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13 **UNITED STATES DISTRICT COURT**
14 **CENTRAL DISTRICT OF CALIFORNIA**
15 **WESTERN DIVISION**

16 NATIONAL CREDIT UNION
17 ADMINISTRATION BOARD, as
18 Liquidating Agent of Western Corporate
19 Federal Credit Union,

LACV11-5887 *MMM (12x)*

Case No.

19 Plaintiff,

20 vs.

21 RBS SECURITIES, INC., f/k/a RBS
22 GREENWICH CAPITAL MARKETS,
23 INC.; GREENWICH CAPITAL
24 ACCEPTANCE, INC.; AMERICAN
25 HOME MORTGAGE ASSETS LLC;
26 INDYMAC MBS, INC.; LARES ASSET
27 SECURITIZATION, INC.; NOMURA
28 ASSET ACCEPTANCE CORP.;
NOMURA HOME EQUITY LOAN,
INC.; and WACHOVIA MORTGAGE
LOAN TRUST, LLC,

**COMPLAINT FOR DAMAGES
FOR VIOLATION OF THE
SECURITIES ACT OF 1933 AND
THE CALIFORNIA CORPORATE
SECURITIES LAW OF 1968**

JURY TRIAL DEMANDED

Defendants

TABLE OF CONTENTS

	<u>Page</u>
1	
2	
3	I. NATURE OF THE ACTION..... 1
4	II. PARTIES AND RELEVANT NON-PARTIES.....6
5	III. JURISDICTION AND VENUE.....9
6	IV. MORTGAGE ORIGINATION AND THE SECURITIZATION
7	PROCESS.....9
8	V. RMBS CREDIT RATINGS AND CREDIT ENHANCEMENT 12
9	VI. WESCORP’S PURCHASES 15
10	VII. THE ORIGINATORS SYSTEMATICALLY DISREGARDED THE
11	UNDERWRITING GUIDELINES STATED IN THE OFFERING
12	DOCUMENTS 17
13	A. The Surge in Mortgage Delinquency and Defaults Shortly After
14	the Offerings and the High OTD Practices of the Originators
15	Demonstrate Systematic Disregard of Underwriting Standards..... 18
16	B. The Surge in Actual Versus Expected Cumulative Losses Is
17	Evidence of the Originators’ Systematic Disregard of
18	Underwriting Standards29
19	C. The Collapse of the Certificates’ Credit Ratings Is Evidence of
20	Systematic Disregard of Underwriting Guidelines.....42
21	D. Revelations Subsequent to the Offerings Show That the
22	Originators Systematically Disregarded Underwriting Standards.....42
23	1. The Systematic Disregard of Underwriting
24	Standards Was Pervasive as Revealed After the
25	Collapse42
26	2. American Home’s Systematic Disregard of
27	Underwriting Standards.....49
28	3. Countrywide Home Loans, Inc.’s Systematic
	Disregard of Underwriting Standards53
	4. First National Bank of Nevada’s Systematic
	Disregard of Underwriting Standards62
	5. IndyMac Bank’s Systematic Disregard of
	Underwriting Standards.....63

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
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19
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23
24
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28

6.	Option One Mortgage Corporation’s Systematic Disregard of Underwriting Standards	68
7.	Silver State Mortgage Company’s Systematic Disregard of Underwriting Standards	69
8.	WaMu’s Systematic Disregard of Underwriting Standards	71
VIII.	THE OFFERING DOCUMENTS CONTAINED UNTRUE STATEMENTS OF MATERIAL FACT	83
A.	Untrue Statements Concerning Evaluation of the Borrower’s Capacity and Likelihood To Repay the Mortgage Loan.....	86
B.	Untrue Statements Concerning Reduced Documentation Programs.....	111
C.	Untrue Statements Concerning Loan-to-Value Ratios	117
D.	Untrue Statements Concerning Credit Enhancement	120
IX.	THE CLAIMS ARE TIMELY	123
X.	CLAIMS FOR RELIEF	127

1 Plaintiff, National Credit Union Administration Board (“NCUA Board”)
2 brings this action in its capacity as Liquidating Agent of Western Corporate Federal
3 Credit Union (“WesCorp”) against RBS Securities, Inc. (“RBS”) (f/k/a RBS
4 Greenwich Capital Markets, Inc.) as underwriter and seller, and against Greenwich
5 Capital Acceptance, Inc.; American Home Mortgage Assets LLC; IndyMac MBS,
6 Inc.; Lares Asset Securitization, Inc.; Nomura Asset Acceptance Corp.; Nomura
7 Home Equity Loan, Inc.; and, Wachovia Mortgage Loan Trust, LLC (collectively,
8 the “Issuer Defendants”) as issuers, of certain residential mortgage-backed
9 securities (“RMBS”) purchased by WesCorp, and alleges as follows:

10 **I. NATURE OF THE ACTION**

11 1. This action arises out of the sale of RMBS to WesCorp where RBS
12 acted as underwriter and/or seller of the RMBS.

13 2. Virtually all of the RMBS sold to WesCorp were rated as triple-A (the
14 same rating as United States Treasury Bonds) at the time of issuance.

15 3. The Issuer Defendants issued and RBS underwrote and sold the RMBS
16 pursuant to registration statements, prospectuses, and/or prospectus supplements
17 (collectively, the “Offering Documents”). These Offering Documents contained
18 untrue statements of material fact or omitted to state material facts in violation of
19 Sections 11 and 12(a)(2) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C.
20 §§ 77k, 77l(a)(2) (“Section 11” and “Section 12(a)(2),” respectively), and the
21 California Corporate Securities Law of 1968, Cal. Corp. Code §§ 25000, *et seq.*
22 (“California Corporate Securities Law”).

23 4. The NCUA Board expressly disclaims and disavows any allegation in
24 this complaint that could be construed as alleging fraud.

25 5. The Offering Documents described, among other things, the mortgage
26 underwriting standards of the originators (the “Originators”) that made the
27 mortgages that were pooled and served as the collateral for the RMBS purchased by
28 WesCorp.

1 6. The Offering Documents represented that the Originators adhered to
2 the underwriting guidelines set out in the Offering Documents for the mortgages in
3 the pools collateralizing the RMBS. In fact, the Originators had systematically
4 abandoned the stated underwriting guidelines described in the Offering Documents.
5 Because the mortgages in the pools collateralizing the RMBS were largely
6 underwritten without adherence to the underwriting standards stated in the Offering
7 Documents, the RMBS were significantly riskier than represented in the Offering
8 Documents. Indeed, a material percentage of the borrowers whose mortgages
9 comprised the RMBS were all but certain to become delinquent or default shortly
10 after origination. As a result, the RMBS were destined from inception to perform
11 poorly.

12 7. These untrue statements and omissions of fact were material because
13 the value of RMBS is largely a function of the cash flow from the principal and
14 interest payments on the mortgage loans collateralizing the RMBS. Thus, the
15 performance of the RMBS is tied to the borrower's ability to repay the loan.

16 8. WesCorp purchased the RMBS listed in Table 1 (infra) through initial
17 offerings directly from RBS by means of prospectuses or oral communications.
18 Thus, RBS is liable for material untrue statements and omissions of fact under
19 Section 11, Section 12(a)(2), and/or the California Corporate Securities Law for the
20 RMBS listed in Table 1.

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Table 1

CUSIP ¹	ISSUING ENTITY	DEPOSITOR	BUYER	TRADE DATE	PRICE PAID
65538DAB1	Alternative Loan Trust 2006-AR4	Nomura Asset Acceptance Corporation	WesCorp	11/17/06	\$12,778,000
026935AD8	American Home Mortgage Assets Trust 2007-3	American Home Mortgage Assets LLC	WesCorp	6/1/07	\$30,339,000
32027NXE6	First Franklin Mortgage Loan Trust 2005-FFH4	Financial Asset Securities Corp.	WesCorp	11/30/05	\$10,000,000
41162CAD3	HarborView 2006-10	Greenwich Capital Acceptance, Inc.	WesCorp	10/18/06	\$90,000,000
41162GAB8	HarborView 2006-11	Greenwich Capital Acceptance, Inc.	WesCorp	10/27/06	\$18,934,000
41162DAG4	HarborView 2006-12	Greenwich Capital Acceptance, Inc.	WesCorp	10/19/06	\$80,000,000
41162DAH2	HarborView 2006-12	Greenwich Capital Acceptance, Inc.	WesCorp	11/29/06	\$120,000,000
41162NAD9	HarborView 2006-14	Greenwich Capital Acceptance, Inc.	WesCorp	12/5/06	\$60,000,000
41162NAH0	HarborView 2006-14	Greenwich Capital Acceptance, Inc.	WesCorp	12/5/06	\$99,827,000
41161GAE3	HarborView 2006-8	Greenwich Capital Acceptance, Inc.	WesCorp	8/1/06	\$105,693,000
41161XAM8	HarborView 2006-9	Greenwich Capital Acceptance, Inc.	WesCorp	8/18/06	\$100,000,000

¹ "CUSIP" stands for "Committee on Uniform Securities Identification Procedures." A CUSIP number is used to identify most securities, including certificates of RMBS. See CUSIP Number, <http://www.sec.gov/answers/cusip.htm>.

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CUSIP ¹	ISSUING ENTITY	DEPOSITOR	BUYER	TRADE DATE	PRICE PAID
41164MAF4	HarborView 2007-1	Greenwich Capital Acceptance, Inc.	WesCorp	2/14/07	\$48,602,000
41164MAP2	HarborView 2007-1	Greenwich Capital Acceptance, Inc.	WesCorp	2/16/07	\$56,000,000
41164LAC3	HarborView 2007-2	Greenwich Capital Acceptance, Inc.	WesCorp	3/1/07	\$55,000,000
41164YAD3	HarborView 2007-4	Greenwich Capital Acceptance, Inc.	WesCorp	5/30/07	\$98,667,000
41165AAC6	HarborView 2007-5	Greenwich Capital Acceptance, Inc.	WesCorp	6/26/07	\$55,000,000
41165AAD4	HarborView 2007-5	Greenwich Capital Acceptance, Inc.	WesCorp	6/26/07	\$71,000,000
45667SAN7	IndyMac INDX Mortgage Loan Trust 2006-AR35	IndyMac MBS, Inc.	WesCorp	11/28/06	\$180,000,000
45667SAP2	IndyMac INDX Mortgage Loan Trust 2006-AR35	IndyMac MBS, Inc.	WesCorp	11/28/06	\$20,000,000
55028CAA3	Luminent Mortgage Trust 2007-1	Lares Asset Securitization, Inc.	WesCorp	1/23/07	\$35,000,000
55028CAB1	Luminent Mortgage Trust 2007-1	Lares Asset Securitization, Inc.	WesCorp	1/23/07	\$20,400,000
61915RCL8	MortgageIT Mortgage Loan Trust 2006-1	Greenwich Capital Acceptance, Inc.	WesCorp	2/17/06	\$35,710,500

CUSIP ¹	ISSUING ENTITY	DEPOSITOR	BUYER	TRADE DATE	PRICE PAID
65537KAB6	Nomura Home Equity Loan, Inc., Home Equity Loan Trust, Series 2007-1	Nomura Home Equity Loan, Inc.	WesCorp	1/23/07	\$40,000,000
65537KAC4	Nomura Home Equity Loan, Inc., Home Equity Loan Trust, Series 2007-1	Nomura Home Equity Loan, Inc.	WesCorp	1/23/07	\$30,000,000
83611MJM1	Soundview Home Loan Trust 2005-OPT4	Financial Asset Securities Corp.	WesCorp	11/22/05	\$18,037,000

9. WesCorp purchased each RMBS listed in Table 2 (infra) pursuant to and traceable to a registration statement containing an untrue statement of a material fact or that omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading. RBS was an underwriter for each of the securities listed in Table 2 and is therefore liable under Section 11.

Table 2

CUSIP	ISSUING ENTITY	DEPOSITOR	BUYER	TRADE DATE	PRICE PAID
41161XAN6	HarborView 2006-9	Greenwich Capital Acceptance, Inc.	WesCorp	3/8/07	\$22,810,706
41164MAP2	HarborView 2007-1	Greenwich Capital Acceptance, Inc.	WesCorp	3/12/07	\$6,921,395
55028CAE5	Luminent Mortgage Trust 2007-1	Lares Asset Securitization, Inc.	WesCorp	3/1/07	\$25,074,560
92978GAC3	Wachovia Mortgage Loan Trust, Series 2006-ALT1	Wachovia Mortgage Loan Trust, LLC	WesCorp	11/30/06	\$44,376,000

1 10. The RMBS WesCorp purchased suffered a significant drop in market
2 value. WesCorp has suffered significant losses from those RMBS purchased
3 despite the NCUA Board's mitigation efforts.

4 **II. PARTIES AND RELEVANT NON-PARTIES**

5 11. The National Credit Union Administration ("NCUA") is an
6 independent agency of the Executive Branch of the United States Government that,
7 among other things, charters and regulates federal credit unions, and operates and
8 manages the National Credit Union Share Insurance Fund ("NCUSIF") and the
9 Temporary Corporate Credit Union Stabilization Fund ("TCCUSF"). The NCUSIF
10 insures the deposits of account holders in all federal credit unions and the majority
11 of state-chartered credit unions. The TCCUSF was created in 2009 to allow the
12 NCUA to borrow funds from the United States Department of the Treasury
13 ("Treasury Department") for the purposes of stabilizing corporate credit unions
14 under conservatorship or liquidation, or corporate credit unions threatened with
15 conservatorship or liquidation. The NCUA must repay all monies borrowed from
16 the Treasury Department for the purposes of the TCCUSF by 2021. The NCUA
17 has regulatory authority over state-chartered credit unions that have their deposits
18 insured by the NCUSIF. The NCUA is under the management of the NCUA
19 Board. See Federal Credit Union Act, 12 U.S.C. §§ 1751, 1752a(a) ("FCU Act").

20 12. WesCorp was a federally chartered corporate credit union with its
21 offices and principal place of business in San Dimas, California. As a corporate
22 credit union, WesCorp provided investment and financial services to other credit
23 unions.

24 13. The NCUA Board placed WesCorp into conservatorship on March 20,
25 2009, pursuant to its authority under the FCU Act, 12 U.S.C. § 1786(h). On
26 October 1, 2010, the NCUA Board placed WesCorp into involuntary liquidation
27 pursuant to 12 U.S.C. §§ 1766(a), 1787(a)(1)(A), and appointed itself Liquidating
28 Agent. Pursuant to 12 U.S.C. § 1787(b)(2)(A), the NCUA Board as Liquidating

1 Agent has succeeded to all rights, titles, powers, and privileges of WesCorp and of
2 any member, account holder, officer, or director of WesCorp, with respect to
3 WesCorp and its assets, including the right to bring the claims asserted by them in
4 this action. As Liquidating Agent, the NCUA Board has all the powers of the
5 members, directors, officers, and committees of WesCorp, see 12 U.S.C. §
6 1786(h)(8), and succeeds to all rights, titles, powers, and privileges of WesCorp,
7 see 12 U.S.C. § 1787(b)(2)(A). The NCUA Board may also sue on WesCorp's
8 behalf. *See* 12 U.S.C. §§ 1766(b)(3)(A), 1787(b)(2), 1789(a)(2).

9 14. Prior to being placed into conservatorship and involuntary liquidation,
10 WesCorp was the second largest corporate credit union in the United States.

11 15. Any recoveries from this legal action will reduce the total losses
12 resulting from the failure of WesCorp. Losses from WesCorp's failure must be
13 paid from the NCUSIF or the TCCUSF. Expenditures from these funds must be
14 repaid through assessments against all federally insured credit unions. Because of
15 the expenditures resulting from WesCorp's failure, federally insured credit unions
16 will experience larger assessments, thereby reducing federally insured credit
17 unions' net worth. Reductions in net worth can adversely affect the dividends that
18 individual members of credit unions receive for the savings on deposit at their
19 credit union. Reductions in net worth can also make loans for home mortgages and
20 automobile purchases more expensive and difficult to obtain. Any recoveries from
21 this action will help to reduce the amount of any future assessments on federally
22 insured credit unions throughout the system, reducing the negative impact on
23 federally insured credit unions' net worth. Recoveries from this action will benefit
24 credit unions and their individual members by increasing net worth resulting in
25 more efficient and lower-cost lending practices.

26 16. Defendant RBS Securities Inc. is a United States Securities and
27 Exchange Commission ("SEC") registered broker-dealer. RBS Securities, Inc. is a
28 wholly-owned subsidiary of The Royal Bank of Scotland Group. Prior to 2009,

1 RBS Securities, Inc. was known as “RBS Greenwich Capital Markets, Inc.” In
2 2000, The Royal Bank of Scotland acquired Greenwich Capital Markets, Inc.,
3 renaming it “RBS Greenwich Capital Markets, Inc.”

4 17. RBS acted as an underwriter of all the RMBS that are the subject of
5 this Complaint and that are listed in Tables 1 and 2 (supra). RBS is a Delaware
6 corporation with its principal place of business in Connecticut.

7 18. Greenwich Capital Acceptance, Inc. is the depositor and issuer of the
8 HarborView 2007-5, HarborView 2007-4, HarborView 2007-2, HarborView 2007-
9 1, HarborView 2006-14, HarborView 2006-12, HarborView 2006-11, HarborView
10 2006-10, HarborView 2006-9, and HarborView 2006-8 offerings. Greenwich
11 Capital Acceptance, Inc. is a Delaware corporation with its principal place of
12 business in Maryland.

13 19. American Home Mortgage Assets LLC is the depositor and issuer of
14 the American Home Mortgage Assets Trust 2007-3 offering. American Home
15 Mortgage Assets LLC is a Delaware corporation with its principal place of business
16 in New York.

17 20. IndyMac MBS, Inc. is the depositor and issuer of the IndyMac INDX
18 Mortgage Loan Trust 2006-AR35 offering. IndyMac MBS, Inc. is a Delaware
19 corporation with its principal place of business in California.

20 21. Lares Asset Securitization, Inc. is the depositor and issuer of the
21 Luminent Mortgage Trust 2007-1 offering. Lares Asset Securitization, Inc. is a
22 Delaware corporation with its principal place of business in California.

23 22. Nomura Asset Acceptance Corp. is the depositor and issuer of the
24 Alternative Loan Trust 2006-AR4 offering. Nomura Asset Acceptance Corp. is a
25 Delaware corporation with its principal place of business in New York.

26 23. Nomura Home Equity Loan, Inc. is the depositor and issuer of the
27 Nomura Home Equity Loan, Inc., Home Equity Loan Trust, Series 2007-1
28

1 (“Nomura HELT 2007-1”) offering. Nomura Home Equity Loan, Inc. is a
2 Delaware corporation with its principal place of business in New York.

3 24. Wachovia Mortgage Loan Trust, LLC is the depositor and issuer of the
4 Wachovia Mortgage Loan Trust, Series 2006-ALT1 offering. Wachovia Mortgage
5 Loan Trust, LLC is a Delaware corporation with its principal place of business in
6 North Carolina.

7 **III. JURISDICTION AND VENUE**

8 25. This Court has subject matter jurisdiction pursuant to: (a) 12 U.S.C. §
9 1789(a)(2), which provides that “[a]ll suits of a civil nature at common law or in
10 equity to which the [NCUA Board] shall be a party shall be deemed to arise under
11 the laws of the United States, and the United States district courts shall have
12 original jurisdiction thereof, without regard to the amount in controversy”; and (b)
13 28 U.S.C. § 1345, which provides that “the district courts shall have original
14 jurisdiction of all civil actions, suits or proceedings commenced by the United
15 States, or by any agency or officer thereof expressly authorized to sue by Act of
16 Congress.”

17 26. Venue is proper in this District under Section 22 of the Securities Act,
18 15 U.S.C. § 77v(a), because the transactions at issue occurred in San Dimas,
19 California, the headquarters of WesCorp. This Court has personal jurisdiction over
20 each Defendant because they offered/sold the RMBS at issue in this Complaint to
21 WesCorp in this District; prepared/disseminated the Offering Documents
22 containing untrue statements or omissions of material fact as alleged herein to
23 WesCorp in this District; and/or are residents of/conduct business in this District.

24 **IV. MORTGAGE ORIGINATION AND THE SECURITIZATION**
25 **PROCESS**

26 27. RMBS are asset-backed securities. A pool or pools of residential
27 mortgages are the assets that back or collateralize the RMBS certificates purchased
28 by investors.

1 28. Because residential mortgages are the assets collateralizing RMBS, the
2 origination of mortgages commences the process that leads to the creation of
3 RMBS. Originators decide whether to loan potential borrowers money to purchase
4 residential real estate through a process called mortgage underwriting. The
5 originator applies its underwriting standards or guidelines to determine whether a
6 particular borrower is qualified to receive a mortgage for a particular property. The
7 underwriting guidelines consist of a variety of metrics including: the borrower's
8 debt, income, savings, credit history, and credit score; whether the property will be
9 owner-occupied; and the amount of the loan compared to the value of the property
10 at issue (the "loan-to-value" or "LTV" ratio), among other things. Underwriting
11 guidelines are designed to ensure that: (1) the borrower has the means to repay the
12 loan, (2) the borrower will likely repay the loan, and (3) the loan is secured by
13 sufficient collateral in the event of default.

14 29. Historically, originators made mortgage loans to borrowers and held
15 the loans. Originators profited as they collected monthly principal and interest
16 payments directly from the borrower. Originators also retained the risk that the
17 borrower would default on the loan.

18 30. This changed in the 1970s when the Government National Mortgage
19 Association ("Ginnie Mae"), the Federal National Mortgage Association ("Fannie
20 Mae"), and the Federal Home Loan Mortgage Corporation ("Freddie Mac") began
21 purchasing "conforming loans" (loans underwritten in accordance with Fannie Mae
22 and Freddie Mac underwriting guidelines) from originators and "securitizing" them
23 for resale to investors as RMBS.

24 31. More recently, originators, usually working with investment banks,
25 began securitizing "non-conforming" loans. Non-conforming loans (loans not
26 written in compliance with Fannie Mae or Freddie Mac guidelines) are also known
27 as "nonprime" or "private label" loans and include "Alt-A" and "subprime" loans.
28 Despite the non-conforming nature of the underlying mortgages, the securitizers of

1 such RMBS were able to obtain triple-A credit ratings by using “credit
2 enhancement” (explained *infra*) when they securitized the non-conforming loans.

3 32. On information and belief, all of the loans collateralizing the RMBS at
4 issue in this Complaint are non-conforming mortgage loans.

5 33. The issuance of RMBS collateralized by non-conforming loans peaked
6 in 2006. The securitization process shifted the originators’ focus from ensuring the
7 ability of borrowers to repay their mortgages to ensuring that the originator could
8 process (and obtain fees from) an ever-larger loan volume for distribution as
9 RMBS. This practice is known as “originate-to-distribute” (“OTD”).

10 34. Securitization begins with a “sponsor” that purchases loans in bulk
11 from one or more originators. The sponsor transfers title of the loans to an entity
12 called the “depositor.”

13 35. The depositor transfers the loans to a trust called the “issuing entity.”

14 36. The issuing entity issues “notes” and/or “certificates” representing an
15 ownership interest in the cash flow from the mortgage pool underlying the
16 securities (*i.e.*, the principal and interest generated as borrowers make monthly
17 payments on the mortgages in the pool).

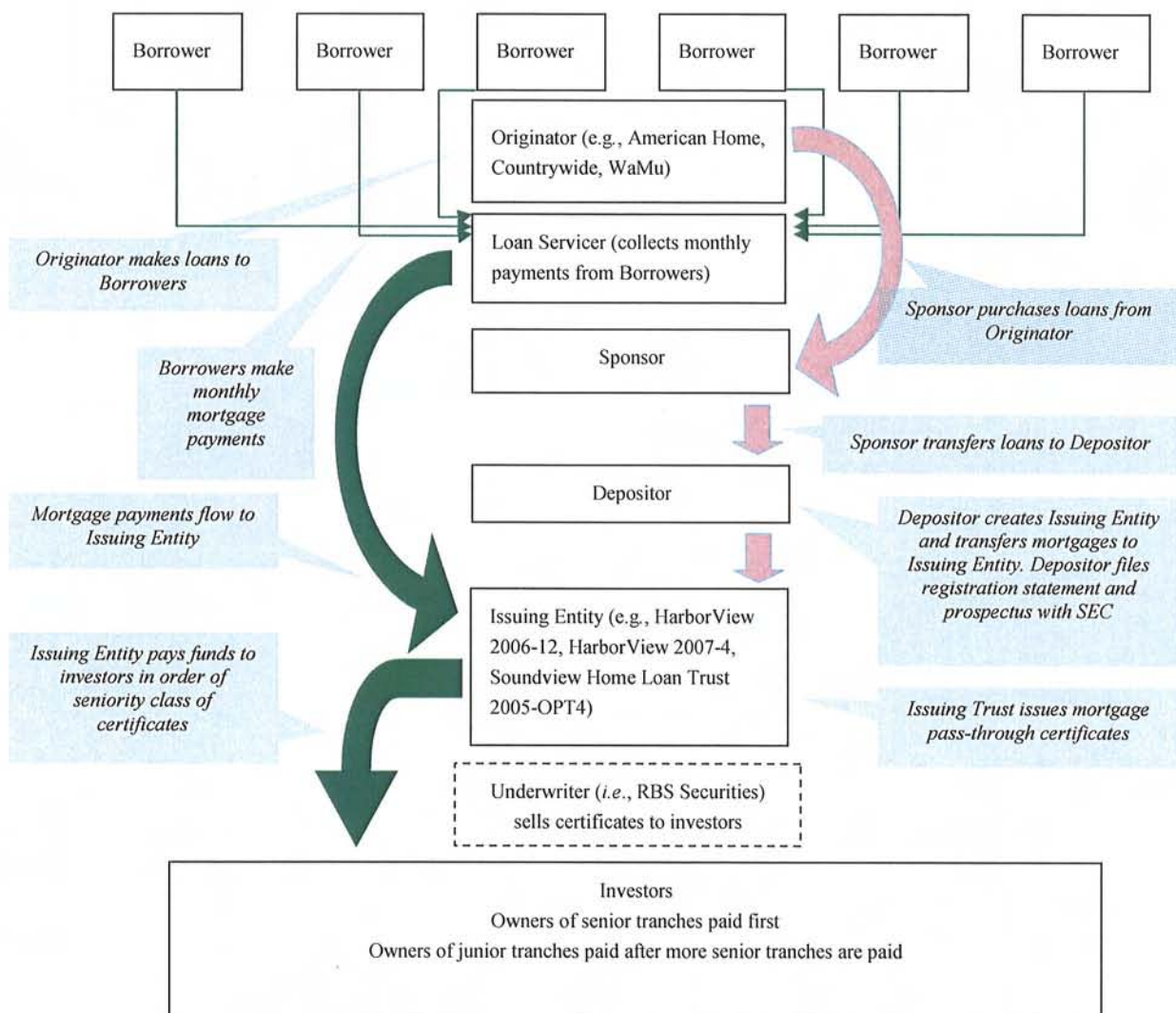
18 37. The depositor files required documents (such as registration statements
19 and prospectuses) with the SEC so that the certificates can be offered to the public.

20 38. One or more “underwriters”—like RBS—then sell the certificates to
21 investors.

22 39. A loan “servicer” collects payments from borrowers on individual
23 mortgages as part of a pool of mortgages, and the issuing entity allocates and
24 distributes the income stream generated from the mortgage loan payments to the
25 RMBS investors.

26 40. Figure 1 (*infra*) depicts a typical securitization process.
27
28

Figure 1



41. Because securitization, as a practical matter, shifts the risk of default on the mortgage loans from the originator of the loan to the RMBS investor, the originator's adherence to mortgage underwriting guidelines as represented in the offering documents with respect to the underlying mortgage loans is critical to the investors' ability to evaluate the expected performance of the RMBS.

V. RMBS CREDIT RATINGS AND CREDIT ENHANCEMENT

42. RMBS offerings are generally divided into slices or "tranches," each of which represents a different level of risk. RMBS certificates denote the particular tranches of the security purchased by the investor.

43. The credit rating for an RMBS reflects an assessment of the creditworthiness of that RMBS and indicates the level of risk associated with that RMBS. Standard & Poor's ("S&P") and Moody's Investors Service, Inc. ("Moody's") are the credit rating agencies that assigned credit ratings to the RMBS in this case.

44. The credit rating agencies use letter-grade rating systems as shown in Table 3 (infra).

Table 3
Credit Ratings

Moody's	S&P	Definitions	Grade Type	
Aaa	AAA	Prime (Maximum Safety)	INVESTMENT GRADE	
Aa1 Aa2 Aa3	AA+ AA AA-	High Grade, High Quality		
A1 A2 A3	A+ A A-	Upper Medium Grade		
Baa1 Baa2 Baa3	BBB+ BBB BBB-	Medium Grade		
Ba2 Ba3	BB BB-	Non-Investment Grade, or Speculative		SPECULATIVE GRADE
B1 B2 B3	B+ B B-	Highly Speculative, or Substantial Risk		
Caa2 Caa3	CCC+	In Poor Standing		
Ca	CCC CCC-	Extremely Speculative		
C	-	May be in Default		
-	D	Default		

45. Moody's purportedly awards the coveted "Aaa" rating to structured finance products that are "of the highest quality, with minimal credit risk." Moody's Investors Service, *Moody's Rating Symbols & Definitions* at 6 (August 2003), available at http://www.rbcpa.com/Moody's_ratings_and_definitions.pdf. Likewise, S&P rates a product "AAA" when the "obligor's capacity to meet its

1 financial commitment on the obligation is extremely strong.” Standard & Poor’s,
2 *Ratings Definitions*, available at [http://www.standardandpoors.com/ratings/](http://www.standardandpoors.com/ratings/articles/en/us/?assetID=1245303711350)
3 [articles/en/us/?assetID=1245303711350](http://www.standardandpoors.com/ratings/articles/en/us/?assetID=1245303711350).

4 46. In fact, RMBS could not be sold unless they received one of the
5 highest “investment grade” ratings on most tranches from one or more credit rating
6 agencies, because the primary market for RMBS is institutional investors, such as
7 WesCorp, that are generally limited to buying only securities with the highest credit
8 ratings. *See, e.g.*, NCUA Credit Risk Management Rule, 12 C.F.R. § 704.6(d)(2)
9 (2010) (prohibiting corporate credit unions from investing in securities rated below
10 AA-); *but see, e.g.*, Removing References to Credit Ratings in Regulations;
11 Proposing Alternatives to the Use of Credit Ratings, 76 Fed. Reg. 11,164 (proposed
12 Mar. 1, 2011) (to be codified at 12 C.F.R. pts. 703, 704, 709, and 742) (NCUA’s
13 proposed rule eliminating the use of credit ratings for guidance in investment
14 decisions by credit unions).

15 47. While the pool of mortgages underlying the RMBS may not have been
16 sufficient to warrant a triple-A credit rating, various forms of “credit enhancement”
17 were used to obtain a triple-A rating on the higher tranches of RMBS.

18 48. One form of credit enhancement is “structural subordination.” The
19 tranches, and their risk characteristics relative to each other, are often analogized to
20 a waterfall. Investors in the higher or “senior” tranches are the first to be paid as
21 income is generated when borrowers make their monthly payments. After investors
22 in the most senior tranche are paid, investors in the next subordinate or “junior”
23 tranche are paid, and so on down to the most subordinate or lowest tranche.

24 49. In the event mortgages in the pool default, the resulting loss is
25 absorbed by the subordinate tranches first.

26 50. Accordingly, senior tranches are deemed less risky than subordinate
27 tranches and therefore receive higher credit ratings.

1 51. Another form of credit enhancement is overcollateralization.
 2 Overcollateralization is the inclusion of a higher dollar amount of mortgages in the
 3 pool than the par value of the security. The spread between the value of the pool
 4 and the par value of the security acts as a cushion in the event of a shortfall in
 5 expected cash flow.

6 52. Other forms of credit enhancement include “excess spread,” monoline
 7 insurance, obtaining a letter of credit, and “cross-collateralization.” “Excess
 8 spread” involves increasing the interest rate paid to the purchasers of the RMBS
 9 relative to the interest rate received on the cash flow from the underlying
 10 mortgages. Monoline insurance, also known as “wrapping” the deal, involves
 11 purchasing insurance to cover losses from any defaults. Letters of credit can also
 12 be purchased to cover defaults. Finally, some RMBS are “cross-collateralized,”
 13 *i.e.*, when a tranche in an RMBS experiences rapid prepayments or
 14 disproportionately high realized losses, principal and interest collected from another
 15 tranche is applied to pay principal or interest, or both, to the senior certificates in
 16 the loan group experiencing rapid prepayment or disproportionate losses.

17 **VI. WESCORP’S PURCHASES**

18 53. WesCorp purchased only the highest-rated tranches of RMBS. All but
 19 two were rated triple-A at the time of issuance. These securities have since been
 20 downgraded below investment grade just a few years after they were sold (*see infra*
 21 Table 4).

22 **Table 4**

23 **CREDIT RATINGS OF RMBS PURCHASES ORIGINAL/RECENT**

24 CUSIP	ISSUER NAME	BUYER	25 ORIGINAL RATING S&P	ORIGINAL RATING MOODY’S	RECENT RATING S&P	RECENT RATING MOODY’S
26 65538DAB1	Alternative Loan Trust 2006-AR4	WesCorp	AAA 12/4/2006	Aaa 11/30/2006	D 8/19/2009	C 9/2/2010

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CREDIT RATINGS OF RMBS PURCHASES ORIGINAL/RECENT						
CUSIP	ISSUER NAME	BUYER	ORIGINAL RATING S&P	ORIGINAL RATING MOODY'S	RECENT RATING S&P	RECENT RATING MOODY'S
026935AD8	American Home Mortgage Assets Trust 2007-3	WesCorp	AAA 6/14/2007	Aaa 6/14/2007	D 2/24/2010	C 2/2/2009
32027NXE6	First Franklin Mortgage Loan Trust 2005-FFH4	WesCorp	AA 12/28/2005	Aa2 12/22/2005	B- 8/4/2009	C 4/6/2010
41162CAD3	HarborView 2006-10	WesCorp	AAA 11/22/2006	Aaa 11/21/2006	CC 5/11/2011	C 12/5/2010
41162GAB8	HarborView 2006-11	WesCorp	AAA 12/22/2006	Aaa 12/20/2006	CC 2/16/2010	C 11/19/2010
41162DAG4	HarborView 2006-12	WesCorp	AAA 12/19/2006	Aaa 12/13/2006	CCC 7/24/2009	C 12/5/2010
41162DAH2	HarborView 2006-12	WesCorp	AAA 12/19/2006	Aaa 12/13/2006	AA+ 11/8/2010	Aa3 11/23/2008
41162NAD9	HarborView 2006-14	WesCorp	AAA 12/27/2006	Aaa 12/22/2006	CCC 8/14/2009	C 11/19/2010
41162NAH0	HarborView 2006-14	WesCorp	AAA 12/27/2006	Aaa 12/22/2006	D 6/23/2010	C 11/19/2010
41161GAE3	HarborView 2006-8	WesCorp	AAA 9/5/2006	Aaa 8/4/2006	D 9/24/2010	C 12/5/2010
41161XAM8	HarborView 2006-9	WesCorp	AAA 10/18/2006	Aaa 10/4/2006	CCC 4/15/2009	C 12/5/2010
41161XAN6	HarborView 2006-9	WesCorp	AAA 10/18/2006	Aaa 10/4/2006	CCC 8/14/2009	C 12/5/2010
41164MAF4	HarborView 2007-1	WesCorp	NR	Aaa 2/26/2007	NR	C 2/20/2009
41164MAP2	HarborView 2007-1	WesCorp	AAA 3/22/2007	Aaa 3/9/2007	CCC 8/14/2009	C 12/5/2010
41164LAC3	HarborView 2007-2	WesCorp	AAA 4/3/2007	Aaa 3/30/2007	CCC 8/14/2009	C 12/5/2010
41164YAD3	HarborView 2007-4	WesCorp	NR	Aaa 6/14/2007	NR	C 12/5/2010
41165AAC6	HarborView 2007-5	WesCorp	AAA 7/26/2007	Aaa 7/12/2007	CCC 7/24/2009	C 12/5/2010
41165AAD4	HarborView 2007-5	WesCorp	AAA 7/26/2007	Aaa 7/12/2007	D 5/25/2010	C 12/5/2010
45667SAN7	IndyMac INDX Mortgage Loan Trust 2006-AR35	WesCorp	AAA 12/1/2006	Aaa 11/29/2006	D 3/18/2011	Caa3 1/29/2009
45667SAP2	IndyMac INDX Mortgage Loan Trust 2006-AR35	WesCorp	AAA 12/1/2006	Aaa 11/29/2006	D 12/24/2009	C 10/12/2010
55028CAA3	Luminent Mortgage Trust 2007-1	WesCorp	AAA 2/1/2007	Aaa 1/25/2007	CCC 7/24/2009	Caa3 12/14/2010
55028CAB1	Luminent Mortgage Trust 2007-1	WesCorp	AAA 2/1/2007	Aaa 1/25/2007	CC 2/16/2010	C 12/14/2010

CREDIT RATINGS OF RMBS PURCHASES ORIGINAL/RECENT						
CUSIP	ISSUER NAME	BUYER	ORIGINAL RATING S&P	ORIGINAL RATING MOODY'S	RECENT RATING S&P	RECENT RATING MOODY'S
55028CAE5	Luminent Mortgage Trust 2007-1	WesCorp	AAA 2/1/2007	Aaa 1/25/2007	D 6/23/2010	C 12/5/2010
61915RCL8	MortgageIT Mortgage Loan Trust 2006-1	WesCorp	AAA 3/2/2006	Aaa 2/22/2006	D 2/24/2010	C 12/9/2010
65537KAB6	Nomura Home Equity Loan, Inc., Home Equity Loan Trust, Series 2007-1	WesCorp	AAA 2/2/2007	Aaa 1/31/2007	D 11/25/2009	Ca 9/2/2010
65537KAC4	Nomura Home Equity Loan, Inc., Home Equity Loan Trust, Series 2007-1	WesCorp	AAA 2/2/2007	Aaa 1/31/2007	D 6/25/2009	C 9/2/2010
83611MJM1	Soundview Home Loan Trust 2005-OPT4	WesCorp	AA 12/1/2005	NR	CCC 8/4/2009	NR
92978GAC3	Wachovia Mortgage Loan Trust, Series 2006-ALT1	WesCorp	AAA 1/3/2007	Aaa 12/27/2006	B- 2/2/2010	Caa2 1/14/2010

54. At the time of purchase, WesCorp was not aware of the untrue statements or omissions of material facts in the Offering Documents of the RMBS. If WesCorp had known about the Originators' pervasive disregard of underwriting standards—contrary to the representations in the Offering Documents—WesCorp would not have purchased the certificates.

