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CLERK-SUPERIOR COURT
SAN DIEGO COUNTY, CA

SUPERIOR COURT OF CALIFORNIA

COUNTY OF SAN DIEGO

PEOPLE OF THE STATE OF CALIFORNIA, Plaintiff, v. WASHINGTON MUTUAL, INC., a Washington corporation; and DOES 1-200, inclusive, Defendants.	Case No. 37-2008-00093736-CU-BT-CTL **COMPLAINT FOR INJUNCTION, RESTITUTION, OTHER EQUITABLE RELIEF, AND CIVIL PENALTIES** I/C Judge: Dept.: Action Filed: Trial Date: Not Set

Michael J. Aguirre, acting in his official capacity as City Attorney for the City of San Diego, brings this action in the name of the People of the State of California ("Plaintiff"). Plaintiff is informed and believes, and based on such information and belief, alleges the following:

I. NATURE AND SUMMARY OF ACTION

1. Defendant Washington Mutual, Inc. ("WaMu" or "Washington Mutual"), and its agents, officers, employees, and affiliated or associated parties engaged in a pattern of unlawful, unfair or fraudulent predatory real estate lending practices causing victims of such behavior in the City of San Diego, and throughout the State of California, to lose or be in jeopardy of losing their homes through foreclosure.

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2. WaMu's unlawful, unfair or fraudulent predatory lending practices directed against California consumers involved one of the following elements:

a. Making loans without consideration or verification of a borrower's ability to repay the mortgage according to its terms;

b. Inducing borrowers to repeatedly refinance in order to avoid "payment shock" resulting in a financial advantage to WaMu through the charging of high loan origination points and fees each time mortgages were refinanced;

c. Colluding with real estate appraisers to inflate the value of homes used to secure the loans; or

d. Engaging in fraud, deception or false advertising to conceal the true nature of the loan's obligations.

3. The goal of WaMu's unlawful, unfair or fraudulent predatory lending practices was to increase the company's share of the national mortgage market. In this scheme, borrowers were nothing more than the means for producing more loans. WaMu originated loans with little or no regard for the borrowers' financial ability to afford the loans or to sustain homeownership.

4. This action is brought to enjoin WaMu, or one of its affiliates, from initiating or advancing foreclosures on any owner-occupied residential mortgage involving subprime adjustable or fixed rate mortgages, and pay-option adjustable rate mortgages until such time as the borrowers have been evaluated for participation in a loan modification program or offered relocation assistance if ineligible to participate in loan modification.

II. DEFENDANTS AND VENUE

5. Defendant Washington Mutual is a corporation organized and existing under the laws of the State of Washington that transacted business in the City and County of San Diego, throughout the State of California and elsewhere in the United States.

6. WaMu carried out its unlawful, unfair or fraudulent predatory lending practices through several presently unknown affiliates, divisions and subsidiaries which are named herein as DOE defendants.

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7. The true names of Defendants DOES 1 through 200, who joined in the unlawful, unfair or fraudulent predatory lending practices as officers, agents, employees, associated parties, affiliates, divisions and subsidiaries of WaMu, are currently unknown to the People, who, therefore, sue such Defendants by their fictitious names. The People will seek leave to amend this Complaint to allege the true names of DOES 1 through 200 when the same have been ascertained. The People are informed and believe, and based on such information and belief, allege that each of the fictitiously named Defendants participated in some or all of the acts alleged herein.

8. At all relevant times, each of the Defendants acted as the principal, agent, or representative of each of the other Defendants, and in doing the acts herein alleged, each Defendant was acting within the course and scope of the agency relationship with each of the other Defendants, and with the permission and ratification of each of the other Defendants.

9. At all relevant times, Defendants have controlled, directed, formulated, known and/or approved of the various acts and practices of each of the Defendants.

10. Whenever reference is made in this Complaint to any act of any corporate or other business defendant, such allegation shall mean that the corporation or other business did the acts alleged through its officers, directors, employees, agents and/or representatives while they were acting within the actual or ostensible scope of their authority.

