

**OHIO ATTORNEY GENERAL
CONSUMER PROTECTION SECTION**

AND

**OHIO DEPARTMENT OF COMMERCE
DIVISION OF FINANCIAL INSTITUTIONS**

IN THE MATTER OF:)	
)	Docket No. 362717
CARRINGTON MORTGAGE)	
SERVICES, LLC)	

**ASSURANCE OF VOLUNTARY COMPLIANCE AND SETTLEMENT
AGREEMENT**

On July 31, 2009, the State of Ohio, ex rel. Attorney General (“Attorney General”) and the Ohio Department of Commerce (“Commerce”) (collectively the “State”) filed a complaint against Carrington Mortgage Services, LLC (“CMS” or “Carrington”) (CMS and the State collectively the “Parties”) in the Franklin County Court of Common Pleas, 09-CVH-11433 (“Complaint”).

The Parties have reached an agreement to resolve their disputes and enter into this Assurance of Voluntary Compliance (“AVC”), pursuant to R.C. 1345.06(F)(2), to resolve the complaint. The Parties believe that the terms of the AVC will benefit CMS, the State of Ohio, and Ohio borrowers. CMS agrees to enter into this AVC without admitting or denying the allegations in the Complaint and denies any wrongdoing as alleged by the Attorney General, Commerce, or otherwise.

BACKGROUND AND FACTS

1. Carrington Mortgage Services, LLC is a Delaware limited liability company with its principal place of business located at 1610 East St. Andrew Place, Suite B-150, Santa Ana, California 92705.
2. CMS is a residential mortgage special servicer. As a residential mortgage special servicer, CMS collects mortgage loan payments from borrowers with residential mortgages and distributes those payments to holders of the note or mortgage. Subject to its investor and contractual requirements and consistent with the terms of its pooling and servicing agreements and applicable laws, CMS provides customer service to the borrowers, and provides loss mitigation services regarding the mortgage loans. CMS services residential mortgage loans for loans secured by properties located in Ohio.

3. On July 31, 2009, the State filed a complaint in the Franklin County Court of Common Pleas against CMS, 09-CVH-11433, the allegations of which are incorporated by reference herein (the "Complaint").
4. On October 5, 2009, CMS filed an Answer in which CMS denied the allegations in the State's Complaint, the contents of which are incorporated by reference herein (the "Answer").
5. The Parties enter into this AVC and the following provisions in order to resolve their dispute.

GENERAL PROVISIONS

6. **Dismissal of Complaint:** Upon signing of this AVC, the State agrees to dismiss the Complaint with prejudice.
7. **Release from Agreement:** Upon signing of this AVC, the Parties agree to release each other from the agreement entitled Agreement for a Stay of Mortgage Loan Foreclosures that they signed on January 29, 2008 ("Agreement") and from any and all claims arising out of or related to CMS' Answer and the State's Complaint through the date of this AVC.
8. **No Admission of Liability:** By entering into this AVC, CMS does not admit liability or guilt to any allegation in the Complaint, and specifically denies any wrongdoing as alleged by the State or otherwise.
9. **Compliance with AVC and Applicable Laws:** By entering into this AVC, CMS agrees to comply with all of the terms of this AVC and to continue to conduct its business in compliance with all applicable Ohio laws, including without limitation, the Consumer Sales Practices Act and the Substantive Rules.
10. **Enforcement and Penalties for Failure to Comply:** This AVC is entered into pursuant to R.C. 1345.06(F)(2). Pursuant to R.C. 1345.06(F)(2), evidence of a violation of this AVC is prima-facie evidence of an act or practice in violation of the Consumer Sales Practices Act ("CSPA"). The Attorney General may assert any claim that CMS has violated this AVC in a separate civil action to enforce this AVC, or to seek any other relief afforded by law.
11. **Continuing Jurisdiction:** The Parties further consent to the jurisdiction of the Franklin County, Ohio Court of Common Pleas in any proceeding initiated by Commerce to enforce (i) the Parties' obligations under this AVC, including without limitation, CMS' obligations to provide loan modifications, loss mitigation alternatives, credit reporting, and restitution resolutions, and (ii) the terms and conditions of the Stipulated Protective Order entered by the Court in Case No. 09-CVH-11433 on August 24, 2010, the terms of which are expressly incorporated by reference into this AVC (the "SPO").