55. The securities' substantial loss of market value has injured WesCorp and the NCUA Board.

VII. THE ORIGINATORS SYSTEMATICALLY DISREGARDED THE UNDERWRITING GUIDELINES STATED IN THE OFFERING DOCUMENTS

56. The performance and value of RMBS are largely contingent upon borrowers repaying their mortgages. The loan underwriting guidelines ensure that the borrower has the means to repay the mortgage and that the RMBS is secured by

1 sufficient collateral in the event of reasonably anticipated defaults on underlying
2 mortgage loans.

3 57. With respect to RMBS collateralized by loans written by originators
4 that systematically disregarded their stated underwriting standards, the following
5 pattern is present:

- 6 (a) a surge in borrower delinquencies and defaults on the mortgages
7 in the pools (*see infra* Section VII.A and Table 5);
- 8 (b) actual losses to the underlying mortgage pools within the first 12
9 months after the offerings vastly exceeded expected losses (*see*
10 *infra* Section VII.B and Figure 2); and,
- 11 (c) a high percentage of the underlying mortgage loans were
12 originated for distribution, as explained below (*see infra* Table 6
13 and accompanying allegations).

14 58. These factors support a finding that the Originators failed to originate
15 the mortgages in accordance with the underwriting standards stated in the Offering
16 Documents.

17 59. This conclusion is further corroborated by reports that the Originators
18 that contributed mortgage loans to the RMBS at issue in this Complaint abandoned
19 the underwriting standards described in the RMBS Offering Documents. *See infra*
20 Section VII.D.

21 **A. The Surge in Mortgage Delinquency and Defaults Shortly After**
22 **the Offerings and the High OTD Practices of the Originators**
23 **Demonstrate Systematic Disregard of Underwriting Standards**

24 60. Residential mortgages are generally considered delinquent if no
25 payment has been received for more than 30 days after payment is due. Residential
26 mortgages where no payment has been received for more than 90 days (or three
27 payment cycles) are generally considered to be in default.

61. The surge in delinquencies and defaults following the offerings evidences the systematic flaws in the Originators' underwriting process (*see infra* Table 5).

62. The Offering Documents reported zero or near zero delinquencies and defaults at the time of the offerings (*see infra* Table 5).

63. The pools of mortgages collateralizing the RMBS experienced delinquency and default rates as high as 9.63% after only three months, up to 23.04% at six months, and reaching 43.78% at one year (*see infra* Table 5).

64. As of May 2011, nearly half (45.09%) of the mortgage collateral across all of the RMBS that WesCorp purchased was in delinquency, bankruptcy, foreclosure, or was real estate owned ("REO"), which means that a bank or lending institution owns the property after a failed sale at a foreclosure auction (*see infra* Table 5).

65. Table 5 (*infra*) reflects the delinquency, foreclosure, bankruptcy, and REO rates on the RMBS as to which claims are asserted in this Complaint. The data presented in the last five columns are from the trustee reports (dates and page references as indicated in the parentheses). The shadowed rows reflect the group of mortgages in the pool underlying the specific tranches purchased by WesCorp; however, some trustee reports include only the aggregate data. For the RMBS with multiple groups, aggregate information on all the groups is included because the tranches are cross-collateralized.

Table 5

CUSIP	OFFERING	RATE AT CUT-OFF DATE FOR OFFERING	1 MO.	3 MOS.	6 MOS.	12 MOS.	RECENT
65538DAB1	Alternative Loan Trust 2006-AR4 Aggregate (P.S. dated November 30, 2006)	Zero. (S-34)	.27% (Dec., p.9)	2.69% (Feb., p.9)	7.32% (May, p.9)	17.63% (Nov., p.9)	42.39% (May 2011, p.9)

CUSIP	OFFERING	RATE AT CUT-OFF DATE FOR OFFERING	1 MO.	3 MOS.	6 MOS.	12 MOS.	RECENT
	American Home Mortgage Assets Trust 2007-3 Aggregate (June 5, 2007)	Zero. (S-40)	0% (June, p.10)	4.99% (Aug., p.10)	13.90% (Nov., p.10)	27.47% (May, p.10)	46.49% (May 2011, p.11)
	American Home Mortgage Assets Trust 2007-3: Group I-1	Zero. (S-40)	0% (June, p.12)	2.62% (Aug., p.12)	8.63% (Nov., p.12)	23.58% (May, p.12)	52.52% (May 2011, p.12)
026935AD8	American Home Mortgage Assets Trust 2007-3: Group I-2 *Class I-2A-2 in Group I-2. (S-12)	Zero. (S-40)	0% (June, p.12)	9.63% (Aug., p.12)	23.04% (Nov., p.12)	43.78% (May, p.12)	62.39% (May 2011, p.12)
	American Home Mortgage Assets Trust 2007-3: Group II-1	Zero. (S-40)	0% (June, p.13)	2.04% (Aug., p.13)	5.74% (Nov., p.13)	15.73% (May, p.13)	42.32% (May 2011, p.13)
	American Home Mortgage Assets Trust 2007-3: Group II-2	Zero. (S-40)	0% (June, p.13)	3.72% (Aug., p.13)	12.44% (Nov., p.13)	25.55% (May, p.13)	42.85% (May 2011, p.13)
	American Home Mortgage Assets Trust 2007-3: Group III	Zero. (S-40)	0% (June, p.14)	5.16% (Aug., p.14)	16.35% (Nov., p.14)	18.05% (May, p.14)	13.85% (May 2011, p.14)
	First Franklin Mortgage Loan Trust 2005-FFH4 Aggregate (P.S. dated November 30, 2005)		.80% (Dec., p.12)	2.16% (Feb., p.12)	3.83% (May, p.12)	9.64% (Nov., p.12)	49.43% (May 2011, p.13)
32027NXE6	First Franklin Mortgage Loan Trust 2005-FFH4 Group 1 *Class M-2 in Groups 1 and 2. (S-72)		.73% (Dec., p.13)	1.38% (Feb., p.13)	2.58% (May, p.13)	8.66% (Nov., p.13)	46.37% (May 2011, p.14)
32027NXE6	First Franklin Mortgage Loan Trust 2005-FFH4 Group 2 *Class M-2 in Groups 1 and 2. (S-72)		.88% (Dec., p.14)	3.09% (Feb., p.14)	5.39% (May, p.14)	10.92% (Nov., p.14)	54.40% (May 2011, p.15)

CUSIP	OFFERING	RATE AT CUT-OFF DATE FOR OFFERING	1 MO.	3 MOS.	6 MOS.	12 MOS.	RECENT
	HarborView 2006-10 Aggregate (P.S. dated November 10, 2006)	.15% of the mortgage loans were 30-59 days delinquent. (S-27)	.14% (Nov., p.10)	.67% (Jan., p.10)	1.12% (Apr., p.10)	5.47% (Apr., p.10)	28.99% (May 2011, p.10)
	HarborView 2006-10 Group 1	.15% of the mortgage loans were 30-59 days delinquent. (S-27)	.07% (Nov., p.11)	.55% (Jan., p.11)	.56% (Apr., p.11)	5.38% (Apr., p.11)	32.57% (May 2011, p.11)
41162CAD3	HarborView 2006-10 Group 2 *Class 2A-1B and 2A-1C in Group 2 (S-6)	.15% of the mortgage loans were 30-59 days delinquent. (S-27)	.19% (Nov., p.11)	.74% (Jan., p.11)	1.44% (Apr., p.11)	5.52% (Apr., p.11)	26.97% (May 2011, p.11)
41162GAB8	HarborView 2006-11 (P.S. dated November 10, 2006)	Zero. (S-20)	.38% (Nov., p.9)	1.46% (Jan., p.9)	2.44% (Apr., p.9)	9.07% (Apr., p.9)	50.38% (May 2011, p.9)
	HarborView 2006-12 Aggregate (P.S. dated December 11, 2006)	Zero. (S-28)	0% (Dec., p.11)	.57% (Feb., p.11)	1.41% (May, p.10)	7.37% (Nov., p.10)	61.77% (May 2011, p.11)
	HarborView 2006-12 Group 1	Zero. (S-28)	0% (Dec., p.12)	.46% (Feb., p.13)	1.01% (May, p.11)	6.88% (Nov., p.11)	63.08% (May 2011, p.12)
41162DAG4 41162DAH2	HarborView 2006-12 Group 2 *Class 2A-1B, 2A-2B and 2A-2C in Group 2. (S-7)	Zero. (S-28)	0% (Dec., p.12)	.61% (Feb., p.13)	1.53% (May, p.11)	7.55% (Nov., p.11)	61.27% (May 2011, p.12)
	HarborView 2006-14 Aggregate (December 20, 2006)	Zero. (S-26)	.17% (Jan., p.11)	.78% (Mar., p.10)	1.97% (June, p.10)	8.61% (Dec., p.10)	36.66% (May 2011, p.11)
	HarborView 2006-14 Group 1	Zero. (S-26)	.20% (Jan., p.13)	.39% (Mar., p.12)	.74% (June, p.12)	6.45% (Dec., p.12)	37.01% (May 2011, p.12)
41162NAD9 41162NAH0	HarborView 2006-14 Group 2 *Class 2A-1B and 2A-2C in Group 2. (S-7)	Zero. (S-26)	.16% (Jan., p.13)	.90% (Mar., p.12)	2.36% (June, p.12)	9.29% (Dec., p.12)	36.54% (May 2011, p.12)

CUSIP	OFFERING	RATE AT CUT-OFF DATE FOR OFFERING	1 MO.	3 MOS.	6 MOS.	12 MOS.	RECENT
	HarborView 2006-8 Aggregate (P.S. dated August 28, 2006)	2.78% of the mortgage loans were 30-59 days delinquent in payment, and 0.48% were 60-89 days delinquent in payment. (S-24)	5.59% (Sept., p.11)	5.68% (Nov., p.11)	5.48% (Feb., p.10)	9.16% (Aug., p.10)	46.43% (May 2011, p.10)
	HarborView 2006-8 Group 1	2.78% of the mortgage loans were 30-59 days delinquent in payment, and 0.48% were 60-89 days delinquent in payment. (S-24)	3.78% (Sept., p.13)	4.12% (Nov., p.13)	3.40% (Feb., p.12)	8.11% (Aug., p.12)	45.29% (May 2011, p.11)
41161GAE3	HarborView 2006-8 Group 2 *Class 2A-1C in Group 2. (S-7)	2.78% of the mortgage loans were 30-59 days delinquent in payment, and 0.48% were 60-89 days delinquent in payment. (S-24)	6.51% (Sept., p.13)	6.50% (Nov., p.13)	6.54% (Feb., p.12)	9.75% (Aug., p.12)	47.13% (May 2011, p.11)
	HarborView 2006-9 Aggregate (P.S. dated October 3, 2006)	Zero. (S-26)	0% (Oct., p.10)	.31% (Dec., p.10)	.99% (Mar., p.10)	5.32% (Sept., p.10)	61.34% (May 2011, p.10)
	HarborView 2006-9 Group 1	Zero. (S-26)	0% (Oct., p.11)	.31% (Dec., p.11)	.67% (Mar., p.11)	4.96% (Sept., p.11)	58.93% (May 2011, p.15)
41161XAM8 41161XAN6	HarborView 2006-9 Group 2 *Class 2A-1C1 and 2A-1B2 in Group 2. (S-7)	Zero. (S-26)	0% (Oct., p.12)	.31% (Dec., p.12)	1.14% (Mar., p.12)	5.50% (Sept., p.12)	62.52% (May 2011, p.19)

CUSIP	OFFERING	RATE AT CUT-OFF DATE FOR OFFERING	1 MO.	3 MOS.	6 MOS.	12 MOS.	RECENT
	HarborView 2007-1 Aggregate (P.S. dated March 7, 2007)	0.04% of the mortgage loans were at least 30 days but less than 60 days delinquent in payment, and 0.03% were 60 days or more delinquent in payment. (S-24)	.32% (Mar., p.10)	1.08% (May, p.10)	2.88% (Aug., p.10)	12.86% (Feb., p.10)	62.01% (May 2011, p.10)
41164MAF4	HarborView 2007-1 Group 1 *Class B-1 in both loan groups. (S-6)	0.04% of the mortgage loans were at least 30 days but less than 60 days delinquent in payment, and 0.03% were 60 days or more delinquent in payment. (S-24)	.25% (Mar., p.11)	1.05% (May, p.11)	2.32% (Aug., p.11)	10.83% (Feb., p.11)	57.52% (May 2011, p.11)
41164MAP2 41164MAF4	HarborView 2007-1 Group 2 *Class 2A-1C2 in Group 2 and Class B-1 in both groups. (S-6)	0.04% of the mortgage loans were at least 30 days but less than 60 days delinquent in payment, and 0.03% were 60 days or more delinquent in payment. (S-24)	.37% (Mar., p.11)	1.10% (May, p.11)	3.29% (Aug., p.11)	14.29% (Feb., p.11)	65.17% (May 2011, p.11)
	HarborView 2007-2 Aggregate (P.S. dated March 29, 2007)	.64% of the mortgage loans were 30 days or more delinquent. (S-25)	1.40% (Apr., p.10)	2.84% (June, p.10)	6.45% (Sept., p.10)	16.00% (Mar., p.10)	39.27% (May 2011, p.10)
	HarborView 2007-2 Group 1	.64% of the mortgage loans were 30 days or more delinquent. (S-25)	.84% (Apr., p.11)	1.18% (June, p.11)	3.15% (Sept., p.11)	10.64% (Mar., p.11)	37.72% (May 2011, p.11)

CUSIP	OFFERING	RATE AT CUT-OFF DATE FOR OFFERING	1 MO.	3 MOS.	6 MOS.	12 MOS.	RECENT
41164LAC3	HarborView 2007-2 Group 2 *Class 2A-1B in Group 2. (S-7)	.64% of the mortgage loans were 30 days or more delinquent. (S-25)	1.63% (Apr., p.11)	3.45% (June, p.11)	7.66% (Sept., p.11)	17.93% (Mar., p.11)	39.94% (May 2011, p.11)
	HarborView 2007-4 Aggregate (P.S. dated June 13, 2007)	.26% of the mortgage loans were 30 days or more delinquent. (S-26)	.69% (June, p.11)	2.62% (Aug., p.10)	5.90% (Nov., p.10)	14.04% (May, p.10)	29.24% (May 2011, p.10)
	HarborView 2007-4 Group 1	.26% of the mortgage loans were 30 days or more delinquent. (S-26)	.44% (June, p.12)	.77% (Aug., p.11)	1.73% (Nov., p.11)	4.88% (May, p.11)	24.24% (May 2011, p.11)
41164YAD3	HarborView 2007-4 Group 2 *Class 2A-3 in Group 2 (S-7)	.26% of the mortgage loans were 30 days or more delinquent. (S-26)	.78% (June, p.12)	3.31% (Aug., p.11)	7.45% (Nov., p.11)	17.40% (May, p.11)	31.52% (May 2011, p.11)
41165AAC6 41165AAD4	HarborView 2007-5 Aggregate *Classes A-1B and A-1C (P.S. dated July 11, 2007)	Zero. (S-23)	0% (July, p.10)	.55% (Sept., p.10)	1.88% (Dec., p.9)	7.42% (June, p.9)	35.23% (May 2011, p.9)
	HarborView 2007-5 Group 1	Zero. (S-23)	0% (July, p.11)	0.00% (Sept., p.11)	3.2% (Dec., p.10)	3.31% (June, p.10)	30.32% (May 2011, p.10)
	HarborView 2007-5 Group 2	Zero. (S-23)	0% (July, p.11)	.60% (Sept., p.11)	2.01% (Dec., p.10)	7.75% (June, p.10)	35.71% (May 2011, p.10)
	IndyMac INDX Mortgage Loan Trust 2006-AR35 Aggregate (P.S. dated November 29, 2006)	Zero. (S-36)	2.42% (Dec., p.10)	3.76% (Feb., p.10)	6.42% (May, p.10)	16.16% (Nov., p.10)	43.06% (May 2011, p.10)
	IndyMac INDX Mortgage Loan Trust 2006-AR35 Group 1	Zero. (S-36)	1.67% (Dec., p.11)	2.99% (Feb., p.11)	6.16% (May, p.11)	15.58% (Nov., p.11)	44.60% (May 2011, p.15)

CUSIP	OFFERING	RATE AT CUT-OFF DATE FOR OFFERING	1 MO.	3 MOS.	6 MOS.	12 MOS.	RECENT
45667SAN7 45667SAP2	IndyMac INDX Mortgage Loan Trust 2006-AR35 Group 2 *Classes 2-A-1A, 2-A-3A and 2-A-3B in Group 2. (S-11)	Zero. (S-36)	2.89% (Dec., p.12)	4.25% (Feb., p.12)	6.58% (May, p.12)	16.54% (Nov., p.12)	41.99% (May 2011, p.20)
	Luminent Mortgage Trust 2007-1 Aggregate (P.S. dated January 24, 2007)	Zero. (S-24)	1.24% (Feb., p.11)	2.56% (Apr., p.11)	4.82% (July, p.11)	11.32% (Jan., p.11)	45.39% (May 2011, p.11)
55028CAA3 55028CAB1	Luminent Mortgage Trust 2007-1 Group 1 *Classes I-A-1 and I-A-2 in Group 1. (S-7)	Zero. (S-24)	1.14% (Feb., p.13)	2.54% (Apr., p.13)	4.32% (July, p.13)	9.95% (Jan., p.13)	43.19% (May 2011, p.12)
55028CAE5	Luminent Mortgage Trust 2007-1 Group 2 *Class II-A-3 in Group 2. (S-7)	Zero. (S-24)	1.40% (Feb., p.13)	2.59% (Apr., p.13)	5.55% (July, p.13)	13.40% (Jan., p.13)	49.11% (May 2011, p.12)
	MortgageIT Mortgage Loan Trust 2006-1 Aggregate (P.S. dated February 17, 2006)		.17% (Mar., p.13)	1.89% (May, p.13)	3.03% (Aug., p.13)	5.75% (Feb., p.13)	24.42% (May 2011, p.13)
	MortgageIT Mortgage Loan Trust 2006-1 Group 1-A1	.27% of the mortgage loans were 30 days or more delinquent. (S-31)	0% (Mar., p.14)	1.37% (May, p.14)	1.33% (Aug., p.14)	2.18% (Feb., p.14)	18.12% (May 2011, p.15)
	MortgageIT Mortgage Loan Trust 2006-1 Group 1-A2	.26% of the mortgage loans were 30 days or more delinquent. (S-47)	.27% (Mar., p.14)	2.74% (May, p.14)	4.35% (Aug., p.14)	8.05% (Feb., p.14)	23.14% (May 2011, p.15)

CUSIP	OFFERING	RATE AT CUT-OFF DATE FOR OFFERING	1 MO.	3 MOS.	6 MOS.	12 MOS.	RECENT
61915RCL8	MortgageIT Mortgage Loan Trust 2006-1 Group 2 *Class 2-A-1C in Group 2. (S-8)	.34% of the mortgage loans were 30 days or more delinquent. (S-54)	.18% (Mar., p.15)	1.30% (May, p.15)	2.80% (Aug., p.15)	5.91% (Feb., p.15)	31.62% (May 2011, p.14)
	Nomura Home Equity Loan, Inc., Home Equity Loan Trust, Series 2007-1 Aggregate (P.S. dated January 29, 2007)	Zero. (S-57)	.16% (Feb., p.13)	5.05% (Apr., p.13)	11.90% (July, p.13)	24.01% (Jan., p.13)	46.39% (May 2011, p.13)
65537KAB6 65537KAC4	Nomura Home Equity Loan, Inc., Home Equity Loan Trust, Series 2007-1 Group 2 *Classes 2-A-1A and 2-A-1B in Group 2. (S-i)	Zero. (S-57)	.19% (Feb., p.14)	7.00% (Apr., p.15)	14.26% (July, p.15)	27.54% (Jan., p.15)	47.53% (May 2011, p.14)
	Soundview Home Loan Trust 2005- OPT4 Aggregate (P.S. dated November 22, 2005)	Zero. (37)	.12% (Dec., p.12)	1.87% (Feb., p.12)	.04% (May, p.11)	8.51% (Nov., p.11)	36.08% (May 2011, p.12)
83611MJM1	Soundview Home Loan Trust 2005- OPT4 Group 1 *Classes M-1 and M-2 in Groups 1 and 2. (S-68)	Zero. (37)	.05% (Dec., p.13)	2.13% (Feb., p.13)	3.34% (May, p.12)	9.3% (Nov., p.12)	34.35% (May 2011, p.13)
83611MJM1	Soundview Home Loan Trust 2005- OPT4 Group 2 *Classes M-1 and M-2 in Groups 1 and 2. (S-68)	Zero. (37)	.2% (Dec., p.14)	1.6% (Feb., p.14)	2.72% (May, p.13)	7.71% (Nov., p.13)	37.66% (May 2011, p.14)
92978GAC3	Wachovia Mortgage Loan Trust, Series 2006-ALT1 (P.S. dated December 19, 2006)	Zero. (S-32)	.94% (Jan., p.14)	2.13% (Mar., p.14)	4.14% (June, p.14)	10.84% (Dec., p.14)	31.95% (May 2011, p.12)

1 66. This early spike in delinquencies and defaults, which occurred almost
2 immediately after these RMBS were purchased by WesCorp, was later discovered
3 to be indicative of the Originators' systematic disregard of their stated underwriting
4 guidelines.

5 67. The phenomenon of borrower default shortly after origination of the
6 loans is known as "Early Payment Default." Early Payment Default evidences
7 borrower misrepresentations and other misinformation in the origination process
8 resulting from the systematic failure of the Originators to apply the underwriting
9 guidelines described in the Offering Documents.

10 68. A November 2008 Federal Reserve Board study attributed the rise in
11 defaults, in part, to "[d]eteriorating lending standards," and posited that "the surge
12 in early payment defaults suggests that underwriting . . . deteriorated on dimensions
13 that were less readily apparent to investors." Christopher J. Mayer et al., *The Rise*
14 *in Mortgage Defaults* 15-16 (Fed. Reserve Bd. Fin. & Econ. Discussion Series,
15 Paper No. 2008-59).

16 69. In January 2011, the Financial Stability Oversight Council ("FSOC"),
17 chaired by United States Treasury Secretary Timothy Geithner, issued a report
18 analyzing the effects of risk retention requirements in mortgage lending on the
19 broader economy. See FIN. STABILITY OVERSIGHT COUNCIL,
20 MACROECONOMIC EFFECTS OF RISK RETENTION REQUIREMENTS
21 (2011) ("FSOC Risk Retention Report"). The FSOC Risk Retention Report
22 focused on stabilizing the mortgage lending industry through larger risk retention
23 requirements in the industry that can "incent better lending decisions" and "help to
24 mitigate some of the pro-cyclical effects securitization may have on the economy."
25 *Id.* at 2.

26 70. The FSOC Risk Retention Report observed that the securitization
27 process often incentivizes poor underwriting by shifting the risk of default from the
28

1 originators to the investors, while obscuring critical information concerning the
2 actual nature of the risk. The FSOC Risk Retention Report stated:

3 The securitization process involves multiple parties with varying
4 incentives and information, thereby breaking down the traditional
5 direct relationship between borrower and lender. The party setting
6 underwriting standards and making lending decisions (the originator)
7 and the party making structuring decisions (the securitizer) are often
8 exposed to minimal or no credit risk. By contrast, the party that is
9 most exposed to credit risk (the investor) often has less influence over
10 underwriting standards and may have less information about the
11 borrower. As a result, originators and securitizers that do not retain
12 risk can, at least in the short run, maximize their own returns by
13 lowering loan underwriting standards in ways that investors may have
14 difficulty detecting. The originate-to-distribute model, as it was
15 conducted, exacerbated this weakness by compensating originators and
16 securitizers based on volume, rather than on quality.

17 *Id.* at 3.

18 71. Indeed, originators that wrote a high percentage of their loans for
19 distribution were more likely to disregard underwriting standards, resulting in
20 poorly performing mortgages, in contrast to originators that originated and then
21 held most of their loans.

22 72. High OTD originators profited from mortgage origination fees without
23 bearing the risks of borrower default or insufficient collateral in the event of a
24 default. Divorced from these risks, high OTD originators were incentivized to push
25 loan quantity over quality.

26 73. Table 6 (*infra*) shows the percentage of loans originated for
27 distribution relative to all the loans made by the Originator for the years 2005,
28 2006, and 2007, for those Originators in this Complaint with high OTD

1 percentages. The data was obtained from the Home Mortgage Disclosure Act
2 database.

3 Table 6

4

5 Originator	6 OTD % 2005	7 OTD % 2006	8 OTD % 2007
9 American Home Mortgage Corp.	10 91.9	11 62.4	
12 American Home Mortgage Investment Corp.	13 100	14 100	15 100
16 Countrywide Home Loans, Inc.	17 98.5	18 96.5	19 98.4
20 First Federal Bank of California	21 0	22 20.6	23 54.3
24 First National Bank of Nevada	25 88.0	26 79.8	27 89.4
28 IndyMac Bank, F.S.B.	81.1	87.7	82.8
Kay-Co Investment Inc. dba Pro30 Funding		99.4	
Metrocities Mortgage, LLC	99.96	100	100
MortgageIT, Inc.	55.5	98.8	100
Option One Mortgage Corporation	92.2	72.7	58.2
Paul Financial, LLC	85.2	83.4	99.1
Residential Mortgage Capital	99.9	100	100

16 **B. The Surge in Actual Versus Expected Cumulative Losses Is**
17 **Evidence of the Originators' Systematic Disregard of**
18 **Underwriting Standards**

19 74. The actual losses to the mortgage pools underlying the RMBS
20 WesCorp purchased have exceeded expected losses so quickly and by so wide a
21 margin (*see infra* Figure 2) that a significant portion of the mortgages could not
22 have been underwritten as represented in the Offering Documents.

23 75. "Loss" is different than and should be distinguished from default and
24 delinquency rates. Loss either attempts to predict ("expected loss") or reflects
25 ("actual loss") losses to the collateral pool by reason of borrower default, less any
26 amounts recovered by the mortgage holder on a defaulted loan by sale of the
27 subject property after foreclosure (which amounts may be less than 100% of the
28

1 balance of the outstanding mortgage if the property is sold for less than the
2 balance).

3 76. While the short term price of a security may be influenced by broader
4 market or liquidity forces, actual versus expected loss is a gauge of the health or the
5 performance of an RMBS based on factors particular to that security.

6 77. Expected loss is a statistical estimate of the total cumulative shortfall
7 in principal payments on a mortgage pool over its 30-year life, expressed as a
8 percentage of the original principal balance of the pool. Expected loss is based on
9 historical data for similar mortgage pools.

10 78. The amount of expected loss is used to determine the amount of credit
11 enhancement needed to achieve a desired credit rating. Each credit rating has a
12 “rating factor,” which can be expressed in multiples of the amount of credit
13 enhancement over expected loss (in equation form: $CE/EL = RF$). Thus, the rating
14 factor expresses how many times the expected loss is covered by credit
15 enhancement. A triple-A rated security would have a rating factor of “5,” so it
16 would require credit enhancement of five times the amount of the expected loss. A
17 “double-A rating” would have a rating factor of “4,” and thus would require credit
18 enhancement equaling four times the expected loss. A “single-A” rating would
19 have a rating factor of “3” and would require credit enhancement of three times the
20 expected loss. A “Baa” rating would require credit enhancement of 2—1.5 times
21 expected loss, and a “Ba” rating or lower requires some amount of credit
22 enhancement less than 1.5 times expected loss.

23 79. Again, credit enhancement over expected loss equals the rating factor.
24 So, by way of example, if cumulative expected losses on an asset pool are
25 calculated to be \$1 million and the desired rating is triple-A (rating factor 5), the
26 amount of credit enhancement provided will have to equal \$5 million, or \$1 million
27 multiplied by five.

1 80. Accordingly, if the analysis of expected loss is flawed, so too is the
2 calculation of the amount of credit enhancement. For instance, on a triple-A rated
3 security, if actual cumulative losses exceed five times expected losses, the credit
4 enhancement will be insufficient, and the principal of the senior tranche will be
5 impaired. This is because, again, the amount of credit enhancement was
6 determined based on the assumed amount of expected loss.

7 81. The following hypothetical illustrates how, working backwards,
8 expected loss can be inferred in an already-issued offering. Assume there is a \$100
9 million offering backed by \$100 million of assets, with a triple-A rated senior
10 tranche with a principal balance of \$75 million. This means the non-senior
11 (subordinate) tranches, in aggregate, have a principal balance of \$25 million. The
12 \$25 million amount of the non-senior or subordinated tranches in this hypothetical
13 offering serves as the credit enhancement for the senior tranche. Therefore, on our
14 hypothetical \$100 million offering, the expected loss would be \$5 million, or the
15 amount of the credit enhancement on the triple-A rated senior tranche—\$25
16 million—divided by the rating factor for triple-A rated securities—5. The
17 following equation illustrates: $\$25,000,000/5 = \$5,000,000$.

18 82. “Actual losses” are the economic losses that were, in fact, suffered by
19 the mortgage pools due to defaults and resulting foreclosures and any related
20 inability of the mortgage holder or servicer to recoup the full principal amount of
21 the mortgages. The actual loss data in Figure 2 (*infra*) is from ABSNET, a provider
22 of asset-backed securities related data.

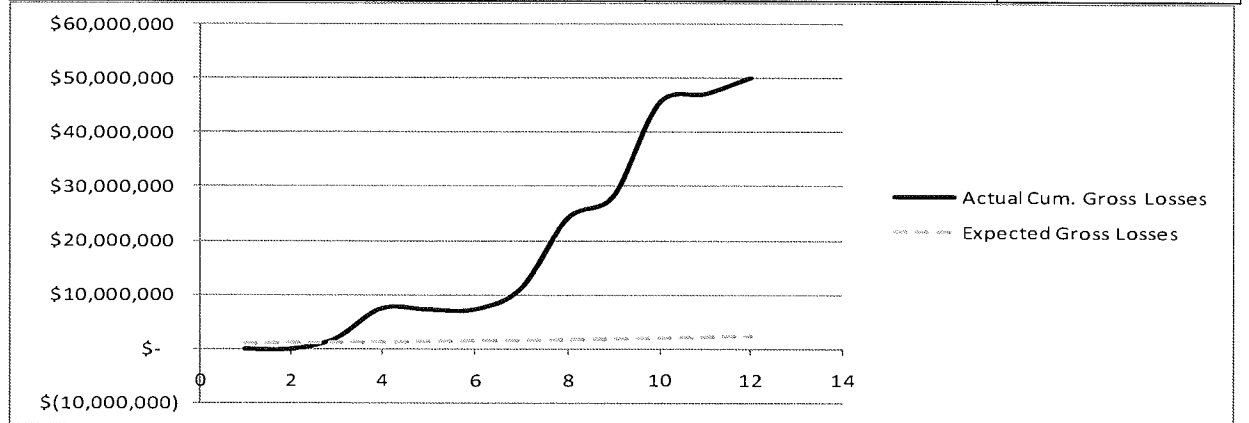
23 83. The path of cumulative losses can be plotted on a line graph
24 representing loss (either expected or actual) from origination to maturity, as shown
25 in Figure 2 (*infra*).

26 84. For the RMBS WesCorp purchased, Figure 2 (*infra*) depicts a series of
27 graphs illustrating the losses the RMBS actually experienced in the first 12 months
28 after issuance in comparison to the losses the RMBS were expected to experience

1 during the same time period. As the graphs show, the actual losses (the “Series 1”
 2 or solid line) far exceeded the expected losses (the “Series 2” or dotted line) for the
 3 period analyzed.

