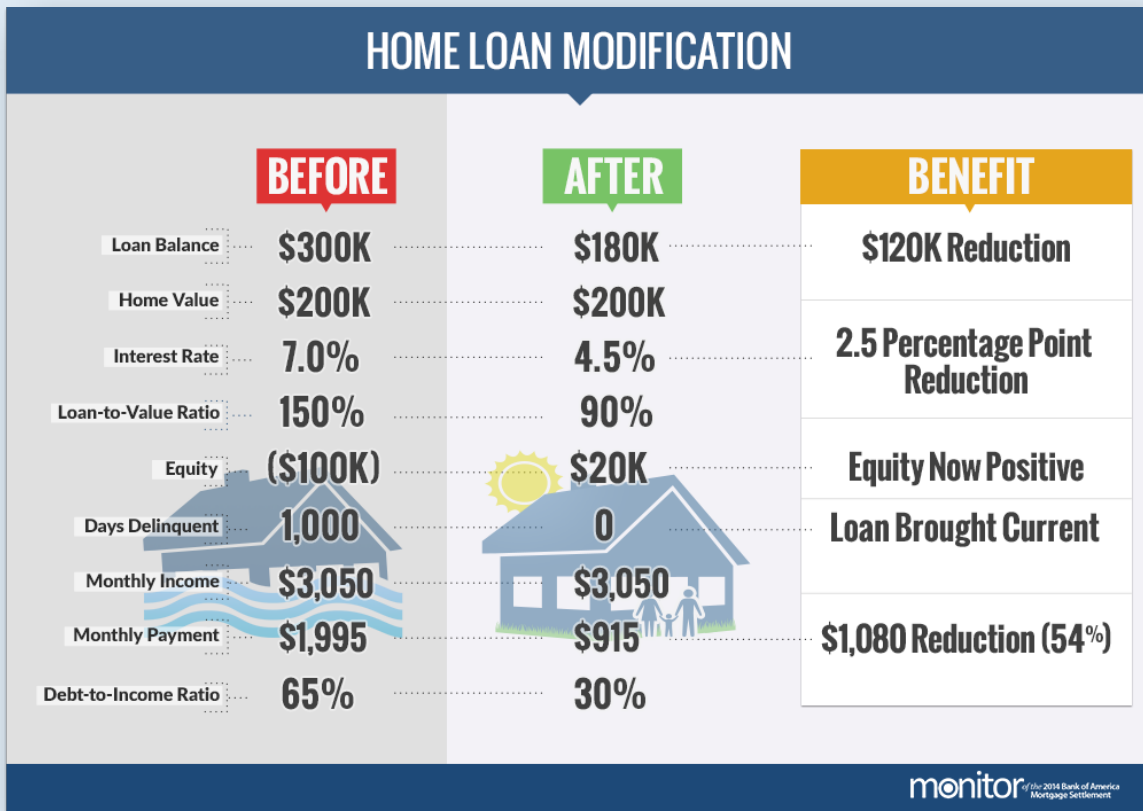


Table 1: Home Loan Modification

LOW- TO MODERATE-INCOME LENDING AND OTHER LENDING (MENU ITEM 2)

The Settlement Agreement also encourages Bank of America to make new loans to low- and moderate-income borrowers. Bank of America may earn Credit toward Consumer Relief by making purchase-money loans to creditworthy borrowers who (a) are located in Hardest Hit Areas, areas the U.S. Department of Housing and Urban Development (HUD) has identified as part of a Distressed Census Tract; (b) lost a primary residence to foreclosure or short sale; or (c) are first-time homebuyers from low- and moderate-income households.

A low- to moderate-income borrower is a borrower with income at or below 100% of the area median income. Area median income is the income level that half of an area's residents'

incomes are above and half below. It is calculated in accordance with the parameters used by HUD. To qualify for Credit, a new loan must be originated after July 1, 2014.

COMMUNITY REINVESTMENT AND NEIGHBORHOOD STABILIZATION (MENU ITEMS 3.A THROUGH 3.G)

Bank of America may receive Credit for activity designed to improve the stability of neighborhoods and communities.

Under Menu Item 3.A, Bank of America may assist borrowers by forgiving the entire principal amount associated with an occupied home where foreclosure is not pursued and the liens are released. Full forgiveness of principal may be attractive in situations in which the likely costs of foreclosure exceed the likely recovery from foreclosure, in effect, a home with a very low market value. In this situation, the homeowner also has little incentive to agree to a modified loan and resume making payments. Full forgiveness of principal has the potential to help stabilize distressed neighborhoods by creating incentives for homeowners to stay in their homes.

Bank of America may also provide Consumer Relief by making contributions or donations that will support community reinvestment and neighborhood stabilization. These efforts may take any of six forms. First, Bank of America's support may be through contributions toward demolishing or remediating abandoned and uninhabitable residential properties as part of a comprehensive local strategy to stabilize neighborhoods (Menu Item 3.B). Second, Bank of America may donate mortgages or real-estate owned properties (properties acquired by the Bank as a result of foreclosure or other methods) to municipalities, land banks, or nonprofit organizations; to service members with disabilities; or to relatives of deceased service members (Menu Item 3.C). Third, it may donate money to nonprofit organizations to facilitate reduction, rehabilitation, or maintenance of abandoned and uninhabitable residential properties it has donated (Menu Item 3.D). Fourth, it must donate money to fund certified Community Development Financial Institutions, land banks subject to state or local regulation, or community development funds administered by nonprofit organizations or local governments (Menu Item 3.E). Fifth, it must donate money to state-based Interest on Lawyers' Trust

Accounts (IOLTA) organizations (or, to the extent practicable, other statewide bar-association affiliated organizations) that provide funds to legal-aid organizations to be used for foreclosure-prevention legal assistance and community-redevelopment legal assistance (Menu Item 3.F). Sixth, it must donate money to Housing Counseling Agencies to provide foreclosure-prevention assistance and other housing-counseling activities. To be eligible, a Housing Counseling Agency must be approved by HUD (Menu Item 3.G).

As shown in Table 2 below, the Settlement Agreement sets forth minimum payments that Bank of America is required to make to some of these programs. For programs for which there are no minimum requirements, Bank of America may opt not to make any contributions or donations.



Table 2: Community Assistance Minimums

AFFORDABLE RENTAL HOUSING (MENU ITEM 4)

Bank of America must also provide Consumer Relief by making subordinated loans at a loss to facilitate construction, rehabilitation, or preservation of affordable low-income rental housing. The loss is measured as the difference between the fair value and par value of the subordinated loan on the origination date. Financing for affordable low-income rental housing projects often requires subordinated loans to be provided at a loss by a governmental agency or nonprofit organization. Because Bank of America will be making these loans at a loss, public and nonprofit subordinated debt funding for low-income housing projects may be available for other projects, and more affordable rental housing will be made available than would be the case without Bank of America's support.

The Settlement Agreement provides additional requirements to ensure that the developments Bank of America selects to receive the subordinated loans address critical areas and recipients. First, at least 50% of the affordable housing units must be in Critical Need Family Housing developments. These Critical Need Family Housing developments must (a) be located in areas where development is difficult due to high costs and (b) not be subject to any occupant age restrictions. Second, each year, at least 40% of the Critical Need Family Housing units must have two or more bedrooms, and at least 10% of the Critical Need Family Housing units must have three or more bedrooms. Third, all developments receiving funds must meet the same standards as those developments subsidized by the federal government through its Low-Income Housing Tax Credits Program.