12. **Successors and Assignees:** This AVC shall apply to any successor or assignee of any Party.
13. **Expiration:** This AVC shall expire three (3) years from the date of its signing; provided, however, that the following Sections of this AVC shall survive such expiration: Sections 7, 11, 13, 14, 15, 16 and 25.
14. **Public Inspection File:** Only this AVC document shall be filed in the Public Inspection File pursuant to 1345.05(A)(3).
15. **Future Investigations:** Nothing in this AVC shall in any way preclude any investigative or enforcement action against CMS under any legal authority granted to the Attorney General or Commerce that is not expressly addressed herein.
16. **Governing Law:** This AVC shall be governed by the laws of the State of Ohio.
17. **Full Agreement:** This AVC and the SPO together set forth the entire agreement between the Parties and supersede all prior agreements or understandings, whether written or oral, between the Parties and/or their respective counsel with respect to the subject matter herein. The Parties acknowledge that no other promises, representations or agreements of any nature have been made or entered into by the Parties. The Parties further acknowledge that this AVC constitutes a single and entire agreement that is not severable or divisible, except that if any provision herein is found to be legally insufficient or unenforceable, the remaining provisions shall continue in full force and effect.
18. **Modification:** This AVC may be modified upon a written agreement executed by the Parties.

GENERAL SERVICING STANDARDS

19. **General Servicing Standards:** For mortgage servicing of all residential properties in Ohio, CMS agrees to implement the following standards. These standards shall be effective on September 1, 2011:

Definitions	<p>For purposes of this Section 19:</p> <ul style="list-style-type: none"> • “AG” shall mean the Office of the Ohio Attorney General only • “Commerce” shall mean the Ohio Department of Commerce only • “State” shall mean the AG and Commerce, taken together • “CMS” shall mean Carrington Mortgage Services, LLC, as servicer • “AVC” shall mean this Assurance of Voluntary Compliance and Settlement Agreement • “HAMP” shall mean the federal Home Affordable Modification Program • “property” shall mean real properties located within the physical boundaries of the State of Ohio
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	<ul style="list-style-type: none"> • “borrower” shall mean a person or persons who have a mortgage secured by real property located within the physical boundaries of the State of Ohio • “loan,” “mortgage” and “account” shall mean loans, mortgages or accounts where the mortgage is secured by real property located within the physical boundaries of the State of Ohio
<p>General Customer Service Requirements</p>	<ul style="list-style-type: none"> • Single Point of Contact: Once a borrower has submitted a fully completed and executed HAMP loan modification package, CMS shall assign such borrower to (i) a single point of contact for all loan modification activities, and (ii) a single point of contact for all non-loan modification loss mitigation activities (e.g., Deed-in-Lieu/Relocation Assistance, Short Sale, Cash-For-Keys, etc.) (each such person, a “Single Point of Contact”). In the event that a borrower’s Single Point of Contact is unavailable (e.g., is sick, on leave, on vacation, etc.), other team members shall substitute for such Single Point of Contact. In the event that a Single Point of Contact terminates employment (whether as a result of death, disability or departure), a new Single Point of Contact shall be assigned to the borrower within a commercially reasonable period of time. To be deemed received by CMS, each fully completed and executed HAMP loan modification package (and any supporting or updated borrower information) must be sent by the borrower to CMS’ dedicated e-mail address or fax number for OH borrowers or via any general servicing mailing address or fax number that CMS communicates to non-Ohio borrowers. CMS shall communicate such e-mail address and fax number in applicable communications to OH borrowers. For purposes of being entitled to a Single Point of Contact and cessation of collection calls <u>only</u> (i.e., to be considered for a loan modification or any other loss mitigation alternative, the borrower will need to submit any documentation not yet provided), a HAMP loan modification package shall be deemed fully completed and executed if the following completed and executed documents are submitted to CMS via the above-referenced dedicated e-mail address or fax number or via any general servicing mailing address or fax number that CMS communicates to non-Ohio borrowers: (i) the HAMP Request for Modification and Affidavit, (ii) the IRS Form 4506T-EZ, and (iii) the Dodd-Frank Certification required under HAMP. Single Point of Contact does not include collection personnel. CMS and the AG agree that collection calls may continue by collection personnel in the ordinary course until they are ceased pursuant to the “Cease of Collection Calls” provision below. • Cease of Collection Calls: CMS shall cease all collection calls to a borrower within 7 days of receiving a fully completed and executed HAMP loan modification package from a borrower. CMS shall inform borrowers requesting a loan modification package that ordinary course collection calls will continue until 7 days after CMS’ receipt of a fully completed loan modification package from the borrower. Collection calls shall not recommence until ordinary course servicing practices can be resumed after exploration of loss mitigation alternatives, as more particularly set forth and defined herein.
<p>Loan Modification Processing Requirements</p>	<ul style="list-style-type: none"> • Modification Timeline: CMS shall abide by the following timeline for all loan modification requests: <ul style="list-style-type: none"> ○ <i>Acknowledgement:</i> Issue a letter acknowledging receipt of the HAMP loan modification package within 10 days of receipt, whether such package is complete or incomplete.