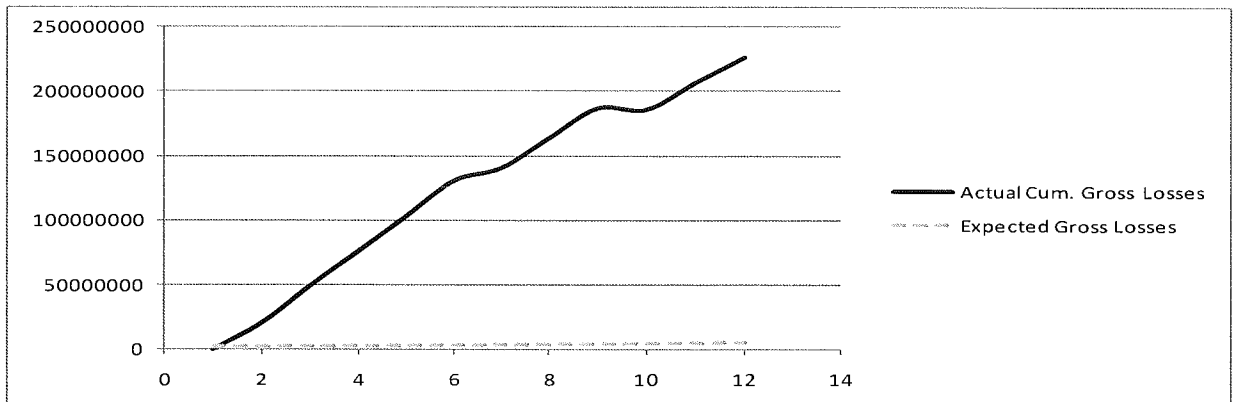
4 **Figure 2**

Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Alternative Loan Trust 2006-AR4	39723	1	\$ -	\$ 881,637
Alternative Loan Trust 2006-AR4	39723	2	\$ -	\$ 962,968
Alternative Loan Trust 2006-AR4	39723	3	\$ 1,901,772	\$ 1,051,631
Alternative Loan Trust 2006-AR4	39723	4	\$ 7,464,605	\$ 1,148,255
Alternative Loan Trust 2006-AR4	39723	5	\$ 7,310,855	\$ 1,253,515
Alternative Loan Trust 2006-AR4	39723	6	\$ 7,310,855	\$ 1,368,137
Alternative Loan Trust 2006-AR4	39723	7	\$ 11,290,671	\$ 1,492,899
Alternative Loan Trust 2006-AR4	39723	8	\$ 24,181,875	\$ 1,628,633
Alternative Loan Trust 2006-AR4	39723	9	\$ 28,385,840	\$ 1,776,228
Alternative Loan Trust 2006-AR4	39723	10	\$ 45,560,714	\$ 1,936,629
Alternative Loan Trust 2006-AR4	39723	11	\$ 47,163,113	\$ 2,110,842
Alternative Loan Trust 2006-AR4	39723	12	\$ 50,115,861	\$ 2,299,928

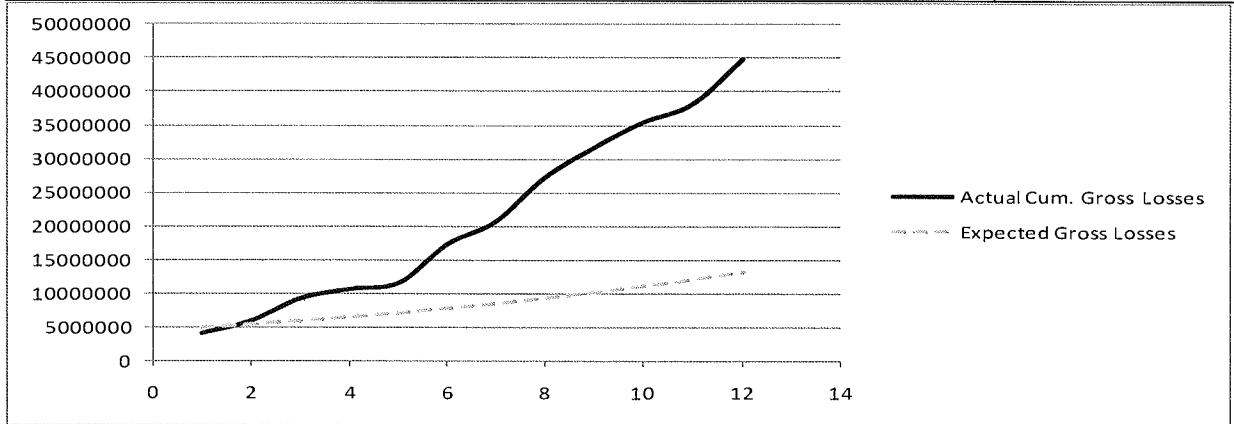


Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
American Home Mortgage Assets Trust 2007-3	41708	1	\$ -	\$ 2,232,609
American Home Mortgage Assets Trust 2007-3	41708	2	\$ 20,399,980	\$ 2,438,567
American Home Mortgage Assets Trust 2007-3	41708	3	\$ 49,464,549	\$ 2,663,093
American Home Mortgage Assets Trust 2007-3	41708	4	\$ 76,378,883	\$ 2,907,778
American Home Mortgage Assets Trust 2007-3	41708	5	\$ 103,617,642	\$ 3,174,333
American Home Mortgage Assets Trust 2007-3	41708	6	\$ 130,873,934	\$ 3,464,595
American Home Mortgage Assets Trust 2007-3	41708	7	\$ 140,742,932	\$ 3,780,536
American Home Mortgage Assets Trust 2007-3	41708	8	\$ 163,847,101	\$ 4,124,262
American Home Mortgage Assets Trust 2007-3	41708	9	\$ 187,001,069	\$ 4,498,024
American Home Mortgage Assets Trust 2007-3	41708	10	\$ 185,965,334	\$ 4,904,215
American Home Mortgage Assets Trust 2007-3	41708	11	\$ 206,785,530	\$ 5,345,381
American Home Mortgage Assets Trust 2007-3	41708	12	\$ 226,605,691	\$ 5,824,213

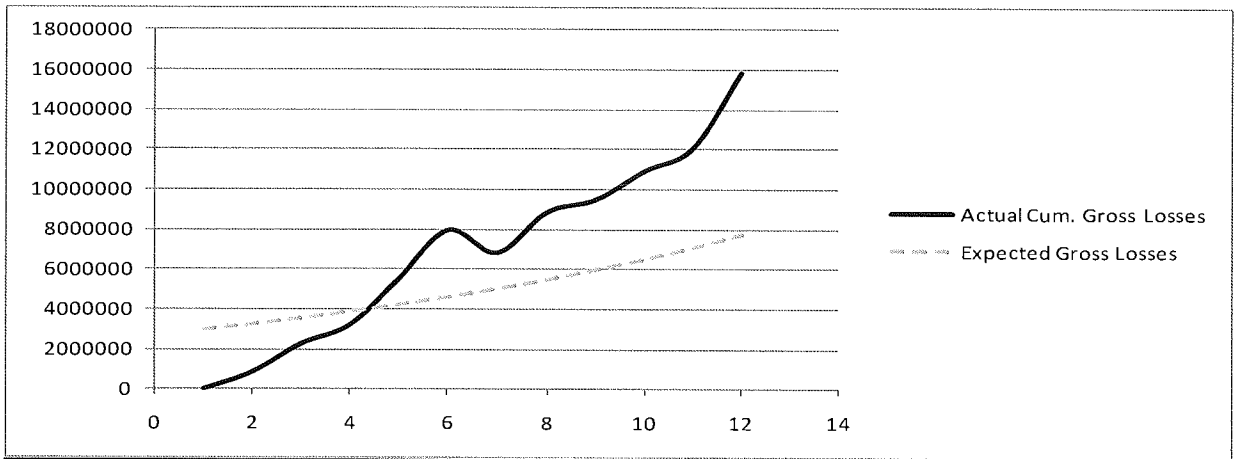
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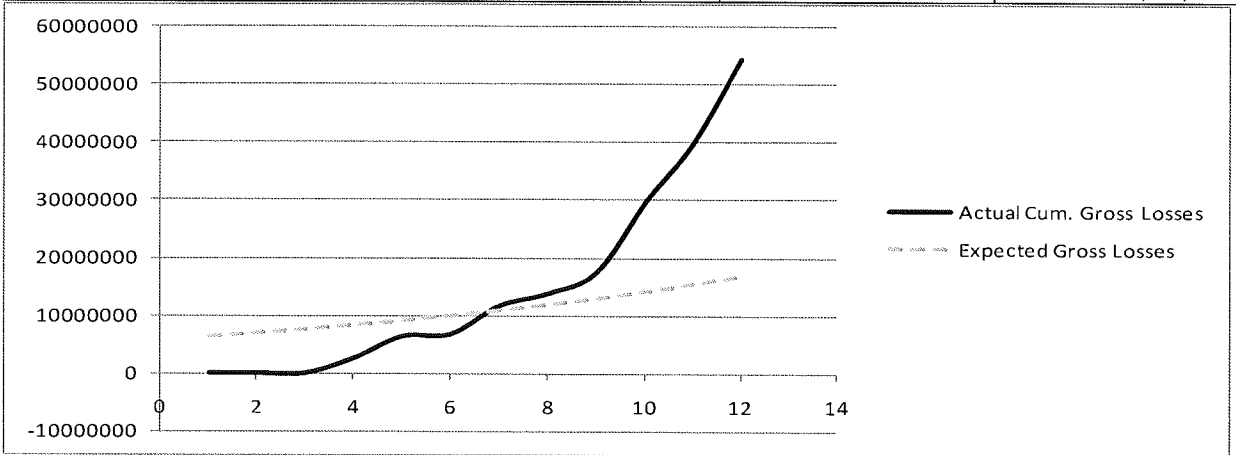
Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
First Franklin Mortgage Loan Trust 2005-FFH4	36028	1	\$ 4,157,138	\$ 5,089,278
First Franklin Mortgage Loan Trust 2005-FFH4	36028	2	\$ 6,017,078	\$ 5,558,764
First Franklin Mortgage Loan Trust 2005-FFH4	36028	3	\$ 9,357,150	\$ 6,070,576
First Franklin Mortgage Loan Trust 2005-FFH4	36028	4	\$ 10,723,986	\$ 6,628,339
First Franklin Mortgage Loan Trust 2005-FFH4	36028	5	\$ 11,705,031	\$ 7,235,956
First Franklin Mortgage Loan Trust 2005-FFH4	36028	6	\$ 17,425,209	\$ 7,897,616
First Franklin Mortgage Loan Trust 2005-FFH4	36028	7	\$ 20,756,714	\$ 8,617,809
First Franklin Mortgage Loan Trust 2005-FFH4	36028	8	\$ 27,245,055	\$ 9,401,340
First Franklin Mortgage Loan Trust 2005-FFH4	36028	9	\$ 31,707,712	\$ 10,253,337
First Franklin Mortgage Loan Trust 2005-FFH4	36028	10	\$ 35,498,901	\$ 11,179,259
First Franklin Mortgage Loan Trust 2005-FFH4	36028	11	\$ 38,255,707	\$ 12,184,906
First Franklin Mortgage Loan Trust 2005-FFH4	36028	12	\$ 44,937,612	\$ 13,276,413



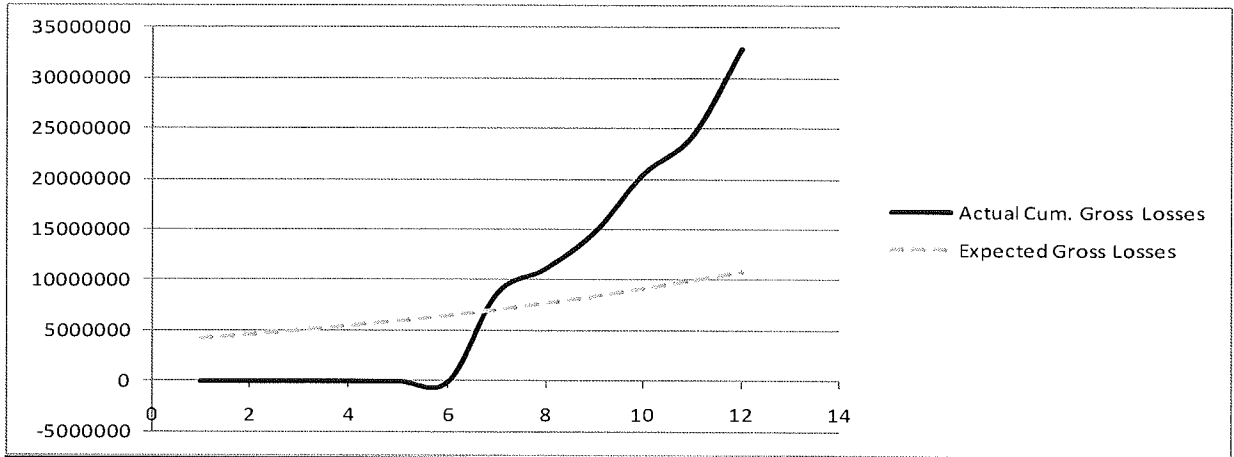
Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
HarborView 2006-8	38787	1	\$ -	\$ 2,969,076
HarborView 2006-8	38787	2	\$ 844,510	\$ 3,242,974
HarborView 2006-8	38787	3	\$ 2,248,223	\$ 3,541,564
HarborView 2006-8	38787	4	\$ 3,195,493	\$ 3,866,962
HarborView 2006-8	38787	5	\$ 5,503,145	\$ 4,221,445
HarborView 2006-8	38787	6	\$ 7,929,141	\$ 4,607,456
HarborView 2006-8	38787	7	\$ 6,810,649	\$ 5,027,615
HarborView 2006-8	38787	8	\$ 8,830,028	\$ 5,484,726
HarborView 2006-8	38787	9	\$ 9,472,044	\$ 5,981,780
HarborView 2006-8	38787	10	\$ 10,903,395	\$ 6,521,962
HarborView 2006-8	38787	11	\$ 12,058,271	\$ 7,108,654
HarborView 2006-8	38787	12	\$ 15,824,121	\$ 7,745,437



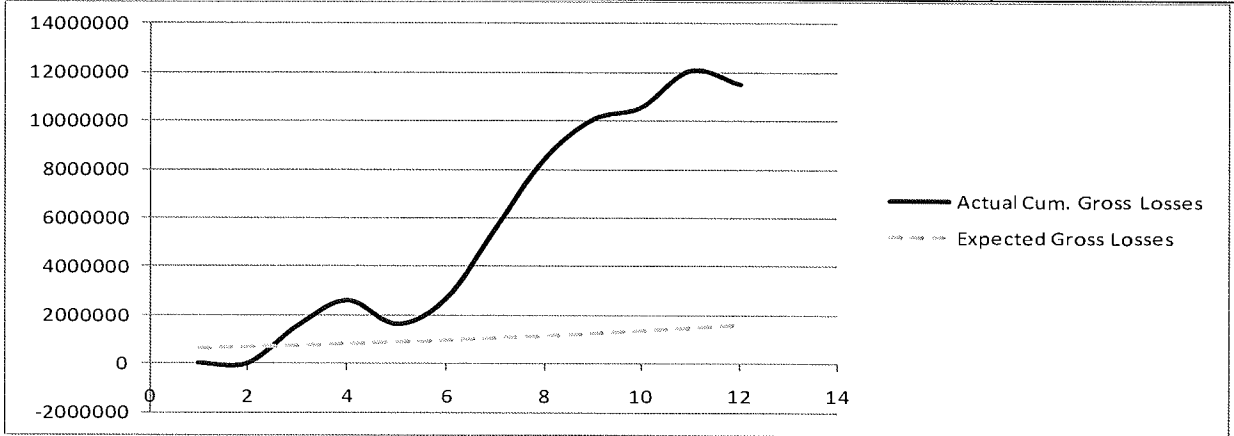
Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
HarborView 2006-9	39173	1	\$ -	\$ 6,428,529
HarborView 2006-9	39173	2	\$ -	\$ 7,021,561
HarborView 2006-9	39173	3	\$ -	\$ 7,668,057
HarborView 2006-9	39173	4	\$ 2,570,574	\$ 8,372,597
HarborView 2006-9	39173	5	\$ 6,353,042	\$ 9,140,109
HarborView 2006-9	39173	6	\$ 6,758,658	\$ 9,975,885
HarborView 2006-9	39173	7	\$ 11,655,574	\$ 10,885,598
HarborView 2006-9	39173	8	\$ 13,825,145	\$ 11,875,316
HarborView 2006-9	39173	9	\$ 17,538,934	\$ 12,951,517
HarborView 2006-9	39173	10	\$ 29,668,715	\$ 14,121,098
HarborView 2006-9	39173	11	\$ 39,916,025	\$ 15,391,381
HarborView 2006-9	39173	12	\$ 54,441,864	\$ 16,770,120



Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
HarborView 2006-10	39466	1	\$ -	\$ 4,146,641
HarborView 2006-10	39466	2	\$ -	\$ 4,529,169
HarborView 2006-10	39466	3	\$ -	\$ 4,946,182
HarborView 2006-10	39466	4	\$ -	\$ 5,400,637
HarborView 2006-10	39466	5	\$ -	\$ 5,895,711
HarborView 2006-10	39466	6	\$ -	\$ 6,434,818
HarborView 2006-10	39466	7	\$ 8,680,070	\$ 7,021,616
HarborView 2006-10	39466	8	\$ 11,141,881	\$ 7,660,021
HarborView 2006-10	39466	9	\$ 14,725,771	\$ 8,354,211
HarborView 2006-10	39466	10	\$ 20,454,135	\$ 9,108,634
HarborView 2006-10	39466	11	\$ 24,280,421	\$ 9,928,015
HarborView 2006-10	39466	12	\$ 32,908,115	\$ 10,817,352

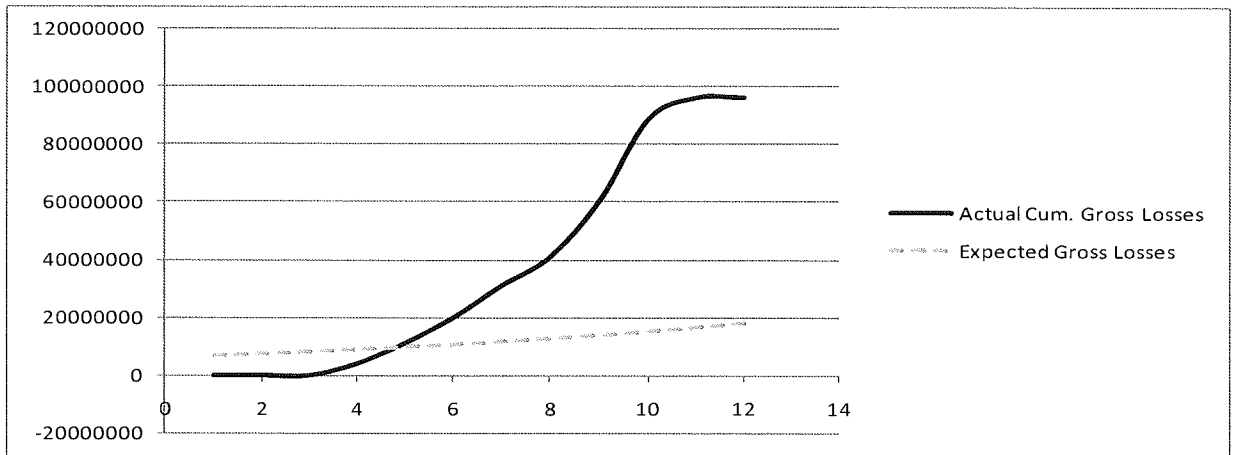


Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
HarborView 2006-11	39604	1	\$ -	\$ 620,128
HarborView 2006-11	39604	2	\$ -	\$ 677,335
HarborView 2006-11	39604	3	\$ 1,541,596	\$ 739,700
HarborView 2006-11	39604	4	\$ 2,586,325	\$ 807,663
HarborView 2006-11	39604	5	\$ 1,614,729	\$ 881,701
HarborView 2006-11	39604	6	\$ 2,697,387	\$ 962,324
HarborView 2006-11	39604	7	\$ 5,548,956	\$ 1,050,080
HarborView 2006-11	39604	8	\$ 8,395,221	\$ 1,145,553
HarborView 2006-11	39604	9	\$ 10,039,321	\$ 1,249,369
HarborView 2006-11	39604	10	\$ 10,546,521	\$ 1,362,193
HarborView 2006-11	39604	11	\$ 12,059,557	\$ 1,484,731
HarborView 2006-11	39604	12	\$ 11,489,433	\$ 1,617,731

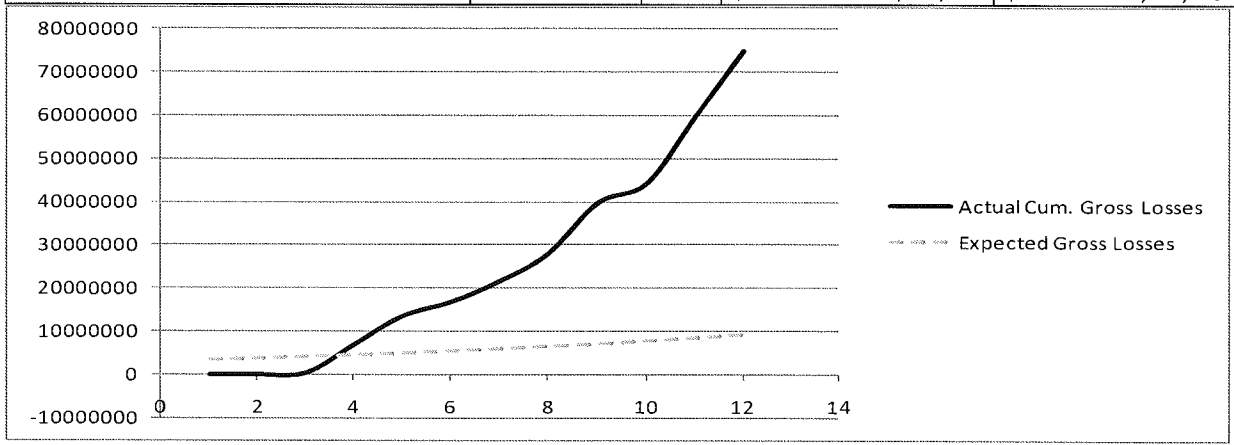


Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
HarborView 2006-12	39654	1	\$ -	\$ 6,998,409
HarborView 2006-12	39654	2	\$ -	\$ 7,644,013
HarborView 2006-12	39654	3	\$ -	\$ 8,347,820
HarborView 2006-12	39654	4	\$ 4,084,060	\$ 9,114,816
HarborView 2006-12	39654	5	\$ 11,094,460	\$ 9,950,367
HarborView 2006-12	39654	6	\$ 19,896,280	\$ 10,860,234
HarborView 2006-12	39654	7	\$ 31,022,567	\$ 11,850,591
HarborView 2006-12	39654	8	\$ 40,963,688	\$ 12,928,047
HarborView 2006-12	39654	9	\$ 60,192,493	\$ 14,099,652
HarborView 2006-12	39654	10	\$ 88,526,405	\$ 15,372,914
HarborView 2006-12	39654	11	\$ 96,055,571	\$ 16,755,807
HarborView 2006-12	39654	12	\$ 96,131,151	\$ 18,256,769

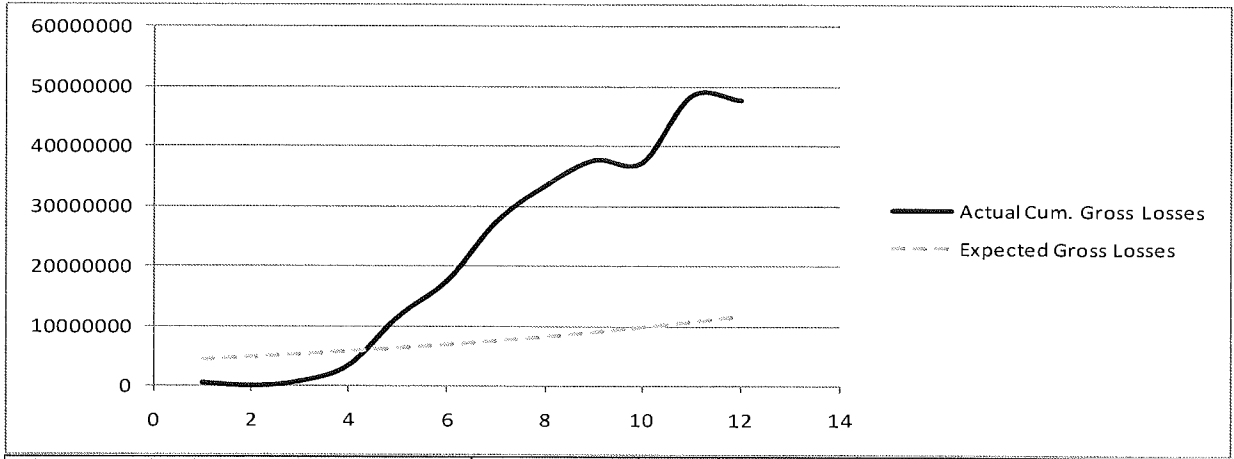
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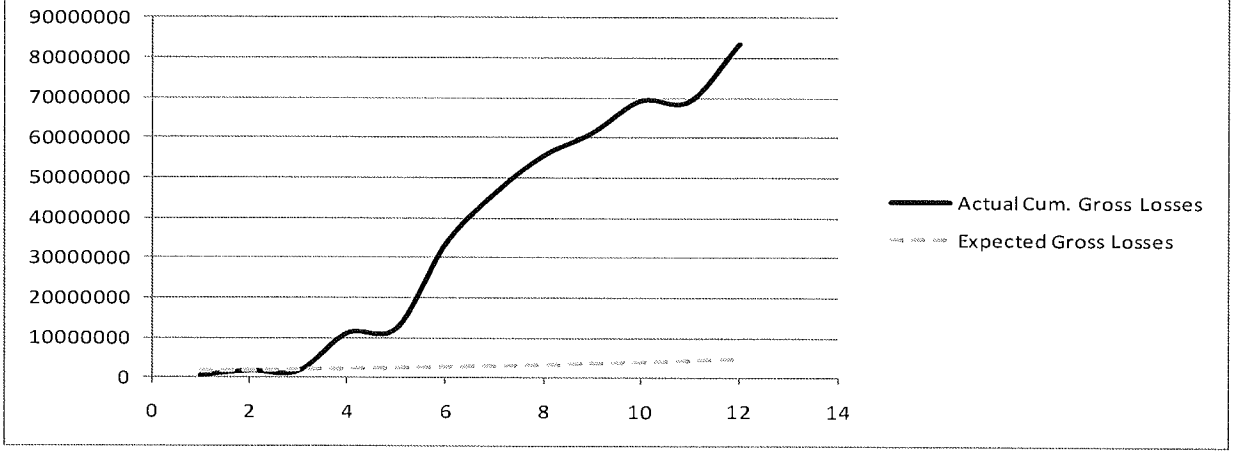
Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
HarborView 2006-14	39668	1	\$ -	\$ 3,574,654
HarborView 2006-14	39668	2	\$ -	\$ 3,904,416
HarborView 2006-14	39668	3	\$ 368,396	\$ 4,263,907
HarborView 2006-14	39668	4	\$ 6,858,408	\$ 4,655,674
HarborView 2006-14	39668	5	\$ 13,473,277	\$ 5,082,458
HarborView 2006-14	39668	6	\$ 16,771,582	\$ 5,547,200
HarborView 2006-14	39668	7	\$ 21,587,406	\$ 6,053,056
HarborView 2006-14	39668	8	\$ 28,030,117	\$ 6,603,399
HarborView 2006-14	39668	9	\$ 39,750,069	\$ 7,201,833
HarborView 2006-14	39668	10	\$ 44,347,316	\$ 7,852,191
HarborView 2006-14	39668	11	\$ 59,770,494	\$ 8,558,546
HarborView 2006-14	39668	12	\$ 74,945,944	\$ 9,325,209



Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
HarborView 2007-1	40906	1	\$ 470,016	\$ 4,486,867
HarborView 2007-1	40906	2	\$ -	\$ 4,900,781
HarborView 2007-1	40906	3	\$ 740,974	\$ 5,352,010
HarborView 2007-1	40906	4	\$ 3,422,669	\$ 5,843,752
HarborView 2007-1	40906	5	\$ 11,572,487	\$ 6,379,446
HarborView 2007-1	40906	6	\$ 17,645,257	\$ 6,962,786
HarborView 2007-1	40906	7	\$ 27,455,285	\$ 7,597,731
HarborView 2007-1	40906	8	\$ 33,429,089	\$ 8,288,517
HarborView 2007-1	40906	9	\$ 37,706,844	\$ 9,039,664
HarborView 2007-1	40906	10	\$ 37,339,557	\$ 9,855,987
HarborView 2007-1	40906	11	\$ 48,483,984	\$ 10,742,596
HarborView 2007-1	40906	12	\$ 47,750,914	\$ 11,704,903

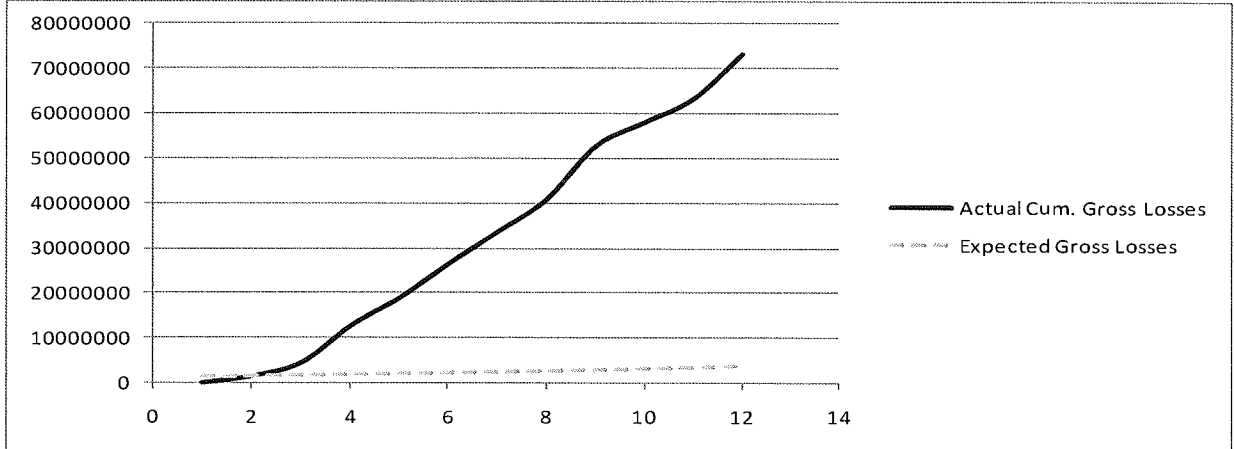


Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
HarborView 2007-2	40907	1	\$ 647,551	\$ 1,785,903
HarborView 2007-2	40907	2	\$ 1,783,440	\$ 1,950,652
HarborView 2007-2	40907	3	\$ 1,699,532	\$ 2,130,255
HarborView 2007-2	40907	4	\$ 11,140,763	\$ 2,325,982
HarborView 2007-2	40907	5	\$ 12,498,521	\$ 2,539,204
HarborView 2007-2	40907	6	\$ 33,584,483	\$ 2,771,390
HarborView 2007-2	40907	7	\$ 46,188,913	\$ 3,024,116
HarborView 2007-2	40907	8	\$ 55,536,048	\$ 3,299,069
HarborView 2007-2	40907	9	\$ 61,318,518	\$ 3,598,047
HarborView 2007-2	40907	10	\$ 69,284,016	\$ 3,922,967
HarborView 2007-2	40907	11	\$ 69,215,449	\$ 4,275,863
HarborView 2007-2	40907	12	\$ 83,515,196	\$ 4,658,889

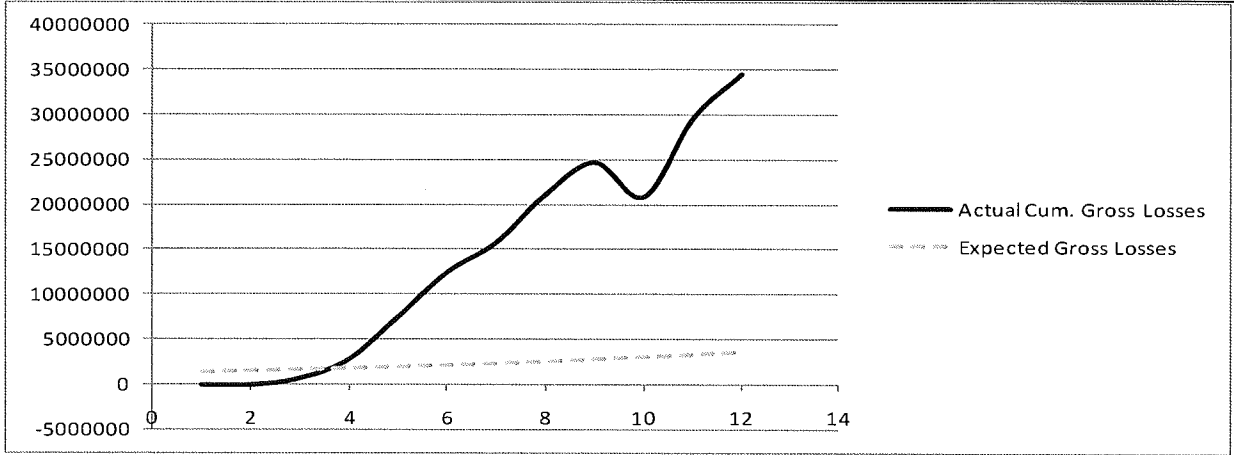


Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
HarborView 2007-4	41472	1	\$ -	\$ 1,484,815
HarborView 2007-4	41472	2	\$ 1,475,896	\$ 1,621,790
HarborView 2007-4	41472	3	\$ 4,503,163	\$ 1,771,113
HarborView 2007-4	41472	4	\$ 12,670,740	\$ 1,933,842
HarborView 2007-4	41472	5	\$ 18,897,311	\$ 2,111,117
HarborView 2007-4	41472	6	\$ 26,420,698	\$ 2,304,158
HarborView 2007-4	41472	7	\$ 33,546,631	\$ 2,514,277
HarborView 2007-4	41472	8	\$ 40,719,514	\$ 2,742,875
HarborView 2007-4	41472	9	\$ 52,660,914	\$ 2,991,449
HarborView 2007-4	41472	10	\$ 58,084,757	\$ 3,261,590
HarborView 2007-4	41472	11	\$ 63,355,076	\$ 3,554,991
HarborView 2007-4	41472	12	\$ 73,274,190	\$ 3,873,442

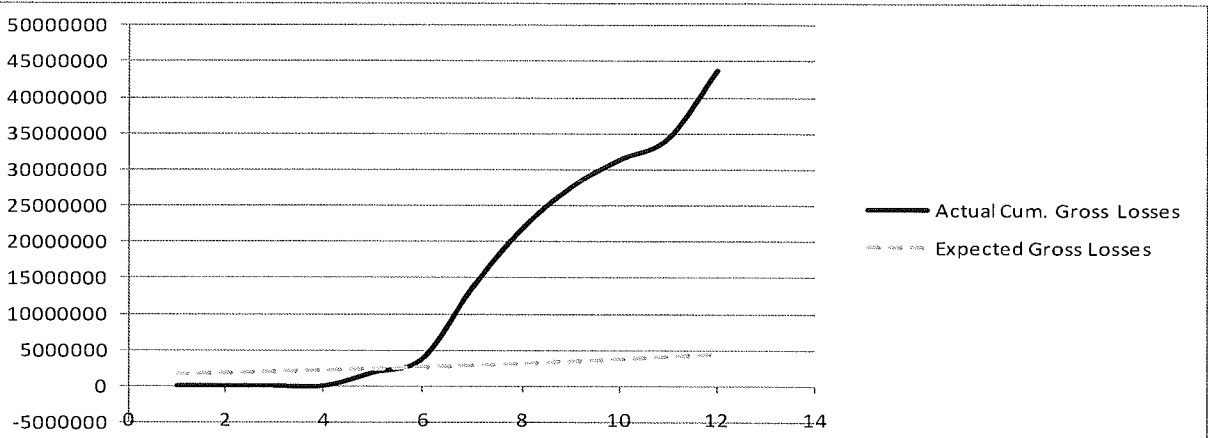
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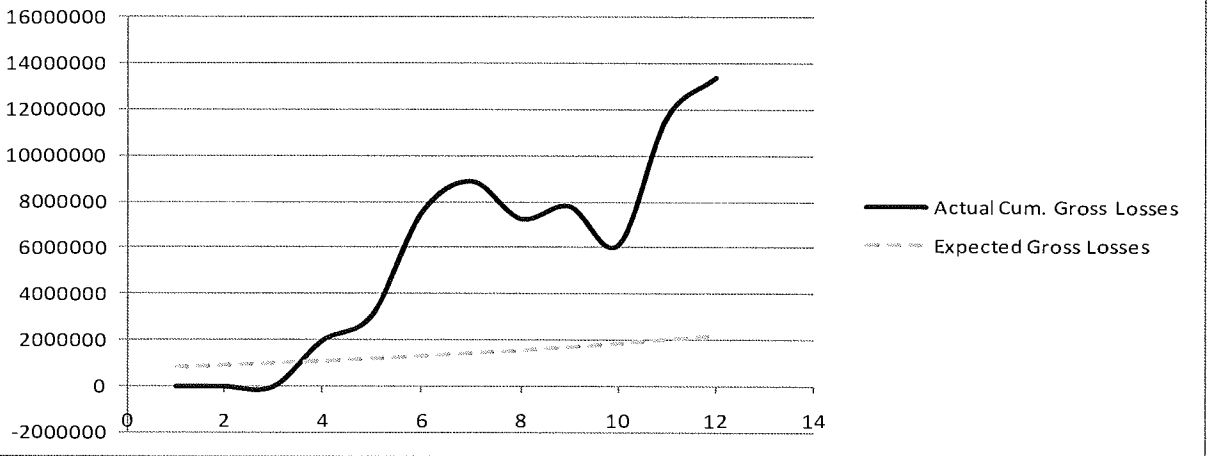
Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
HarborView 2007-5	41776	1	\$ -	\$ 1,359,786
HarborView 2007-5	41776	2	\$ -	\$ 1,485,226
HarborView 2007-5	41776	3	\$ 751,500	\$ 1,621,975
HarborView 2007-5	41776	4	\$ 2,920,614	\$ 1,771,002
HarborView 2007-5	41776	5	\$ 7,632,190	\$ 1,933,349
HarborView 2007-5	41776	6	\$ 12,511,060	\$ 2,110,135
HarborView 2007-5	41776	7	\$ 15,835,944	\$ 2,302,561
HarborView 2007-5	41776	8	\$ 21,143,592	\$ 2,511,910
HarborView 2007-5	41776	9	\$ 24,750,664	\$ 2,739,552
HarborView 2007-5	41776	10	\$ 20,932,966	\$ 2,986,945
HarborView 2007-5	41776	11	\$ 29,635,152	\$ 3,255,640
HarborView 2007-5	41776	12	\$ 34,563,869	\$ 3,547,276