11. At all relevant times, each Defendant knew or realized that the other Defendants were engaging in or planned to engage in the violations of law alleged in this Complaint. Knowing or realizing that other Defendants were engaging in or planning to engage in unlawful conduct, each Defendant nevertheless facilitated the commission of those unlawful acts. Each Defendant intended to and did encourage, facilitate, or assist in the commission of the unlawful acts, and thereby aided and abetted the other Defendants in the unlawful conduct.

12. At all relevant times, Defendants have engaged in a conspiracy, common enterprise, and common course of conduct, the purpose of which is and was to engage in the violations of law alleged in this Complaint. The conspiracy, common enterprise, and common course of conduct continue to the present.

13. Whenever reference is made in this Complaint to any act of Defendants, such allegations shall mean that each Defendant acted individually and jointly with the other Defendants named in that cause of action.

14. At all times mentioned in this Complaint, Defendants transacted business within and from the City of San Diego, State of California, and the violations of law described herein were committed within and from the City and County of San Diego, and throughout the State of California.

III. FACTUAL ALLEGATIONS

15. The factual allegations contained herein are based on information and belief, and are likely to have evidentiary support after a reasonable opportunity for further investigation and discovery, as permitted by the Code of Civil Procedure section 128.7.

16. With a history dating back to 1889, WaMu was the seventh largest among all U.S.-based bank and saving and loan holding companies by the end of 2007.

17. Spurred on by the acquisition of the three largest California-based thrift institutions in the latter part of the 1990s, WaMu continued to expand its banking and lending operations both organically and through further acquisitions of retail banking institutions and mortgage companies.

18. By 2002, WaMu was the second largest originator of mortgage loans in the United States.

19. That year 44% of WaMu's loan portfolio, containing both loans meant to be held by the company as well as loans held for resale to the secondary mortgage market, was comprised of mortgages originated in California.

20. The amount of California mortgages held in WaMu's loan portfolio rose to 46% by 2003.

21. According to WaMu's 10-K filed in February 2008, that number rose even further still to 50% by the end of 2007.

22. WaMu offered home loans to California consumers through a number of distribution channels, including retail home loan centers, wholesale home loan centers,

correspondent or mortgage loan brokers, and directly to consumers through call centers and the Internet.

23. WaMu offered both prime and subprime home loans to consumers.

24. Prime or "conforming" loans are primarily traditional first lien home loans made to highly creditworthy borrowers. These loans are considered safe from a credit perspective as they meet the lending guidelines of the Federal National Mortgage Association ("Fannie Mae") and Federal Home Loan Mortgage Corporation ("Freddie Mac"), which are government-sponsored entities that provide liquidity to the home loan market.

25. In 2002, WaMu generally sold newly originated prime loans to Fannie Mae.

26. Subprime loans, on the other hand, are "non-conforming" loans in that they do not meet Fannie Mae or Freddie Mac's lending guidelines due to an array of factors including the creditworthiness of the borrower, the size of the loan, the loan-to-value ratio of the desired property, the income-to-debt ratio of the borrower, and the quality of the documentation provided for the loan.

27. During the relevant time period, WaMu directly originated, purchased from correspondents or brokers, and serviced subprime loans through its specialty mortgage finance operations.

A. Mortgage Lending Industry Shifts Away From Traditional Prime Loans Toward Riskier, Non-Traditional Subprime Loans

28. Over the years, the residential mortgage lending business evolved from one in which lenders, such as WaMu, originated home loans for retention in their loan portfolios to one in which lenders originated loans for resale to the secondary mortgage market.

29. During the relevant time period, it is believed that many of the subprime residential mortgages originated by WaMu, or purchased from correspondents or brokers, were eventually sold into the secondary mortgage market primarily in the form of securities and to a lesser extent in the form of whole loan sales.