	<ul style="list-style-type: none"> ○ <i>CMS Review & Assessment:</i> Within 30 days of issuing the acknowledgement letter, CMS shall review the package for completeness and eligibility, and determine whether the borrower qualifies, and either: <ul style="list-style-type: none"> ▪ Issue a Trial Period Agreement, or ▪ Issue a Non-Approval Notice with a specified reason, or ▪ Issue a Notice of Incomplete Package Letter describing what documentation is needed in order to render a decision, in which case the borrower shall have 30 days to remit any outstanding items. If the borrower fails to remit the outstanding documentation within the allotted 30 day timeframe, CMS shall: <ul style="list-style-type: none"> ○ Issue a 2nd Notice of Incomplete Package Letter describing what documentation is outstanding, in which case the borrower shall have 15 additional days to remit outstanding items. Upon receipt of all documentation servicer has 30 days to either issue a Trial Period Agreement or a Non-Approval Notice with a specified reason ○ <i>Borrower Execution:</i> If a borrower is offered a loan modification via a Trial Period Agreement, such borrower shall have 10 days (or until the next business day if the 10th day falls on a weekend or holiday) from receipt of the offer to sign and return the Trial Period Agreement. If a borrower is offered a loan modification offer other than via a Trial Period Agreement, the borrower shall have 10 days (or until the next business day if the 10th day falls on a weekend or holiday) from receipt of such offer to sign and return the offer. ○ <i>Ordinary Course Servicing Practices:</i> If a borrower fails to execute a Trial Period Agreement or other loan modification offer within the allotted timeframe, fails to provide a complete loan modification package, or otherwise is not eligible for a loan modification, CMS shall be entitled to pursue ordinary course servicing practices, including offering other loss mitigation alternatives while resuming or initiating collections and/or foreclosure proceedings simultaneously. ● Second Look Review: If a borrower's loan has not been modified previously and the borrower is denied for a first-time loan modification, such denial shall be presented to the Risk Management & Internal Audit Department. A member of the Internal Audit Department shall review all denied loan modification applications before CMS sends a denial letter to the borrower, to confirm that the loan is ineligible for a loan modification. The Internal Audit Department shall remain independent from the Loss Mitigation Department that underwrites loan modifications and recommends denials. ● Suspension of Dual Track: If a property is owner-occupied and once a borrower has submitted a fully completed and executed loan modification package to CMS, CMS shall promptly (i) suspend all ongoing foreclosure proceedings with the borrower, and (ii) refrain from initiating any new foreclosure proceedings against the borrower, for a period of 90 days from the date of receipt of the completed and executed loan modification package. If the borrower fails to qualify for a loan modification or otherwise elects not to complete a loan modification after such 90-day period, CMS shall be entitled to pursue ordinary course servicing practices, including offering other loss mitigation alternatives while resuming or initiating collections and/or foreclosure proceedings simultaneously.