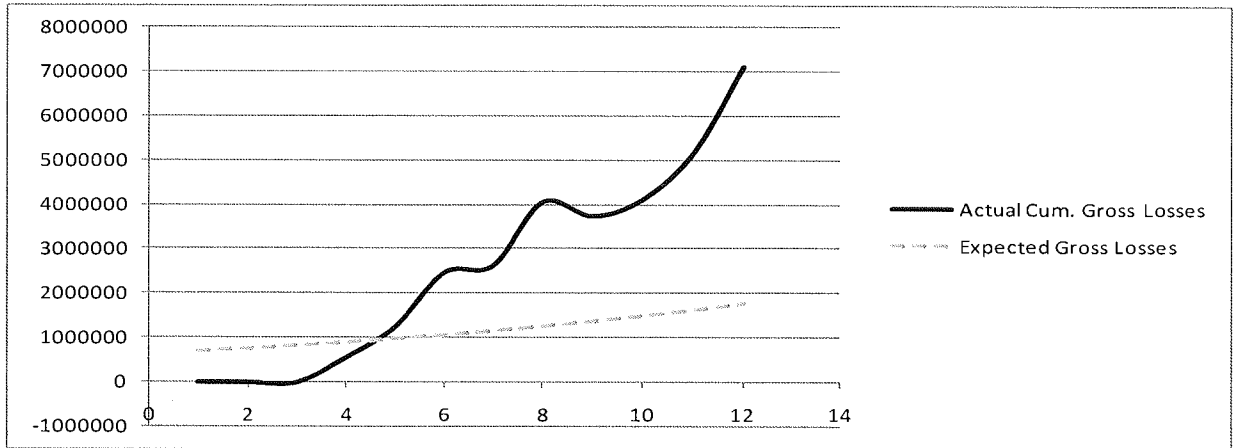
Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
IndyMac INDX Mortgage Loan Trust 2006-AR35	40677	1	\$ -	\$ 1,734,368
IndyMac INDX Mortgage Loan Trust 2006-AR35	40677	2	\$ -	\$ 1,894,364
IndyMac INDX Mortgage Loan Trust 2006-AR35	40677	3	\$ -	\$ 2,068,783
IndyMac INDX Mortgage Loan Trust 2006-AR35	40677	4	\$ -	\$ 2,258,863
IndyMac INDX Mortgage Loan Trust 2006-AR35	40677	5	\$ 1,848,000	\$ 2,465,932
IndyMac INDX Mortgage Loan Trust 2006-AR35	40677	6	\$ 3,866,023	\$ 2,691,418
IndyMac INDX Mortgage Loan Trust 2006-AR35	40677	7	\$ 13,740,659	\$ 2,936,851
IndyMac INDX Mortgage Loan Trust 2006-AR35	40677	8	\$ 21,838,012	\$ 3,203,870
IndyMac INDX Mortgage Loan Trust 2006-AR35	40677	9	\$ 27,603,649	\$ 3,494,221
IndyMac INDX Mortgage Loan Trust 2006-AR35	40677	10	\$ 31,428,103	\$ 3,809,765
IndyMac INDX Mortgage Loan Trust 2006-AR35	40677	11	\$ 34,423,595	\$ 4,152,477
IndyMac INDX Mortgage Loan Trust 2006-AR35	40677	12	\$ 43,899,521	\$ 4,524,450



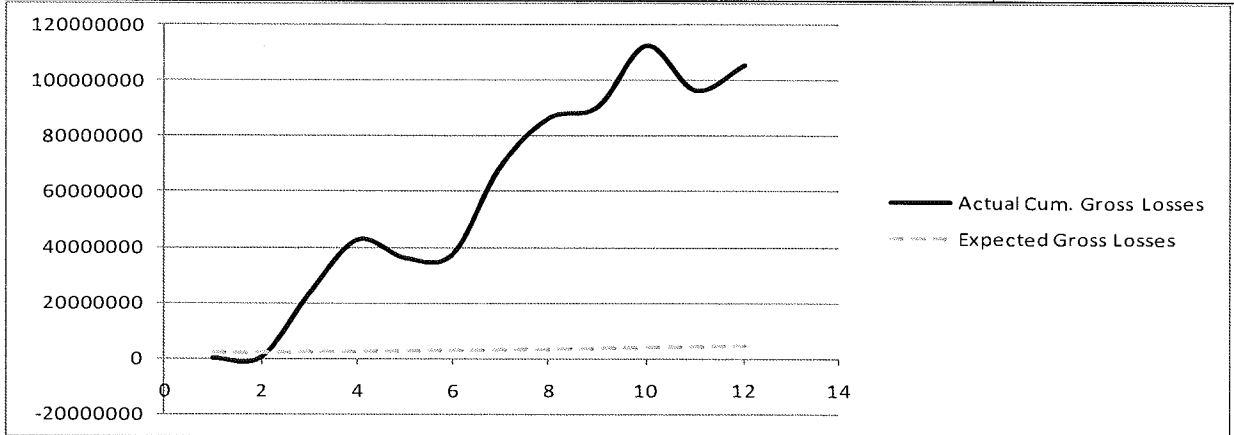
Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Luminent Mortgage Trust 2007-1	40299	1	\$ -	\$ 837,607
Luminent Mortgage Trust 2007-1	40299	2	\$ -	\$ 914,876
Luminent Mortgage Trust 2007-1	40299	3	\$ -	\$ 999,112
Luminent Mortgage Trust 2007-1	40299	4	\$ 1,982,522	\$ 1,090,910
Luminent Mortgage Trust 2007-1	40299	5	\$ 3,098,851	\$ 1,190,913
Luminent Mortgage Trust 2007-1	40299	6	\$ 7,535,538	\$ 1,299,811
Luminent Mortgage Trust 2007-1	40299	7	\$ 8,877,706	\$ 1,418,342
Luminent Mortgage Trust 2007-1	40299	8	\$ 7,269,659	\$ 1,547,298
Luminent Mortgage Trust 2007-1	40299	9	\$ 7,809,257	\$ 1,687,522
Luminent Mortgage Trust 2007-1	40299	10	\$ 6,135,975	\$ 1,839,912
Luminent Mortgage Trust 2007-1	40299	11	\$ 11,639,877	\$ 2,005,424
Luminent Mortgage Trust 2007-1	40299	12	\$ 13,374,400	\$ 2,185,068



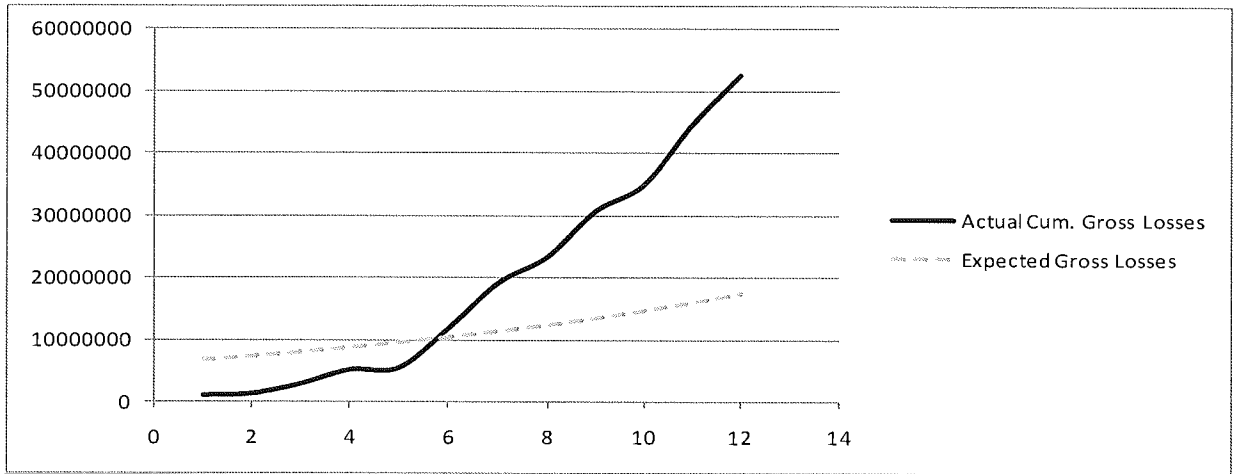
Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
MortgageIT Mortgage Loan Trust 2006-1	36837	1	\$ -	\$ 676,065.76
MortgageIT Mortgage Loan Trust 2006-1	36837	2	\$ -	\$ 738,432.90
MortgageIT Mortgage Loan Trust 2006-1	36837	3	\$ -	\$ 806,422.58
MortgageIT Mortgage Loan Trust 2006-1	36837	4	\$ 560,000.00	\$ 880,516.57
MortgageIT Mortgage Loan Trust 2006-1	36837	5	\$ 1,254,257.17	\$ 961,233.11
MortgageIT Mortgage Loan Trust 2006-1	36837	6	\$ 2,470,257.89	\$ 1,049,128.74
MortgageIT Mortgage Loan Trust 2006-1	36837	7	\$ 2,628,457.17	\$ 1,144,800.05
MortgageIT Mortgage Loan Trust 2006-1	36837	8	\$ 4,055,807.17	\$ 1,248,885.24
MortgageIT Mortgage Loan Trust 2006-1	36837	9	\$ 3,738,676.18	\$ 1,362,065.53
MortgageIT Mortgage Loan Trust 2006-1	36837	10	\$ 4,116,310.48	\$ 1,485,066.24
MortgageIT Mortgage Loan Trust 2006-1	36837	11	\$ 5,153,808.11	\$ 1,618,657.50
MortgageIT Mortgage Loan Trust 2006-1	36837	12	\$ 7,103,777.17	\$ 1,763,654.58



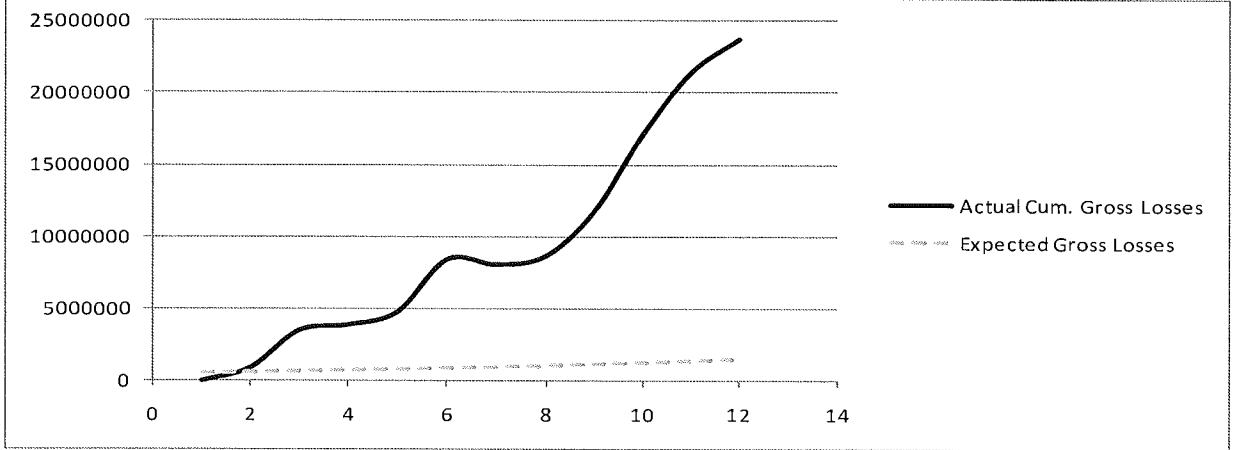
Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Nomura Home Equity Loan Trust Series 2007-1	40291	1	\$ 159,200	\$ 1,737,954
Nomura Home Equity Loan Trust Series 2007-1	40291	2	\$ 619,200	\$ 1,898,280
Nomura Home Equity Loan Trust Series 2007-1	40291	3	\$ 23,542,962	\$ 2,073,060
Nomura Home Equity Loan Trust Series 2007-1	40291	4	\$ 42,794,130	\$ 2,263,533
Nomura Home Equity Loan Trust Series 2007-1	40291	5	\$ 36,287,162	\$ 2,471,030
Nomura Home Equity Loan Trust Series 2007-1	40291	6	\$ 37,717,522	\$ 2,696,982
Nomura Home Equity Loan Trust Series 2007-1	40291	7	\$ 69,224,811	\$ 2,942,923
Nomura Home Equity Loan Trust Series 2007-1	40291	8	\$ 86,609,785	\$ 3,210,493
Nomura Home Equity Loan Trust Series 2007-1	40291	9	\$ 90,655,311	\$ 3,501,444
Nomura Home Equity Loan Trust Series 2007-1	40291	10	\$ 112,784,673	\$ 3,817,641
Nomura Home Equity Loan Trust Series 2007-1	40291	11	\$ 96,635,919	\$ 4,161,062
Nomura Home Equity Loan Trust Series 2007-1	40291	12	\$ 105,724,469	\$ 4,533,804



Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Soundview Home Equity Loan Trust 2005-OPT4	36025	1	\$ 1,212,442	\$ 6,716,668
Soundview Home Equity Loan Trust 2005-OPT4	36025	2	\$ 1,512,469	\$ 7,336,281
Soundview Home Equity Loan Trust 2005-OPT4	36025	3	\$ 3,073,678	\$ 8,011,754
Soundview Home Equity Loan Trust 2005-OPT4	36025	4	\$ 5,331,109	\$ 8,747,873
Soundview Home Equity Loan Trust 2005-OPT4	36025	5	\$ 5,676,196	\$ 9,549,786
Soundview Home Equity Loan Trust 2005-OPT4	36025	6	\$ 12,008,162	\$ 10,423,024
Soundview Home Equity Loan Trust 2005-OPT4	36025	7	\$ 19,248,543	\$ 11,373,512
Soundview Home Equity Loan Trust 2005-OPT4	36025	8	\$ 23,426,005	\$ 12,407,591
Soundview Home Equity Loan Trust 2005-OPT4	36025	9	\$ 30,776,311	\$ 13,532,030
Soundview Home Equity Loan Trust 2005-OPT4	36025	10	\$ 35,034,668	\$ 14,754,033
Soundview Home Equity Loan Trust 2005-OPT4	36025	11	\$ 44,624,482	\$ 16,081,254
Soundview Home Equity Loan Trust 2005-OPT4	36025	12	\$ 52,570,998	\$ 17,521,790



Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Wachovia Mortgage Loan Trust Series 2006-ALT1	40065	1	\$ -	\$ 571,225
Wachovia Mortgage Loan Trust Series 2006-ALT1	40065	2	\$ 907,000	\$ 623,920
Wachovia Mortgage Loan Trust Series 2006-ALT1	40065	3	\$ 3,477,778	\$ 681,366
Wachovia Mortgage Loan Trust Series 2006-ALT1	40065	4	\$ 3,865,958	\$ 743,970
Wachovia Mortgage Loan Trust Series 2006-ALT1	40065	5	\$ 4,775,290	\$ 812,169
Wachovia Mortgage Loan Trust Series 2006-ALT1	40065	6	\$ 8,398,870	\$ 886,435
Wachovia Mortgage Loan Trust Series 2006-ALT1	40065	7	\$ 8,047,724	\$ 967,270
Wachovia Mortgage Loan Trust Series 2006-ALT1	40065	8	\$ 8,645,036	\$ 1,055,214
Wachovia Mortgage Loan Trust Series 2006-ALT1	40065	9	\$ 11,762,701	\$ 1,150,843
Wachovia Mortgage Loan Trust Series 2006-ALT1	40065	10	\$ 17,071,099	\$ 1,254,769
Wachovia Mortgage Loan Trust Series 2006-ALT1	40065	11	\$ 21,346,144	\$ 1,367,643
Wachovia Mortgage Loan Trust Series 2006-ALT1	40065	12	\$ 23,684,214	\$ 1,490,155



85. As clearly shown in Figure 2 (*supra*), actual losses spiked almost immediately after issuance of the RMBS. Borrowers defaulted on the underlying mortgages soon after loan origination, rapidly eliminating the RMBS's credit enhancement. For example, in the American Home Mortgage Assets Trust 2007-3 offering (shown in Figure 2), actual losses at month 12 exceeded \$226 million, nearly 39 times the expected losses of \$5.8 million.

1 86. This immediate increase in actual losses—at a rate far greater than
2 expected losses—is strong evidence that the Originators systematically disregarded
3 the underwriting standards in the Offering Documents.

4 87. Because credit enhancement is designed to ensure triple-A
5 performance of triple-A-rated RMBS, the evidence that credit enhancement failed
6 (*i.e.*, actual losses swiftly surged past expected losses shortly after the offering)
7 substantiates that a critical number of mortgages in the pool were not written in
8 accordance with the underwriting guidelines stated in the Offering Documents.

9 **C. The Collapse of the Certificates' Credit Ratings Is Evidence of**
10 **Systematic Disregard of Underwriting Guidelines**

11 88. Virtually all of the RMBS WesCorp purchased were rated triple-A at
12 issuance.

13 89. Moody's and S&P have since downgraded the RMBS WesCorp
14 purchased to well below investment grade (*see supra* Table 4).

15 90. A rating downgrade is material. The total collapse in the credit ratings
16 of the RMBS WesCorp purchased, typically from triple-A to non-investment
17 speculative grade, is evidence of the Originators' systematic disregard of
18 underwriting guidelines, amplifying that these securities were impaired from the
19 outset.

20 **D. Revelations Subsequent to the Offerings Show That the**
21 **Originators Systematically Disregarded Underwriting Standards**

22 91. Public disclosures subsequent to the issuance of the RMBS reinforce
23 the allegation that the Originators systematically abandoned their stated
24 underwriting guidelines.

25 **1. The Systematic Disregard of Underwriting Standards Was**
26 **Pervasive as Revealed After the Collapse**

27 92. Mortgage originators experienced unprecedented success during the
28 mortgage boom. Yet their success was illusory. As the loans they originated began

1 to significantly underperform, the demand for their products subsided. It became
2 evident that originators had systematically disregarded their underwriting standards.

3 93. The Office of the Comptroller of the Currency (the “OCC”), an office
4 within the United States Department of the Treasury, published a report in
5 November 2008 listing the “Worst Ten” metropolitan areas with the highest rates of
6 foreclosures and the “Worst Ten” originators with the largest numbers of
7 foreclosures in those areas (“2008 ‘Worst Ten in the Worst Ten’ Report”). In this
8 report, the OCC emphasized the importance of adherence to underwriting standards
9 in mortgage loan origination

10 The quality of the underwriting process—that is, determining through
11 analysis of the borrower and market conditions that a borrower is
12 highly likely to be able to repay the loan as promised—is a major
13 determinant of subsequent loan performance. The quality of
14 underwriting varies across lenders, a factor that is evident through
15 comparisons of rates of delinquency, foreclosure, or other loan
16 performance measures across loan originators.

17 94. Recently, government reports and investigations and newspaper
18 reports have uncovered the extent of the pervasive abandonment of underwriting
19 standards. The Permanent Subcommittee on Investigations in the United States
20 Senate (“PSI”) recently released its report detailing the causes of the financial
21 crisis. Using Washington Mutual Bank (“WaMu”) as a case study, the PSI
22 concluded through its investigation:

23 Washington Mutual was far from the only lender that sold poor quality
24 mortgages and mortgage backed securities that undermined U.S.
25 financial markets. The Subcommittee investigation indicates that
26 Washington Mutual was emblematic of a host of financial institutions
27 that knowingly originated, sold, and securitized billions of dollars in
28 high risk, poor quality home loans. These lenders were not the victims

1 of the financial crisis; the high risk loans they issued became the fuel
2 that ignited the financial crisis.

3 STAFF OF S. PERMANENT SUBCOMM. ON INVESTIGATIONS, 112TH CONG.,
4 WALL STREET AND THE FINANCIAL CRISIS: ANATOMY OF A FINANCIAL
5 COLLAPSE 50 (Subcomm. Print 2011) (“PSI Wall Street Report”).

6 95. Indeed, the Financial Crisis Inquiry Commission (“FCIC”) issued its
7 final report in January 2011 that detailed, among other things, the collapse of
8 mortgage underwriting standards and subsequent collapse of the mortgage market
9 and wider economy. *See* FIN CRISIS INQUIRY COMM’N, FINAL REPORT OF
10 THE NATIONAL COMMISSION ON THE CAUSES OF THE FINANCIAL AND
11 ECONOMIC CRISIS IN THE UNITED STATES (2011) (“FCIC Report”).

12 96. The FCIC Report concluded that there was a “systemic breakdown in
13 accountability and ethics” during the housing and financial crisis.
14 “Unfortunately—as has been the case in past speculative booms and busts—we
15 witnessed an erosion of standards of responsibility and ethics that exacerbated the
16 financial crisis.” *Id.* at xxii. The FCIC found that the current economic crisis had
17 its genesis in the housing boom:

18 [I]t was the collapse of the housing bubble—fueled by low interest
19 rates, easy and available credit, scant regulation, and toxic
20 mortgages—that was the spark that ignited a string of events, which
21 led to a full-blown crises in the fall of 2008. Trillions of dollars in
22 risky mortgages had become embedded throughout the financial
23 system, as mortgage-related securities were packaged, repackaged, and
24 sold to investors around the world.

25 *Id.* at xvi.

26 97. During the housing boom, mortgage lenders focused on quantity rather
27 than quality, originating loans for borrowers who had no realistic capacity to repay
28 the loan. The FCIC Report found “that the percentage of borrowers who defaulted

1 on their mortgages within just a matter of months after taking a loan nearly doubled
2 from the summer of 2006 to late 2007.” *Id.* at xxii. Early Payment Default is a
3 significant indicator of pervasive disregard for underwriting standards. The FCIC
4 Report noted that mortgage fraud “flourished in an environment of collapsing
5 lending standards. . . .” *Id.*

6 98. In this lax lending environment, mortgage lenders went unchecked,
7 originating mortgages for borrowers in spite of underwriting standards:

8 Lenders made loans that they knew borrowers could not afford and
9 that could cause massive losses to investors in mortgage securities. As
10 early as September 2004, Countrywide executives recognized that
11 many of the loans they were originating could result in “catastrophic
12 consequences.” Less than a year later, they noted that certain high-risk
13 loans they were making could result not only in foreclosures but also
14 in “financial and reputational catastrophe” for the firm. But they did
15 not stop.

16 *Id.*

17 99. Lenders and borrowers took advantage of this climate, with borrowers
18 willing to take on loans and lenders anxious to get those borrowers into the loans,
19 ignoring even loosened underwriting standards. The FCIC Report observed:
20 “Many mortgage lenders set the bar so low that lenders simply took eager
21 borrowers’ qualifications on faith, often with a willful disregard for a borrower’s
22 ability to pay.” *Id.* at xxiii.

23 100. In an interview with the FCIC, Alphonso Jackson, the Secretary of the
24 Department of Housing and Urban Affairs (“HUD”) from 2004 to 2008, related that
25 HUD had heard about mortgage lenders “running wild, taking applications over the
26 Internet, not verifying people’s income or their ability to have a job.” *Id.* at 12-13
27 (internal quotation marks omitted).

1 101. Chairman of the Federal Reserve Board, Benjamin Bernanke, spoke to
2 the decline of underwriting standards in his speech before the World Affairs
3 Council of Greater Richmond on April 10, 2008:

4 First, at the point of origination, underwriting standards became
5 increasingly compromised. The best-known and most serious case is
6 that of subprime mortgages, mortgages extended to borrowers with
7 weaker credit histories. To a degree that increased over time, these
8 mortgages were often poorly documented and extended with
9 insufficient attention to the borrower's ability to repay. In retrospect,
10 the breakdown in underwriting can be linked to the incentives that the
11 originate-to-distribute model, as implemented in this case, created for
12 the originators. Notably, the incentive structures sometimes often tied
13 originator revenue to loan volume, rather than to the quality of the
14 loans being passed up the chain. Investors normally have the right to
15 put loans that default quickly back to the originator, which should tend
16 to apply some discipline to the underwriting process. However, in the
17 recent episode, some originators had little capital at stake, reducing
18 their exposure to the risk that the loans would perform poorly.

19 Benjamin Bernanke, Chairman, Federal Reserve Board, Speech to the World
20 Affairs Council of Greater Richmond, *Addressing Weaknesses in the Global*
21 *Financial Markets: The Report of the President's Working Group on Financial*
22 *Markets*, Apr. 10, 2008.

23 102. Investment banks securitized loans that were not originated in
24 accordance with underwriting guidelines and failed to disclose this fact in RMBS
25 offering documents. As the FCIC Report noted:

26 The Commission concludes that firms securitizing mortgages failed to
27 perform adequate due diligence on the mortgages they purchased and
28 at times knowingly waived compliance with underwriting standards.

1 Potential investors were not fully informed or were misled about the
2 poor quality of the mortgages contained in some mortgage-related
3 securities. These problems appear to have been significant.

4 FCIC Report at 187.

5 103. The lack of disclosure regarding the true underwriting practices of the
6 Originators in the Offering Documents at issue in this Complaint put WesCorp at a
7 severe disadvantage. The FSOC explained that the origination and securitization
8 process contains inherent “information asymmetries” that put investors at a
9 disadvantage regarding critical information concerning the quality and performance
10 of RMBS. The FSOC Risk Retention Report described the information
11 disadvantage for investors of RMBS:

12 One important informational friction highlighted during the recent
13 financial crisis has aspects of a “lemons” problem that exists between
14 the issuer and investor. An originator has more information about the
15 ability of a borrower to repay than an investor, because the originator
16 is the party making the loan. Because the investor is several steps
17 removed from the borrower, the investor may receive less robust loan
18 performance information. Additionally, the large number of assets and
19 the disclosures provided to investors may not include sufficient
20 information on the quality of the underlying financial assets for
21 investors to undertake full due diligence on each asset that backs the
22 security.

23 FSOC Risk Retention Report at 9 (footnote omitted).

24 104. Because investors had limited or no access to information concerning
25 the actual quality of loans underlying the RMBS, the “originate-to-distribute”
26 model created a situation where the origination of low quality mortgages through
27 poor underwriting thrived. The FSOC found:

1 In the originate-to-distribute model, originators receive significant
2 compensation upfront without retaining a material ongoing economic
3 interest in the performance of the loan. This reduces the economic
4 incentive of originators and securitizers to evaluate the credit quality
5 of the underlying loans carefully. Some research indicates that
6 securitization was associated with lower quality loans in the financial
7 crisis. For instance, one study found that subprime borrowers with
8 credit scores just above a threshold commonly used by securitizers to
9 determine which loans to purchase defaulted at significantly higher
10 rates than those with credit scores below the threshold. By lower
11 underwriting standards, securitization may have increased the amount
12 of credit extended, resulting in riskier and unsustainable loans that
13 otherwise may not have been originated.

14 *Id.* at 11 (footnote omitted).

15 105. The FSOC reported that, as the “originate-to-distribute” model became
16 more pervasive in the mortgage industry, underwriting practices weakened across
17 the industry. The FSOC Risk Retention Report found “[t]his deterioration was
18 particularly prevalent with respect to the verification of the borrower’s income,
19 assets, and employment for residential real estate loans. . . .” *Id.*

20 106. In sum, the disregard of underwriting standards was pervasive across
21 originators. The failure to adhere to underwriting standards directly contributed to
22 the sharp decline in the quality of mortgages that became part of mortgage pools
23 collateralizing RMBS. The lack of adherence to underwriting standards for the
24 loans underlying RMBS was not disclosed to investors in the offering materials.
25 The nature of the securitization process, with the investor several steps removed
26 from the origination of the mortgages underlying the RMBS, made it difficult for
27 investors to ascertain how the RMBS would perform.

1 107. As discussed below, facts have recently come to light that show many
2 of the Originators that contributed to the loan pools underlying the RMBS at issue
3 in this Complaint engaged in these underwriting practices.

4 **2. American Home's Systematic Disregard of Underwriting**
5 **Standards**

6 108. American Home Mortgage Investment Corp. was a real estate
7 investment trust that invested in RMBS consisting of loans originated and serviced
8 by its subsidiaries. It was the parent of American Home Mortgage Holdings, Inc.,
9 which in turn was the parent of American Home Mortgage Corp., a retail lender of
10 mortgage loans. Collectively, these entities are referred to herein as "American
11 Home." American Home originated or contributed a critical number of loans to the
12 mortgage pools underlying the American Home Mortgage Assets Trust 2007-3,
13 HarborView 2007-5, HarborView 2007-2, and HarborView 2006-14 offerings.

14 109. Edmund Andrews, an economics reporter for the New York Times,
15 recounted his own experience using American Home as a lender. According to
16 Andrews, he was looking to purchase a home in 2004, and his real estate agent
17 referred him to a loan officer at American Home. The American Home loan officer
18 began the ordeal by asking Andrews how large of a loan he needed. Andrews, who
19 had a monthly take home pay of \$2,777, advised the loan officer that he had hefty
20 child support and alimony payments to an ex-wife. Andrews would be relying on
21 his then-unemployed fiancée to earn enough money to meet his monthly
22 obligations—including the mortgage. Andrews reported:

23 As I quickly found out, American Home Mortgage had become one of
24 the fastest-growing mortgage lenders in the country. One of its
25 specialties was serving people just like me: borrowers with good
26 credit scores who wanted to stretch their finances far beyond what our
27 incomes could justify. In industry jargon, we were "Alt-A" customers,
28

1 and we usually paid slightly higher rates for the privilege of concealing
2 our financial weaknesses.

3
4 I thought I knew a lot about go-go mortgages. I had already written
5 several articles about the explosive growth of liar's loans, no-money-
6 down loans, interest-only loans and other even more exotic mortgages.
7 I had interviewed people with very modest incomes who had taken out
8 big loans. Yet for all that, I was stunned at how much money people
9 were willing to throw at me.

10
11 [The American Home loan officer] called back the next morning.
12 "Your credit scores are almost perfect," he said happily. "Based on
13 your income, you can qualify for a mortgage of about \$500,000."

14
15 What about my alimony and child-support obligations? No need to
16 mention them. What would happen when they saw the automatic
17 withholdings in my paycheck? No need to show them. If I wanted to
18 buy a house, [the American Home loan officer] figured, it was my job
19 to decide whether I could afford it. His job was to make it happen.

20
21 "I am here to enable dreams," he explained to me long afterward. [The
22 American Home loan officer]'s view was that if I'd been unemployed
23 for seven years and didn't have a dime to my name but I wanted a
24 house, he wouldn't question my prudence. "Who am I to tell you that
25 you shouldn't do what you want to do? I am here to sell money and to
26 help you do what you want to do. At the end of the day, it's your
27 signature on the mortgage—not mine."

1 Edmund L. Andrews, *My Personal Credit Crisis*, N.Y. TIMES, May 17, 2009, at
2 MM46.

3 110. The American Home loan officer steered Andrews to a stated-income
4 loan so that he would not have to produce paychecks or tax returns that would
5 reveal his alimony and child support obligations. The loan officer wanted to limit
6 disclosure of Andrews's alimony and child support payments when an existing
7 mortgage showed up under Andrews's name. Although his ex-wife was solely
8 responsible for that mortgage under the terms of the couple's separation agreement,
9 the only way Andrews could explain that fact would be to produce the agreement,
10 which would also reveal his alimony and child support obligations. According to
11 Andrews:

12 [The American Home loan officer] didn't get flustered. If Plan A
13 didn't work, he would simply move down another step on the ladder of
14 credibility. Instead of "stating" my income without documenting it, I
15 would take out a "no ratio" mortgage and not state my income at all.
16 For the price of a slightly higher interest rate, American Home would
17 verify my assets, but that was it. Because I wasn't stating my income,
18 I couldn't have a debt-to-income ratio, and therefore, I couldn't have
19 too much debt. I could have had four other mortgages, and it wouldn't
20 have mattered. American Home was practically begging me to take
21 the money.

22 *Id.*

23 111. American Home ultimately approved Andrews's application. Not
24 surprisingly, Andrews was unable to afford his monthly mortgage payments.

25 112. American Home's lack of adherence to underwriting guidelines was
26 set forth in detail in a 165-page amended class action complaint filed June 4, 2008,
27 in *In re American Home Mortgage Sec Litig*, No. 07-md-1898 (TCP) (E.D.N.Y.).
28 Investors in American Home common/preferred stock alleged that the company

1 misrepresented itself as a conservative lender, when, based on statements from
2 more than 33 confidential witnesses and internal company documents, American
3 Home in reality was a high risk lender, promoting quantity of loans over quality by
4 targeting borrowers with poor credit, violating company underwriting guidelines,
5 and providing incentives for employees to sell risky loans, regardless of the
6 borrowers' creditworthiness. *See Am. Class Action Compl., In re American Home*
7 *Mortgage Sec. Litig.*, No. 07-md-1898 (E.D.N.Y. filed June 4, 2008) ("American
8 Home ACC").

9 113. According to the American Home ACC, former American Home
10 employees recounted that underwriters were consistently bullied by sales staff when
11 underwriters challenged questionable loans, while exceptions to American Home's
12 underwriting guidelines were routinely applied. *See id.* at 43.

13 114. The American Home ACC cited to witnesses who were former
14 American Home employees. These witnesses reported that American Home
15 management told underwriters not to decline a loan, regardless of whether the loan
16 application included fraud. *See id.*

17 115. Another former American Home employee stated that American Home
18 routinely made exceptions to its underwriting guidelines to be able to close loans.
19 When American Home mortgage underwriters raised concerns to the sales
20 department about the pervasive use of exceptions to American Home's mortgage
21 underwriting practices, the sales department contacted American Home
22 headquarters to get approval for the use of exceptions. Indeed, it was commonplace
23 to overrule mortgage underwriters' objections to approving a loan to facilitate loan
24 approval. *See id.* at 44.

25 116. A former American Home auditor confirmed this account that
26 American Home mortgage underwriters were regularly overruled when they
27 objected to loan originations. *See id.*

1 117. The parties settled the litigation on January 14, 2010, for \$37.25
2 million.

3 118. American Home's lax lending practices landed it in the 2008 "Worst
4 Ten in the Worst Ten" Report. American Home came in 8th in Las Vegas, Nevada,
5 and 9th in both Detroit, Michigan, and Miami, Florida. *See* 2008 "Worst Ten in the
6 Worst Ten" Report. When the OCC issued the 2009 "Worst Ten in the Worst Ten"
7 Report, American Home again featured prominently, appearing in the top ten in six
8 of the ten worst metropolitan areas (4th in both Fort Pierce-Port St. Lucie, Florida,
9 and Fort Myers-Cape Coral, Florida; 7th in Vallejo-Fairfield-Napa, California; 8th
10 in Las Vegas, Nevada; 9th in Stockton-Lodi, California; and 10th in Bakersfield,
11 California). *See* 2009 "Worst Ten in the Worst Ten" Report.

12 **3. Countrywide Home Loans, Inc.'s Systematic Disregard of**
13 **Underwriting Standards**

14 119. Countrywide Home Loans, Inc. ("Countrywide") was among the
15 largest originators of residential mortgages in the United States during the period at
16 issue in this Complaint. Countrywide originated or contributed a critical portion of
17 the loans in the mortgage pools underlying the HarborView 2007-1, HarborView
18 2006-12, HarborView 2006-11, and HarborView 2006-9 offerings.

19 120. In October 2009, the House Committee on Oversight and Government
20 Reform launched an investigation into the entire subprime mortgage industry,
21 including Countrywide, focusing on "whether mortgage companies employed
22 deceptive and predatory lending practices, or improper tactics to thwart regulation,
23 and the impact of those activities on the current crisis." Press Release, Comm. on
24 Oversight & Government Reform, Statement of Chairman Towns on Committee
25 Investigation Into Mortgage Crisis at 1 (Oct. 23, 2009) (internal quotation marks
26 omitted).

27 121. On May 9, 2008, the New York Times noted that minimal
28 documentation and stated income loans—Countrywide's No Income/No Assets

1 Program and Stated Income/Stated Assets Program—have “bec[o]me known
2 [within the mortgage industry] as ‘liars’ loans’ because many [of the] borrowers
3 falsified their income.” Floyd Norris, *A Little Pity, Please, for Lenders*, N.Y.
4 TIMES, May 9, 2008, at C1.