BANK OF AMERICA'S INCENTIVES TO EXTEND CONSUMER RELIEF PROMPTLY AND TO FOCUS ON BORROWERS IN HARDEST HIT AREAS

The Settlement Agreement gives Bank of America considerable discretion in how it provides Consumer Relief under the various Menu Items. The Settlement Agreement does not require Bank of America to provide any specific relief to any specific homeowner. Rather, Bank of America must provide relief that in the aggregate satisfies its total Consumer Relief

commitment, is consistent with caps, minimums, ratios, and penalties in the Settlement Agreement, and must not implement Consumer Relief through any policy that violates the Fair Housing Act or the Equal Credit Opportunity Act. Through the use of enhanced Credit, enhanced Credit ratios, Credit minimums, Credit caps, and penalties, the Settlement Agreement gives Bank of America incentives to provide Consumer Relief promptly and to direct it to borrowers in Hardest Hit Areas as identified by HUD. While these provisions of the Settlement Agreement allow Bank of America to earn the entire \$7 billion of Credit without actually extending \$7 billion, they also encourage Bank of America to offer Consumer Relief to address borrower needs most effectively and as soon as possible for homeowners currently struggling to remain in their homes.

EARLY AND ENHANCED EARLY INCENTIVE CREDIT

Annex 2 of the Settlement Agreement incentivizes Bank of America to provide relief as fast as possible by giving Bank of America extra Credit for Consumer Relief it provides in the coming six months. For example, under Menu Item 1.A. of Annex 2, Bank of America will receive a 150% Enhanced Early Incentive Credit for First Lien Principal Forgiveness completed by May 31, 2015, and a 115% Early Incentive Credit for First Lien Principal Forgiveness offered or completed by August 31, 2015. Bank of America may also earn a 115% Early Incentive Credit for Principal Forgiveness of Forbearance (Menu Item 1.B.), First Lien Forbearance (Menu Item 1.C.), Second Lien Extinguishments (Menu Item 1.D.), Junior Lien Forgiveness/Extinguishment (Menu Item 1.E.), Low- to Moderate-Income Lending and Other Lending (Menu Item 2), Community Reinvestment and Neighborhood Stabilization (Menu Item 3), and Affordable Rental Housing (Menu Item 4), offered or completed by August 31, 2015.

EXTRA CREDIT FOR RELIEF TO HARDEST HIT AREAS

The Settlement Agreement also gives extra Credit to Bank of America for relief provided to homeowners in Hardest Hit Areas. At least 50% of the Credit Bank of America earns for loan modifications under Menu Item 1 must come from modifications to loans for homes in Hardest

Hit Areas. If Bank of America provides loan modifications under Menu Item 1 to Hardest Hit Areas beyond this 50% minimum, Bank of America may earn 115% Credit for such additional modifications. In addition, under Menu Item 2, Bank of America may earn a \$10,000 Credit for each purchase-money loan to creditworthy borrowers in Hardest Hit Areas.

EXTRA CREDIT FOR LOWERING LOAN-TO-VALUE RATIOS

Under Menu Items 1.A and B, Bank of America can earn extra Credit for modifications that reduce homeowners' loan-to-value ratios below certain thresholds. The loan-to-value ratio measures to what extent a borrower's home is more valuable than the loan on that home or to what extent the unpaid loan exceeds the value of the home. The Settlement Agreement provides incentives to Bank of America to offer loan modifications that bring its borrowers' loan-to-value ratios below 100%.

On loan modifications under Menu Item 1.A, Bank of America may receive a 115% Credit for incremental principal reduction that reduces a borrower's loan-to-value ratio to between 90% and 100%, and 120% Credit for incremental principal reduction that reduces a borrower's loan-to-value ratio to between 76% and 90%. If the modification results in a loan-to-value ratio equal to or less than 75%, Bank of America will receive a 125% Credit for the entire amount of principal forgiven. Bank of America may also receive 115% Credit for incremental principal reduction that reduces a borrower's loan-to-value ratio below 100% on Principal Forgiveness of Forbearance relief provided pursuant to Menu Item 1.B.

EXTRA CREDIT FOR MODIFYING FEDERALLY INSURED LOANS

Bank of America gets extra Credit for forgiveness of certain types of loans insured or guaranteed by the government. For loans insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs (VA), Bank of America receives \$1.75 in Credit for each \$1.00 of forgiveness. The Federal Housing Administration, which is part of HUD, insures loans for underserved borrowers—that is, potential homeowners who otherwise could

not get a loan. Similarly, VA-guaranteed loans help veterans to purchase housing that they may not otherwise be able to afford.

GEOGRAPHICAL MINIMUMS AND PARTICIPATING STATE ADDITIONAL CREDIT

The Settlement Agreement requires that, at a minimum, \$1.25 billion of the total Consumer Relief Credit amount be delivered in the six Participating States.