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Covenants Regarding Provision of Foreclosure-Related Services	<ul style="list-style-type: none"> • CMS shall charge borrower default and foreclosure-related fees that are for services actually performed and that are bona fide, reasonable and consistent with investor and contractual requirements. CMS represents that this is its existing practice and agrees to continue this practice. • CMS shall not charge a borrower a mark-up on third party services unless it actually performs additional services that provide reasonable value. CMS represents that this is its existing practice and agrees to continue this practice.
Covenants Regarding Use of Foreclosure Counsel	<ul style="list-style-type: none"> • CMS shall not compensate foreclosure counsel in a manner that pays foreclosure counsel (i) a higher foreclosure-related fee for completing a foreclosure sale within a shorter timeframe, or (ii) a lower foreclosure-related fee because a foreclosure sale has been delayed due to pursuit of other loss mitigation alternatives. CMS represents that this is its existing practice and agrees to continue this practice.
OHFA's Restoring Stability Program	<ul style="list-style-type: none"> • CMS shall make a good faith effort to participate, on or around the 90-day anniversary of the AVC, in the Rescue Payment Assistance and Partial Mortgage Payment Assistance programs offered by the OH Housing Financing Agency's Restoring Stability Program.
Protocol for Handling Consumer Complaints	<ul style="list-style-type: none"> • AG and CMS shall each provide management level contacts for addressing complaints addressed to the State. • All such communications from the AG to CMS shall be addressed to both CMS' General Counsel and Assistant General Counsel in writing (which shall include, without limitation, e-mail). In the event that there is a replacement in CMS' General Counsel or Assistant General Counsel, information for the replacing individual shall be provided to the State promptly. • All communications from CMS to the AG shall be addressed to both the AG's identified Assistant Attorney General and Complaint Specialist in writing (which shall include, without limitation, e-mail). In the event that there is a replacement in the AG's Assistant Attorney General or Complaint Specialist, information for the replacing individual shall be provided CMS promptly. • In the event that the AG forwards a complaint to CMS, CMS shall investigate and respond in writing to the AG no later than 10 Business Days after receipt of the AG's communication. • CMS and the AG shall use commercially reasonable efforts to resolve any consumer complaints in an expeditious and reasonable manner.
Governing Principles	<p>All actions to be taken by CMS shall be subject to all applicable laws and all investor/contractual restrictions and requirements. CMS represents that it is not the subject of any pending multi-state investigation, inquiry, settlement or negotiation. For purposes of the general servicing standards outlined in this Section 19 only, in the event that CMS decides to enter into a separate settlement agreement governing general servicing standards with a coalition of at least twenty-six states (of which the State of Ohio is a part), CMS agrees that this Section 19 shall be automatically amended and restated in its entirety to incorporate solely the general servicing standards from such settlement with the coalition of states. For the avoidance of doubt, so long as the State of Ohio is a part of such 26-state coalition, nothing in this AVC shall be deemed to prohibit the State of Ohio from participating in and benefiting from new general servicing standards agreed to in a potential subsequent settlement with such coalition.</p>