5 122. In a television special titled, “If You Had a Pulse, We Gave You a
6 Loan,” Dateline NBC reported on March 27, 2009:

7 To highlight just how simple it could be to borrow money,
8 Countrywide marketed one of its stated-income products as the “Fast
9 and Easy loan.”

10
11 As manager of Countrywide’s office in Alaska, Kourosh Partow
12 pushed Fast and Easy loans and became one of the company’s top
13 producers.

14
15 He said the loans were “an invitation to lie” because there was so little
16 scrutiny of lenders. “We told them the income that you are giving us
17 will not be verified. The asset that you are stating will not be
18 verified.”

19
20 He said they joked about it: “If you had a pulse, we gave you a loan.
21 If you fog the mirror, give you a loan.”

22
23 But it turned out to be no laughing matter for Partow. Countrywide
24 fired him for processing so-called “liar loans” and federal prosecutors
25 charged him with crimes. On April 20, 2007, he pleaded guilty to two
26 counts of wire fraud involving loans to a real estate speculator; he
27 spent 18 months in prison.
28

1 In an interview shortly after he completed his sentence, Partow said
2 that the practice of pushing through loans with false information was
3 common and was known by top company officials. “It’s impossible
4 they didn’t know.”

5 . . .

6
7 During the criminal proceedings in federal court, Countrywide
8 executives portrayed Partow as a rogue who violated company
9 standards.

10
11 But former senior account executive Bob Feinberg, who was with the
12 company for 12 years, said the problem was not isolated. “I don’t buy
13 the rogue. I think it was infested.”

14
15 He lamented the decline of what he saw as a great place to work,
16 suggesting a push to be number one in the business led Countrywide
17 astray. He blamed Angelo Mozilo, a man he long admired, for taking
18 the company down the wrong path. It was not just the matter of stated
19 income loans, said Feinberg. Countrywide also became a purveyor of
20 loans that many consumer experts contend were a bad deal for
21 borrowers, with low introductory interest rates that later could
22 skyrocket.

23
24 In many instances, Feinberg said, that meant borrowers were getting
25 loans that were “guaranteed to fail.”

26 123. On June 4, 2009, the SEC sued Angelo Mozilo and other Countrywide
27 executives, alleging securities fraud. Specifically, the SEC alleged that Mozilo and
28 the others misled investors about the credit risks that Countrywide created with its

1 mortgage origination business, telling investors that Countrywide was primarily
2 involved in prime mortgage lending, when it was actually heavily involved in risky
3 sub-prime loans with expanded underwriting guidelines. *See* Compl. for Violations
4 of the Federal Securities Laws, *SEC v. Mozilo*, No. CV 09-3994-JFW (C.D. Cal.
5 filed June 4, 2009). Mozilo and the other executives settled the charges with the
6 SEC for \$73 million on October 15, 2010. *See* Walter Hamilton & E. Scott
7 Reckard, *Angelo Mozilo, Other Former Countrywide Execs Settle Fraud Charges*,
8 L.A. TIMES, Oct. 16, 2010, at A1.

9 124. Internal Countrywide e-mails the SEC released in connection with its
10 lawsuit show the extent to which Countrywide systematically deviated from its
11 underwriting guidelines. For instance, in an April 13, 2006 e-mail from Mozilo to
12 other top Countrywide executives, Mozilo stated that Countrywide was originating
13 home mortgage loans with “serious disregard for process, compliance with
14 guidelines and irresponsible behavior relative to meeting timelines.” E-mail from
15 Angelo Mozilo to Eric Sieracki and other Countrywide Executives (Apr. 13, 2006
16 7:42 PM PDT). Mozilo also wrote that he had “personally observed a serious lack
17 of compliance within our origination system as it relates to documentation and
18 generally a deterioration in the quality of loans originated versus the pricing of
19 those loan[s].” *Id.* (internal quotation marks omitted).

20 125. Indeed, in September 2004, Mozilo had voiced his concern over the
21 “clear deterioration in the credit quality of loans being originated,” observing that
22 “the trend is getting worse” because of competition in the non-conforming loans
23 market. With this in mind, Mozilo argued that Countrywide should “seriously
24 consider securitizing and selling ([Net Interest Margin Securities]) a substantial
25 portion of [Countrywide’s] current and future sub prime [sic] residuals.” E-mail
26 from Angelo Mozilo to Stan Kurland & Keith McLaughlin, Managing Directors,
27 Countrywide (Sept. 1, 2004 8:17 PM PDT).

28

1 126. To protect themselves against poorly underwritten loans, parties that
2 purchase loans from an originator frequently require the originator to repurchase
3 any loans that suffer Early Payment Default.

4 127. In the first quarter of 2006, HSBC Holdings plc (“HSBC”), a
5 purchaser of Countrywide’s 80/20 subprime loans, began to force Countrywide to
6 repurchase certain loans that HSBC contended were defective under the parties’
7 contract. In an e-mail sent on April 17, 2006, Mozilo asked, “[w]here were the
8 breakdowns in our system that caused the HSBC debacle including the creation of
9 the contract all the way through the massive disregard for guidelines set forth by
10 both the contract and corporate.” E-mail from Angelo Mozilo to Dave Sambol,
11 former Executive Managing Director and Chief of Mortgage Banking and Capital
12 Markets, Countrywide Financial (Apr. 17, 2006 5:55 PM PST). Mozilo continued:

13 In all my years in the business I have never seen a more toxic product.
14 [sic] It’s not only subordinated to the first, but the first is subprime. In
15 addition, the [FICO]s are below 600, below 500 and some below 400.
16 . . . With real estate values coming down . . . the product will become
17 increasingly worse. There has [sic] to be major changes in this
18 program, including substantial increases in the minimum [FICO].

19 *Id.*

20 128. Countrywide sold a product called the “Pay Option ARM.” This loan
21 was a 30-year adjustable rate mortgage that allowed the borrower to choose
22 between various monthly payment options, including a set minimum payment. In a
23 June 1, 2006 e-mail, Mozilo noted that most of Countrywide’s Pay Option ARMs
24 were based on stated income and admitted that “[t]here is also some evidence that
25 the information that the borrower is providing us relative to their income does not
26 match up with IRS records.” E-mail from Angelo Mozilo to Carlos Garcia, former
27
28

1 CFO of Countrywide Financial, and Jim Furash, former President of Countrywide
2 Bank (June 1, 2006 10:38 PM PST).

3 129. An internal quality control report e-mailed on June 2, 2006, showed
4 that, for stated income loans, 50.3% of loans indicated a variance of 10% or more
5 from the stated income in the loan application. *See* E-mail from Clifford Rossi,
6 Chief Risk Officer, Countrywide, to Jim Furash, Executive, CEO, Countrywide
7 Bank, N.A., among others (June 2, 2006 12:28 PM PDT).

8 130. Countrywide, apparently, was “flying blind” on how one of its popular
9 loan products, the Pay Option ARM loan, would perform, and, admittedly, had “no
10 way, with any reasonable certainty, to assess the real risk of holding these loans on
11 [its] balance sheet.” E-mail from Angelo Mozilo to Dave Sambol, Managing
12 Director Countrywide (Sept. 26, 2006 10:15 AM PDT). Yet such loans were
13 securitized and passed on to unsuspecting investors such as WesCorp.

14 131. With growing concern over the performance of Pay Option ARM
15 loans in the waning months of 2007, Mozilo advised that he “d[id]n’t want any
16 more Pay Options originated for the Bank.” E-mail from Angelo Mozilo to Carlos
17 Garcia, former Managing Director, Countrywide (Nov. 3, 2007 5:33 PM PST). In
18 other words, if Countrywide was to continue to originate Pay Option ARM loans, it
19 was not to hold onto the loans. Mozilo’s concerns about Pay Option ARM loans
20 were rooted in “[Countrywide’s] inability to underwrite [Pay Option ARM loans]
21 combined with the fact that these loans [we]re inherently unsound unless they are
22 full doc, no more than 75% LTV and no piggys.” *Id.*

23 132. In a March 27, 2006 e-mail, Mozilo reaffirmed the need to “oversee all
24 of the corrective processes that will be put into effect to permanently avoid the
25 errors of both judgement [sic] and protocol that have led to the issues that we face
26 today” and that “the people responsible for the origination process understand the
27 necessity for adhering to the guidelines for 100% LTV sub-prime product. This is
28 the most dangerous product in existence and there can be nothing more toxic and

1 therefore requires that no deviation from guidelines be permitted irrespective of the
2 circumstances.” E-mail from Angelo Mozilo to the former Countrywide Managing
3 Directors (Mar. 27, 2006 8:53 PM PST).

4 133. Yet Countrywide routinely found exceptions to its underwriting
5 guidelines without sufficient compensating factors. In an April 14, 2005 e-mail,
6 Frank Aguilera, a Countrywide managing director, explained that the “spirit” of
7 Countrywide’s exception policy was not being followed. He noted a “significant
8 concentration of similar exceptions” that “denote[d] a divisional or branch
9 exception policy that is out side [sic] the spirit of the policy.” E-mail from Frank
10 Aguilera, Managing Director, Countrywide to John McMurray, Managing Director,
11 Countrywide (Apr. 14, 2005 12:14 PM PDT). Aguilera continued: “The continued
12 concentration in these same categories indicates either a) inadequate controls in
13 place to manage [sic] rogue production units or b) general disregard for corporate
14 program policies and guidelines.” *Id.* Aguilera observed that pervasive use of the
15 exceptions policy was an industry-wide practice:

16 It appears that [Countrywide Home Loans]’ loan exception policy is
17 more loosely interpreted at [Specialty Lending Group] than at the other
18 divisions. I understand that [Correspondent Lending Division] has
19 decided to proceed with a similar strategy to appease their complaint
20 customers. . . . [Specialty Lending Group] has clearly made a market
21 in this unauthorized product by employing a strategy that Blackwell
22 has suggested is prevalent in the industry. . . .

23 *Id.*

24 134. Internal reports months after an initial push to rein in the excessive use
25 of exceptions with a “zero tolerance” policy showed the use of exceptions remained
26 excessive. E-mail from Frank Aguilera, Managing Director, Countrywide, to Brian
27 Kuelbs, Managing Director, Countrywide, among others (June 12, 2006 10:13 AM
28 PDT).

1 135. In February 2007, nearly a year after pressing for a reduction in the
2 overuse of exceptions and as Countrywide claimed to be tightening lending
3 standards, Countrywide executives found that exceptions continued to be used at an
4 unacceptably high rate. Frank Aguilera stated that any “[g]uideline tightening
5 should be considered purely optics with little change in overall execution unless
6 these exceptions can be contained.” E-mail from Frank Aguilera, Managing
7 Director, Countrywide, to Mark Elbuam, Managing Director, Countrywide, among
8 others (Feb. 21, 2007 4:58 PM PST).

9 136. John McMurray, a former Countrywide managing director, expressed
10 his opinion in a September 2007 e-mail that “the exception process has never
11 worked properly.” E-mail from John McMurray, Managing Director, Countrywide,
12 to Jess Lederman, Managing Director, Countrywide (Sept. 7, 2007 10:12 AM
13 PDT).

14 137. Countrywide conceded that the poor performance of loans it originated
15 was, in many cases, due to poor underwriting. In April 2007, Countrywide noticed
16 that its high combined loan-to-value ratio (“CLTV”) stated income loans were
17 performing worse than those of its competitors. After reviewing many of the loans
18 that went bad, a Countrywide executive stated that “in most cases [poor
19 performance was] due to poor underwriting related to reserves and verification of
20 assets to support reasonable income.” E-mail from Russ Smith, Countrywide, to
21 Andrew Gissinger, Managing Director, Countrywide (Apr. 11, 2007 7:58 AM
22 PDT).

23 138. On October 6, 2008, 39 states announced that Countrywide agreed to
24 pay up to \$8 billion in relief to homeowners nationwide to settle lawsuits and
25 investigations regarding Countrywide’s deceptive lending practices.

26 139. On July 1, 2008, NBC Nightly News aired the story of a former
27 Countrywide regional Vice President, Mark Zachary, who sued Countrywide after
28

1 he was fired for questioning his supervisors about Countrywide's poor underwriting
2 practices.

3 140. According to Zachary, Countrywide pressured employees to approve
4 unqualified borrowers. Countrywide's mentality, he said, was "what do we do to
5 get one more deal done. It doesn't matter how you get there [*i.e.*, how the
6 employee closes the deal]. . . ." NBC Nightly News, Countrywide Whistleblower
7 Reports "Liar Loans" (July 1, 2008) ("July 1, 2008 NBC Nightly News"). Zachary
8 also stated that the practices were not the work of a few bad apples, but rather: "It
9 comes down, I think from the very top that you get a loan done at any cost." *Id.*

10 141. Zachary also told of a pattern of: (1) inflating home appraisals so
11 buyers could borrow enough to cover closing costs, but leaving the borrower owing
12 more than the house was truly worth; (2) employees steering borrowers who did not
13 qualify for a conventional loan into riskier mortgages requiring little or no
14 documentation, knowing they could not afford it; and (3) employees coaching
15 borrowers to overstate their income in order to qualify for loans.

16 142. NBC News interviewed six other former Countrywide employees from
17 different parts of the country, who confirmed Zachary's description of
18 Countrywide's corrupt culture and practices. Some said that Countrywide
19 employees falsified documents intended to verify borrowers' debt and income to
20 clear loans. NBC News quoted a former loan officer: "'I've seen supervisors stand
21 over employees' shoulders and watch them . . . change incomes and things like that
22 to make the loan work.'" July 1, 2008 NBC Nightly News.

23 143. Not surprisingly, Countrywide's default rates reflected its approach to
24 underwriting. *See* 2008 "Worst Ten in the Worst Ten" Report. Countrywide
25 appeared on the top ten list in six of the ten markets: 4th in Las Vegas, Nevada; 8th
26 in Sacramento, California; 9th in Stockton, California, and Riverside, California;
27 and 10th in Bakersfield, California, and Miami, Florida. When the OCC issued its
28 updated 2009 "Worst Ten in the Worst Ten" Report, Countrywide appeared on the

1 top ten list in every market, holding 1st place in Las Vegas, Nevada; 2nd in Reno,
2 Nevada; 3rd in Merced, California; 6th in Fort Myers-Cape Coral, Florida,
3 Modesto, California, and Stockton-Lodi, California; 7th in Riverside-San
4 Bernardino, California, and Fort Pierce-Port St. Lucie, Florida; 8th in Vallejo-
5 Fairfield-Napa, California; and 9th in Bakersfield, California. *See* 2009 “Worst
6 Ten in the Worst Ten” Report.

7 **4. First National Bank of Nevada’s Systematic Disregard of**
8 **Underwriting Standards**

9 144. First National Bank of Nevada (“FNBN”) originated or contributed a
10 critical portion of loans in the mortgage pool underlying the Nomura HELT 2007-1
11 offering. The Federal Deposit Insurance Corporation (“FDIC”) wound down
12 FNBN’s operations in July 2008—among the largest bank failures of that year.

13 145. FNBN faces a class action lawsuit that alleges FNBN systematically
14 disregarded its underwriting guidelines when originating mortgages that were
15 subsequently securitized into RMBS. *See Consolidated Amended Class Action*
16 *Compl., Plumber’s Union Local No. 12 Pension Fund v. Nomura Asset Acceptance*
17 *Corp.*, No. 08-cv-10446 (D. Mass. filed Jan. 20, 2009) (“Plumber’s Union ACC”).

18 146. According to the Plumber’s Union ACC, one of FNBN’s underwriters
19 approached her Underwriting Supervisor about a loan application where the
20 borrower—a hotel housekeeper—stated a monthly income of \$5,000.

21 147. The mortgage underwriter informed her supervisor of her intention to
22 deny the loan on the grounds that the unverified income of the borrower appeared
23 to be inflated. The Underwriting Supervisor pushed back on the underwriter’s
24 decision, assuring her that the loan could be worked out. The underwriter told the
25 Underwriting Supervisor that it was “absolutely impossible” for the application
26 information to be true, but the Underwriting Supervisor refused to “back-down.”
27 The underwriter refused to close the loan, but the Underwriting Supervisor
28 eventually signed the necessary forms and the loan was closed. *See id.* ¶ 92.

1 148. The complaint described FNBN’s use of “loan scrubbing” when
2 originating loans. *See id.* ¶ 87.

3 149. According to the complaint, the Warm Springs office in Las Vegas,
4 Nevada, employed eight or nine Loan Coordinators whose primary job was to
5 “scrub” the loan applications received from a broker. This consisted of removing
6 any and all information for the loan application that would disqualify the borrower
7 from FNBN’s loan programs. FNBN Loan Coordinators were often fired for failing
8 to alter the loan package information to eliminate disqualifying information. *See id.*
9 ¶ 87.

10 150. FNBN originated a large number of Alt-A loans, many of which were
11 made to borrowers who were “obviously unqualified to be able to repay them,”
12 although FNBN would make the loans pass by “creating the numbers to make
13 things work.” *See id.* ¶ 88.

14 **5. IndyMac Bank’s Systematic Disregard of Underwriting**
15 **Standards**

16 151. IndyMac Bank (“IndyMac”) was a principal originator of the loans
17 underlying the IndyMac INDX Mortgage Loan Trust 2006-AR35 and HarborView
18 2006-14 offerings.

19 152. On July 11, 2008, just four months after IndyMac filed its 2007
20 Annual Report, federal regulators seized IndyMac in what was among one of the
21 largest bank failures in U.S. history. IndyMac filed for bankruptcy on July 31,
22 2008.

23 153. On March 4, 2009, the Office of the Inspector General of the United
24 States Department of the Treasury (“Treasury OIG”) issued Audit Report No. OIG-
25 09-032, titled “Safety and Soundness: Material Loss Review of IndyMac Bank,
26 FSB” (the “IndyMac OIG Report”), reporting the results of the Treasury OIG’s
27 review of the failure of IndyMac. The IndyMac OIG Report portrays IndyMac as a
28 company determined to originate as many loans as possible, as quickly as possible,

1 without regard for the quality of the loans, the creditworthiness of the borrowers, or
2 the value of the underlying collateral.

3 154. According to the IndyMac OIG Report, “[t]he primary causes of
4 IndyMac’s failure were . . . associated with its” “aggressive growth strategy” of
5 “originating and securitizing Alt-A loans on a large scale.” IndyMac OIG Report at
6 2. The report found, “IndyMac often made loans without verification of the
7 borrower’s income or assets, and to borrowers with poor credit histories.
8 Appraisals obtained by IndyMac on underlying collateral were often questionable
9 as well.” *Id.*

10 155. IndyMac “encouraged the use of nontraditional loans,” engaged in
11 “unsound underwriting practices,” and “did not perform adequate underwriting,” in
12 an effort to “produce as many loans as possible and sell them in the secondary
13 market.” *Id.* at 11, 21. The IndyMac OIG Report reviewed a sampling of loans in
14 default and found “little, if any, review of borrower qualifications, including
15 income, assets, and employment.” *Id.* at 11.

16 156. IndyMac was not concerned by the poor quality of the loans or the fact
17 that borrowers simply “could not afford to make their payments” because, “as long
18 as it was able to sell those loans in the secondary mortgage market,” IndyMac could
19 remain profitable. *Id.* at 2-3.

20 157. IndyMac’s “risk from its loan products . . . was not sufficiently offset
21 by other underwriting parameters, primarily higher FICO scores and lower LTV
22 ratios.” *Id.* at 31.

23 158. Unprepared for the downturn in the mortgage market and the sharp
24 decrease in demand for poorly underwritten loans, IndyMac found itself “hold[ing]
25 \$10.7 billion of loans it could not sell in the secondary market.” *Id.* at 3. This
26 proved to be a weight it could not bear, and IndyMac ultimately failed. *See id.*

27 159. In June 2008, the Center for Responsible Lending (“CRL”) published a
28 report titled *IndyMac: What Went Wrong? How an ‘Alt-A’ Leader Fueled its*

1 *Growth with Unsound and Abusive Mortgage Lending* (June 30, 2008) (“CRL
2 Report”), available at [http://www.responsiblelending.org/mortgage-](http://www.responsiblelending.org/mortgage-lending/research-analysis/indymac_what_went_wrong.pdf)
3 [lending/research-analysis/indymac_what_went_](http://www.responsiblelending.org/mortgage-lending/research-analysis/indymac_what_went_wrong.pdf) wrong.pdf. The CRL Report
4 detailed the results of the CRL’s investigation into IndyMac’s lending practices.
5 CRL based its report on interviews with former IndyMac employees and reviewed
6 numerous lawsuits filed against IndyMac. The CRL Report summarized the results
7 of its investigation as follows:

8 IndyMac’s story offers a body of evidence that discredits the notion
9 that the mortgage crisis was caused by rogue brokers or by borrowers
10 who lied to bankroll the purchase of bigger homes or investment
11 properties. CRL’s investigation indicates many of the problems at
12 IndyMac were spawned by top-down pressures that valued short-term
13 growth over protecting borrowers and shareholders’ interests over the
14 long haul.

15 CRL Report at 1.

16 160. CRL reported that its investigation “uncovered substantial evidence
17 that [IndyMac] engaged in unsound and abusive lending during the mortgage boom,
18 routinely making loans without regard to borrowers’ ability to repay [the mortgage
19 loans].” *Id.* at 2.

20 161. The CRL Report stated that “IndyMac pushed through loans with
21 fudged or falsified information or simply lowered standards so dramatically that
22 shaky loans were easy to approve.” *Id.*

23 162. The CRL Report noted that, “[a]s IndyMac lowered standards and
24 pushed for more volume,” “the quality of [IndyMac’s] loans became a running joke
25 among its employees.” *Id.* at 3.

26 163. Former IndyMac mortgage underwriters explained that “loans that
27 required no documentation of the borrowers’ wages” were “[a] big problem”
28 because “these loans allowed outside mortgage brokers and in-house sales staffers

1 to inflate applicants' [financial information] . . . and make them look like better
2 credit risks." *Id.* at 8. These "shoddily documented loans were known inside the
3 company as 'Disneyland loans'—in honor of a mortgage issued to a Disneyland
4 cashier whose loan application claimed an income of \$90,000 a year." *Id.* at 3.

5 164. The CRL also found evidence that: (1) managers pressured
6 underwriters to approve shaky loans in disregard of IndyMac's underwriting
7 guidelines; and (2) managers overruled underwriters' decisions to deny loans that
8 were based upon falsified paperwork and inflated appraisals. For instance, Wesley
9 E. Miller, who worked as a mortgage underwriter for IndyMac in California from
10 2005 to 2007, told the CRL:

11 [W]hen he rejected a loan, sales managers screamed at him and then
12 went up the line to a senior vice president and got it okayed. "There's
13 a lot of pressure when you're doing a deal and you know it's wrong
14 from the get-go—that the guy can't afford it," Miller told CRL. "And
15 then they pressure you to approve it."

16 The refrain from managers, Miller recalls, was simple: "Find a way to
17 make this work."

18 *Id.* at 9 (footnote omitted).

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1 would override his decision to reject loans about 50% of the time. *See id.* at 9.
2 According to Montilla:

3 “I would tell them: ‘If you want to approve this, let another
4 underwriter do it, I won’t touch it—I’m not putting my name on it,’”
5 Montilla says. “There were some loans that were just blatantly
6 overstated. . . . Some of these loans are very questionable. They’re
7 not going to perform.”

8 *Id.* at 10.

9 167. Montilla and another IndyMac mortgage underwriter told the CRL that
10 borrowers did not know their stated incomes were being inflated as part of the
11 application process. *See id.* at 14.

12 168. On July 2, 2010, the FDIC sued certain former officers of IndyMac’s
13 Homebuilder Division (“HBD”), alleging that IndyMac disregarded its
14 underwriting practices, among other things, and approved loans to borrowers who
15 were not creditworthy or for projects with insufficient collateral. *See* Compl. ¶ 6,
16 *FDIC v. Van Dellen*, No. 2:10-cv-04915-DSF (C.D. Cal. filed July 2, 2010). That
17 case is set for trial in September 2012.

18 169. IndyMac currently faces a class action lawsuit alleging disregard of
19 underwriting standards that adversely affected the value of the purchased RMBS.
20 *See* Class Action Compl., *In re IndyMac Mortgage-Backed Sec. Litig.*, No. 09-4583
21 (S.D.N.Y. filed May 14, 2009). On June 21, 2010, the class action suit survived a
22 motion to dismiss.

23 170. Like loan purchasers, insurers of RMBS also typically require the
24 insured party to repurchase loans suffering Early Payment Default in order to
25 protect themselves against fraud and poor underwriting.

26 171. MBIA Insurance Corporation, an RMBS insurer, filed a breach of
27 contract claim against IndyMac (with the FDIC representing IndyMac as
28 conservator and receiver) in May 2009, claiming that IndyMac made contractual

1 misrepresentations concerning its adherence to its underwriting standards in
2 processing mortgage loan applications. *See* Compl., *MBIA Ins. Corp. v. IndyMac*
3 *Bank, FSB*, No. 1:09-cv-01011-CKK (D.D.C. filed May 29, 2009). A motion to
4 dismiss is pending.

5 172. IndyMac's failure to abide by its underwriting standards left investors
6 holding severely downgraded junk securities. As a result of IndyMac's systematic
7 disregard of its underwriting standards, the OCC included IndyMac in the OCC's
8 2008 "Worst Ten in the Worst Ten" Report. IndyMac ranked 10th in Las Vegas,
9 Nevada, in both 2008 and 2009, while coming in at 10th in Merced, California,
10 Riverside-San Bernardino, California, and Modesto, California, in 2009. *See* 2008
11 "Worst Ten in the Worst Ten" Report; 2009 "Worst Ten in the Worst Ten" Report.

12 **6. Option One Mortgage Corporation's Systematic Disregard**
13 **of Underwriting Standards**

14 173. Option One Mortgage Corporation ("Option One") was a California
15 corporation headquartered in Irvine, California. Option One originated, serviced,
16 acquired, and sold non-prime residential mortgages. The company was founded in
17 1992 and, from June 1997 until April 2008, was a subsidiary of Block Financial
18 Corporation. In April 2008, Option One's assets were sold to American Home
19 Mortgage Servicing, Inc. Option One originated or contributed loans in the
20 mortgage pool underlying the Soundview Home Loan Trust 2005-OPT4 offering.

21 174. The Massachusetts Attorney General sued Option One, alleging,
22 among other things, that Option One failed to follow its own underwriting
23 standards in processing mortgage loan applications. *See Massachusetts v. H&R*
24 *Block, Inc.*, No. 08-2474-BLS (Mass. Super. Ct. filed June 3, 2008); *see also* Tim
25 McLaughlin, *Caturano Being Acquired by RSM McGladrey*, BOSTON BUS. J., June
26 24, 2010. Trial is set for June 2011.

27 175. Option One faces a lawsuit that alleges it systematically disregarded its
28 underwriting guidelines when originating mortgages that were subsequently

1 securitized into RMBS. *See* Complaint, *Federal Home Loan Bank of Chicago v.*
2 *Banc of Am.*, No. 10-ch-45003 (Ill. Cir. Ct.) (“FHLB Chicago Complaint”).

3 176. Statements from confidential witnesses in the FHLB Chicago
4 Complaint represented that Option One originated mortgage loans in violation of its
5 stated underwriting standards.

6 177. According to one confidential witness in the complaint, Option One
7 “watered down” the appraisal process, allowing loans with inflated appraisals to be
8 approved. *See id.* ¶ 298.

9 178. The same confidential witness explained how Option One told its
10 employees to “be more aggressive”; it was made clear that the main objective of the
11 company was to generate loans— “[a]s long as they could sell it, that’s what
12 mattered.” *See id.* ¶ 296.

13 179. Another confidential witness stated that one particular broker who
14 worked with Option One “was given preferential treatment and his loans were
15 always pushed through” because he provided the company with “lots and lots of
16 loans”; loans that this confidential witness said were often absent the necessary
17 documentation. *See id.* ¶ 297.

18 7. **Silver State Mortgage Company’s Systematic Disregard of**
19 **Underwriting Standards**

20 180. Silver State Mortgage Company (“Silver State”) was a national
21 wholesale and residential mortgage lender headquartered in Las Vegas, Nevada.
22 Silver State ceased operations in February 2007 amid the turmoil of the subprime
23 mortgage crisis. The details of Silver State’s mortgage lending practices slowly
24 emerged after it ceased operations. Silver State originated or contributed a critical
25 portion of loans in the mortgage pool underlying the Alternative Loan Trust 2006-
26 AR4 and Nomura HELT 2007-1 offerings.

27 181. A former Silver State employee recounted his experiences as a loan
28 officer with Silver State in a May 9, 2008 *This American Life* story on NPR

1 entitled “The Giant Pool of Money.” Mike Garner, the former Silver State
2 employee, related how Silver State did not adequately assess whether the income of
3 borrowers under Silver State’s “stated income” product was reasonable compared
4 to the borrowers’ line of work:

5 Garner: The next guideline lower is just stated income, stated assets.
6 Then you state what you make and state what’s in your bank account.
7 They call and make sure you work where you say you work. Then an
8 accountant has to say for your field it is possible to make what you
9 said you make. But they don’t say what you make, they just say it’s
10 possible that they could make that.

11 Alex Blumberg & Adam Davidson, *The Giant Pool of Money* (National Public
12 Radio broadcast May 9, 2008), *transcript available at*
13 http://www.thisamericanlife.org/sites/default/files/355_transcript.pdf.

14 182. Alex Blumberg, one of the NPR interviewers, commented on how easy
15 it could have been to simply provide a W-2. Garner responded by describing the
16 means by which loan officers would determine whether the income was reasonable
17 for the occupation:

18 Blumberg: It’s just so funny that instead of just asking people to prove
19 what they make, there’s this theater in place of you have to find an
20 accountant sitting right in front of me who could very easily provide a
21 W2, but we’re not asking for a W2 form, but we do want this
22 accountant to say yeah, what they’re saying is plausible in some
23 universe.

24
25 Garner: Yeah, and loan officers would have an accountant they could
26 call up and say “Can you write a statement saying a truck driver can
27 make this much money?” Then the next one, came along, and it was no
28 income, verified assets. So you don’t have to tell the people what you

1 do for a living. You don't have to tell the people what you do for
2 work. All you have to do is state you have a certain amount of money
3 in your bank account. And then, the next one, is just no income, no
4 asset. You don't have to state anything. Just have to have a credit
5 score and a pulse.

6 *Id.*

7 183. Garner recounted how his boss at Silver State despised these types of
8 loan products that permitted such wanton disregard of underwriting standards.
9 Garner concluded:

10 Garner: Yeah. And my boss was in the business for 25 years. He
11 hated those loans. He hated them and used to rant and say, "It makes
12 me sick to my stomach the kind of loans that we do." He fought the
13 owners and sales force tooth and neck about these guidelines. He got
14 [the] same answer. Nope, other people are offering it. We're going to
15 offer them too. We're going to get more market share this way.
16 House prices are booming, everything's gonna [sic] be good. And . . .
17 the company was just rolling in the cash. The owners and the
18 production staff were just raking it in.

19 *Id.*

20 184. Instead, Silver State, like many other originators, focused on keeping
21 up with the competition, sacrificing adherence to underwriting guidelines. This
22 quixotic quest for higher profits and more market share ultimately failed as Silver
23 State ceased operations in 2007, no longer maintaining any share of the mortgage
24 market.

25 **8. WaMu's Systematic Disregard of Underwriting Standards**

26 185. WaMu contributed a substantial portion of loans to the Luminent
27 Mortgage Trust 2007-1 offering.
28

1 186. WaMu was a Seattle-based thrift that rapidly grew from a regional to a
2 national mortgage lender from 1991 to 2006. At over \$300 billion in total assets,
3 WaMu was at one time the largest institution regulated by the Office of Thrift
4 Supervision (“OTS”). On September 25, 2008, however, federal regulators closed
5 WaMu when loan losses, borrowing capacity limitations, a plummeting stock price,
6 and rumors of WaMu’s problems led to a run on the thrift by depositors. Federal
7 regulators facilitated the sale of WaMu to J.P. Morgan Chase & Co., in September
8 2008.

9 187. In April 2010, the Treasury OIG, issued a report entitled, “Evaluation
10 of Federal Regulatory Oversight of Washington Mutual Bank,” Report No. EVAL-
11 10-002 (the “WaMu OIG Report”), discussing the reasons for WaMu’s meteoric
12 rise and consequent collapse. The WaMu OIG Report found, “WaMu failed
13 primarily because of management’s pursuit of a high-risk lending strategy that
14 included liberal underwriting standards and inadequate risk controls.” WaMu OIG
15 Report at 2. The report elaborated on how WaMu adopted this new strategy to
16 compete with Countrywide and maximize profits:

17 In 2005, WaMu management made a decision to shift its business
18 strategy away from originating traditional fixed-rate and conforming
19 single family residential loans, towards riskier nontraditional loan
20 products and subprime loans. WaMu pursued the new strategy in
21 anticipation of increased earnings and to compete with Countrywide. .

22 . .

23 . . . WaMu estimated in 2006 that its internal profit margin from
24 subprime loans could be more than 10 times the amount for a
25 government-backed loan product and more than 7 times the amount for
26 a fixed-rate loan product.

27 *Id.* at 8 (footnote omitted).

28

1 188. As previously noted in this Complaint, the PSI issued its report on the
2 causes of the economic crisis. The PSI Wall Street Report used WaMu as its case
3 study into lending practices of the mortgage industry during the housing bubble.
4 Citing internal e-mails and correspondence the PSI obtained as part of its
5 investigation, the PSI made the following factual findings:

6 (1) High Risk Lending Strategy. [WaMu] executives embarked upon a
7 High Risk Lending Strategy and increased sales of high risk home
8 loans to Wall Street, because they projected that high risk home loans,
9 which generally charged higher rates of interest, would be more
10 profitable for the bank than low risk home loans.

11 (2) Shoddy Lending Practices. WaMu and its affiliate, [Long Beach],
12 used shoddy lending practices riddled with credit, compliance, and
13 operational deficiencies to make tens of thousands of high risk home
14 loans that too often contained excessive risk, fraudulent information,
15 or errors.

16
17 (3) Steering Borrowers to High Risk Loans. WaMu and Long Beach
18 too often steered borrowers into home loans they could not afford,
19 allowing and encouraging them to make low initial payments that
20 would be followed by much higher payments, and presumed that rising
21 home prices would enable those borrowers to refinance their loans or
22 sell their homes before the payments shot up.

23
24 (4) Polluting the Financial System. WaMu and Long Beach
25 securitized over \$77 billion in subprime home loans and billions more
26 in other high risk home loans, used Wall Street firms to sell the
27 securities to investors worldwide, and polluted the financial system
28

1 with mortgage backed securities which later incurred high rates of
2 delinquency and loss.

3 (5) Securitizing Delinquency-Prone and Fraudulent Loans. At times,
4 WaMu selected and securitized loans that it had identified as likely to
5 go delinquent, without disclosing its analysis to investors who bought
6 the securities, and also securitized loans tainted by fraudulent
7 information, without notifying purchasers of the fraud that was
8 discovered.

9
10 (6) Destructive Compensation. WaMu's compensation system
11 rewarded loan officers and loan processors for originating large
12 volumes of high risk loans, paid extra to loan officers who
13 overcharged borrowers or added stiff prepayment penalties, and gave
14 executives millions of dollars even when their High Risk Lending
15 Strategy placed the bank in financial jeopardy.

16 PSI Wall Street Report at 50-51.

17 189. In particular, the PSI Wall Street Report noted that WaMu had
18 engaged in internal reviews of its lending practices and the lending practices of its
19 subsidiary, Long Beach. WaMu's Chief Risk Officer, Ron Cathcart commissioned
20 a study to look into the quality of loans originated by Long Beach. The review
21 found that the "top five priority issues" were as follows:

22 "Appraisal deficiencies that could impact value and were not
23 addressed[;]

24 Material misrepresentations relating to credit evaluation were
25 confirmed[;]

26 Legal documents were missing or contained errors or discrepancies[;]

27 Credit evaluation or loan decision errors[; and]
28

1 Required credit documentation was insufficient or missing from the
2 file.”

3 *Id.* at 82 (quoting e-mail from Ron Cathcart, Chief Risk Officer, WaMu, to Cory
4 Gunderson (Dec. 11, 2006 9:21 AM PST)).