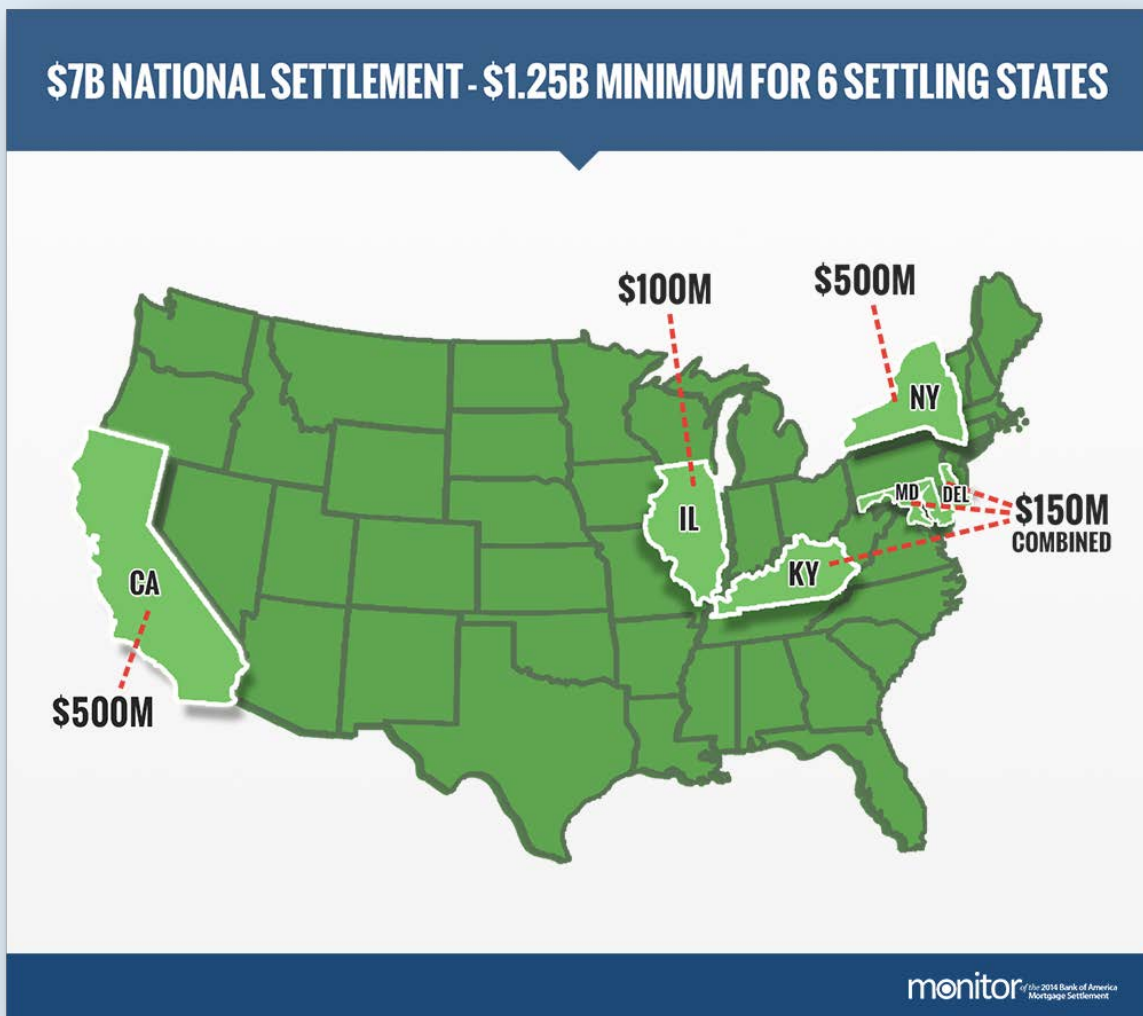


Table 3: Geographical Minimums

Bank of America can also earn 115% in additional Credit for Consumer Relief it provides in excess of a Participating State's minimum amount. Through these state-specific minimums and the additional Credit to be gained by exceeding them, the Settlement Agreement incentivizes Bank of America to focus its efforts on providing Consumer Relief in the six Participating States.

EXTRA CREDIT MAY BE CUMULATIVE

Bank of America can earn Early Incentive Credit and other Credit cumulatively. For example, for each \$1.00 of principal forgiveness that is part of a modification resulting in a loan-to-value ratio of 75%, is completed prior to August 31, 2015, and is in a Participating State where Bank of America has already met its state-specific minimum, Bank of America would be entitled to earn:

Low Loan-to-Value Credit—125% ($1.25 \times 1 = 1.25$),

Early Incentive Credit—115% ($1.15 \times 1.25 = 1.4375$), and

Participating State Additional Credit—115% ($1.15 \times 1.4375 = 1.653125$).

Thus, if all of these conditions are met, Bank of America would receive \$1.653125 of Credit for each \$1.00 of principal reduction.

CREDIT MINIMUMS AND CREDIT CAPS

In seeking Credit for Consumer Relief, Bank of America is required both to meet certain Credit Minimums and not to exceed certain Credit Caps. These Credit Minimums and Credit Caps incentivize Bank of America to offer the types of relief that are most beneficial to borrowers.

Under Annex 2, Credit Minimums are:

Menu Items	Relief Type	Minimum
1.A	First Lien Principal Forgiveness	\$2.15 Billion Credit
1.A–1.E	Consumer Relief to Homeowners	50% must be in Hardest Hit Areas
3.E	Donations to Certified Community Development Financial Institutions, land banks subject to state or local regulation, or community development funds administered by nonprofit organizations or local governments	\$50 Million Payment
3.F	Donations to state-based Interest on Lawyers’ Trust Accounts (IOLTA) organizations (or other statewide bar association affiliated intermediaries) that provide funds to legal aid organizations for foreclosure-prevention legal assistance and community-redevelopment legal assistance	\$30 Million Payment
3.G	Donations to HUD-approved housing-counseling agencies to provide foreclosure-prevention assistance and other housing-counseling activities	\$20 Million Payment
4	Affordable Rental Housing	\$100 Million Loss
1, 2, 3, and 4	Total Credit Minimum	\$7 Billion Credit

Table 4: Credit Minimums

Bank of America must demonstrate to the Monitor that it has met these minimums. In instances where the minimum has not been met, Bank of America may demonstrate that it has used its “best efforts” (as determined by the Monitor) to solicit every eligible borrower, subject only to any legal limitations on its ability to contact a given borrower. Eligibility of borrowers will vary depending on several factors. For instance, where the loan is a “first lien” loan (meaning it is at the top of the payment priority chain), Bank of America can get Credit for principal forgiveness relief under Menu Item 1.A only where the loan is in default or imminently

at risk of default. This default limitation does not exist with respect to other categories of Consumer Relief, but other requirements may still limit what types of Consumer Relief are eligible for Credit. With respect to certain principal forgiveness and forbearance modifications, Bank of America can only receive Credit on modifications to loans below a certain size (i.e., below the applicable “jumbo” mortgage loan limits).

Credit Caps are:

Menu Items	Relief Type	Cap Amount
1.D and 1.E	Second Lien Extinguishment and Forgiveness of Junior Liens and Forgiveness/Extinguishments of Unsecured Mortgage Debt Principal	\$2.5 Billion Credit
3.A	Forgiveness of principal associated with a home where foreclosure is not pursued and liens are released	\$2.5 Billion Credit
1.D, 1.E, and 3.A	Second Lien Extinguishment and Forgiveness of Junior Liens and Forgiveness/Extinguishments of Unsecured Mortgage Debt Principal, and forgiveness of principal associated with a home where foreclosure is not pursued and liens are released	\$3 Billion Credit

Table 5: Credit Caps

COMPLIANCE WITH OTHER CONDITIONS

In exercising its discretion on how it will seek Credit for its Consumer Relief efforts, Bank of America must not implement Consumer Relief through any policy that violates the Fair Housing Act or the Equal Credit Opportunity Act.

The Fair Housing Act makes it unlawful for housing providers to discriminate based on race, color, national origin, religion, sex, familial status, or handicap (disability) in all aspects of residential real estate transactions. Prohibited activities include refusing to make mortgage

loans, refusing to provide information regarding loans, imposing different terms or conditions on a loan (such as different interest rates, points, or fees), discriminating in appraising homes, and refusing to purchase a loan or setting different terms or conditions for purchasing a loan—if done in a discriminatory manner. The Equal Credit Opportunity Act likewise prohibits discrimination by creditors with respect to any aspect of a credit transaction. Creditors may not discriminate against credit applicants on the basis of race, color, religion, national origin, sex, marital status, or age; because an applicant receives income from a public assistance program; or because an applicant has in good faith exercised any right under the Consumer Credit Protection Act.

In addition, Bank of America may not condition Consumer Relief on a waiver or release by a borrower, although a waiver and release will be permitted in the case of a contested claim where the borrower would not otherwise have received as favorable terms or consideration. Bank of America may also offer modifications under the Making Home Affordable Program (including the Home Affordable Modification Program and the Housing Finance Agency Hardest Hit Fund) and under any of its own proprietary or other modification programs.

Bank of America may not receive Credit for Consumer Relief it provided before July 1, 2014.

REQUIRED OUTREACH

The Settlement Agreement also requires Bank of America to undertake the following community-outreach initiatives:

BANK-SPONSORED OUTREACH EVENTS

Bank of America agreed to hold at least eight community-outreach events each year until it achieves the Total Credit Minimum. The events will be carried out on a rotational basis to provide geographically dispersed borrower access, with priority given to certain of the hardest hit census tracts and the six Participating States. In preparation for each event, Bank of America

will conduct targeted borrower outreach through personalized invitational letters, e-mails, and/or phone calls to eligible customers. The Bank will also notify the relevant state Attorneys General, state housing finance authorities, and local nonprofit organizations of the schedule of events, to build further awareness and encourage increased participation.