QUALIFIED LOAN BORROWERS PROGRAM (“QLB PROGRAM”)

21. **QLB Program:** CMS agrees to maintain and follow the QLB Program as its confidential business plan for modifying or otherwise resolving a specific group of 29 individual loans that continue to be the subject of the January 29, 2009 Agreement. CMS agrees to maintain and follow the QLB Program to provide loan modifications, loss mitigation alternatives, credit reporting and/or restitution resolutions for the these 29 loans, as identified in the QLB Program (the “QLB Borrowers”).

22. **Identification of Mod-Eligible Borrowers:** The AG will identify borrowers eligible to participate in the QLB Program by certifying to CMS, on or prior to the 42-day anniversary of the AVC, each borrower who:

- has been contacted by the AG,
- has been reasonably determined to be occupying the property as his/her primary residence,
- is interested in receiving a loan modification or other loss mitigation relief, and
- has provided a completed loan modification package to the AG (collectively, a “Mod-Eligible Borrower”).

23. **Solicitation of QLB Borrowers:**

- *Modifications:* The AG shall take the following actions with respect to each Mod-Eligible Borrower:
 - The AG shall mail a joint communication and “HAMP Package” (comprising of the HAMP Solicitation Letter, Request for Modification and Affidavit, IRS Form 4506T-EZ, and Dodd-Frank Certification Form) to each QLB Borrower within 2 business days of the date of the AVC.
 - Each HAMP Package completed by a QLB borrower and submitted to the AG within 42 days of the date of the AVC shall be promptly forwarded by the AG to CMS within two business days of receipt.
- *Short Sales:* On or prior to the 42-day anniversary of the AVC, the AG shall send to CMS a list of QLB Borrowers interested in a Short Sale, along with a completed HAMP Package for each such borrower, an executed listing agreement and the name/contact information for the listing realtor.
 - The QLB Borrower’s realtor shall communicate with CMS to set a reasonable listing price, based on a current, independently-obtained Broker Price Opinion that is reflective of current market conditions and generates demand.

- The QLB Borrower’s realtor shall be required to promptly provide to the AG and CMS a copy of all offers, purchase contracts and estimated HUD-1 Statements.
- *Deeds in Lieu:* On or prior to the 42-day anniversary of the AVC, the AG shall send to CMS a list of QLB Borrowers interested in a Deed in Lieu of Foreclosure (“DIL”), along with a completed HAMP Package for each such borrower. To be eligible for a DIL:
 - the QLB must have clear and marketable title to the property,
 - the property must be owner-occupied,
 - the QLB must execute applicable documentation provided by CMS to effect the DIL,
 - the QLB must remove all personal property, and
 - the QLB must surrender the property in vacant, broom-swept condition by the later of (i) July 31, 2011, or (ii) the last day of the month immediately following the month in which (A) CMS communicates a loan modification denial (if a QLB previously requested a loan modification), or (B) a QLB declines a loan modification offer.

24. **Assessment of QLB Borrowers by CMS:** CMS will provide an eligibility assessment response to the AG and QLB Borrower within 10 Business Days of receipt of each complete loan modification or hardship package. CMS shall provide a response to the AG and any eligible QLB Borrower who does not qualify for a loan modification, outlining the applicable reason(s) for being denied. Any QLB Borrower who does not qualify for a loan modification may be eligible for other loss mitigation alternatives in accordance with the terms and conditions contained in the QLB Program.

25. **Confidentiality of the QLB Program and Information:** The QLB Program describes in detail the terms and conditions under which CMS is offering loan modifications and/or other loss mitigation alternatives, credit reporting, and restitution resolutions to a specific group of 29 individual borrowers. The QLB Program documents have been provided by CMS to the Attorney General and Commerce, have been kept, used, and shared in accordance with the Stipulated Protective Order entered in Franklin County, Ohio Case No. 09-CVH-11433, and are further subject to paragraph 25 of this AVC. Borrower-specific documents prepared to implement the QLB Program, including but not limited to items constituting the HAMP Package completed by a QLB and the eligibility assessment and report prepared by CMS, shall be maintained in confidence

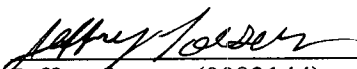
consistent with the provisions of this AVC. CMS shall also maintain these borrower-specific documents consistent with the provisions of the Gramm-Leach-Bliley Act, 15 U.S.C. §6801 *et seq.*, as amended.