30. Mortgages are "securitized" when loans are pooled together and transferred to a trust controlled by the securitizer. The trust then creates and sells securities backed by the loans

in the pool. Holders of the securities received the right to a portion of the monthly payment stream from the pooled loans, although they were not typically entitled to the entire payment stream. Rather, the holders received some portion of the monthly payments. The securitizer, or the trust it controls, often retains an interest in any remaining payment streams not sold to security holders. These securitizations could involve the pooling of hundreds or thousands of loans, and the sale of many thousands of shares.

31. Although subprime mortgages were generally sold into the secondary mortgage market, WaMu typically performed the ongoing mortgage servicing functions (i.e., the administration and collection of home loan payments and fees) related to these residential mortgage loans.

32. Coinciding with the shift towards selling home loans on the secondary market, the residential mortgage lending industry shifted its focus to the origination of more non-conforming, usually subprime loans.

33. WaMu was no exception as it too shifted away from traditional fixed-rate home loans made to borrowers with "prime" credit scores in favor of a wide range of non-traditional, high-risk home loans designed to allow borrowers from all credit levels to borrow more money for home purchases or refinances than would have been available under traditional fixed interest rate product lending guidelines.

34. Examples of these "non-traditional" loan products include:

a. Hybrid adjustable rate mortgages ("ARMs"), which typically provide for a low "teaser" interest rate for a predetermined introductory time period, ranging between 2 to 10 years. The majority of ARMs sold to subprime borrowers were so-called "2/28" or "3/27" loans, meaning that the teaser interest rate lasted for only two or three years before "resetting" or recasting to higher interest rates for the remainder of the loan period.

b. Interest-only mortgages, which allowed borrowers to pay only the interest accruing on the loan on a monthly basis for a predetermined period of time. At the end of the initial time period, borrowers would then have to pay interest plus principal, and the interest may adjust depending on whether the loan was a fixed or adjustable rate mortgage.

c. Pay-option ARMs, which give the borrower the "option" whether to pay down loan principal, to only make the monthly interest payment, or to make a "minimum" payment that is less than the actual interest accruing on the loan principle in a given month. If a borrower elects to make only the "minimum" payment, the difference between that amount and the actual monthly interest accrual is then deferred and added to the remaining loan principal. Thus, making only the "minimum" payment will result in a negative amortization of the loan, *i.e.*, the principal balance increases when less than full interest payments are made.

d. Stated-income or "no doc" loans, which were based on a borrower's representations about ability to pay, with little or no documentation from the borrower to substantiate those representations. In these loans, the lender typically agrees not to inquire behind the borrower's represented income, leading many to call these products "liar loans."

e. Home equity lines of credit ("HELOCs"), which are second loans secured only by the difference between the value of a home and the amount due on a first mortgage. Upon a default and foreclosure, the HELOC lender receives proceeds from the sale of the underlying home only after the first lien holder is paid in whole. HELOCs sit in the "first loss" position. Therefore, even a 10-20% reduction in home prices can have a dramatic effect on the collateral securing HELOCs – resulting in the entire amount of the HELOC becoming unsecured.

40. According to the *Wall Street Journal* in May 2005, 2/3 of all mortgages originated in the United States in the second half of 2004 were adjustable rate or interest-only mortgages.

41. In California, the rise of interest-only mortgages was quite dramatic. In 2002, only 2% of all mortgages originated in the state were interest-only. By 2004, the number had grown to 47%. The origination of interest-only loans reached 61% in the first two months of 2005, according to the *Wall Street Journal*.

42. WaMu was no exception to the dramatic rise in the origination of non-traditional home loans. By September 2004, pay-option ARMs comprised approximately 40% of WaMu's loan portfolio.

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B. WaMu Engages in Unlawful, Unfair Or Fraudulent Conduct By Originating Home Loans Without Consideration Of The Borrower's Ability to Repay

43. As WaMu shifted to selling riskier, non-traditional loan products, it also transitioned into predatory lending practices.

44. It is believed that a substantial and material percentage of the home loans originated by WaMu during the relevant period involved significant variations from the company's underwriting standards and were granted without consideration of the borrower's ability to repay the loan.