5 190. Pushing “Option ARMs” was a major part of WaMu’s new “high risk”
6 lending strategy. In a bipartisan memorandum from Senators Carl Levin and Tom
7 Coburn to the Members of the PSI, dated April 13, 2010, Option ARMS were
8 labeled WaMu’s “flagship” product. *Wall Street and the Financial Crisis: The*
9 *Role of High Risk Home Loans, Hearing Before S. Permanent Subcomm. on*
10 *Investigations*, 112th Cong. (2010) (“PSI High Risk Home Loans Hearing”), Senate
11 Ex. 1.a, at 3. The WaMu OIG Report describes the inherently dangerous nature of
12 WaMu’s Option ARMs:

13 WaMu’s Option ARMs provided borrowers with the choice to pay
14 their monthly mortgages in amounts equal to monthly principal and
15 interest, interest-only, or a minimum monthly payment. Borrowers
16 selected the minimum monthly payment option for 56 percent of the
17 Option ARM portfolio in 2005.

18 The minimum monthly payment was based on an introductory rate,
19 also known as a teaser rate, which was significantly below the market
20 interest rate and was usually in place for only 1 month. After the
21 introductory rate expired, the minimum monthly payment feature
22 introduced two significant risks to WaMu’s portfolio: payment shock
23 and negative amortization. WaMu projected that, on average, payment
24 shock increased monthly mortgage amounts by 60 percent. At the end
25 of 2007, 84 percent of the total value of Option ARMs on WaMu’s
26 financial statements was negatively amortizing.

27 WaMu OIG Report at 9.
28

1 191. The WaMu OIG Report notes that “Option ARMs represented as much
2 as half of all loan originations from 2003 to 2007 and approximately \$59 billion, or
3 47 percent, of the home loans on WaMu’s balance sheet at the end of 2007.” *Id.*

4 192. The OIG also notes that WaMu’s “new strategy included underwriting
5 subprime loans, home equity loans, and home equity lines of credit to high-risk
6 borrowers. In line with that strategy, WaMu purchased and originated subprime
7 loans, which represented approximately \$16 billion, or 13 percent, of WaMu’s 2007
8 home loan portfolio.” *Id.* at 10.

9 193. WaMu’s careless underwriting practices rendered these already high
10 risk loan products even more risky. *See id.* The WaMu OIG Report stated that the
11 OTS and the FDIC repeatedly “identified concerns with WaMu’s high-risk lending
12 strategy” and loan underwriting, weaknesses in management, and “inadequate
13 internal controls.” *Id.* at 3-4. Those concerns included “questions about the
14 reasonableness of stated incomes contained in loan documents, numerous
15 underwriting exceptions, miscalculations of loan-to-value ratios, and missing or
16 inadequate documentation.” *Hearing on Wall Street & the Fin. Crisis: The Role of*
17 *Bank Regulators Before the United States S. Homeland Security and Governmental*
18 *Affairs Comm., Permanent Subcomm. on Investigations*, 111th Cong. 9 (Apr. 16,
19 2010) (statement of the Hon. Eric M. Thorson, Inspector General, Dep’t of the
20 Treasury) (“Thorson Statement”).

21 194. WaMu management began to notice the pattern of “first payment
22 default” (“FPD”) for loans its Long Beach subsidiary originated. In June 2007,
23 WaMu closed Long Beach as a separate entity and placed its subprime lending
24 operations in a new division called “Wholesale Specialty Lending.”

25 195. In late 2007, WaMu performed an internal review to determine
26 whether its plans to address its poor underwriting practices were effective. The
27 review focused on 187 loans that experienced FPD, originated from November
28 2006 to March 2007. As an initial matter, the review found:

1 The overall system of credit risk management activities and process
2 has major weaknesses resulting in unacceptable level of credit risk.
3 Exposure is considerable and immediate corrective action is essential
4 in order to limit or avoid considerable losses, reputation damage, or
5 financial statement errors.

6 PSI High Risk Home Loans Hearing, Senate Ex. 21, “WaMu Corporate Credit
7 Review: Wholesale Specialty Lending-FPD” at 2 (Sept. 28, 2007).

8 196. Specifically, the WaMu internal review reported the following findings
9 regarding the 187 FPD loans:

- 10 • (High) Ineffectiveness of fraud detection tools – 132 of the 187 (71%)
11 files were reviewed by Risk Mitigation for fraud. Risk Mitigation
12 confirmed fraud on 115 files and could not confirm on 17 of the files,
13 but listed them as “highly suspect.” This issue is a repeat finding
14 with CCR.
- 15 • (High) Weak credit risk infrastructure impacting credit quality. Credit
16 weakness and underwriting deficiencies is a repeat finding with CCR.
17 It was also identified as a repeat finding and Criticism in the OTS
18 Asset Quality memo 3 issued May 17, 2007. Internal Audit in their
19 August 20, 2007 Loan Origination & Underwriting report identified it
20 as a repeat issue. Findings from the CCR FPD review in relation to
21 credit quality:
 - 22 ○ 132 of the 187 loans sampled were identified with red flags that
23 were not addressed by the business unit
 - 24 ○ 80 of the 112 (71%) stated income loans were identified for lack
25 of reasonableness of income
 - 26 ○ 87 files (47%) exceeded program parameters in place at the time
27 of approval
 - 28 ○ 133 (71%) had credit evaluation or loan decision errors present

- 1 ○ 25 (13%) had the title report issues that were not addressed
- 2 ○ 28 (14%) had income calculation errors and 35 (19%) had
- 3 income documentation errors
- 4 ○ 58 (31%) had appraisal discrepancies that raised concerns that
- 5 the value was not supported

6 *Id.* at 3.

7 197. An OTS memorandum on Loan Fraud Investigation, dated June 19,
8 2008, noted the systematic nature of the problem: “[T]he review defines an
9 origination culture focused more heavily on production volume rather than quality.
10 An example of this was a finding that production personnel were allowed to
11 participate in aspects of the income, employment, or asset verification process, a
12 clear conflict of interest. . . . Prior OTS examinations have raised similar issues
13 including the need to implement incentive compensation programs to place greater
14 emphasis on loan quality.” PSI High Risk Home Loans Hearing, Senate Ex. 25,
15 Memorandum from D. Schneider, President Home Loans, to A. Hedger, OTS
16 Examiner and B. Franklin, OTS EIC at 1 (June 19, 2008).

17 198. A WaMu Significant Incident Notification, Date Incident Reported –
18 04/01/2008, Loss Type – Mortgage Loan, stated:

19 One Sales Associate admitted that during that crunch time some of the
20 Associates would “manufacture” assets statements from previous loan
21 docs and submit them to the Loan Fulfillment Center (“LFC”). She
22 said the pressure was tremendous from the LFC to get them the docs
23 since the loan had already been funded and there was pressure from
24 the Loan Consultants to get the loans funded.

25 PSI High Risk Home Loans Hearing, Senate Ex. 30, “Significant Incident
26 Notification (SIN)” at 1 (Apr. 1, 2008).

27 199. A New York Times article described WaMu’s underwriting practices
28 as follows: “On a financial landscape littered with wreckage, WaMu, a Seattle-

1 based bank that opened branches at a clip worthy of a fast-food chain, stands out as
2 a singularly brazen case of lax lending.” Peter S. Goodman & Gretchen
3 Morgenson, *Saying Yes, WaMu Built Empire on Shaky Loans*, N.Y. TIMES, Dec. 27,
4 2008, at A1.

5 200. Sherri Zaback, a former underwriter at a WaMu branch in San Diego,
6 California, stated that “[m]ost of the loans she . . . handled merely required
7 borrowers to provide an address and Social Security number, and to state their
8 income and assets.” *Id.* On one occasion, Zaback asked a loan officer for
9 verification of a potential borrower’s assets. The officer sent her a letter from a
10 bank showing a balance of approximately \$150,000 in the borrower’s account.
11 Zaback called the bank to confirm and was told the balance was only \$5,000. The
12 loan officer yelled at her, Ms. Zaback recalled. “She said, ‘We don’t call the bank
13 to verify.’” *Id.*

14 201. Zaback also recalled that the sheer volume of loans precluded WaMu
15 employees from adhering to underwriting standards. According to Zaback, she
16 would typically spend a maximum of 35 minutes per file: “‘Just spit it out and get
17 it done. That’s what they wanted us to do. Garbage in, and garbage out.’” *Id.*
18 Another WaMu agent in Irvine, California told the New York Times that she
19 “coached brokers to leave parts of applications blank to avoid prompting
20 verification if the borrower’s job or income was sketchy.” *Id.*

21 202. WaMu’s underwriting critically failed with respect to appraisals as
22 well. An accurate appraisal of a property’s market value is as crucial to the
23 underwriting process as the property provides collateral for the loan in case of
24 default.

25 WaMu’s review of appraisals establishing the value of single family
26 homes did not always follow standard residential appraisal methods
27 because WaMu allowed a homeowner’s estimate of the value of the
28

1 home to be included on the form sent from WaMu to third-party
2 appraisers, thereby biasing the appraiser's evaluation.

3 WaMu OIG Report at 11.

4 203. The New York Times reported, "WaMu pressured appraisers to
5 provide inflated property values that made loans appear less risky, enabling Wall
6 Street to bundle them more easily for sale to investors." Goodman & Morgenson,
7 *Saying Yes, WaMu Built Empire on Shaky Loans* at A1. The article quoted the
8 founder of one appraisal company that did business with WaMu until 2007 as
9 saying, "'It was the Wild West.' . . . 'If you were alive, they would give you a
10 loan. Actually, I think if you were dead, they would still give you a loan.'" *Id.*
11 (quoting Steven Knoble, founder Mitchell, Maxwell & Jackson).

12 204. Nor did WaMu adequately monitor non-employee third-party brokers
13 who originated most of WaMu's loans. As Eric Thorson explained before the PSI:

14 In addition to originating retail loans with its own employees, WaMu
15 began originating and purchasing wholesale loans through a network
16 of brokers and correspondents. From 2003 to 2007, wholesale loan
17 channels represented 48 to 70 percent of WaMu's total single family
18 residential loan production. WaMu saw the financial incentive to use
19 wholesale loan channels for production as significant. According to an
20 April 2006 internal presentation to the WaMu Board, it cost WaMu
21 about 66 percent less to close a wholesale loan (\$1,809 per loan) than
22 it did to close a retail loan (\$5,273). So while WaMu profitability
23 increased through the use of third-party originators, it had far less
24 oversight and control over the quality of the originations.

25 Thorson Statement at 5. According to the WaMu OIG Report, WaMu had only 14
26 employees monitoring the actions of 34,000 third-party brokers. *See* WaMu OIG
27 Report at 11. This lack of oversight led to WaMu "identif[y]ing fraud losses
28 attributable to third-party brokers of \$51 million for subprime loans and \$27 million

1 for prime loans” in 2007. *Id.*

2 205. Federal regulators also noted that “WaMu acquired 11 institutions and
3 merged with 2 affiliates” from 1991 to 2006, yet failed to “fully integrate
4 . . . information technology systems, risk controls, and policies and procedures”
5 from its acquisitions and institute “a single enterprise-wide risk management
6 system.” Thorson Statement at 5. An integrated risk management system was
7 critically important in light of WaMu’s high-risk lending strategy. *See id.*

8 206. Based on interviews with two dozen former employees, mortgage
9 brokers, real estate agents and appraisers, Goodman and Morgenson of the New
10 York Times noted the “relentless pressure to churn out loans” while “disregarding
11 borrowers’ incomes and assets” came from WaMu’s top executives. Goodman &
12 Morgenson, *Saying Yes, WaMu Built Empire on Shaky Loans* at A1. According to
13 Dana Zweibel, a former financial representative at a WaMu branch in Tampa,
14 Florida, even if she doubted whether a borrower could repay the loan, she was told
15 by WaMu management that it was not her concern: her concern was “‘just to write
16 the loan.’” *Id.* Said Zweibel, “‘It was a disgrace’ . . . ‘We were giving loans to
17 people that never should have had loans.’” *Id.*

18 207. In November 2008 the New York Times, quoting Keysha Cooper, a
19 Senior Mortgage Underwriter at WaMu from 2003 to 2007, recounted “[a]t WaMu
20 it wasn’t about the quality of the loans; it was about the numbers’ . . . ‘They didn’t
21 care if we were giving loans to people that didn’t qualify. Instead, it was how many
22 loans did you guys close and fund?’” Gretchen Morgenson, *Was There a Loan It
23 Didn’t Like?*, N.Y. Times, Nov. 1, 2008. According to the article, “[i]n February
24 2007 . . . the pressure became intense. WaMu executives told employees they were
25 not making enough loans and had to get their numbers up. . . .” Cooper concluded,
26 “‘I swear 60 percent of the loans I approved I was made to’ . . . ‘If I could get
27 everyone’s name, I would write them apology letters.’” *Id.*

1 208. WaMu blatantly inflated salaries of baby sitters and mariachi singers
2 to the six-figure range. Indeed, the only verification of the mariachi singer's
3 income was a photograph of the mariachi singer in his outfit included in the loan
4 application file. The New York Times reported:

5 As a supervisor at a Washington Mutual mortgage processing center,
6 John D. Parsons was accustomed to seeing baby sitters claiming
7 salaries worthy of college presidents, and schoolteachers with incomes
8 rivaling stockbrokers'. He rarely questioned them. A real estate
9 frenzy was under way and WaMu, as his bank was known, was all
10 about saying yes.

11 Yet even by WaMu's relaxed standards, one mortgage four years ago
12 raised eyebrows. The borrower was claiming a six-figure income and
13 an unusual profession: mariachi singer.
14

15 Mr. Parsons could not verify the singer's income, so he had him
16 photographed in front of his home dressed in his mariachi outfit. The
17 photo went into a WaMu file. Approved.
18

19 "I'd lie if I said every piece of documentation was properly signed and
20 dated," said Mr. Parsons.
21

22 ...

23 At WaMu, getting the job done meant lending money to nearly anyone
24 who asked for it — the force behind the bank's meteoric rise and its
25 precipitous collapse this year in the biggest bank failure in American
26 history.
27

28 ...

1 Interviews with two dozen former employees, mortgage brokers, real
2 estate agents and appraisers reveal the relentless pressure to churn out
3 loans that produced such results.

4 Goodman & Morgenson, *Saying Yes, WaMu Built Empire on Shaky Loans* at A1.

5 **VIII. THE OFFERING DOCUMENTS CONTAINED UNTRUE**
6 **STATEMENTS OF MATERIAL FACT**

7 209. The Offering Documents included material untrue statements or
8 omitted facts necessary to make the statements made, in light of the circumstances
9 under which they were made, not misleading.

10 210. For purposes of Section 11 liability, the prospectus supplements are
11 part of and included in the registration statements of the offerings pursuant to 17
12 C.F.R. §§ 230.158, 230.430B (2008); *see also* Securities Offering Reform, 70 Fed.
13 Reg. 44,722-01, 44,768-69 (Aug. 3, 2005).

14 211. Statements in the Offering Documents concerning the following
15 subjects were material and untrue at the time they were made: (1) the Originators'
16 evaluation of the borrower's likelihood and capacity to repay the loan through
17 application of the stated underwriting standards, including the calculation and use
18 of an accurate "debt-to-income" ratio and the frequency and use of exceptions to
19 those standards; (2) adherence to stated underwriting standards for reduced
20 documentation programs; (3) the accurate calculation of the "loan-to-value" ratio
21 for the mortgaged property and the accuracy of appraisals; and (4) the existence of
22 credit enhancement to minimize the risk of loss.

23 212. FNBN and Silver State were the primary originators in the Alternative
24 Loan Trust 2006-AR4 and Nomura HELT 2007-1 offerings. *See* Nomura HELT
25 2007-1 Prospectus Supplement, Jan. 29, 2007, at S-3; Alternative Loan Trust 2006-
26 AR4 Prospectus Supplement, Nov. 29, 2006, at S-2. FNBN's and Silver State's
27 systematic disregard of their underwriting standards is detailed in Sections VII.D.4
28 and VII.D.7 (*supra*).

1 213. American Home was the sole originator of loans in the American
2 Home Mortgage Assets Trust 2007-3 offering. *See* American Home Mortgage
3 Assets Trust 2007-3 Prospectus Supplement, June 5, 2007, at S-5. American Home
4 also originated all of the loans in the HarborView 2007-5 offering. *See*
5 HarborView 2007-5 Prospectus Supplement, July 11, 2007, at S-22. American
6 Home's systematic disregard of its underwriting standards is detailed in Section
7 VII.D.2 (*supra*).

8 214. First Franklin Mortgage was the primary originator of mortgages
9 collateralizing the First Franklin Mortgage Loan Trust 2005-FFH4 offering. *See*
10 First Franklin Mortgage Loan Trust 2005-FFH4 Prospectus Supplement, Nov. 30,
11 2005, at S-5.

12 215. Paul Financial, Plaza Home Mortgage, and First Federal Bank of
13 California originated a large portion of the loans in the mortgage pool underlying
14 the HarborView 2007-4 offering. No other originators contributed more than 10%
15 of the loans to the offering. *See* HarborView 2007-4 Prospectus Supplement, June
16 13, 2007, at S-25.

17 216. American Home, Paul Financial, Kay-Co Investment d/b/a Pro 30
18 Funding, and Residential Funding Co., originated a large portion of loans for the
19 HarborView 2007-2 offering. No other originators contributed more than 10% of
20 the loans to the offering. *See* HarborView 2007-2 Prospectus Supplement, Mar. 29,
21 2007, at S-24. American Home's systematic disregard of its underwriting standards
22 is detailed in Section VII.D.2 (*supra*).

23 217. Countrywide originated all of the loans in the HarborView 2007-1,
24 HarborView 2006-12, HarborView 2006-11, and HarborView 2006-9 offerings.
25 *See* HarborView 2007-1 Prospectus Supplement, Mar. 7, 2007, at S-23;
26 HarborView 2006-12 Prospectus Supplement, Dec. 11, 2006, at S-25; HarborView
27 2006-11 Prospectus Supplement, Nov. 10, 2006, at S-33; and HarborView 2006-9
28

1 Prospectus Supplement, Oct. 3, 2006, at S-23. Countrywide's systematic disregard
2 of its underwriting standards is detailed in Section VII.D.3 (*supra*).

3 218. IndyMac, BankUnited FSB, and American Home originated a
4 substantial majority of the loans in the HarborView 2006-14 offering. No other
5 originators contributed more than 10% of the loans to the offering. *See*
6 HarborView 2006-14 Prospectus Supplement, Dec. 20, 2006, at S-25. American
7 Home's and IndyMac's systematic disregard of their underwriting standards is
8 detailed in Sections VII.D.2 and VII.D.5 (*supra*).

9 219. BankUnited, Paul Financial, and Residential Mortgage Capital
10 originated a substantial portion of the loans in the HarborView 2006-10 offering.
11 *See* HarborView 2006-10 Prospectus Supplement, Nov. 10, 2006, at S-24.

12 220. BankUnited, First Federal Bank of California, and Paul Financial
13 originated a substantial portion of the loans underlying the HarborView 2006-8
14 offering. *See* HarborView 2006-8 Prospectus Supplement, Aug. 28, 2006, at S-21.

15 221. IndyMac originated all of the loans in the IndyMac INDX Mortgage
16 Loan Trust 2006-AR35 offering. *See* IndyMac INDX Mortgage Loan Trust 2006-
17 AR35 Prospectus Supplement, Nov. 29, 2006, at S-66. IndyMac's systematic
18 disregard of its underwriting standards is recounted in Section VII.D.5 (*supra*).

19 222. WaMu purchased all of the loans that made up the Group 1 pool of
20 loans backing the certificate in the CUSIP 55028CAB1 purchased by WesCorp in
21 the Luminent Mortgage Trust 2007-1 offering. *See* Luminent Mortgage Trust
22 2007-1 Prospectus Supplement, Jan. 24, 2007, at S-31. IndyMac Bank FSB
23 originated all of the loans in Group 2 backing the certificate that WesCorp
24 purchased in the CUSIP 55028CAE5 of the Luminent Mortgage Trust 2007-1
25 offering. *See id.* WaMu's systematic disregard of its underwriting standards is
26 detailed in Section VII.D.8 (*supra*). IndyMac's systematic disregard of its
27 underwriting standards is detailed in Section VII.D.5 (*supra*).

1 223. MortgageIT, Inc. was the sole originator of loans in the MortgageIT
2 Mortgage Loan Trust 2006-1 offering. See MortgageIT Mortgage Loan Trust
3 2006-1 Prospectus Supplement, Feb. 17, 2006, at S-64.

4 224. Option One originated or acquired all of the loans underlying the
5 Soundview Home Loan Trust 2005-OPT4 offering. See Soundview Home Loan
6 Trust 2005-OPT4 Prospectus Supplement, Nov. 22, 2005, at S-5. Option One's
7 systematic disregard of its underwriting standards is detailed in Section VII.D.6
8 (*supra*).

9 225. National City Mortgage, Accredited Home Lenders, Inc., and
10 Wachovia Mortgage Corp., were the primary originators of the loans underlying the
11 Wachovia Mortgage Loan Trust, Series 2006-ALT1 offering. See Wachovia
12 Mortgage Loan Trust, Series 2006-ALT1 Prospectus Supplement, Dec. 19, 2006, at
13 S-3.

14 226. Examples of material untrue statements and/or omissions of fact from
15 the RMBS listed above follow.

16 **A. Untrue Statements Concerning Evaluation of the Borrower's**
17 **Capacity and Likelihood To Repay the Mortgage Loan**

18 227. The Nomura HELT 2007-1 Prospectus Supplement represented:
19 FNBN's underwriting guidelines are applied in a standard procedure
20 that is intended to comply with applicable federal and state laws and
21 regulations. However, the application of FNBN's underwriting
22 guidelines does not imply that each specific criterion was satisfied
23 individually. FNBN will have considered a mortgage loan to be
24 originated in accordance with a given set of underwriting guidelines if,
25 based on an overall qualitative evaluation, in FNBN's discretion such
26 mortgage loan is in substantial compliance with such underwriting
27 guidelines or if the borrower can document compensating factors. A
28 mortgage loan may be considered to comply with a set of underwriting

1 guidelines, even if one or more specific criteria included in such
2 underwriting guidelines were not satisfied, if other factors
3 compensated for the criteria that were not satisfied or the mortgage
4 loan is considered to be in substantial compliance with the
5 underwriting guidelines.

6 Nomura HELT 2007-1 Prospectus Supplement at S-105-106; Alternative Loan
7 Trust 2006-AR4 Prospectus Supplement at S-49-50; *see* Alternative Loan Trust
8 2006-AR4 Free Writing Prospectus, Nov. 17, 2006, at the “Underwriting Standards
9 of FNBN” section.

10 228. The Nomura HELT 2007-1 Prospectus Supplement represented:
11 All of the Mortgage Loans have been purchased by the sponsor from
12 various banks, savings and loan associations, mortgage bankers and
13 other mortgage loan originators and purchasers of mortgage loans in
14 the secondary market, and were originated generally in accordance
15 with the underwriting criteria described in this section.

16 Nomura HELT 2007-1 Prospectus Supplement at S-108; Alternative Loan Trust
17 2006-AR4 Free Writing Prospectus, Nov. 17, 2006, at the “Underwriting Standards
18 of the Sponsor” section.

19 229. The Nomura HELT 2007-1 Prospectus Supplement represented:
20 In addition, FNBN may make certain exceptions to the underwriting
21 guidelines described herein if, in FNBN’s discretion, compensating
22 factors are demonstrated by a prospective borrower.

23 Nomura HELT 2007-1 Prospectus Supplement at S-104; Alternative Loan Trust
24 2006-AR4 Prospectus Supplement at S-48.

25 230. The Nomura HELT 2007-1 Prospectus Supplement represented the
26 sponsor, Nomura Credit & Capital, Inc.’s underwriting standards as follows:
27
28

1 In addition, certain exceptions to the underwriting standards described
2 in this prospectus supplement are made in the event that compensating
3 factors are demonstrated by a prospective borrower.

4 Nomura HELT 2007-1 Prospectus Supplement at S-109.

5 231. The Nomura HELT 2007-1 Prospectus Supplement represented:
6 FNBN's underwriting guidelines are primarily intended to evaluate the
7 prospective borrower's credit standing and ability to repay the loan, as
8 well as the value and adequacy of the proposed Mortgaged Property as
9 collateral. A prospective borrower applying for a mortgage loan is
10 required to complete an application, which elicits pertinent information
11 about the prospective borrower including, depending upon the loan
12 program, the prospective borrower's financial condition (assets,
13 liabilities, income and expenses), the property being financed and the
14 type of loan desired.

15 Nomura HELT 2007-1 Prospectus Supplement at S-105; Alternative Loan Trust
16 2006-AR4 Prospectus Supplement at S-49; Alternative Loan Trust 2006-AR4 Free
17 Writing Prospectus, Nov. 17, 2006, at the "Underwriting Standards of FNBN"
18 section.

19 232. The Nomura HELT 2007-1 Prospectus Supplement represented:
20 Based on the data provided in the application and certain verifications
21 (if required), a determination will have been made that the borrower's
22 monthly income (if required to be stated or verified) should be
23 sufficient to enable the borrower to meet its monthly obligations on the
24 mortgage loan and other expenses related to the Mortgaged Property
25 (such as property taxes, standard hazard insurance and other fixed
26 obligations other than housing expenses). Generally, scheduled
27 payments on a mortgage loan during the first year of its term plus taxes
28 and insurance and other fixed obligations equal no more than a

1 specified percentage of the prospective borrower's gross income. The
2 percentage applied varies on a case-by-case basis depending on a
3 number of underwriting criteria including, but not limited to, the loan-
4 to-value ratio of the mortgage loan or the amount of liquid assets
5 available to the borrower after origination.

6 Nomura HELT 2007-1 Prospectus Supplement at S-105; Alternative Loan Trust
7 2006-AR4 Prospectus Supplement at S-49.

8 233. The Nomura HELT 2007-1 Prospectus Supplement stated:
9 Silver State Mortgage's underwriting guidelines are primarily intended
10 to evaluate the prospective borrower's credit standing and ability to
11 repay the loan, as well as the value and adequacy of the proposed
12 Mortgaged Property as collateral. A prospective borrower applying
13 for a mortgage loan is required to complete an application which elicits
14 pertinent information about the prospective borrower including,
15 depending upon the loan program, the prospective borrower's financial
16 condition (assets, liabilities, income and expenses), the property being
17 financed and the type of loan desired.

18 Nomura HELT 2007-1 Prospectus Supplement at S-107.

19 234. The Nomura HELT 2007-1 Prospectus Supplement represented:
20 Based on the data provided in the application and certain verifications
21 (if required), a determination will have been made that the borrower's
22 monthly income (if required to be stated or verified) should be
23 sufficient to enable the borrower to meet its monthly obligations on the
24 mortgage loan and other expenses related to the Mortgaged Property
25 (such as property taxes, standard hazard insurance and other fixed
26 obligations other than housing expenses).

27 Nomura HELT 2007-1 Prospectus Supplement at S-108.

28 235. The Nomura HELT 2007-1 Prospectus Supplement represented:

1 Generally, each borrower will have been required to complete an
2 application designed to provide to the original lender pertinent credit
3 information concerning the borrower. As part of the description of the
4 borrower's financial condition, the borrower generally will have
5 furnished certain information with respect to its assets, liabilities,
6 income (except as described below), credit history, employment
7 history and personal information, and furnished an authorization to
8 apply for a credit report which summarizes the borrower's credit
9 history with local merchants and lenders and any record of bankruptcy.
10 The borrower may also have been required to authorize verifications of
11 deposits at financial institutions where the borrower had demand or
12 savings accounts.

13 Nomura HELT 2007-1 Prospectus Supplement at S-109.

14 236. The American Home Mortgage Assets Trust 2007-3 Prospectus
15 Supplement represented:

16 The Originator's underwriting philosophy is to weigh all risk factors
17 inherent in the loan file, giving consideration to the individual
18 transaction, borrower profile, the level of documentation provided and
19 the property used to collateralize the debt. Because each loan is
20 different, the Originator expects and encourages underwriters to use
21 professional judgment based on their experience in making a lending
22 decision.

23 American Home Mortgage Assets Trust 2007-3 Prospectus Supplement at S-51-52.

24 237. The American Home Mortgage Assets Trust 2007-3 Prospectus
25 Supplement represented:

26 The Originator realizes that there may be some acceptable quality
27 loans that fall outside published guidelines and encourages "common
28 sense" underwriting. Because a multitude of factors are involved in a

1 loan transaction, no set of guidelines can contemplate every potential
2 situation. Therefore, each case is weighed individually on its own
3 merits and exceptions to the Originator's underwriting guidelines are
4 allowed if sufficient compensating factors exist to offset any additional
5 risk due to the exception.

6 American Home Mortgage Assets Trust 2007-3 Prospectus Supplement at S-53.

7 238. The American Home Mortgage Assets Trust 2007-3 Prospectus
8 Supplement represented:

9 In order to determine if a borrower qualifies for a non-conforming
10 loan, the loans have been either approved by Fannie Mae's Desktop
11 Underwriter or Freddie Mac's Loan Prospector automated
12 underwriting systems or they have been manually underwritten by the
13 Originator underwriters. The Originator's Alt-A loan products have
14 been approved manually by contract underwriters provided by certain
15 mortgage insurance companies. American Home Solutions products
16 must receive an approval from the Assetwise automated underwriting
17 system. For manually underwritten loans, the underwriter must ensure
18 that the borrower's income will support the total housing expense on
19 an ongoing basis. Underwriters may give consideration to borrowers
20 who have demonstrated an ability to carry a similar or greater housing
21 expense for an extended period. In addition to the monthly expense
22 the underwriter must evaluate the borrower's ability to manage all
23 recurring payments on all debts, including the monthly housing
24 expense. When evaluating the ratio of all monthly debt payments to
25 the borrower's monthly income (debt-to-income ratio), the underwriter
26 should be aware of the degree and frequency of credit usage and its
27 impact on the borrower's ability to repay the loan. For example,
28 borrowers who lower their total obligations should receive favorable

1 consideration and borrowers with a history of heavy usage and a
2 pattern of slow or late payments should receive less flexibility.

3 American Home Mortgage Assets Trust 2007-3 Prospectus Supplement at S-52-53.

4 239. The American Home Mortgage Assets Trust 2007-3 Prospectus
5 Supplement represented:

6 The Originator obtains a credit report that summarizes each borrower's
7 credit history. The credit report contains information from the three
8 major credit repositories, Equifax, Experian and TransUnion. These
9 companies have developed scoring models to identify the comparative
10 risk of delinquency among applicants based on characteristics within
11 the applicant's credit report. A borrower's credit score represents a
12 comprehensive view of the borrower's credit history risk factors and is
13 indicative of whether a borrower is likely to default on a loan. Some
14 of the factors used to calculate credit scores are a borrower's incidents
15 of previous delinquency, the number of credit accounts a borrower has,
16 the amount of available credit that a borrower has utilized, the source
17 of a borrower's existing credit, and recent attempts by a borrower to
18 obtain additional credit. Applicants who have higher credit scores
19 will, as a group, have fewer defaults than those who have lower credit
20 scores. The minimum credit score allowed by the Originator non-
21 conforming loan guidelines for these loans is 620 and the average is
22 typically over 700. For American Home Alt-A products, the minimum
23 credit score is generally 580. If the borrowers do not have a credit
24 score they must have an alternative credit history showing at least
25 three trade lines with no payments over 60 days past due in the last 12
26 months.

1 In addition to reviewing the borrower's credit history and credit score,
2 the Originator underwriters closely review the borrower's housing
3 payment history. In general, for non-conforming loans the borrower
4 should not have made any mortgage payments over thirty days after
5 the due date for the most recent twelve months. In general, for Alt-A
6 loans the borrower may have no more than one payment that was made
7 over thirty days after the due date for the most recent twelve months.

8 American Home Mortgage Assets Trust 2007-3 Prospectus Supplement at S-52.

9 240. The American Home Mortgage Assets Trust 2007-3 Prospectus
10 Supplement represented:

11 The Originator underwrites a borrower's creditworthiness based solely
12 on information that the Originator believes is indicative of the
13 applicant's willingness and ability to pay the debt they would be
14 incurring.

15 American Home Mortgage Assets Trust 2007-3 Prospectus Supplement at S-52.

16 241. The First Franklin Mortgage Loan Trust Series 2005-FFH4 Prospectus
17 Supplement represented:

18 All of the Mortgage Loans were originated or acquired by the
19 Originator, generally in accordance with the underwriting criteria
20 described herein.

21 . . .

22 The Originator's underwriting standards are primarily intended to
23 assess the ability and willingness of the borrower to repay the debt and
24 to evaluate the adequacy of the mortgaged property as collateral for the
25 mortgage loan. . . . The Originator considers, among other things, a
26 mortgagor's credit history, repayment ability and debt service-to-
27 income ratio ("Debt Ratio"), as well as the value, type and use of the
28 mortgage property.

1 First Franklin Mortgage Loan Trust Series 2005-FFH4 Prospectus Supplement at S-
2 54.

3 242. The First Franklin Mortgage Loan Trust 2005-FFH4 Prospectus
4 Supplement represented:

5 All of the Mortgage Loans were underwritten by the Originator's
6 underwriters having the appropriate signature authority. Each
7 underwriter is granted a level of authority commensurate with their
8 proven judgment, maturity and credit skills. On a case by case basis,
9 the Originator may determine that, based upon compensating factors, a
10 prospective mortgagor not strictly qualifying under the underwriting
11 risk category guidelines described below warrants an underwriting
12 exception. Compensating factors may include, but are not limited to,
13 low loan-to-value ratio, low Debt Ratio, substantial liquid assets, good
14 credit history, stable employment and time in residence at the
15 applicant's current address. It is expected that a substantial portion of
16 the Mortgage Loans may represent such underwriting exceptions.

17 First Franklin Mortgage Loan Trust 2005-FFH4 Prospectus Supplement at S-56.

18 243. The HarborView 2007-5 Prospectus Supplement represented:

19 The mortgage loans have been purchased or originated, underwritten
20 and documented in accordance with the guidelines of Fannie Mae,
21 Freddie Mac, the Federal Housing Administration (FHA), the U.S.
22 Department of Veterans Affairs (VA), the U.S. Department of
23 Agriculture Guaranteed Rural Housing Program (GRH), Ginnie Mae,
24 the underwriting guidelines of specific private investors, and the non-
25 conforming or Alt-A underwriting guidelines established by American
26 Home.

27 HarborView 2007-5 Prospectus Supplement at S-29; HarborView 2007-2
28 Prospectus Supplement at S-33.

1 244. The HarborView 2007-5 Prospectus Supplement represented:
2 American Home's underwriting philosophy is to weigh all risk factors
3 inherent in the loan file, giving consideration to the individual
4 transaction, borrower profile, the level of documentation provided and
5 the property used to collateralize the debt. These standards are applied
6 in accordance with applicable federal and state laws and regulations.
7 Exceptions to the underwriting standards may be permitted where
8 compensating factors are present. . . . Because each loan is different,
9 American Home expects and encourages underwriters to use
10 professional judgment based on their experience in making a lending
11 decision.

12 HarborView 2007-5 Prospectus Supplement at S-29-30; HarborView 2007-2
13 Prospectus Supplement at S-33.

14 245. The HarborView 2007-5 Prospectus Supplement represented:
15 American Home underwrites a borrower's creditworthiness based
16 solely on information that American Home believes is indicative of the
17 applicant's willingness and ability to pay the debt they would be
18 incurring.

19 HarborView 2007-5 Prospectus Supplement at S-30; HarborView 2007-2
20 Prospectus Supplement at S-33.

21 246. The HarborView 2007-4 Prospectus Supplement represented the
22 following with respect to originator Paul Financial:

23 An applicant's creditworthiness is determined based on the borrower's
24 ability and willingness to repay the loan. The loan decision is based
25 upon the applicant's financial information, employment and income
26 stability, credit history and collateral value.

27 HarborView 2007-4 Prospectus Supplement at S-34; HarborView 2007-2
28 Prospectus Supplement at S-35.

1 247. The HarborView 2007-5 Prospectus Supplement represented:
2 American Home realizes that there may be some acceptable quality
3 loans that fall outside published guidelines and encourages “common
4 sense” underwriting. Because a multitude of factors are involved in a
5 loan transaction, no set of guidelines can contemplate every potential
6 situation. Therefore, each case is weighed individually on its own
7 merits and exceptions to American Home’s underwriting guidelines
8 are allowed if sufficient compensating factors exist to offset any
9 additional risk due to the exception.