CMS represents that it, in good-faith, believes the details of the QLB program constitute trade secrets or other materials otherwise protected from disclosure under Ohio's public records laws. The State agrees to protect any protected materials disclosed by CMS pursuant to this AVC to the fullest extent permitted under Ohio law. If the State receives any request pursuant to the Ohio Public Records Act, R.C. 149.43, for the disclosure of any materials that the State has received from CMS (including without limitation materials prepared by the State that are based on or incorporate the confidential information provided by CMS), the State agrees not to disclose, without giving prior written notice to CMS, any such materials that CMS has previously identified as confidential and exempt from disclosure under the Ohio Public Records Act, RC 149.43. The written notice to CMS shall identify those materials or portions thereof that are the subject of the public records request so that CMS may seek appropriate legal action, including injunctive relief, to prevent disclosure of the materials at issue. CMS agrees to reimburse the State for penalties or attorneys fees awarded by a final judgment of a court of competent jurisdiction against the State resulting from a public records request regarding documents or records pertaining to the QLB Program.

The Parties hereto affix their signatures in recognition and acceptance of the terms contained herein on this 19th day of May, 2011.

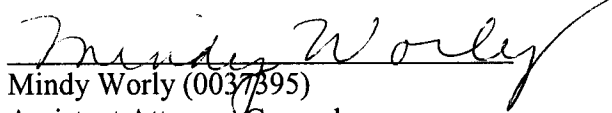
APPROVED:

R. Michael DeWine
Ohio Attorney General



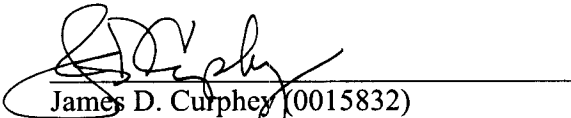
Jeffrey Loeser (0082144)
Susan Choe (0067032)
Assistant Attorney General
Consumer Protection Section
30 East Broad Street, 14th Floor
Columbus, Ohio 43215-3428
(614) 466-1305
(614) 466-8898 (FAX)
Jeff.Loeser@ohioattorneygeneral.gov

Counsel for Plaintiff
Ohio Attorney General

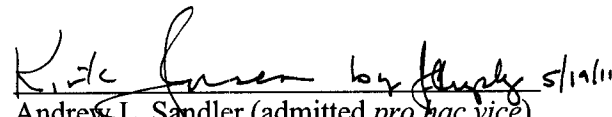


Mindy Worly (00377895)
Assistant Attorney General
Executive Agencies Section
30 East Broad Street, 26th Floor
Columbus, Ohio 43215-3428
614-466-2980
614-728-9470 (Fax)
mindy.worly@ohioattorneygeneral.gov

Counsel for Plaintiff
Ohio Department of Commerce



James D. Curphey (0015832)
Megan E. Bailey (0081167)
PORTER WRIGHT MORRIS & ARTHUR, LLP
41 South High Street
Columbus, Ohio 43215-6194
Telephone: 614.227.2000
jcurphey@porterwright.com
mbailey@porterwright.com



Andrew L. Sandler (admitted *pro hac vice*)
Benjamin B. Klubes (admitted *pro hac vice*)
Kirk D. Jensen (admitted *pro hac vice*)
BUCKLEYSANDLER LLP
250 24th Street NW, Suite 700
Washington, DC 20037
Telephone: 202.349.8000
asandler@buckleysandler.com
bklubes@buckleysandler.com
kjensen@buckleysandler.com

Counsel for Defendant
Carrington Mortgage Services, LLC