The Settlement Agreement requires that the Bank's multilingual event team conduct outreach in English and Spanish, and, on a best efforts basis, other languages, to encourage customers to attend and also to make appointments in advance. Specialists in both loss mitigation and refinancing programs will be on-site at each event to offer customers guidance across the full range of Consumer Relief alternatives. In addition, specialists in new-mortgage origination will be available to assist (a) borrowers in Hardest Hit Areas (as defined in the Settlement Agreement), (b) borrowers who lost homes to foreclosure or short sales, and (c) first time low-to moderate-income homebuyers who may be interested in purchasing a new home. The current schedule of Bank-sponsored community-outreach events for 2015 can be found at <https://homeloanhelp.bankofamerica.com/EventRegistration/en/events.jspx>.

NON-BANK-SPONSORED OUTREACH EVENTS

In addition to the eight annual community outreach events sponsored by the Bank, Bank of America agreed to provide a qualified staff of agents to participate in and support additional events annually across the country sponsored by national intermediaries and local nonprofit organizations, as invited.

BANK OF AMERICA'S EFFORTS TO DATE

As required by the Settlement Agreement, on November 18, 2014, Bank of America published a "plain-language document" that can be distributed by third parties to explain to customers the forms of relief available under the Settlement Agreement. The plain-language document was prepared by the Bank in English, Spanish, Chinese, Tagalog, Vietnamese, and Korean, and can be found on the Bank's website at <http://homeloanhelp.bankofamerica.com/en/doj->

[settlement.html](#). It is also available on the website of the Monitor, as discussed in more detail below.

Bank of America has evaluated what individuals and organizations are eligible under the programs set forth in Annex 2 of the Settlement Agreement. Bank of America began offering the programs as early as the crediting start date of July 1, 2014. Bank of America has until August 31, 2018 to complete all Consumer Relief obligations under the Settlement Agreement. As discussed above, the Settlement Agreement offers incentives, in the form of enhanced Credit, to provide Consumer Relief promptly. Bank of America has indicated it would like to complete as much of its Consumer Relief obligations as it can by August 15, 2015.

TAX RELIEF

As required by the Settlement Agreement, on November 3, 2014, Bank of America deposited \$490,160,000 into a Tax Relief Payment Account (the “Account”) that is controlled by the Monitor. The Monitor is responsible for overseeing the creation of the Account and for coordinating potential future tax payments out of the Account to the Internal Revenue Service (IRS) on behalf of qualifying homeowners. Bank of America has no further involvement with the Account and will not be entitled to receive any funds that might remain when the Account is terminated. Rather, under the terms of the Settlement Agreement, any funds that remain upon termination will be distributed to specified community-based organizations that provide housing counseling and assistance with foreclosure prevention and to agencies that provide legal assistance to borrowers and homeowners.

The purpose of the Account is to assist homeowners who may be subject to additional federal income-tax liability as a result of modifications made to their mortgages by Bank of America. Some mortgage modifications may include forgiveness of principal. This forgiveness may be considered income to the homeowner that must be reported to the IRS. As income, it may be subject to federal, state, local, and other taxes, depending on the homeowner’s individual circumstances, including where the homeowner resides. Payments made out of the Account will be paid directly to the IRS and will only be applied to reduce a homeowner’s federal income-tax liability.

It is possible that, as a result of future federal legislation, the Monitor may not be required to make any tax relief payments. The Mortgage Forgiveness Debt Relief Act of 2007 permitted qualifying homeowners to exclude principal forgiveness from taxable income on their federal income-tax returns. The provisions of that law, which were extended by Congress in December 2014, currently provide tax relief for mortgages modified before January 1, 2015. As a result, homeowners whose mortgages were modified in 2014 will not be eligible for tax payments from the Account because of the tax benefit those homeowners will already receive under the legislation. Congress may enact further extensions of the law in 2015, but there is no assurance that it will. If Congress does vote to extend the law through 2015, the Monitor will not make any tax payments out of the Account, and all of the funds will go to the community-based organizations identified in the Settlement Agreement.

If Congress does not pass legislation to extend tax relief beyond 2014, the Settlement Agreement provides that the Monitor will pay to the IRS, for each homeowner entitled to tax relief and as long as the Account has funds, an amount equal to 25% of the amount of mortgage forgiveness or \$25,000, whichever is smaller. It is possible that a homeowner could still owe taxes to the IRS if there has been significant forgiveness of principal or the homeowner is subject to an effective tax rate that is higher than 25%. In addition, payments made on behalf of homeowners will not relieve any liability for state or local taxes that may be due as a result of any loan forgiveness. The Settlement Agreement gives the Monitor the discretion to adjust the payment percentage or payment amount, depending on the funds remaining in the Account, and the likely remaining federal tax liability for borrowers receiving Consumer Relief from Bank of America.

If the Mortgage Forgiveness Debt Relief Act is not extended through 2015, the Monitor will make a tax payment from the Account to the IRS on behalf of a homeowner if the Monitor receives notice from Bank of America that it has forgiven principal on a homeowner's mortgage (or that a second-lien mortgage has been extinguished) and there are funds still available in the Account. Each homeowner who receives loan forgiveness will be sent a Form 1099-C from Bank of America, confirming the amount of loan forgiveness that has been reported to the IRS as potentially taxable income to that homeowner. After the Monitor makes a payment to the IRS on behalf of a homeowner, the Monitor will send the homeowner a Form 1099-MISC that will (a) confirm that a payment has been made to the IRS on the homeowner's behalf, and (b) confirm that the amount of the tax relief payment has been reported to the IRS as additional income to the homeowner. This income from the tax relief payment may itself be subject to

additional taxes depending on a homeowner's particular circumstances. For more information, see <http://bankofamerica.mortgagesettlementmonitor.com/tax-relief/>.

THE MONITOR'S ROLE

The Consumer Relief that Bank of America has agreed to provide under the Settlement Agreement is complex, may occur over several years, and is carried out in large part by Bank of America. The DOJ, the Attorneys General for the six Participating States, and Bank of America have appointed Professor Eric D. Green as an independent Monitor to determine whether Bank of America has satisfied its Consumer Relief obligations under the Settlement Agreement and to administer the Tax Relief Payment Account in accordance with the Settlement Agreement.

THE APPOINTMENT OF PROFESSOR GREEN AS INDEPENDENT MONITOR

Professor Green has extensive experience in serving as an independent, neutral party in helping businesses, government agencies, and individuals resolve their most difficult and complex disputes. He has served as a neutral mediator or court-appointed Special Master in thousands of cases, including the Enron securities class action and the Visa/MasterCard and Microsoft anti-trust cases, as well as cases involving mortgage-backed securities and mortgage modification programs. Professor Green is a prolific author of books and articles. He has co-authored leading law-school textbooks on evidence and dispute resolution, and numerous articles in each of these fields. From 1977 until his recent retirement from teaching, he taught negotiation, mediation, complex ADR processes, resolution of mass torts, evidence, and constitutional law at Boston University School of Law, and designed and led numerous training programs on these subjects for the dispute-resolution firms he co-founded, JAMS/Endispute and Resolutions, LLC.