10 HarborView 2007-5 Prospectus Supplement at S-31; HarborView 2007-2
11 Prospectus Supplement at S-35.

12 248. The HarborView 2007-4 Prospectus Supplement stated:
13 Paul Financial’s underwriting guidelines are applied to evaluate the
14 applicant, the property and the applicant’s income, employment and
15 credit history in the context of the loan program and documentation
16 requirements. These are guidelines only and each loan is evaluated
17 based upon its own merits. Exceptions to the guidelines may be
18 acceptable if there are compensating factors.

19 HarborView 2007-4 Prospectus Supplement at S-34; HarborView 2007-2
20 Prospectus Supplement at S-35.

21 249. The HarborView 2007-4 Prospectus Supplement represented:
22 Paul Financial’s underwriting standards are applied by or on behalf of
23 Paul Financial to evaluate the prospective borrower’s credit standing
24 and repayment ability and the value and adequacy of the mortgaged
25 property as collateral. Except under the No Income programs, a
26 prospective borrower must generally demonstrate that the ratio of the
27 borrower’s monthly housing expenses (including interest on the
28 proposed mortgage loan and, as applicable, the related monthly portion

1 of property taxes, hazard insurance and mortgage insurance) to the
2 borrower's monthly gross income and the ratio of total monthly debt to
3 the monthly gross income (the "debt-to-income" ratios) are within
4 acceptable limits.

5 HarborView 2007-4 Prospectus Supplement at S-35; HarborView 2007-2
6 Prospectus Supplement at S-36.

7 250. The HarborView 2007-1 Prospectus Supplement represented:

8 Under its Standard Underwriting Guidelines, Countrywide Home
9 Loans generally permits a debt-to-income ratio based on the
10 borrower's monthly housing expenses of up to 33% and a debt-to-
11 income ratio based on the borrower's total monthly debt of up to 38%.

12 HarborView 2007-1 Prospectus Supplement at S-32; HarborView 2006-12
13 Prospectus Supplement at S-70; HarborView 2006-11 Prospectus Supplement at S-
14 36; HarborView 2006-9 Prospectus Supplement at S-65.

15 251. The HarborView 2007-1 Prospectus Supplement represented:

16 As part of its evaluation of potential borrowers, Countrywide Home
17 Loans generally requires a description of income. If required by its
18 underwriting guidelines, Countrywide Home Loans obtains
19 employment verification providing current and historical income
20 information and/or a telephonic employment confirmation. Such
21 employment verification may be obtained, either through analysis of
22 the prospective borrower's recent pay stub and/or W-2 forms for the
23 most recent two years, relevant portions of the most recent two years'
24 tax returns, or from the prospective borrower's employer, wherein the
25 employer reports the length of employment and current salary with
26 that organization. Self-employed prospective borrowers generally are
27 required to submit relevant portions of their federal tax returns for the
28 past two years.

1 HarborView 2007-1 Prospectus Supplement at S-29-30; HarborView 2006-12
2 Prospectus Supplement at S-68; HarborView 2006-11 Prospectus Supplement at S-
3 34; HarborView 2006-9 Prospectus Supplement at S-63.

4 252. The HarborView 2006-10 Prospectus Supplement represented:

5 In determining whether a prospective borrower has sufficient monthly
6 income available to meet the monthly housing expenses and other
7 financial obligations on the proposed mortgage loan, BankUnited
8 generally considers, when required by the applicable documentation
9 type, the ratio of such amounts to the proposed borrower's acceptable
10 stable monthly gross income. Such ratio varies depending on a
11 number of underwriting criteria, including loan-to-value ratios, and is
12 determined on a loan-by-loan basis. Under its One Month MTA
13 Guidelines, BankUnited generally permits a debt-to-income ratio
14 based on the borrower's total monthly debt of 42%. Higher debt-to-
15 income ratios may also be acceptable with evidence of specific
16 compensating factors.

17 HarborView 2006-10 Prospectus Supplement at S-64; HarborView 2006-14
18 Prospectus Supplement at S-66.

19 253. The HarborView 2006-10 Prospectus Supplement represented: "Such
20 underwriting standards are applied to evaluate the prospective borrower's credit
21 standing and repayment ability and the value and adequacy of the mortgaged
22 property as collateral. Exceptions to the underwriting standards are permitted
23 where compensating factors are present." HarborView 2006-10 Prospectus
24 Supplement at S-63 (representing BankUnited's underwriting guidelines);
25 HarborView 2006-14 Prospectus Supplement at S-65.

26 254. The HarborView 2006-8 Prospectus Supplement stated: "BankUnited
27 has represented to the depositor that the mortgage loans were originated generally
28

1 in accordance with such [underwriting] policies.” HarborView 2006-8 Prospectus
2 Supplement at S-60.

3 255. The HarborView 2006-8 Prospectus Supplement represented:
4 Such underwriting standards are applied to evaluate the prospective
5 borrower’s credit standing and repayment ability and the value and
6 adequacy of the mortgaged property as collateral. Exceptions to the
7 underwriting standards are permitted where compensating factors are
8 present.

9
10 Generally, each borrower will have been required to complete an
11 application designed to provide pertinent credit information
12 concerning the borrower. The borrower will have given information
13 with respect to its assets, liabilities, income (except as described
14 below), credit history, employment history and personal information,
15 and will have furnished the lender with authorization to obtain a credit
16 report that summarizes the borrower’s credit history.

17 HarborView 2006-8 Prospectus Supplement at S-60.

18 256. The HarborView 2006-8 Prospectus Supplement represented:
19 In determining whether a prospective borrower has sufficient monthly
20 income available (i) to meet the borrower’s monthly obligation on
21 their proposed mortgage loan and (ii) to meet the monthly housing
22 expenses and other financial obligations on the proposed mortgage
23 loan, BankUnited generally considers, when required by the applicable
24 documentation type, the ratio of such amounts to the proposed
25 borrower’s acceptable stable monthly gross income. Such ratios vary
26 depending on a number underwriting criteria, including loan-to-value
27 ratios, and are determined on a loan-by-loan basis.

28 HarborView 2006-8 Prospectus Supplement at S-60-61.

1 257. The IndyMac INDX Mortgage Loan Trust 2006-AR35 Prospectus
2 Supplement represented:

3 Mortgage loans that are acquired by IndyMac Bank are underwritten
4 by IndyMac Bank according to IndyMac Bank's underwriting
5 guidelines, which also accept mortgage loans meeting Fannie Mae or
6 Freddie Mac guidelines regardless of whether such mortgage loans
7 would otherwise meet IndyMac Bank's guidelines, or pursuant to an
8 exception to those guidelines based on IndyMac Bank's procedures for
9 approving such exceptions. Conventional mortgage loans are loans
10 that are not insured by the FHA or partially guaranteed by the VA.
11 Conforming mortgage loans are loans that qualify for sale to Fannie
12 Mae and Freddie Mac, whereas non-conforming mortgage loans are
13 loans that do not so qualify. Non-conforming mortgage loans
14 originated or purchased by IndyMac Bank pursuant to its underwriting
15 programs typically differ from conforming loans primarily with
16 respect to loan-to-value ratios, borrower income, required
17 documentation, interest rates, borrower occupancy of the mortgaged
18 property and/or property types. To the extent that these programs
19 reflect underwriting standards different from those of Fannie Mae and
20 Freddie Mac, the performance of loans made pursuant to these
21 different underwriting standards may reflect higher delinquency rates
22 and/or credit losses.

23 IndyMac INDX Mortgage Loan Trust 2006-AR35 Prospectus Supplement at S-67;
24 *see* IndyMac INDX Mortgage Loan Trust 2006-AR35 Registration Statement, Feb.
25 24, 2006, at S-28.

26 258. The IndyMac INDX Mortgage Loan Trust 2006-AR35 Prospectus
27 Supplement represented:

1 IndyMac Bank has two principal underwriting methods designed to be
2 responsive to the needs of its mortgage loan customers: traditional
3 underwriting and e-MITS (Electronic Mortgage Information and
4 Transaction System) underwriting. E-MITS is an automated, internet-
5 based underwriting and risk-based pricing system. IndyMac Bank
6 believes that e-MITS generally enables it to estimate expected credit
7 loss, interest rate risk and prepayment risk more objectively than
8 traditional underwriting and also provides consistent underwriting
9 decisions. IndyMac Bank has procedures to override an e-MITS
10 decision to allow for compensating factors.

11 IndyMac INDX Mortgage Loan Trust 2006-AR35 Prospectus Supplement at S-67;
12 *see* IndyMac INDX Mortgage Loan Trust 2006-AR35 Registration Statement, Feb.
13 24, 2006, at S-28.

14 259. The IndyMac INDX Mortgage Loan Trust 2006-AR35 Prospectus
15 Supplement represented:

16 Underwriting procedures vary by channel of origination. Generally,
17 mortgage loans originated through the mortgage professional channel
18 will be submitted to e-MITS for assessment and subjected to a full
19 credit review and analysis. Mortgage loans that do not meet IndyMac
20 Bank's guidelines may be manually re-underwritten and approved
21 under an exception to those underwriting guidelines. Mortgage loans
22 originated through the consumer direct channel are subjected to
23 essentially the same procedures, modified as necessary to reflect the
24 fact that no third-party contributes to the preparation of the credit file.

25 IndyMac INDX Mortgage Loan Trust 2006-AR35 Prospectus Supplement at S-69;
26 *see* IndyMac INDX Mortgage Loan Trust 2006-AR35 Registration Statement, Feb.
27 24, 2006, at S-30.

1 260. The IndyMac INDX Mortgage Loan Trust 2006-AR35 Prospectus
2 Supplement represented:

3 Exceptions to underwriting standards are permitted in situations in
4 which compensating factors exist. Examples of these factors are
5 significant financial reserves, a low loan-to-value ratio, significant
6 decrease in the borrower's monthly payment and long-term
7 employment with the same employer.

8 IndyMac INDX Mortgage Loan Trust 2006-AR35 Prospectus Supplement at S-69;
9 IndyMac INDX Mortgage Loan Trust 2006-AR35 Registration Statement, Feb. 24,
10 2006, at S-31.

11 261. The IndyMac INDX Mortgage Loan Trust 2006-AR35 Prospectus
12 Supplement represented:

13 Additionally, maximum total monthly debt payments-to-income ratios
14 and cash-out limits may be applied. Other factors may be considered
15 in determining loan eligibility such as a borrower's residency and
16 immigration status, whether a non-occupying borrower will be
17 included for qualification purposes, sales or financing concessions
18 included in any purchase contract, the acquisition cost of the property
19 in the case of a refinance transaction, the number of properties owned
20 by the borrower, the type and amount of any subordinate mortgage, the
21 amount of any increase in the borrower's monthly mortgage payment
22 compared to previous mortgage or rent payments and the amount of
23 disposable monthly income after payment of all monthly expenses.

24 IndyMac INDX Mortgage Loan Trust 2006-AR35 Prospectus Supplement at S-68;
25 IndyMac INDX Mortgage Loan Trust 2006-AR35 Registration Statement, Feb. 24,
26 2006, at S-30.

27 262. The IndyMac INDX Mortgage Loan Trust 2006-AR35 Prospectus
28 Supplement stated:

1 IndyMac Bank's underwriting criteria for traditionally underwritten
2 mortgage loans includes an analysis of the borrower's credit history,
3 ability to repay the mortgage loan and the adequacy of the mortgaged
4 property as collateral. Traditional underwriting decisions are made by
5 individuals authorized to consider compensating factors that would
6 allow mortgage loans not otherwise meeting IndyMac Bank's
7 guidelines.

8 IndyMac INDX Mortgage Loan Trust 2006-AR35 Prospectus Supplement at S-67;
9 *see* IndyMac INDX Mortgage Loan Trust 2006-AR35 Registration Statement, Feb.
10 24, 2006, at S-28.

11 263. The Luminent Mortgage Trust 2007-1 Prospectus Supplement
12 represented:

13 The mortgage loans have been originated generally in accordance with
14 the following underwriting standards established by WMMSC or
15 underwriting guidelines established by WaMu.

16 Luminent Mortgage Trust 2007-1 Prospectus Supplement at S-32.

17 264. The Luminent Mortgage Trust 2007-1 Prospectus Supplement
18 represented:

19 Each mortgage loan has been underwritten under one of the following
20 documentation programs. Under a full/alternative documentation
21 program, a borrower's employment and income are verified. The
22 employment and income as stated in the prospective borrower's loan
23 application are verified either directly with the borrower's stated
24 employer(s) or through receipt of alternative documentation such as
25 the borrower's recent pay stub(s) and/or W-2 form(s) reflecting a
26 minimum of 12 months of employment and income or, in the case of
27 self-employed borrowers or borrowers who derive a substantial portion
28 of their income from commissions, receipt of the borrower's personal

1 (and, if applicable, business) tax returns. For self-employed
2 borrowers, profit and loss statements may also be required. Generally,
3 under a full/alternative documentation program, the borrower's stated
4 assets are also verified either directly with the stated financial
5 institution holding the stated asset or through receipt of alternative
6 documentation such as the borrower's recent bank and/or brokerage
7 statement(s). In addition, the borrower's employment may be verified
8 with the employer by telephone or by other independent means.

9 Luminent Mortgage Trust 2007-1 Prospectus Supplement at S-33-34.

10 265. The Luminent Mortgage Trust 2007-1 Prospectus Supplement
11 represented: "Mortgage loans that are acquired by IndyMac Bank are underwritten
12 by IndyMac Bank according to IndyMac Bank's underwriting guidelines..."
13 Luminent Mortgage Trust 2007-1 Prospectus Supplement at S-36.

14 266. The Luminent Mortgage Trust 2007-1 Prospectus Supplement
15 represented:

16 Exceptions to underwriting standards described above may be made on
17 a case-by-case basis if compensating factors are present. In those
18 cases, the basis for the exception is documented. Compensating
19 factors may include, but are not limited to, low loan-to-value ratio, low
20 debt-to-income ratio, good credit standing, the availability of other
21 liquid assets, stable employment and time in residence at the
22 prospective borrower's current address.

23 Luminent Mortgage Trust 2007-1 Prospectus Supplement at S-34.

24 267. The Luminent Mortgage Trust 2007-1 Prospectus Supplement
25 represented:

26 Exceptions to underwriting standards are permitted in situations in
27 which compensating factors exist. Examples of these factors are
28 significant financial reserves, a low loan-to-value ratio, significant

1 decrease in the borrower's monthly payment and long-term
2 employment with the same employer.

3 Luminent Mortgage Trust 2007-1 Prospectus Supplement at S-39.

4 268. The Luminent Mortgage Trust 2007-1 Prospectus Supplement
5 represented:

6 Under all documentation programs other than the no ratio programs
7 and the no documentation programs, in evaluating a prospective
8 borrower's ability to repay a mortgage loan, the loan underwriter
9 considers the ratio of the borrower's mortgage payments, real property
10 taxes and other monthly housing expenses to the borrower's gross
11 income (referred to as the "housing-to-income ratio" or "front end
12 ratio"), and the ratio of the borrower's total monthly debt (including
13 certain non-housing expenses) to the borrower's gross income
14 (referred to as the "debt-to-income ratio" or "back end ratio"). The
15 maximum acceptable ratios may vary depending on other loan factors,
16 such as loan amount and loan purpose, loan-to-value ratio, credit score
17 and the availability of other liquid assets. Exceptions to the ratio
18 guidelines may be made when compensating factors are present.

19 Luminent Mortgage Trust 2007-1 Prospectus Supplement at S-33.

20 269. The Luminent Mortgage Trust 2007-1 Prospectus Supplement
21 represented:

22 Additionally, maximum total monthly debt payments-to-income ratios
23 and cash-out limits may be applied. Other factors may be considered
24 in determining loan eligibility such as a borrower's residency and
25 immigration status, whether a non-occupying borrower will be
26 included for qualification purposes, sales or financing concessions
27 included in any purchase contract, the acquisition cost of the property
28 in the case of a refinance transaction, the number of properties owned

1 by the borrower, the type and amount of any subordinate mortgage the
2 amount of any increase in the borrower's monthly mortgage payment
3 compared to previous mortgage or rent payments and the amount of
4 disposable monthly income after payment of all monthly expenses.

5 Luminent Mortgage Trust 2007-1 Prospectus Supplement at S-38.

6 270. The Luminent Mortgage Trust 2007-1 Prospectus Supplement
7 represented:

8 Such underwriting standards or guidelines generally are intended to
9 evaluate the prospective borrower's credit standing and repayment
10 ability and the value and adequacy of the mortgaged property as
11 collateral. Some mortgage loans are manually underwritten, in which
12 case an underwriter reviews a loan application and supporting
13 documentation, if required, and a credit report of the borrower, and
14 based on that review determines whether to originate a loan in the
15 amount and with the terms stated in the loan application. Some
16 mortgage loans may be underwritten through an automated
17 underwriting system, including WaMu's automated underwriting
18 system, described below.

19 Luminent Mortgage Trust 2007-1 Prospectus Supplement at S-32.

20 271. The Luminent Mortgage Trust 2007-1 Prospectus Supplement
21 represented:

22 IndyMac Bank's underwriting criteria for traditionally underwritten
23 mortgage loans includes an analysis of the borrower's credit history,
24 ability to repay the mortgage loan and the adequacy of the mortgaged
25 property as collateral. Traditional underwriting decisions are made by
26 individuals authorized to consider compensating factors that would
27 allow mortgage loans not otherwise meeting IndyMac Bank's
28 guidelines.

1 Luminent Mortgage Trust 2007-1 Prospectus Supplement at S-36.

2 272. The MortgageIT Mortgage Loan Trust 2006-1 Prospectus Supplement
3 represented:

4 MortgageIT's underwriting philosophy is to weigh all risk factors
5 inherent in the loan file, giving consideration to the individual
6 transaction, borrower profile, the level of documentation provided and
7 the property used to collateralize the debt. Because each loan is
8 different, MortgageIT expects and encourages underwriters to use
9 professional judgment based on their experience in making a lending
10 decision.

11 MortgageIT Mortgage Loan Trust 2006-1 Prospectus Supplement at S-64.

12 273. The MortgageIT Mortgage Loan Trust 2006-1 Prospectus Supplement
13 represented:

14 MortgageIT realizes that there may be some acceptable quality loans
15 that fall outside published guidelines and encourages "common sense"
16 underwriting. Because a multitude of factors are involved in a loan
17 transaction, no set of guidelines can contemplate every potential
18 situation. Therefore, exceptions to these underwriting guidelines are
19 considered, so long as the borrower has other reasonable compensating
20 factors, on a case-by-case basis.

21 MortgageIT Mortgage Loan Trust 2006-1 Prospectus Supplement at S-66.

22 274. The MortgageIT Mortgage Loan Trust 2006-1 Prospectus Supplement
23 represented:

24 In order to determine if a borrower qualifies for a Pay Option ARM or
25 Alt-A loan, MortgageIT underwriting staff or contract underwriters
26 provided by certain mortgage insurance companies have manually
27 underwritten and approved such loans. For manually underwritten
28 loans, the underwriter must ensure that the borrower's income will

1 support the total housing expense on an ongoing basis. Underwriters
2 may give consideration to borrowers who have demonstrated an ability
3 to carry a similar or greater housing expense for an extended period.
4 In addition to the monthly housing expense the underwriter must
5 evaluate the borrower's ability to manage all recurring payments on all
6 debts, including the monthly housing expense. When evaluating the
7 ratio of all monthly debt payments to the borrower's monthly income
8 (debt-to-income ratio), the underwriter should be aware of the degree
9 and frequency of credit usage and its impact on the borrower's ability
10 to repay the loan. For example, borrowers who lower their total
11 obligations should receive favorable consideration and borrowers with
12 a history of heavy usage and a pattern of slow or late payments should
13 receive less flexibility.

14 MortgageIT Mortgage Loan Trust 2006-1 Prospectus Supplement at S-65-66.

15 275. The MortgageIT Mortgage Loan Trust 2006-1 Prospectus Supplement
16 represented:

17 MortgageIT underwrites a borrower's creditworthiness based solely on
18 information that MortgageIT believes is indicative of the applicant's
19 willingness and ability to pay the debt they would be incurring.

20 MortgageIT Mortgage Loan Trust 2006-1 Prospectus Supplement at S-64.

21 276. The MortgageIT Mortgage Loan Trust 2006-1 Prospectus Supplement
22 represented:

23 In addition to reviewing the borrower's credit history and credit score,
24 MortgageIT underwriters closely review the borrower's housing
25 payment history. In general, for non-conforming loans the borrower
26 should not have made any mortgage payments over 30 days after the
27 due date for the most recent 24 months. In general, for Pay Option
28 ARM and Alt-A loans the borrower may have no more than one

1 payment that was made over 30 days after the due date for the most
2 recent 24 months.

3 MortgageIT Mortgage Loan Trust 2006-1 Prospectus Supplement at S-65.

4 277. The Soundview Home Loan Trust 2005-OPT4 Prospectus Supplement
5 represented: The Mortgage Loans will have been originated generally in
6 accordance with Option One's Guidelines (the 'Option One Underwriting
7 Guidelines')." Soundview Home Loan Trust 2005-OPT4 Prospectus Supplement at
8 S-54.

9 278. The Soundview Home Loan Trust 2005-OPT4 Prospectus Supplement
10 represented: "On a case-by-case basis, exceptions to the Option One Underwriting
11 Guidelines are made where compensating factors exist." Soundview Home Loan
12 Trust 2005-OPT4 Prospectus Supplement at S-54.

13 279. The Soundview Home Loan Trust 2005-OPT4 Prospectus Supplement
14 represented:

15 Option One Underwriting Guidelines require a reasonable
16 determination of an applicant's ability to repay the loan. Such
17 determination is based on a review of the applicant's source of income,
18 calculation of a debt service-to-income ratio based on the amount of
19 income from sources indicated on the loan application or similar
20 documentation, a review of the applicant's credit history and the type
21 and intended use of the property being financed.

22 Soundview Home Loan Trust 2005-OPT4 Prospectus Supplement at S-55.

23 280. The Soundview Home Loan Trust 2005-OPT4 Prospectus Supplement
24 represented:

25 The Option One Underwriting Guidelines are primarily intended to
26 assess the value of the mortgaged property, to evaluate the adequacy of
27 such property as collateral for the mortgage loan and to assess the
28 applicant's ability to repay the mortgage loan.

1 Soundview Home Loan Trust 2005-OPT4 Prospectus Supplement at S-54.

2 281. The Wachovia Mortgage Loan Trust, Series 2006-ALT1 Prospectus
3 Supplement represented:

4 National City Mortgage's underwriting standards are applied to
5 evaluate the prospective borrower's credit standing and repayment
6 ability and the value and adequacy of the mortgaged property as
7 collateral. These standards are applied in accordance with the
8 applicable federal and state laws and regulations. Exceptions to the
9 underwriting standards are permitted where compensating factors are
10 present.

11 Wachovia Mortgage Loan Trust, Series 2006-ALT1 Prospectus Supplement at S-
12 34.

13 282. The Wachovia Mortgage Loan Trust, Series 2006-ALT1 Prospectus
14 Supplement represented:

15 In determining whether a prospective borrower has sufficient monthly
16 income available (i) to meet the borrower's monthly obligation on
17 their proposed mortgage loan and (ii) to meet the monthly housing
18 expenses and other financial obligation on the proposed mortgage
19 loan, the originator generally considers, when required by the
20 applicable documentation program, the ratio of such amounts to the
21 proposed borrower's acceptable stable monthly gross income. Such
22 ratios vary depending on a number of underwriting criteria, including
23 loan-to-value ratios, and are determined on a loan-by-loan basis.

24 Wachovia Mortgage Loan Trust, Series 2006-ALT1 Prospectus Supplement at S-
25 35.

26 283. UNTRUE STATEMENTS AND OMITTED INFORMATION: The
27 preceding statements were material at the time they were made, because the quality
28 of the loans in the mortgage pool directly affects the riskiness of the RMBS

1 investment, and the quality of the loans is dependent upon the underwriting process
2 employed. The preceding statements were untrue at the time they were made
3 because, as alleged herein, the Originators did not adhere to the stated underwriting
4 guidelines, did not effectively evaluate the borrowers' ability or likelihood to repay
5 the loans, did not properly evaluate whether the borrower's debt-to-income ratio
6 supported a conclusion that the borrower had the means to meet his/her monthly
7 obligations, and did not ensure that adequate compensating factors justified the
8 granting of exceptions to guidelines. Rather, as alleged herein, the Originators
9 systematically disregarded the stated underwriting guidelines in order to increase
10 the volume of mortgages originated (*see supra* Section VII.D). Further evidence of
11 this fact is found in, among other things, the surge in delinquencies and defaults
12 shortly after the offerings (*see supra* Table 5), the rate at which actual losses
13 outpaced expected losses within the first year after the offerings (*see supra* Figure
14 2), the collapse of the credit ratings (*see supra* Table 4), and the fact that the
15 Originators were engaged in high OTD lending (*see supra* Table 6).

16 **B. Untrue Statements Concerning Reduced Documentation Programs**

17 284. The Nomura HELT 2007-1 Prospectus Supplement represented
18 FNBN's reduced documentation underwriting guidelines as the following:

19 Under the stated income documentation and the no ratio programs,
20 more emphasis is placed on a prospective borrower's credit score and
21 on the value and adequacy of the Mortgaged Property as collateral and
22 other assets of the prospective borrower rather than on income
23 underwriting. The stated income documentation program requires
24 prospective borrowers to provide information regarding their assets
25 and income. Information regarding assets is verified through written
26 communications or bank statements. Information regarding income is
27 not verified. The no ratio program requires prospective borrowers to
28 provide information regarding their assets, which is then verified

1 through written communications or bank statements. The no ratio
2 program does not require prospective borrowers to provide
3 information regarding their income. In both the stated income and no
4 ratio programs, the employment history is verified through written or
5 telephonic communication.

6 Nomura HELT 2007-1 Prospectus Supplement at S-106; Alternative Loan Trust
7 2006-AR4 Prospectus Supplement at S-50.

8 285. The American Home Mortgage Assets Trust 2007-3 Prospectus
9 Supplement represented:

10 Certain non-conforming stated income or stated asset products allow
11 for less verification documentation than Fannie Mae or Freddie Mac
12 require. Certain non-conforming Alt-A products also allow for less
13 verification documentation than Fannie Mae or Freddie Mac require.
14 For these Alt-A products the borrower may not be required to verify
15 employment income, assets required to close or both. For some other
16 Alt-A products the borrower is not required to provide any information
17 regarding employment income, assets required to close or both. Alt-A
18 products with less verification documentation generally have other
19 compensating factors such as higher credit score or lower loan-to-
20 value requirements.

21 American Home Mortgage Assets Trust 2007-3 Prospectus Supplement at S-52;
22 HarborView 2007-5 Prospectus Supplement at S-30; HarborView 2007-2
23 Prospectus Supplement at S-33.

24 286. The HarborView 2006-8 Prospectus Supplement represented:

25 Under the Stated Income Verified Asset Documentation type, the
26 mortgage loan application is reviewed to determine that the stated
27 income is reasonable for the borrower's employment and that the
28 assets are consistent with the borrower's income.

1 HarborView 2006-8 Prospectus Supplement at S-61.

2 287. The HarborView 2006-14 Prospectus Supplement represented:
3 Under the Stated Income Verified Asset Documentation type, the
4 mortgage loan application is reviewed to determine that the stated
5 income is reasonable for the borrower's employment and that the
6 assets are consistent with the borrower's income. BankUnited obtains
7 from a prospective borrower either a verification of deposit or bank
8 statements for the two-month period immediately before the date of
9 the mortgage loan application or verbal verification of employment.

10 HarborView 2006-14 Prospectus Supplement at S-66; HarborView 2006-10
11 Prospectus Supplement at S-64.

12 288. The HarborView 2006-14 Prospectus Supplement represented:
13 Under the Stated Income Documentation Program and the No Ratio
14 Program, more emphasis is placed on the prospective borrower's credit
15 score and on the value and adequacy of the mortgaged property as
16 collateral and other assets of the prospective borrower than on income
17 underwriting. The Stated Income Documentation Program requires
18 prospective borrowers to provide information regarding their assets
19 and income. Information regarding assets is verified through written
20 communications. Information regarding income is not verified. The
21 No Ratio Program requires prospective borrowers to provide
22 information regarding their assets, which is then verified through
23 written communications. The No Ratio Program does not require
24 prospective borrowers to provide information regarding their income.
25 Employment is orally verified under both programs.

26 HarborView 2006-14 Prospectus Supplement at S-70.

27 289. The HarborView 2007-1 Prospectus Supplement represented:
28

1 Under the Reduced Documentation Program, some underwriting
2 documentation concerning income, employment and asset verification
3 is waived. Countrywide Home Loans obtains from a prospective
4 borrower either a verification of deposit or bank statements for the
5 two-month period immediately before the date of the mortgage loan
6 application or verbal verification of employment. Since information
7 relating to a prospective borrower's income and employment is not
8 verified, the borrower's debt-to-income ratios are calculated based on
9 the information provided by the borrower in the mortgage loan
10 application. The maximum Loan-to-Value Ratio ranges up to 95%.

11 HarborView 2007-1 Prospectus Supplement at S-32; HarborView 2006-12
12 Prospectus Supplement at S-70; HarborView 2006-11 Prospectus Supplement at S-
13 37; HarborView 2006-9 Prospectus Supplement at S-66.

14 290. The HarborView 2007-4 Prospectus Supplement represented:

15 Under the Reduced Documentation program, the mortgage loan
16 application is reviewed to determine that the stated income is
17 reasonable for the borrower's employment. Generally, employment is
18 verified by verbal verification. Paul Financial obtains from a
19 prospective borrower either a verification of deposit or bank
20 statements for a two-month period within 120 days of the date of the
21 mortgage loan application or verbal verification of employment. Since
22 information relating to a prospective borrower's income is not verified,
23 the borrower's debt-to-income ratios are calculated based on the
24 information provided by the borrower in the mortgage loan
25 application.

26 HarborView 2007-4 Prospectus Supplement at S-36.

27 291. The IndyMac INDX Mortgage Loan Trust 2006-AR35 Prospectus
28 Supplement represented:

1 The Stated Income Documentation Program requires prospective
2 borrowers to provide information regarding their assets and income.
3 Information regarding a borrower's assets, if applicable, is verified
4 through written communications. Information regarding income is not
5 verified and employment verification may not be written.

6 IndyMac INDX Mortgage Loan Trust 2006-AR35 Prospectus Supplement at S-68;
7 *see* IndyMac INDX Mortgage Loan Trust 2006-AR35 Registration Statement, Feb.
8 24, 2006, at S-29.

9 292. The MortgageIT Mortgage Loan Trust 2006-1 Prospectus Supplement
10 represented:

11 Generally, under a "stated income/verified assets" program, no
12 verification of a mortgagor's income is undertaken by the origination;
13 however, verification of the mortgagor's assets is obtained.

14 MortgageIT Mortgage Loan Trust Prospectus Supplement at S-65.

15 293. The MortgageIT Mortgage Loan Trust 2006-1 Prospectus Supplement
16 represented:

17 Generally, under both "full/alternative" documentation programs, at
18 least one month of income documentation is provided. This
19 documentation is also required to include year-to-date income or prior
20 year income in case the former is not sufficient to establish consistent
21 income.

22 MortgageIT Mortgage Loan Trust 2006-1 Prospectus Supplement at S-65.

23 294. The MortgageIT Mortgage Loan Trust 2006-1 Prospectus Supplement
24 represented:

25 The Pay Option ARM and Alt-A mortgage loans are generally
26 documented to the requirements of Fannie Mae and Freddie Mac in
27 that the borrower provides the same information on the loan
28 application along with documentation to verify the accuracy of the

1 information on the application such as income, assets, other liabilities,
2 etc. Certain non-conforming stated income or stated asset products
3 allow for less verification documentation than Fannie Mae or Freddie
4 Mac require. Certain Pay Option ARM and Alt-A products also allow
5 for less verification documentation than Fannie Mae or Freddie Mac
6 requires. For these Pay Option ARM and Alt-A products, the
7 borrower may not be required to verify employment income, assets
8 required to close or both. For some other Pay Option ARM and Alt-A
9 products the borrower is not required to provide any information
10 regarding employment income, assets required to close or both. Pay
11 Option ARM and Alt-A products with less verification documentation
12 generally have other compensating factors such as higher credit score
13 or lower loan-to-value requirements.

14 MortgageIT Mortgage Loan Trust 2006-1 Prospectus Supplement at S-65.

15 295. The Wachovia Mortgage Loan Trust, Series 2006-ALT1 Prospectus
16 Supplement represented:

17 *Stated Documentation.* Under a stated income documentation
18 program, more emphasis is placed on the value and adequacy of the
19 mortgaged property as collateral, credit history and other assets of the
20 borrower than on a verified income of the borrower. Although the
21 income is not verified, the originators obtain a telephonic verification
22 of the borrower's employment without reference to income.
23 Employment stability is a critical component in evaluating the
24 borrower's continuing ability to meet obligations. Borrower's assets
25 may or may not be verified.

26 Wachovia Mortgage Loan Trust, Series 2006-ALT1 Prospectus Supplement at S-
27 36.

1 296. UNTRUE STATEMENTS AND OMITTED INFORMATION: The
2 preceding statements were material at the time they were made, because the quality
3 of the loans in the mortgage pool directly affects the riskiness of the RMBS
4 investment, and the quality of the loans is dependent upon the underwriting process
5 employed. The preceding statements were untrue at the time they were made,
6 because regardless of the documentation program purportedly employed, the
7 Originators systematically disregarded their underwriting guidelines in order to
8 increase the volume of mortgages originated, emphasizing quantity of loans rather
9 than the quality of those loans (*see supra* Section VII.D). Further evidence of this
10 fact is found in, among other things, the surge in delinquencies and defaults shortly
11 after the offerings (*see supra* Table 5), the huge discrepancy between expected and
12 actual losses (*see supra* Figure 2), the collapse of the credit ratings (*see supra* Table
13 4), and the fact that the Originators were engaged in high OTD lending (*see supra*
14 Table 6).

15 **C. Untrue Statements Concerning Loan-to-Value Ratios**

16 297. The American Home Mortgage Assets Trust 2007-3 Prospectus
17 Supplement represented:

18 The Originator sets various maximum loan-to-value ratios based on the
19 loan amount, property type, loan purpose and occupancy of the subject
20 property securing the loan. In general, the Originator requires lower
21 loan-to-value ratios for those loans that are perceived to have a higher
22 risk, such as high loan amounts, loans in which additional cash is
23 being taken out on a refinance transaction or loans on second homes.
24 A lower loan-to-value ratio requires a borrower to have more equity in
25 the property which is a significant additional incentive to the borrower
26 to avoid default on the loan.

27 American Home Mortgage Assets Trust 2007-3 Prospectus Supplement at S-53.
28

1 298. The IndyMac INDX Mortgage Loan Trust 2006-AR35 Prospectus
2 Supplement represented: “Maximum loan-to-value and combined loan-to-value
3 ratios and loan amounts are established according to the occupancy type, loan
4 purpose, property type, FICO Credit Score, number of previous late mortgage
5 payments and the age of any bankruptcy or foreclosure actions.” IndyMac INDX
6 Mortgage Loan Trust 2006-AR35 Prospectus Supplement at S-68; *see* IndyMac
7 INDX Mortgage Loan Trust 2006-AR35 Registration Statement, Feb. 24, 2006, at
8 S-30.

9 299. The Luminent Mortgage Trust 2007-1 Prospectus Supplement
10 represented: “Maximum loan-to-value and combined loan-to-value ratios and loan
11 amounts are established according to the occupancy type, loan purpose, property
12 type, FICO Credit Score, number of previous late mortgage payments and the age
13 of any bankruptcy or foreclosure actions.” Luminent Mortgage Trust 2007-1
14 Prospectus Supplement at S-38.