45. The importance of active monitoring and control over WaMu's underwriting and credit risk assessment processes was particularly strong when the company undertook its strategic shift favoring the origination of high-risk, non-traditional loans such as pay-option ARMs. For example, if borrowers are good credit risks and reasonably sophisticated, they can adjust their mortgage payment options under a pay-option ARM as needed to manage their cash flow needs over time. However, the risk becomes very significant when WaMu sold pay-option ARMs: (1) to riskier borrowers (including those who would struggle even to make the minimum monthly interest payment); (2) at greater than expected loan-to-value ratio; and/or (3) based on limited, if any, income documentation demonstrating a borrower's repayment ability. Yet, WaMu failed to adopt strong internal controls necessary to adequately manage the risks associated with these products.

46. In carrying out its lending practices, WaMu failed to comply with prudent lending standards as follows:

a. Loan decisions were not based upon all relevant factors including the capacity of the borrower to adequately service the debt over the life of the loan. For example, borrowers were entering into hybrid ARMs and pay-option ARMs were very likely to experience "payment shock" when the interest rates on their monthly loan payments reset. Under these circumstances, prudent qualifying standards would recognize the potential effect of payment shock in evaluating a borrower's ability to service debt. Yet, WaMu only evaluated a borrower based on the initial introductory or "teaser" interest rate;

b. A borrower's repayment capacity was not evaluated in terms of the borrower's ability to repay the debt by its final maturity at the fully indexed rate, assuming a fully amortizing repayment schedule;

c. Borrowers were not qualified based upon a quantification of the borrower's repayment capacity utilizing a proper debt-to-income ratio, which should have included an assessment of a borrower's total monthly housing-related payments (*e.g.*, principal, interest, taxes, and insurance).

47. Even when risk-layering features were present, there was an absence of mitigation factors to support WaMu's underwriting decisions. Thus, the borrowers' repayment capacity was not verified, the borrowers' income (source and amount) was not checked, and the borrower's assets and liabilities were not confirmed.

48. These practices clearly demonstrate that almost anyone could get a loan, even if they had very little to no chance of paying it back.

49. WaMu's approval of loans that it knew to be high risk and likely to end up in default demonstrates an utter disregard for the well-being of the borrower.

50. WaMu pushed one goal above all others – originating loans and selling them to the secondary markets as fast as possible.

C. WaMu Engages in Deceptive, Predatory Practices To The Detriment Of Borrowers

51. WaMu utilized deceptive lending practices to extend credit to individuals who did not understand the terms and dangers of the costly loans they could not afford.

52. Washington Mutual's deceptive lending practices included (a) encouraging borrowers to refinance or obtain purchase money financing with complicated mortgage instruments like hybrid or pay-option ARMs that consumers did not understand; (b) marketing these complex loan products by emphasizing the very low initial "teaser" or fixed interest rates; (c) representing to borrowers that they could refinance prior to scheduled interest rate increases without disclosing the dangers of negative amortization or the implications of pre-payment penalties; and (d) routinely soliciting borrowers to refinance.

53. For example, WaMu's sale of adjustable rate mortgages demonstrates the predatory lending practices exhibited by the company. As described, these types of mortgages offered low initial payments based on a fixed introductory or "teaser" interest rate that expires after a short period, and then adjusts to a variable interest rate plus a margin for the remaining term of the loan. When the interest rate resets, borrowers usually experience "payment shock" and are unable to afford the higher payments. These types of loans were typically offered to subprime borrowers and issued on a limited or no document basis. Additionally, these loans frequently carry substantial pre-payment penalties. As a result, borrowers of these loans are likely to have to resort to refinancing in order to maintain an affordable monthly payment.

54. WaMu deceptively marketed hybrid and pay-option ARMs by aggressively promoting the teaser rate. Advertisements did not effectively distinguish between the "payment rate" and the interest rate on the loans, and contained no warnings about potential negative amortization.