The Settlement Agreement provides that the Monitor will be fully independent. In his capacity as Monitor, Professor Green does not represent any of the settling parties and cannot represent or provide legal or tax advice to individual homeowners. Even though he is paid by Bank of America for his services as Monitor, neither Bank of America nor any of the other settling parties has the power to direct or control the Monitor's work or his exercise of discretion.

THE MONITOR'S ROLE UNDER THE SETTLEMENT: TO CERTIFY THAT BANK OF AMERICA HAS PROVIDED RELIEF

The Monitor's duties and powers are defined by the Settlement Agreement. The Monitor was appointed to determine whether Bank of America has satisfied the obligations set forth in Annex 2. This has three aspects. First, the Monitor is required to determine and certify that Bank of America has complied with Annex 2 to the Settlement Agreement and is entitled to the Credit it claims for providing Consumer Relief. Second, the Monitor will evaluate and certify Bank of America's compliance with the required outreach obligations set forth in Annex 2. Third, the Monitor is required to publicly report (a) on Bank of America's progress toward completion of Consumer Relief, including reporting on overall progress on a quarterly basis, with the first report due on February 17, 2015; (b) on Credit earned by Bank of America for Consumer Relief, with reporting to be made as promptly as practicable following the date the Monitor has confirmed the methodology for validating Bank of America's entitlement to Credit; and (c) on the tax-relief payments required by Annex 3 of the Settlement Agreement.

In determining whether Bank of America has earned Credit and complied with the Settlement Agreement, the Monitor must take into account whether Bank of America has provided relief through any policy that violates the Fair Housing Act or the Equal Credit Opportunity Act. The Monitor must also perform calculations to determine whether Bank of America has met the Credit Minimums and stayed within the Credit Caps set forth in Annex 2, and if those Credit Minimums have not been met, the amount of Liquidated Damages that Bank of America owes. Because a minimum of 50% of First Lien Principal Forgiveness must be provided to homeowners in Hardest Hit Areas, the Monitor will need to assess the Consumer Relief provided to those areas.

Under the Settlement Agreement, Bank of America is obligated to give the Monitor evidence of its Consumer Relief efforts. For Credit under Menu Items 1, 2, 3.A, 3.B, and 3.C, Bank of America must report data to the Monitor at the census-block level. In reporting on Bank of America's entitlement to Credit, the Monitor must include a description of the distribution of Credit at the census-block level. The Monitor also has the power to collect data from Bank of America. Through this Report and subsequent quarterly reports, the Monitor will inform the public how Bank of America is earning Credit for providing Consumer Relief and otherwise complying with the Settlement Agreement.

The Monitor's determination of whether Bank of America has complied with the Settlement Agreement and has earned Credit will have a significant impact on Bank of America's obligations. If the Monitor determines that as of August 31, 2018, Bank of America has fallen short in satisfying its Consumer Relief obligations, Bank of America is required to make a compensatory payment in cash in an amount equal to the shortfall. One quarter of any shortfall payment will go to NeighborWorks America, to provide housing counseling, neighborhood stabilization, foreclosure prevention, or similar programs. Three quarters of any shortfall payment will go to state-based Interest on Lawyers' Trust Accounts (IOLTA) organizations (or other statewide bar-association affiliated organizations) that provide funds to legal aid organizations to be used for foreclosure-prevention legal assistance and community-redevelopment legal assistance. In addition, if the Monitor determines that Bank of America has failed to meet its outreach obligations, Bank of America will be required to make a liquidated-damages payment of \$100 million.

The Monitor was not involved in any way in the negotiation, mediation, or drafting of the Settlement Agreement. The Settlement Agreement does not give the Monitor the power to act or advocate on behalf of individual homeowners who may be eligible for Consumer Relief. Homeowners considering seeking mortgage modifications or other relief from Bank of America under the Settlement Agreement may wish to obtain legal or tax advice from a lawyer or tax advisor of their own selection. Homeowners who desire such assistance but who do not know where to obtain it or cannot afford it may visit sites found on <http://bankofamerica.mortgagesettlementmonitor.com/for-more-help/>.

The Monitor has assembled a team of professionals, who are also independent from Bank of America, to assist him in carrying out his duties. To assist the Monitor in issues related to legal compliance and implementation of the legal requirements of the Settlement Agreement, the

Monitor has retained Young Conaway Stargatt & Taylor, LLP of Wilmington, Delaware. The Monitor also has retained Caplin & Drysdale of Washington, D.C. to help with certain tax matters and StoneTurn Group, LLP to help the Monitor evaluate certain lending and credit issues. The Monitor has retained BDO Consulting (BDO), a division of BDO USA, LLP, to help him determine whether Consumer Relief efforts that Bank of America has undertaken are entitled to Credit under the Settlement Agreement and to calculate the amount of such Credit. To assist the Monitor in community-outreach efforts contemplated by the Settlement Agreement, the Monitor has retained Sitrick And Company as a communications consultant. To help the Monitor provide tax information to homeowners who receive Consumer Relief and may be entitled to tax-relief payments, the Monitor has retained The Garden City Group, Inc. Although the Settlement Agreement requires that the fees and expenses of these professionals be paid by Bank of America, the Bank may not count those payments toward its obligation to provide Consumer Relief.

THE MONITOR'S WORK TO DATE

HOW BANK OF AMERICA EARNS CREDIT FOR CONSUMER RELIEF

The Settlement Agreement does not specify the procedures or methodologies required to validate Bank of America's Consumer Relief efforts. Immediately after being appointed, the Monitor and his professionals began working with Bank of America and its Internal Review Group (IRG) to establish a testing framework. This testing framework consists of, among other things, eligibility and Credit testing criteria, subject to review of appropriate documentation or other evidence that provides the general methodology upon which the Monitor's review and assessment of Consumer Relief are being conducted.

Relief crediting requires the following actions by three distinct parties:

- Bank of America provides the Consumer Relief and reports its efforts to the Monitor for testing and validation. It also reports its activities by means of a Consumer

Relief Loan Level File Report to the IRG, which consists of Bank of America employees independent of Bank of America’s mortgage loan servicing operations.

- The IRG tests and confirms the eligibility of Bank of America’s Consumer Relief activities and the amount of credited relief through Satisfaction Reviews at appropriate times, and reports to the Monitor the results of each Satisfaction Review through an IRG Assertion.
- The Monitor and his professionals review the IRG’s Satisfaction Reviews and conduct other procedures as the Monitor deems appropriate to determine whether each IRG Assertion is correct, complete, and reliable.

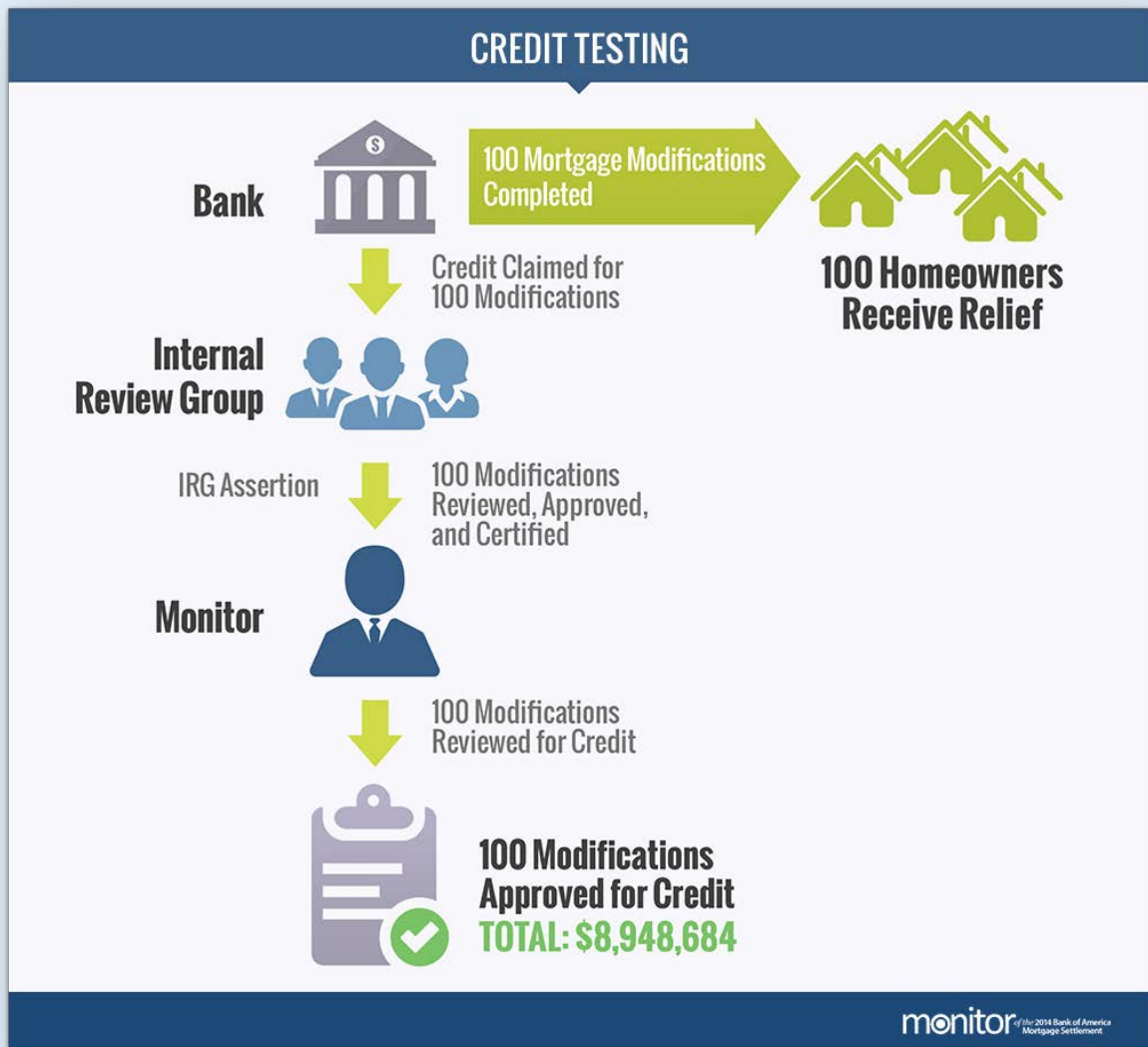


Table 6: Credit Testing

In doing this work, the IRG, the Monitor's professionals, and the Monitor in the first instance use methods outlined in agreed-upon Testing Process Flows and Defined Terms, subject to various forms of documentation and other evidence, to determine whether all or a portion of Bank of America's Consumer Relief obligations have been performed or satisfied.

THE IRG'S TESTING OF THE FIRST 100 FIRST-LIEN MODIFICATIONS

Shortly after the Monitor was appointed, Bank of America informed the Monitor that it initially intended to submit 100 first-lien principal forgiveness modifications for crediting review by the IRG and the Monitor. Bank of America indicated that it elected to take this approach so that the Monitor could use this initial testing period to assess the appropriateness of the design of the IRG's general testing protocols. The Monitor and his professionals reviewed this approach and agreed that it was a logical process to employ.

On January 9, 2015, the IRG submitted to the Monitor an IRG Assertion regarding the amount of Consumer Relief Credit that Bank of America claimed to have earned as of December 31, 2014, in relation to 100 loans. According to the IRG Assertion, dated January 9, 2015, Bank of America has correctly claimed \$8,948,684 of Consumer Relief Credit for the 100 loans, under Annex 2, Menu Item 1.A, for First Lien Principal Forgiveness related to loans serviced by Bank of America for others.

Through its initial IRG Assertion on January 9, 2015, the IRG reported to the Monitor the results of its Satisfaction Review. This Assertion concluded that:

- the Consumer Relief submitted by Bank of America for the testing period was based upon completed transactions that were correctly reported by Bank of America;
- Bank of America had correctly credited those Consumer Relief activities, so that the claimed amount of Credit is correct; and
- the claimed Consumer Relief satisfied the requirements set forth in Annex 2.

To reach these three conclusions, the IRG conducted an independent review to determine whether each of the 100 loans was eligible for Credit (Eligibility Testing), and whether the amount of Credit reported by Bank of America was calculated correctly (Credit Testing). The IRG executed this review in accordance with the Testing Process Flow and Defined Terms, and by accessing from Bank of America's system of record (SOR) the various data required to conduct the Eligibility Testing and Credit Testing for each loan. For each loan, the IRG determined whether it was eligible for Credit based upon the assembled data for that loan, again following the appropriate Defined Terms and Testing Process Flow. For each loan it determined to be eligible for Credit, the IRG recalculated the Credit amount to make sure that any applicable enhancements were correctly applied. After verifying the eligibility and recalculating Credit for each of the first 100 loans that Bank of America submitted for Credit, the IRG calculated the sum of the recalculated Credit for the first 100 loans (Actual Credit Amount) and compared that amount against the amount of Credit claimed by Bank of America for the first 100 loans (Reported Credit Amount). The IRG certified in the IRG Assertion that the amount of Consumer Relief Credit claimed by Bank of America for the 100 loans was accurate. Since all of the first 100 loans were tested by the IRG, as opposed to using statistical sampling, all of those loans certified by the IRG for crediting have been submitted to the Monitor.

THE MONITOR'S REVIEW OF BANK OF AMERICA'S COMPLIANCE

INTRODUCTION

The Monitor and his professionals met on multiple occasions with representatives of Bank of America to gain an understanding of its mortgage banking operations, its SOR, its Fair Housing Act and Equal Credit Opportunity Act compliance processes, the IRG program, and the IRG's proposed approach for Consumer Relief testing, among other things. During those meetings, the Monitor conducted a detailed review of Bank of America's SOR and its core processing applications for mortgage loans and home equity loans, the core processing applications used to modify loans, and the Internet and intranet web portal applications for digital document access and retrieval for defaulted loans across enterprise document archives.

REVIEW OF THE IRG

The Monitor also reviewed the IRG program, the personnel assigned to the IRG, and the IRG's training approach, team management, internal controls designed to ensure that the IRG's work papers appropriately document and support the conclusions of the IRG, and the testing approach the IRG planned to employ to, among other things, evaluate the eligibility of the loans for which Credit is claimed and to check the Credit calculation for accuracy. The Monitor also conducted interviews of key personnel. Through these procedures and interviews, the Monitor has sought to evaluate the IRG's independence from the Bank of America business units that will be providing Consumer Relief, as well as to understand better the IRG's capacity, structure, procedures, and governance. The procedures and interviews did not raise any concerns about the IRG's independence from Bank of America's business units. The Monitor will continue such diligence efforts throughout the term of his engagement.