55. Because hybrid and pay-option ARMs start with lower initial monthly payments and interest rates than most other types of loan products, and given their complex nature, WaMu was able to easily sell such loans to borrowers by focusing on the initial low monthly payment and/or rates and by obscuring or misrepresenting the true risks of such loans.

56. Borrowers, enticed by the low teaser rate, did not fully understand the fine print in the loan documents or the financial implications of hybrid and pay-option ARMs.

57. Furthermore, WaMu touted its low documentation requirements, urging borrowers to get "fastrack" loans so that they could get cash more quickly. Many borrowers obtained hybrid and pay-option ARMs possessed sufficient documentation to qualify for full documentation loans. By emphasizing the ease, speed and availability of reduced or no documentation loans, WaMu and brokers concealed the fact that borrowers could qualify for a lower interest rate or reduced fees if they elected to apply for a mortgage by fully documenting their income and assets.

58. It is clear that borrowers did not understand the risks and consequences of obtaining adjustable rate loans. Borrowers who obtained these loans faced unaffordable monthly

payments after the initial rate adjustment, difficulty in paying real estate taxes and insurance that were not escrowed, or expensive refinancing fees, any of which could cause borrowers to default and potentially lose their homes.

59. California consumers were not protected from unfair, deceptive, and other predatory lending practices. WaMu failed to provide clear and balanced information about the risks and features of these loans to the detriment of its borrowers.

60. Compounding the predatory nature of WaMu's lending practices, the company aggressively marketed refinance loans to, among others, it's very own customers. In doing so, WaMu created a perpetual refinance market by selling hybrid and pay-option ARMs to borrowers who would have to refinance in order to avoid payment shock.

61. WaMu further knew that borrowers who could not afford the inevitable payment increases on such loans and who were unable to refinance would be at great risk of losing their homes.

62. Refinancing also served as a means to overcome a borrower's apprehension about purchasing a hybrid or pay-option ARM. WaMu often overcame a borrower's concerns by promising the borrower that they would be able to refinance into a loan with more favorable terms before the interest rate reset and the monthly payments increased.

63. Yet, WaMu failed to inform borrowers that refinancing interest-only or negative amortizing loans was highly unlikely unless the value of their home increased substantially.

64. Further, WaMu did not adequately inform borrowers about pre-payment penalties that would essentially prevent many borrowers from refinancing prior to rates resetting and the accompanying payment explosion.

65. As a direct consequence of WaMu's unlawful, unfair or fraudulent practices, borrowers are likely to be unable to afford the monthly payments after the expiration of the initial interest rate. These borrowers are also likely to experience difficulty paying real estate taxes and insurance. They will likely incur expensive refinancing fees, frequently due to recurring closing costs and prepayment penalties. Ultimately, most borrowers are likely to end up losing their homes.

66. WaMu, on the other hand, continued its deceptive marketing practices for it cared only about doing whatever it took to increase the numbers of loans.

D. WaMu Colluded With Select Appraisers to Inflate Loan Amounts In Order To Close Loans

67. In 2006, federal legislation prompted WaMu to revise its policy towards the utilization of in-house appraisers. As a result, WaMu entered into contracts with two major real estate appraisal firms to prepare appraisals on home loans, including hybrid and pay-option ARMs.

68. By this time, a large number of these loans would ultimately be securitized and sold as mortgage backed securities.

69. Because securitization minimized risk for WaMu, there was an incentive to process and originate loans that were inherently risky. Further, there was incentive for WaMu to pressure appraisers into overvaluing the properties for these risky mortgages.

70. As a result, WaMu pressured the outside appraisal firms to submit appraisals that inflated property values to meet loan amounts necessary for loan approval. WaMu would regularly request reconsideration when appraisals fell below the minimum amount required to fund the loan.