FAIR LENDING

The Settlement Agreement provides that Consumer Relief will not be implemented through any policy that violates the Fair Housing Act or the Equal Credit Opportunity Act. The Monitor has initiated his review of Bank of America's compliance with the requirement that Consumer Relief not be implemented through a policy that violates those Acts, and his review did not raise any concerns to date.

THE FIRST 100 LOANS

Under the Monitor's direction and supervision, BDO performed an extensive review of the testing conducted by the IRG in order to validate the Consumer Relief Credit claimed by Bank of America. BDO's review of Consumer Relief crediting began January 14, 2015, and continued until the filing of this Report.

The principal focus of BDO’s review was to perform an independent review of the 100 loans submitted by Bank of America for Credit and tested by the IRG, following the processes and procedures set out in the Testing Process Flow and applicable Defined Terms, subject to appropriate documentation and other evidence. This review also included, among other due diligence, (a) an in-person walkthrough of the IRG’s approach to test the type of Consumer Relief that was reported in the January 2015 IRG Assertion, and (b) communications between the Monitor’s professionals and the IRG through which the professionals requested additional evidence and made inquiries concerning the IRG’s testing methodologies and results.

BDO was given access to details for the 100 loans for which Credit was claimed by Bank of America and that were tested by the IRG. Additionally, for each loan that it had tested, the IRG provided the data elements and evidence necessary for validating Credit in accordance with Annex 2 and the applicable Testing Process Flow and Defined Terms. BDO, using the data elements and evidence, went through each of the test steps and related analyses and calculations in the Testing Process Flow and Defined Terms for each of the 100 loans. During this process, the IRG cooperated fully with BDO.

Based on its testing of each of the 100 loans, BDO determined that the IRG had correctly validated the Consumer Relief Credit amount reported by Bank of America. In addition, BDO’s Credit calculations and the IRG’s Credit calculations were the same.

BDO documented its findings in its work papers and reported them to the Monitor. The Monitor then undertook an in-depth review of the IRG’s work papers with BDO, as well as BDO’s work papers. Table 7 below summarizes the results of this review.

Testing Population	Loans Reviewed by Monitor	Amount of Loan Principal Forgiven	Bank of America Reported Credit Amount	Monitor Calculated Actual Credit Amount	Amount Overstated (Understated)
Modification Forgiveness/ Forbearance	100	\$11,931,578	\$8,948,684	\$8,948,684	\$0

Table 7: Results of the review

The calculation of the \$8,948,684 Actual Credit Amount for the first 100 loans works as follows:

First lien principal reduction provided by Bank	\$11,931,578
Because loans were serviced by Bank of America but owned by others, the Bank gets 50% Credit for reduction	50%
Equals	\$5,965,789
Because Enhanced Early Incentive Credit, the Bank gets 150% Credit	150%
Actual Credit Amount Equals	\$8,948,684

Table 8: Actual Credit Amount

Because the Actual Credit Amount for the first 100 loans (\$8,948,684) does not constitute a sample large enough to make a meaningful description of the distribution of Credit at the census-block level, this Report does not contain such a description. Future reports will contain descriptions of the distribution of Credit at the census-block level, including for the first 100 loans.

Keeping in mind the small sample size, the first 100 test loan modifications submitted by Bank of America have the following characteristics:

- The modified loans are located in 24 states, with 33% located in the six Participating States and 65% located in Hardest Hit Areas.
- The loans had an average pre-modification unpaid balance of \$297,853. The average amount forgiven was \$119,316, which represents an average principal reduction of 40%.
- The loans had an average pre-modification interest rate of 7.00%. The average interest rate post-modification is 4.44%.

The characteristics of the first 100 loans may not be predictive of the characteristics of the loans that Bank of America may offer to modify as part of its Consumer Relief efforts going forward.

THE MONITOR'S ADDITIONAL STEPS TO OVERSEE IMPLEMENTATION OF THE SETTLEMENT SO FAR

The Monitor has undertaken the following community-outreach initiatives to date:

MONITOR WEBSITE

The Monitor has established a website in an effort to provide information about the Settlement Agreement and available relief for both borrowers and community-relief organizations. The website, <http://www.bankofamerica.mortgagesettlementmonitor.com>, is completely independent from the website hosted by Bank of America and is managed by the Monitor's staff and his professionals.

The website contains, among other things, information about the Settlement Agreement and the role of the Monitor and frequently asked questions for homeowners and community-relief organizations, as well as questions regarding available tax relief. The website contains copies of the Settlement Agreement, the plain-language document (in all six languages), and this Report.

The Monitor encourages homeowners considering mortgage modifications or other relief from Bank of America under the Settlement Agreement to obtain legal or tax advice from a lawyer or tax advisor. The Monitor is prohibited by the Settlement Agreement from giving such advice. On his website, the Monitor provides contact information for legal and taxpayer clinics for individual homeowners who desire assistance but do not know where to obtain it or cannot afford it. The Monitor's website also provides a list of additional resources, including contact

information for Bank of America, the DOJ, the Attorney General of each of the six Participating States, HUD, Fannie Mae, Freddie Mac, and the Financial Fraud Enforcement Task Force.

The Monitor's website also provides information for contacting the Monitor and his staff. The website lists the mailing address for the Monitor (Monitor of the Bank of America Mortgage Settlement, P.O. Box 10134, Dublin, OH 43017-3134) and the e-mail address for the Monitor (info@mortgagesettlementmonitor.com).

As of January 31, 2015, 3,405 unique users have visited the Monitor's website, and the Monitor has received 132 e-mails. The Monitor, or a member of his staff, reviews each e-mail and mail correspondence and responds as quickly as possible.

CALL CENTER HOTLINE

The Monitor's website also includes information about the Monitor's call center hotline. The Monitor established a toll-free number, 855.382.6441, for borrowers and community-relief organizations looking for more information about the Settlement Agreement. The call center hotline is maintained in Dublin, Ohio, and is staffed by both English- and Spanish-speaking operators. As of January 31, 2015, the call center has received 721 calls.

MEETINGS WITH DEPARTMENT OF JUSTICE, STATE ATTORNEYS GENERAL, AND CONSUMER ADVOCACY GROUPS

The Monitor also has arranged meetings with the DOJ, certain state Attorneys General, and consumer advocacy groups to discuss the Settlement Agreement and the Monitor's role. To date, the Monitor has met or had telephone conferences with representatives of the Attorneys General for New York, California, Maryland, Kentucky, Illinois, Delaware, and Iowa (whose Attorney General served as the chair of the National Mortgage Settlement Monitoring Committee).

In addition, the Monitor had a telephone conference with Americans for Financial Reform (AFR), a nonpartisan and nonprofit coalition of more than 200 civil rights, consumer, labor, business, investor, faith-based, and civic and community groups.

The Monitor's professionals also contacted several other individuals and organizations in connection with their efforts to obtain and analyze information relevant to monitoring Bank of America's compliance with the Consumer Relief requirements under the Settlement Agreement. For instance, the professionals consulted with the American Bar Association's commission on IOLTAs for information related to state-based IOLTA programs and other statewide bar-affiliated organizations providing legal assistance in connection with foreclosure prevention and community redevelopment. Through contact with representatives of the Legal Services Corporation, information relating to poverty population data and certain donation requirements was obtained. The Monitor's professionals also contacted counsel to HUD regarding, among other things, Small Area Difficult Development Areas relevant to affordable rental housing relief requirements.

The Monitor intends to continue his dialog with the state Attorneys General and AFR, and welcomes future meetings with these groups and other interested parties. The Monitor has instituted an "open door" policy with respect to any interested party.

ATTENDANCE AT BANK OF AMERICA'S OUTREACH EVENTS

Bank of America's community-outreach events throughout the country for 2015 will begin at the end of February.

See <https://homeloanhelp.bankofamerica.com/EventRegistration/en/events.jspx> for a list of events and locations. The Monitor plans to have a representative—either himself or a member of his team of professionals—attending as an observer at each of the Bank's outreach events.

CONCLUSIONS AND TIMELINE

On the basis of the information submitted to the Monitor and the work described in this Report, the Monitor reports the following:

- The Monitor has determined that \$8,948,684 of Consumer Relief asserted in the January 9, 2015 IRG Assertion for the period extending from July 1, 2014 through December 31, 2014 is correct.
- The Monitor has no reason to believe that Bank of America has failed to comply with the requirements of Annex 2 to the Settlement Agreement for the period extending from July 1, 2014 through January 31, 2015.
- The Monitor continues to review legislative developments to determine if Congress will extend certain tax benefits for homeowners who have their mortgages modified in 2015, as it did in December 2014 for mortgages that were modified in 2014. In the meantime, the Monitor continues to maintain the \$490 million set aside for potential tax relief in a Trust Account to which Bank of America has no access.

Based on reports from Bank of America's Settlement Agreement compliance team and the IRG, the Monitor expects his next reports, for the quarters ending June 30, 2015 and September 15, 2015, to cover a very substantial amount of Consumer Relief in the form of mortgage modifications and possibly community reinvestment, neighborhood stabilization, and affordable rental housing. The Monitor's future reports may also address other issues, as necessary, concerning Bank of America's provision of Consumer Relief and compliance with the terms of the Settlement Agreement.

Dated: February 17, 2015

GLOSSARY

Account. Tax Relief Payment Account.

Actual Credit Amount. The sum of the Credit recalculated by the IRG for the first 100 loans.

AFR. Americans for Financial Reform.

Annex 2. Annex 2 to the Settlement Agreement.

Annex 3. Annex 3 to the Settlement Agreement.

Area Median Income. The income level that half of an area's residents' incomes are above and half below.

BDO. BDO Consulting, a division of BDO USA, LLP.

DOJ. United States Department of Justice.

Consumer Relief. Any of the forms of relief that Bank of America may deliver for Credit under the Settlement Agreement.

Credit. Credit that may be earned by Bank of America under the Settlement Agreement by delivering Consumer Relief.

Credit Testing. The IRG's independent testing of whether the amount of Credit reported by Bank of America for the first 100 loans was calculated correctly.

Early Incentive Credit. Additional Credit available to Bank of America for offering or completing certain Consumer Relief by August 31, 2015.

Eligibility Testing. The IRG's independent testing of whether each of the first 100 loans was eligible for Credit.

Enhanced Early Incentive Credit. Additional Credit available to Bank of America for completing certain Consumer Relief by May 31, 2015.

Equal Credit Opportunity Act. Federal law that prohibits discrimination by creditors with respect to any aspect of a credit transaction on the basis of race, color, religion, national origin, sex, marital status, or age; because an applicant receives income from a public assistance program; or because an applicant has in good faith exercised any right under the Consumer Credit Protection Act.

Equity. The amount (if any) by which the value of a home exceeds the amount owed on any mortgages on the home.

Fair Housing Act. Federal law that makes it unlawful for housing providers to discriminate based on race, color, national origin, religion, sex, familial status, or handicap (disability) in all aspects of residential real estate transactions.

First Lien Loan. Loan at the top of the payment priority chain.

Hardest Hit Areas. Areas that HUD has identified as part of a Distressed Census Tract.

HUD. United States Department of Housing and Urban Development.

IOLTA. Interest on Lawyers' Trust Accounts.

IRG. Internal Review Group of Bank of America.

IRG Assertion. The IRG's report to the Monitor of the results of its Satisfaction Review.

IRS. Internal Revenue Service.

Loan-to-Value Ratio. The ratio between the amount owed on a mortgage loan and the value of the home subject to the mortgage.

Menu Items. The categories of Consumer Relief specified in Annex 2 of the Settlement Agreement.

Monitor. Professor Eric D. Green, the independent Monitor under the Settlement Agreement.

Mortgage Forgiveness Debt Relief Act of 2007. Law permitting qualified homeowners to exclude principal forgiveness from taxable income on their federal income-tax returns.

Participating States. California, Delaware, Illinois, Kentucky, Maryland, and New York.

Plain-Language Document. Document published by Bank of America on November 18, 2014 that can be distributed by third parties to explain to customers the forms of relief available under the Settlement Agreement.

Real-Estate Owned Properties. Properties acquired by Bank of America as a result of foreclosure or other methods.

Reported Credit Amount. The amount of Credit claimed by Bank of America for the first 100 loans.

Settlement Agreement. The August 20, 2014, settlement agreement between Bank of America, the DOJ, and the Participating States.

SOR. Bank of America's system of record.

Tax Relief Payment Account. Account containing \$490,160,000 deposited by Bank of America and maintained by the Monitor for the purpose of assisting homeowners who may be subject to additional federal income-tax liability as a result of Bank of America's modification of their mortgages.

Underwater. When the amount owed on a mortgage loan exceeds the value of the home subject to the mortgage.

VA. United States Department of Veterans Affairs.

OTHER MORTGAGE SETTLEMENTS

The Bank of America Settlement follows a string of settlements related to the 2008 financial crisis. The major settlements include:

February 9, 2012 — \$25 billion settlement between the Department of Justice and 49 state Attorneys General and the nation’s five largest mortgage servicers—Bank of America, Citigroup, JPMorgan Chase, Wells Fargo, and Ally Financial (formerly General Motors Acceptance Corp., or GMAC)—resolving charges of mortgage-origination, mortgage-servicing, and foreclosure abuses. This settlement is known as the National Mortgage Settlement.

July 12, 2012 — \$293.5 million settlement between the Department of Justice and Wells Fargo Bank, resolving charges of discrimination in wholesale mortgage lending.

November 19, 2013 — \$13 billion settlement with JPMorgan Chase, the Department of Justice, and five states, resolving charges arising from the issuance of residential mortgage-backed securities by JPMorgan Chase and two formerly independent firms, Bear Stearns and Washington Mutual, that had been acquired by JPMorgan Chase.

December 19, 2013— \$2.1 billion settlement between the Consumer Finance Protection Bureau, 49 state Attorneys General, and the District of Columbia, and Ocwen Financial Corporation and Ocwen Loan Servicing, LLC, resolving charges of mortgage-origination, mortgage-servicing, and foreclosure abuses.

July 3, 2014 — \$968 million settlement between the Department of Justice, certain federal agencies, and 49 state Attorneys General, and SunTrust Mortgage, resolving charges of mortgage-origination, mortgage-servicing, and foreclosure abuses.

July 14, 2014 — \$7 billion settlement between the Department of Justice and five states and Citigroup, resolving charges of abuses in the issuance of residential mortgage-backed securities.