E. WaMu's Unlawful, Unfair Or Fraudulent Conduct Has Lead Directly to California Homeowners Either Having Lost Their Homes To Foreclosure Or They Will Face Foreclosure In The Future

71. Due to WaMu's lack of meaningful underwriting guidelines, deceptive and predatory sales tactics, and the complex nature of its hybrid and pay-option ARMs, a large number of WaMu home loans in California have ended in default and foreclosure, or are headed in that direction.

72. The latest foreclosure statistics published by DataQuick in July 2008, reflect that a record number (121,341) of "notices of default," the first stage in the foreclosure process, were filed in California during the April through June 2008 period. The number of notices filed was the highest since DataQuick began compiling statistics in 1992.

73. DataQuick also reported that most of the loans going into default during the second quarter of 2008 were for loans originated between September 2005 and November 2006.

74. As for WaMu, it reported in its 10-K filing in February 2008 that 35% of all delinquent or "nonaccrual" loans within its portfolio were for properties located in California.

75. WaMu also reports that 8% of its pay-option ARM portfolio is scheduled to "recast" (i.e., interest rate reset) in 2008 and 13% is scheduled to recast in 2009.

FIRST CAUSE OF ACTION

VIOLATIONS OF BUSINESS AND PROFESSIONS CODE SECTION 17500

(UNTRUE OR MISLEADING STATEMENTS)

76. Plaintiff realleges paragraphs 1 through 75 of the Complaint and incorporates same by this reference as though fully set forth herein.

77. Defendants have violated and continue to violate Business and Professions Code section 17500 by making or disseminating untrue or misleading statements, or by causing untrue or misleading statements to be made or disseminated, in or from the City and County of San Diego and throughout California, with the intent to induce members of the public to enter into home loans or home equity lines of credit transactions secured by their primary residences. These untrue and misleading statements include but are not necessarily limited to:

a. Not properly explaining complicated mortgage instruments like hybrid or pay-option ARMs to consumers;

b. Emphasizing the initial or fixed interest rate and not the fully indexed interest rate to be expected over the life of the loan;

c. Representing to borrowers that they could refinance prior to scheduled interest rate increases without disclosing the dangers of negative amortization or the implications of pre-payment penalties;

d. Failing to adequately inform borrowers that negative amortization, interest-only payments and pre-payment penalties would make it substantially unlikely borrowers would be able to refinance prior to interest rate reset;

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e. Steering borrowers into reduced or no documentation loans with higher interest rates or fees when the borrowers possessed sufficient documentation to qualify for more advantageous home loans.

78. Defendants knew, or by the exercise of reasonable care should have known, that these statements were untrue or misleading at the time they were made.

SECOND CAUSE OF ACTION

VIOLATIONS OF BUSINESS AND PROFESSIONS CODE SECTION 17200

(UNFAIR COMPETITION)

79. Plaintiff realleges paragraphs 1 through 78 of the Complaint and incorporates same by this reference as though fully set forth herein.

80. Defendants have engaged in, and continue to engage in, acts or practices that constitute unfair competition, as that term is defined in Business and Professions Code section 17200, including, but not limited to, the following:

a. By significantly deviating from traditional underwriting standards when originating non-traditional loan products such as hybrid and pay-option ARMs;

b. By ignoring internal controls that suggested certain loan applications be denied and funding those loan applications merely to increase the company's market share and profitability;

c. By utilizing deceptive lending practices including, but not limited to, (i) aggressively promoting hybrid and pay-option ARMs' introductory or teaser rates; (ii) failing to provide clear and balanced information concerning the risks and features of hybrid and pay-option ARMs; and (iii) creating a perpetual refinancing market for itself when placing borrowers in loans they had no ability to repay; and

d. By violating Business and Professions Code section 17500, as described in the First Cause of Action above.

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PRAYER

WHEREFORE, Plaintiff prays for judgment against Defendant Washington Mutual and DOES 1 through 200, and each of them, on all causes of action as follows:

1. For a judgment in favor of Plaintiff and against Defendants;

2. For a permanent injunction pursuant to Business and Professions Code section 17535 enjoining Defendants, their successors, assigns, agents, representatives, employees and all persons who act in concert with them from making any untrue or misleading statement in violation of Business and Professions Code section 17500, including, but not limited to, the acts or practices alleged in this Complaint;

3. For a permanent injunction pursuant to Business and Professions Code section 17203 enjoining Defendants, their successors, assigns, agents, representatives, employees and all persons who act in concert with them from engaging in unfair competition as defined in Business and Professions Code section 17200, including, but not limited to, the acts or practices alleged in this Complaint;

4. For a permanent injunction pursuant to Business and Professions Code section 17203 enjoining Defendants, their successors, assigns, agents, representatives, employees and all persons who act in concert with them initiating or advancing the foreclosure of any owner-occupied residential mortgage on any subprime adjustable rate or fixed mortgages and pay option adjustable rate mortgages originated directly by Washington Mutual, one of its affiliates, or through a broker for the time necessary to determine a borrower's eligibility to participate in a Court-ordered loan modification or relocation assistance program;

5. For an order pursuant to Business and Professions Code section 17203 that Defendants formulate a loan modification program applicable to all subprime adjustable or fixed rate mortgages and pay option adjustable rate mortgages for owner-occupied residential property originated by Washington Mutual, one of its affiliates, or through a broker between October 15, 2004 and October 15, 2008. Borrower eligibility to participate in the loan modification program

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to be established on the following conditions:

a. If a borrower is 60 days or more delinquent and the current loan-to-value ratio is 75% or higher;

b. If a borrower is current as of the date of the Court's order but becomes 60 days or more delinquent at any time prior to October 15, 2018, and the loan-to-value ratio at the time of the modification is 75% or higher;

c. If a borrower has a subprime ARM and the borrower is current as of the date of the Court's order but is reasonably likely to become 60 days or more delinquent as a consequence of a rate reset, and the loan-to-value ratio at the time of the modification is 75% or higher; and

d. If a borrower has a pay option ARM and the borrower is current but reasonably likely to become 60 days or more delinquent as a consequence of a rate reset or payment recast based on negative amortization, and the loan-to-value ratio at the time of the modification is 75% or higher;

6. For an order pursuant to Business and Professions Code section 17203 that Defendants waive any and all late or delinquency fees for missed payments;

7. For an order pursuant to Business and Professions Code section 17203 that Defendants waive any and all loan modification fees;

8. For an order pursuant to Business and Professions Code section 17203 that Defendants waive any and all prepayment penalties for borrowers who receive modifications, pay off, or refinance of their loans;

9. For an order pursuant to Business and Professions Code section 17203 that Defendants provide a cash payment to assist in relocation costs for all eligible borrowers facing foreclosure who forgo participation in the loan modification program and who agree to voluntarily leave the premise at the time of the foreclosure sale;

10. For an order pursuant to Business and Professions Code section 17203 that Defendants provide a cash payment to all eligible borrowers whose owner-occupied residences

have either experienced a foreclosure sale or are 120 days or more delinquent as the date of the Court's order;

11. For an order pursuant to Business and Professions Code section 17203 that Defendants retain an adequate number of personnel to assist with loan modification and other foreclosure avoidance measures;

12. For an order pursuant to Business and Professions Code section 17203 that Defendants proactively seek delinquent borrowers and offer streamlined loan modifications or other forms of assistance;

13. For an order pursuant to Business and Professions Code section 17203 that Defendants report their progress in complying with the Court's orders on a regular basis;

14. For the imposition of a civil penalty of $2,500 pursuant to Business and Professions Code section 17536 against each Defendant for each violation of Business and Professions Code section 17500, in an amount according to proof;

15. For the imposition of a civil penalty of $2,500 pursuant to Business and Professions Code section 17206 against each Defendant for each violation of Business and Professions Code section 17200, in an amount according to proof;

16. For costs of suit incurred herein; and

17. For such further and other relief as the Court deems just and proper.

Dated: 10 Oct 08

MICHAEL J. AGUIRRE, City Attorney

Attorney for Plaintiff