15 300. The MortgageIT Mortgage Loan Trust 2006-1 Prospectus Supplement
16 represented:

17 The appraiser’s value conclusion is used to calculate the ratio (loan-to-
18 value) of the loan amount to the value of the property. For loans made
19 to purchase a property this ratio is based on the lower of the sales price
20 of the property and the appraised value. MortgageIT sets various
21 maximum loan-to-value ratios based on the loan amount, property
22 type, loan purpose and occupancy of the subject property securing the
23 loan. In general, MortgageIT requires lower loan-to-value ratios for
24 those loans that are perceived to have a higher risk, such as high loan
25 amounts, loans in which additional cash is being taken out on a
26 refinance transaction or loans on second homes. A lower loan-to-value
27 ratio requires a borrower to have more equity in the property, which is
28 a significant additional incentive to the borrower to avoid default on

1 the loan. In addition, for all conventional loans in which the loan-to-
2 value ratio exceeds 80%, MortgageIT requires that a private mortgage
3 insurance company that is approved by Fannie Mae and Freddie Mac
4 insure the loan. Higher loan-to-value ratios require higher coverage
5 levels.

6 MortgageIT Mortgage Loan Trust 2006-1 Prospectus Supplement at S-64-65.

7 301. The Soundview Home Loan Trust 2005-OPT4 Prospectus Supplement
8 represented:

9 Option One recognizes that an appraised value is an opinion and thus,
10 allows for variances to the appraisal based on a review of such
11 appraisal, the loan-to-value ratio (“LTV”) and other risk factors. The
12 maximum variance between the appraisal and a review of the appraisal
13 is limited to (i) 10% for LTVs that are less than or equal to 85%, (ii)
14 5% for LTVs between 85.01% and 95%, and (iii) 3% for LTVs over
15 95%.

16 Soundview Home Loan Trust 2005-OPT4 Prospectus Supplement at S-55.

17 302. UNTRUE STATEMENTS AND OMITTED INFORMATION: The
18 preceding statements were material at the time they were made because the
19 riskiness of the RMBS investment is directly dependent on the quality of the
20 underwriting process and adequate assessment and limits on loan-to-value ratios (in
21 addition to accurate appraisals) is key to that process. The preceding statements
22 were untrue at the time they were made because the Originators did not adhere to
23 the maximum loan-to-value ratios as represented in the offering document,
24 encouraged inflated appraisals and frequently granted loans with high loan-to-value
25 ratios with no meaningful assessment of the borrower’s ability to repay the loan
26 based on the borrower’s credit profile (*see supra* Section VII.D). Further evidence
27 of this fact is found in, among other things, the surge in delinquencies and defaults
28 shortly after the offerings (*see supra* Table 5), the huge discrepancy between

1 expected and actual losses (*see supra* Figure 2), the collapse of the credit ratings
2 (*see supra* Table 4), and the fact that the Originators were engaged in high OTD
3 lending (*see supra* Table 6).

4 **D. Untrue Statements Concerning Credit Enhancement**

5 303. With regard to credit enhancement, the Nomura HELT 2007-1
6 Prospectus Supplement represented:

7 The credit enhancement features described in this prospectus
8 supplement are intended to enhance the likelihood that holders of the
9 Group I Senior Certificates and Group II Senior Certificates will
10 receive regular distributions of interest and principal from amounts
11 received or advanced on the related Mortgage Loans. However, we
12 cannot assure you that the applicable credit enhancement will
13 adequately cover any shortfalls in cash available to distribute to your
14 certificates as a result of delinquencies or defaults on the related
15 Mortgage Loans. If delinquencies or defaults occur on the related
16 Mortgage Loans, neither the servicers nor any other entity will
17 advance scheduled monthly payments of interest and principal on
18 delinquent or defaulted Mortgage Loans if such advances are not likely
19 to be recovered.

20 Nomura HELT 2007-1 Prospectus Supplement at S-38.

21 304. The American Home Mortgage Assets Trust 2007-3 Prospectus
22 Supplement represented: “Any decrease in the value of the mortgage properties
23 related to the mortgage loans may result in the allocation of losses which are not
24 covered by credit enhancement to the offered certificates.” American Home
25 Mortgage Assets Trust 2007-3 Prospectus Supplement at S-24; *see* American Home
26 Mortgage Assets Trust 2007-3 Registration Statement, Feb. 6, 2007, at S-16.

27 305. The First Franklin Mortgage Loan Trust 2005-FFH4 Prospectus
28 Supplement represented:

1 The credit enhancement features described in the summary of this
2 prospectus supplement are intended to enhance the likelihood that
3 holders of the Class A Certificates, and to a limited extent, the holders
4 of the Mezzanine Certificates and the Class B Certificates, will receive
5 regular distributions of interest and principal.

6 First Franklin Mortgage Loan Trust 2005-FFH4 Prospectus Supplement at S-16.

7 306. The HarborView 2006-8 Prospectus Supplement represented:

8 Subordination is designed to provide the holders of certificates with a
9 higher payment priority with protection against losses realized when
10 the remaining unpaid principal balance on a mortgage loan exceeds the
11 amount of proceeds recovered upon the liquidation of that mortgage
12 loan.

13 HarborView 2006-8 Prospectus Supplement at S-10; HarborView 2006-9
14 Prospectus Supplement at S-10; HarborView 2006-10 Prospectus Supplement at S-
15 10; HarborView 2006-11 Prospectus Supplement at S-8; HarborView 2006-12
16 Prospectus Supplement at S-10-11; HarborView 2006-14 Prospectus Supplement at
17 S-11; HarborView 2007-1 Prospectus Supplement at S-9; HarborView 2007-2
18 Prospectus Supplement at S-11; HarborView 2007-4 Prospectus Supplement at S-
19 11; HarborView 2007-5 Prospectus Supplement at S-9.

20 307. The IndyMac INDX Mortgage Loan Trust 2006-AR35 Prospectus
21 Supplement represented: “The subordination features of the issuing entity are
22 intended to enhance the likelihood that senior certificate holders will receive regular
23 payments of interest and principal, as applicable.” IndyMac INDX Mortgage Loan
24 Trust 2006-AR35 Prospectus Supplement at S-25; *see* IndyMac INDX Mortgage
25 Loan Trust 2006-AR35 Registration Statement, Feb. 24, 2006 at S-18.

26 308. The Luminent Mortgage Trust 2007-1 Prospectus Supplement
27 represented:
28

1 Credit enhancement is intended to reduce the loss caused to holders of
2 the certificates as a result of shortfalls in payments received and losses
3 realized on the mortgage loans. The credit enhancement for each of the
4 Class I and Class II offered certificates includes subordination, excess
5 interest, overcollateralization and realized loss allocation with respect
6 to the related group of mortgage loans. In addition, substantially all of
7 the mortgage loans with loan-to-value ratios equal to or greater than
8 75% are covered by one or more primary mortgage insurance policies
9 that, subject to compliance with the terms of the policy, would cover a
10 portion of any losses on a covered loan.

11 Luminent Mortgage Trust 2007-1 Prospectus Supplement at S-6.

12 309. The Soundview Home Loan Trust 2005-OPT4 Prospectus Supplement
13 represented:

14 The credit enhancement features described in this prospectus
15 supplement are intended to enhance the likelihood that holders of the
16 Class A Certificates and the Mezzanine Certificates, will receive
17 regular distributions of interest and principal. However, we cannot
18 assure you that the applicable credit enhancement will adequately
19 cover any shortfalls in cash available to pay your certificates as a result
20 of delinquencies or defaults on the Mortgage Loans. If delinquencies
21 or defaults occur on the Mortgage Loans, neither the Servicer nor any
22 other entity will advance scheduled monthly payments of interest and
23 principal on delinquent or defaulted Mortgage Loans if such advances
24 are not likely to be recovered.

25 Soundview Home Loan Trust 2005-OPT4 Prospectus Supplement at S-14.

26 310. UNTRUE STATEMENTS AND OMITTED INFORMATION: The
27 preceding statements were material at the time they were made, because WesCorp
28 nearly always purchased the highest rated tranches of the RMBS, and those highly

1 rated tranches relied on the credit enhancement, which purportedly afforded
2 protection against financial loss. The preceding statements were untrue at the time
3 they were made, because, due to the Originators' systematic disregard of
4 underwriting standards, the mortgages in the pools were fatally impaired at the
5 outset and destined to fail (*see supra* Section VII.D). This rendered the protection
6 allegedly afforded by the credit enhancement in the highest tranches illusory.
7 Further evidence of the Originators' pervasive disregard of underwriting standards
8 is found in the surge in delinquencies and defaults shortly after the offerings (*see*
9 *supra* Table 5); the huge discrepancy between expected and actual losses (*see supra*
10 Figure 2); the collapse of the credit ratings (*see supra* Table 4); and the Originators'
11 high OTD lending (*see supra* Table 6).

12 **IX. THE CLAIMS ARE TIMELY**

13 311. For actions brought by the NCUA Board as Liquidating Agent, the
14 FCU Act extends the statute of limitations for at least three years from the date of
15 the appointment of the NCUA Board as Conservator or Liquidating Agent. *See*
16 U.S.C. § 1787(b)(14)(B)(i).

17 312. The NCUA Board placed WesCorp into conservatorship and appointed
18 itself as conservator on March 20, 2009. On October 1, 2010, the NCUA Board
19 placed WesCorp in liquidation and appointed itself Liquidating Agent.

20 313. Actions brought under Sections 11 and 12(a)(2) of the Securities Act
21 must be:

22 brought within one year after the discovery of the untrue statement or
23 the omission, or after such discovery should have been made by the
24 exercise of reasonable diligence. . . . In no event shall any such action
25 be brought to enforce a liability created under section 77k or 77l(a)(1)
26 of this title more than three years after the security was bona fide
27 offered to the public, or under section 77l(a)(2) of this title more than
28 three years after the sale.

1 15 U.S.C. § 77m.

2 314. Actions brought under section 25501 of the California Corporate
3 Securities Law must be brought within “five years after the act or transaction
4 constituting the violation or the expiration of two years after the discovery by the
5 plaintiff of the facts constituting the violation, whichever shall first expire.” Cal.
6 Corp. Code § 25506(b).

7 315. As the Federal Reserve Board noted in November 2008, the
8 “deteriorating lending standards” and “the surge in early payment defaults suggests
9 that underwriting . . . deteriorated on dimensions that were less readily apparent to
10 investors.” Christopher Mayer *et al.*, *The Rise in Mortgage Defaults* at 15-16; *see*
11 *also* FSOC Risk Retention Report at 9.

12 316. Accordingly, WesCorp did not discover and could not have discovered
13 the material untrue statements and/or misleading omissions in the Offering
14 Documents more than one year prior to March 20, 2009, the date on which the
15 NCUA Board placed WesCorp into conservatorship.

16 317. In addition, WesCorp and/or the NCUA Board, as Liquidating Agent
17 of WesCorp, is or was a member of putative classes in the cases listed below.
18 Therefore, the NCUA Board’s claims are subject to legal tolling of the statute of
19 limitations and statute of repose under the doctrine announced in *American Pipe &*
20 *Construction Co. v. Utah*, 414 U.S. 538 (1974) (“American Pipe”), and its progeny.

21 Table 7

CUSIP	ISSUING ENTITY	BUYER	TRADE DATE	American Pipe Tolling Commencement Date	American Pipe Tolling Most Recent Update
41162CAD3	HarborView 2006-10	WesCorp	10/18/06	<i>New Jersey Carpenters Vacation Fund v. The Royal Bank of Scotland</i> , No. 08-cv-5093 (S.D.N.Y.) Consolidated First Amended Class Action Complaint Filed: May 19, 2009	New Jersey Carpenters Vacation Fund v. The Royal Bank of Scotland, No. 08-cv-5093 (S.D.N.Y.) Opinion & Order Granting in Part Motion To Dismiss Filed: May 19, 2011

CUSIP	ISSUING ENTITY	BUYER	TRADE DATE	American Pipe Tolling Commencement Date	American Pipe Tolling Most Recent Update
41162GAB8	HarborView 2006-11	WesCorp	10/27/06	<i>New Jersey Carpenters Vacation Fund v. The Royal Bank of Scotland</i> , No. 08-cv-5093 (S.D.N.Y.) Consolidated First Amended Class Action Complaint Filed: May 19, 2009	<i>New Jersey Carpenters Vacation Fund v. The Royal Bank of Scotland</i> , No. 08-cv-5093 (S.D.N.Y.) Opinion & Order Granting in Part Motion To Dismiss Filed: May 19, 2011
41162DAG4	HarborView 2006-12	WesCorp	10/19/06	<i>New Jersey Carpenters Vacation Fund v. The Royal Bank of Scotland</i> , No. 08-cv-5093 (S.D.N.Y.) Consolidated First Amended Class Action Complaint Filed: May 19, 2009	<i>New Jersey Carpenters Vacation Fund v. The Royal Bank of Scotland</i> , No. 08-cv-5093 (S.D.N.Y.) Opinion & Order Granting in Part Motion To Dismiss Filed: May 19, 2011
41162DAH2	HarborView 2006-12	WesCorp	11/29/06	<i>New Jersey Carpenters Vacation Fund v. The Royal Bank of Scotland</i> , No. 08-cv-5093 (S.D.N.Y.) Consolidated First Amended Class Action Complaint Filed: May 19, 2009	<i>New Jersey Carpenters Vacation Fund v. The Royal Bank of Scotland</i> , No. 08-cv-5093 (S.D.N.Y.) Opinion & Order Granting in Part Motion To Dismiss Filed: May 19, 2011
41162NAD9	HarborView 2006-14	WesCorp	12/5/06	<i>New Jersey Carpenters Vacation Fund v. The Royal Bank of Scotland</i> , No. 08-cv-5093 (S.D.N.Y.) Consolidated First Amended Class Action Complaint Filed: May 19, 2009	<i>New Jersey Carpenters Vacation Fund v. The Royal Bank of Scotland</i> , No. 08-cv-5093 (S.D.N.Y.) Opinion & Order Granting in Part Motion To Dismiss Filed: May 19, 2011
41162NAH0	HarborView 2006-14	WesCorp	12/5/06	<i>New Jersey Carpenters Vacation Fund v. The Royal Bank of Scotland</i> , No. 08-cv-5093 (S.D.N.Y.) Consolidated First Amended Class Action Complaint Filed: May 19, 2009	<i>New Jersey Carpenters Vacation Fund v. The Royal Bank of Scotland</i> , No. 08-cv-5093 (S.D.N.Y.) Opinion & Order Granting in Part Motion To Dismiss Filed: May 19, 2011

CUSIP	ISSUING ENTITY	BUYER	TRADE DATE	American Pipe Tolling Commencement Date	American Pipe Tolling Most Recent Update
41161XAM8	HarborView 2006-9	WesCorp	8/18/06	<i>New Jersey Carpenters Vacation Fund v. Harborview Mortgage Loan</i> , No. 08-601451 (N.Y. Sup. Ct. Trial Div.) Filed: May 14, 2008 (Removed to No. 08-5093 (S.D.N.Y.))	<i>New Jersey Carpenters Vacation Fund v. The Royal Bank of Scotland</i> , No. 08-cv-5093 (S.D.N.Y.) Opinion & Order Granting in Part Motion To Dismiss Filed: May 19, 2011
41161XAN6	HarborView 2006-9	WesCorp	3/8/07	<i>New Jersey Carpenters Vacation Fund v. Harborview Mortgage Loan</i> , No. 08-601451 (N.Y. Sup. Ct. Trial Div.) Filed: May 14, 2008 (Removed to No. 08-5093 (S.D.N.Y.))	<i>New Jersey Carpenters Vacation Fund v. The Royal Bank of Scotland</i> , No. 08-cv-5093 (S.D.N.Y.) Opinion & Order Granting in Part Motion To Dismiss Filed: May 19, 2011
45667SAN7	IndyMac INDX Mortgage Loan Trust 2006-AR35	WesCorp	11/28/06	<i>Police and Fire Retirement System of Detroit v. Indymac</i> , No. 09-cv-4583 (S.D.N.Y.) Complaint Filed: May 14, 2009; <i>Wyoming State Treasurer v. Olinski</i> , No. 09-cv-5933 (S.D.N.Y.) Complaint Filed: June 29, 2009 (Consolidated with No. 09-4583 (S.D.N.Y.))	<i>In re Indymac Mortgage-Backed Sec. Litig.</i> , No. 09-cv-4583 (S.D.N.Y.) Motion for Class Certification PENDING: December 10, 2010
45667SAP2	IndyMac INDX Mortgage Loan Trust 2006-AR35	WesCorp	11/28/06	<i>Police and Fire Retirement System of Detroit v. Indymac</i> , No. 09-cv-4583 (S.D.N.Y.) Complaint Filed: May 14, 2009; <i>Wyoming State Treasurer v. Olinski</i> , No. 09-cv-5933 (S.D.N.Y.) Complaint Filed: June 29, 2009 (Consolidated with No. 09-4583 (S.D.N.Y.))	<i>In re Indymac Mortgage-Backed Sec. Litig.</i> , No. 09-cv-4583 (S.D.N.Y.) Motion for Class Certification PENDING: December 10, 2010

318. With respect to those RMBS purchases for which the NCUA Board asserts claims under Section 11 of the Securities Act (Claims 1-7), the earliest date

1 they were bona fide offered to the public was August 28, 2006, or not more than
2 three years prior to March 20, 2009. Accordingly, the NCUA Board's Section 11
3 claims are not time-barred.

4 319. With respect to those RMBS purchases for which the NCUA Board
5 asserts claims under Section 12(a)(2) (Claim 8), the earliest sale was August 1,
6 2006, or not more than three years prior to March 20, 2009. Accordingly, the
7 NCUA Board's Section 12(a)(2) claims are not time-barred.

8 320. With respect to those RMBS purchases for which the NCUA Board
9 asserts claims under state law (Claim 9), the earliest purchase date or offering date
10 with respect to those claims was November 22, 2005, or not more than five years
11 prior to March 20, 2009. Accordingly, the NCUA Board's state law claims are not
12 time-barred.

13 **X. CLAIMS FOR RELIEF**

14 **FIRST CLAIM FOR RELIEF**

15 **Section 11 of the Securities Act**

16 **(Alternative Loan Trust 2006-AR4)**

17 321. The NCUA Board realleges paragraphs 1 through 320 of this
18 Complaint, as though fully set forth here, except those paragraphs specific to the
19 Issuer Defendants other than Nomura Asset Acceptance Corp., or specific to
20 offerings other than the Alternative Loan Trust 2006-AR4 offering. The NCUA
21 Board brings this cause of action pursuant to Section 11 of the Securities Act, with
22 respect to WesCorp's purchase of the Alternative Loan Trust 2006-AR4 certificate
23 against Defendant RBS, as underwriter, and against Defendant Nomura Asset
24 Acceptance Corp., as issuer.

25 322. The NCUA Board expressly disclaims and disavows any allegation
26 that could be construed as alleging fraud.

27 323. At the time the registration statement became effective, it (including
28 the prospectus and any prospectus supplements) contained untrue statements and

1 omitted facts that were necessary to make the statements made not misleading, as
2 alleged above.

3 324. The untrue statements and omitted facts were material because a
4 reasonably prudent investor deciding whether to purchase the certificate would
5 have viewed them as important and as substantially altering the total mix of
6 information available, as alleged above.

7 325. WesCorp purchased the certificate pursuant to and traceable to the
8 defective registration statement, as alleged above.

9 326. At the time WesCorp purchased the certificate, it did not know of the
10 untrue statements and omissions contained in the registration statement.

11 327. RBS's and Nomura Asset Acceptance Corp's conduct as alleged above
12 violated Section 11.

13 328. WesCorp and the NCUA Board sustained damages as a result of
14 Defendant RBS's and Defendant Nomura Asset Acceptance Corp.'s violations of
15 Section 11.

16 329. WHEREFORE, the NCUA Board requests the Court to enter judgment
17 in its favor against Defendant RBS and Defendant Nomura Asset Acceptance
18 Corp., jointly and severally, awarding all damages, in an amount to be proven at
19 trial, costs, and such other relief as the Court deems appropriate and just.

20 **SECOND CLAIM FOR RELIEF**

21 **Section 11 of the Securities Act**

22 **(American Home Mortgage Assets Trust 2007-3)**

23 330. The NCUA Board realleges paragraphs 1 through 320 of this
24 Complaint, as though fully set forth here, except those paragraphs specific to the
25 Issuer Defendants other than American Home Mortgage Assets LLC, or specific to
26 offerings other than the American Home Mortgage Assets Trust 2007-3 offering.

27 331. The NCUA Board brings this cause of action pursuant to Section 11 of
28 the Securities Act, with respect to WesCorp's purchase of the American Home

1 Mortgage Assets Trust 2007-3 certificate against Defendant RBS, as underwriter,
2 and against Defendant American Home Mortgage Assets LLC, as the issuer.

3 332. The NCUA Board expressly disclaims and disavows any allegation
4 that could be construed as alleging fraud.

5 333. At the time the registration statement became effective, it (including
6 the prospectus and any prospectus supplements) contained untrue statements and
7 omitted facts that were necessary to make the statements made not misleading, as
8 alleged above.

9 334. The untrue statements and omitted facts were material because a
10 reasonably prudent investor deciding whether to purchase the certificate would
11 have viewed them as important and as substantially altering the total mix of
12 information available, as alleged above.

13 335. WesCorp purchased the certificate pursuant to and traceable to the
14 defective registration statement, as alleged above.

15 336. At the time WesCorp purchased the certificate, it did not know of the
16 untrue statements and omissions contained in the registration statement.

17 337. RBS's and American Home Mortgage Assets LLC's conduct as
18 alleged above violated Section 11.

19 338. WesCorp and the NCUA Board sustained damages as a result of
20 Defendant RBS's and Defendant American Home Mortgage Assets LLC's
21 violations of Section 11.

22 339. WHEREFORE, the NCUA Board requests the Court to enter judgment
23 in its favor against Defendant RBS and Defendant American Home Mortgage
24 Assets LLC, jointly and severally awarding all damages, in an amount to be proven
25 at trial, costs, and such other relief as the Court deems appropriate and just.
26
27
28

1 **THIRD CLAIM FOR RELIEF**

2 **Section 11 of the Securities Act**

3 **(HarborView 2007-5, HarborView 2007-4, HarborView 2007-2, HarborView**
4 **2007-1, HarborView 2006-14, HarborView 2006-12, HarborView 2006-11,**
5 **HarborView 2006-10, HarborView 2006-9, and HarborView 2006-8)**

6 340. The NCUA Board realleges paragraphs 1 through 320 of this
7 Complaint as though fully set forth here, except those paragraphs specific to the
8 Issuer Defendants other than Greenwich Capital Acceptance, Inc., or specific to
9 offerings other than the HarborView 2007-5, HarborView 2007-4, HarborView
10 2007-2, HarborView 2007-1, HarborView 2006-14, HarborView 2006-12,
11 HarborView 2006-11, HarborView 2006-10, HarborView 2006-9, and HarborView
12 2006-8 offerings.

13 341. The NCUA Board brings this cause of action pursuant to Section 11 of
14 the Securities Act, with respect to WesCorp's purchases of the HarborView 2007-5,
15 HarborView 2007-4, HarborView 2007-2, HarborView 2007-1, HarborView 2006-
16 14, HarborView 2006-12, HarborView 2006-11, HarborView 2006-10,
17 HarborView 2006-9, and HarborView 2006-8 certificates against Defendant RBS,
18 as underwriter, and against Defendant Greenwich Capital Acceptance, Inc., as the
19 issuer.

20 342. The NCUA Board expressly disclaims and disavows any allegation
21 that could be construed as alleging fraud.

22 343. At the time the registration statement became effective, it (including
23 the prospectus and any prospectus supplements) contained untrue statements and
24 omitted facts that were necessary to make the statements made not misleading, as
25 alleged above.

26 344. The untrue statements and omitted facts were material because a
27 reasonably prudent investor deciding whether to purchase the certificates would
28

1 have viewed them as important and as substantially altering the total mix of
2 information available, as alleged above.

3 345. WesCorp purchased the certificates pursuant to and traceable to a
4 defective registration statement, as alleged above.

5 346. At the time WesCorp purchased the certificates, it did not know of the
6 untrue statements and omissions contained in the registration statement.

7 347. RBS's and Greenwich Capital Acceptance, Inc.'s conduct as alleged
8 above violated Section 11.

9 348. WesCorp and the NCUA Board sustained damages as a result of
10 Defendant RBS's and Defendant Greenwich Capital Acceptance, Inc.'s violations
11 of Section 11.

12 349. WHEREFORE, the NCUA Board requests the Court to enter judgment
13 in its favor against Defendant RBS and Defendant Greenwich Capital Acceptance,
14 Inc., jointly and severally, awarding all damages, in an amount to be proven at trial,
15 costs, and such other relief as the Court deems appropriate and just.

16 **FOURTH CLAIM FOR RELIEF**

17 **Section 11 of the Securities Act**

18 **(IndyMac INDX Mortgage Loan Trust 2006-AR35)**

19 350. The NCUA Board realleges paragraphs 1 through 320 of this
20 Complaint, as though fully set forth here, except those paragraphs specific to the
21 Issuer Defendants other than IndyMac MBS, Inc., or specific to offerings other than
22 the IndyMac INDX Mortgage Loan Trust 2006-AR35 offering.

23 351. The NCUA Board brings this cause of action pursuant to Section 11 of
24 the Securities Act, with respect to WesCorp's purchase of the IndyMac INDX
25 Mortgage Loan Trust 2006-AR35 certificate against Defendant RBS, as
26 underwriter, and against Defendant IndyMac MBS, Inc., as the issuer.

27 352. The NCUA Board expressly disclaims and disavows any allegation
28 that could be construed as alleging fraud.

1 353. At the time the registration statement became effective, it (including
2 the prospectus and any prospectus supplements) contained untrue statements and
3 omitted facts that were necessary to make the statements made not misleading, as
4 alleged above.

5 354. The untrue statements and omitted facts were material because a
6 reasonably prudent investor deciding whether to purchase the certificate would
7 have viewed them as important and as substantially altering the total mix of
8 information available, as alleged above.

9 355. WesCorp purchased the certificate pursuant to and traceable to the
10 defective registration statement, as alleged above.

11 356. At the time WesCorp purchased the certificate, it did not know of the
12 untrue statements and omissions contained in the registration statement.

13 357. RBS's and IndyMac MBS, Inc.'s conduct as alleged above violated
14 Section 11.

15 358. WesCorp and the NCUA Board sustained damages as a result of
16 Defendant RBS's and Defendant IndyMac MBS, Inc.'s violations of Section 11.

17 359. WHEREFORE, the NCUA Board requests the Court to enter judgment
18 in its favor against Defendant RBS and Defendant IndyMac MBS, Inc., jointly and
19 severally, awarding all damages, in an amount to be proven at trial, costs, and such
20 other relief as the Court deems appropriate and just.

21 **FIFTH CLAIM FOR RELIEF**

22 **Section 11 of the Securities Act**

23 **(Luminent Mortgage Trust 2007-1)**

24 360. The NCUA Board realleges paragraphs 1 through 320 of this
25 Complaint, as though fully set forth here, except those paragraphs specific to the
26 Issuer Defendants other than Lares Asset Securitization, Inc., or specific to
27 offerings other than the Luminent Mortgage Trust 2007-1 offering.

1 361. The NCUA Board brings this cause of action pursuant to Section 11 of
2 the Securities Act, with respect to WesCorp's purchase of the Luminent Mortgage
3 Trust 2007-1 certificate against Defendant RBS, as underwriter, and against
4 Defendant Lares Asset Securitization, Inc., as the issuer.

5 362. The NCUA Board expressly disclaims and disavows any allegation
6 that could be construed as alleging fraud.

7 363. At the time the registration statement became effective, it (including
8 the prospectus and any prospectus supplements) contained untrue statements and
9 omitted facts that were necessary to make the statements made not misleading, as
10 alleged above.

11 364. The untrue statements and omitted facts were material because a
12 reasonably prudent investor deciding whether to purchase the certificate would
13 have viewed them as important and as substantially altering the total mix of
14 information available, as alleged above.

15 365. WesCorp purchased the certificate pursuant to and traceable to the
16 defective registration statement, as alleged above.

17 366. At the time WesCorp purchased the certificate, it did not know of the
18 untrue statements and omissions contained in the registration statement.

19 367. RBS's and Lares Asset Securitization, Inc.'s conduct as alleged above
20 violated Section 11.

21 368. WesCorp and the NCUA Board sustained damages as a result of
22 Defendant RBS's and Defendant Lares Asset Securitization, Inc.'s violations of
23 Section 11.

24 369. WHEREFORE, the NCUA Board requests the Court to enter judgment
25 in its favor against Defendant RBS and Defendant Lares Asset Securitization, Inc.,
26 jointly and severally, awarding all damages, in an amount to be proven at trial,
27 costs, and such other relief as the Court deems appropriate and just.

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1 **SIXTH CLAIM FOR RELIEF**

2 **Section 11 of the Securities Act**

3 **(Nomura HELT 2007-1)**

4 370. The NCUA Board realleges paragraphs 1 through 320 of this
5 Complaint, as though fully set forth here, except those paragraphs specific to the
6 Issuer Defendants other than Nomura Home Equity Loan, Inc., or specific to
7 offerings other than the Nomura HELT 2007-1 offering.

8 371. The NCUA Board brings this cause of action pursuant to Section 11 of
9 the Securities Act, with respect to WesCorp's purchase of the Nomura HELT 2007-
10 1 certificate against Defendant RBS, as underwriter, and against Defendant Nomura
11 Home Equity Loan, Inc., as the issuer.

12 372. The NCUA Board expressly disclaims and disavows any allegation
13 that could be construed as alleging fraud.

14 373. At the time the registration statement became effective, it (including
15 the prospectus and any prospectus supplements) contained untrue statements and
16 omitted facts that were necessary to make the statements made not misleading, as
17 alleged above.

18 374. The untrue statements and omitted facts were material because a
19 reasonably prudent investor deciding whether to purchase the certificate would
20 have viewed them as important and as substantially altering the total mix of
21 information available, as alleged above.

22 375. WesCorp purchased the certificate pursuant to and traceable to the
23 defective registration statement, as alleged above.

24 376. At the time WesCorp purchased the certificate, it did not know of the
25 untrue statements and omissions contained in the registration statement.

26 377. RBS's and Nomura Home Equity Loan, Inc.'s conduct as alleged
27 above violated Section 11.

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1 have viewed them as important and as substantially altering the total mix of
2 information available, as alleged above.

3 385. WesCorp purchased the certificate pursuant to and traceable to the
4 defective registration statement, as alleged above.

5 386. At the time WesCorp purchased the certificate, it did not know of the
6 untrue statements and omissions contained in the registration statement.

7 387. RBS's and Wachovia Mortgage Loan Trust, LLC's conduct as alleged
8 above violated Section 11.

9 388. WesCorp and the NCUA Board sustained damages as a result of
10 Defendant RBS's and Defendant Wachovia Mortgage Loan Trust, LLC's violations
11 of Section 11.

12 389. WHEREFORE, the NCUA Board requests the Court to enter judgment
13 in its favor against Defendant RBS and Defendant Wachovia Mortgage Loan Trust,
14 LLC, jointly and severally, awarding all damages, in an amount to be proven at
15 trial, costs, and such other relief as the Court deems appropriate and just.

16 **EIGHTH CLAIM FOR RELIEF**

17 **Section 12(a)(2) of the Securities Act**

18 **(Alternative Loan Trust 2006-AR4, American Home Mortgage Assets Trust**
19 **2007-3, HarborView 2007-5, HarborView 2007-4, HarborView 2007-2,**
20 **HarborView 2007-1, HarborView 2006-14, HarborView 2006-12, HarborView**
21 **2006-11, HarborView 2006-10, HarborView 2006-9, HarborView 2006-8,**
22 **IndyMac INDX Mortgage Loan Trust 2006-AR35, Luminent Mortgage Trust**
23 **2007-1, Nomura HELT 2007-1)**

24 390. The NCUA Board realleges paragraphs 1 through 320 of this
25 Complaint, as though fully set forth here, except those paragraphs specific to the
26 offerings other than Alternative Loan Trust 2006-AR4, American Home Mortgage
27 Assets Trust 2007-3, HarborView 2007-5, HarborView 2007-4, HarborView 2007-
28 2, HarborView 2007-1, HarborView 2006-14, HarborView 2006-12, HarborView

1 2006-11, HarborView 2006-10, HarborView 2006-9, HarborView 2006-8,
2 IndyMac INDX Mortgage Loan Trust 2006-AR35, Luminent Mortgage Trust 2007-
3 1, and Nomura HELT 2007-1 offerings.

4 391. The NCUA Board brings this cause of action pursuant to Section
5 12(a)(2) of the Securities Act, with respect to WesCorp's purchases of the
6 Alternative Loan Trust 2006-AR4, American Home Mortgage Assets Trust 2007-3,
7 HarborView 2007-5, HarborView 2007-4, HarborView 2007-2, HarborView 2007-
8 1, HarborView 2006-14, HarborView 2006-12, HarborView 2006-11, HarborView
9 2006-10, HarborView 2006-9, HarborView 2006-8, IndyMac INDX Mortgage
10 Loan Trust 2006-AR35, Luminent Mortgage Trust 2007-1, Nomura HELT 2007-
11 1 certificates against Defendant RBS, as the underwriter and seller of those
12 certificates.

13 392. The NCUA Board expressly disclaims and disavows any allegation
14 that could be construed as alleging fraud.

15 393. Defendant RBS offered to sell and sold the securities to WesCorp
16 through one or more instrumentalities of interstate commerce (*i.e.*, telephone, faxes,
17 mails, e-mail, or other means of electronic communication).

18 394. Defendant RBS offered to sell and sold the securities, for its own
19 financial gain, to WesCorp by means of the prospectus and/or prospectus
20 supplements, as alleged above, and/or oral communications related to the
21 prospectuses and/or prospectus supplements.

22 395. The prospectuses and/or prospectus supplements contained untrue
23 statements of material fact and omitted facts that were necessary to make the
24 statements made not misleading, as alleged above.

25 396. The untrue statements of material fact and omitted facts were material
26 because a reasonably prudent investor deciding whether to purchase the certificates
27 would have viewed them as important and as substantially altering the total mix of
28 information available, as alleged above.

1 397. WesCorp purchased the certificates on the initial offering pursuant to
2 the prospectus and/or prospectus supplements.

3 398. At the time WesCorp purchased the certificates, it did not know of the
4 untrue statements and omissions contained in the prospectuses and/or prospectus
5 supplements.

6 399. Defendant RBS's conduct as alleged above violated Section 12(a)(2).

7 400. WesCorp and the NCUA Board sustained damages as a result of
8 Defendant RBS's violations of Section 12(a)(2).

9 401. WHEREFORE, the NCUA Board requests the Court to enter judgment
10 in its favor against Defendant RBS awarding damages in an amount to be proven at
11 trial, costs, and such other relief as the Court deems appropriate and just.

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1 **NINTH CLAIM FOR RELIEF**

2 **Violation of the California Corporate Securities Law of 1968**

3 **Cal. Corp. Code §§ 25401 and 25501**

4 **(Alternative Loan Trust 2006-AR4, American Home Mortgage Assets Trust**
5 **2007-3, First Franklin Mortgage Loan Trust 2005-FFH4, HarborView 2007-5,**
6 **HarborView 2007-4, HarborView 2007-2, HarborView 2007-1, HarborView**
7 **2006-14, HarborView 2006-12, HarborView 2006-11, HarborView 2006-10,**
8 **HarborView 2006-9, HarborView 2006-8, IndyMac INDX Mortgage Loan**
9 **Trust 2006-AR35, Luminent Mortgage Trust 2007-1, MortgageIT Mortgage**
10 **Loan Trust 2006-1, Nomura HELT 2007-1, Soundview Home Loan Trust**
11 **2005-OPT4)**

12 402. The NCUA Board realleges paragraphs 1 through 320 of this
13 Complaint, as though fully set forth here, except those paragraphs specific to
14 offerings other than the Alternative Loan Trust 2006-AR4, American Home
15 Mortgage Assets Trust 2007-3, First Franklin Mortgage Loan Trust 2005-FFH4,
16 HarborView 2007-5, HarborView 2007-4, HarborView 2007-2, HarborView 2007-
17 1, HarborView 2006-14, HarborView 2006-12, HarborView 2006-11, HarborView
18 2006-10, HarborView 2006-9, HarborView 2006-8, IndyMac INDX Mortgage
19 Loan Trust 2006-AR35, Luminent Mortgage Trust 2007-1, MortgageIT Mortgage
20 Loan Trust 2006-1, Nomura HELT 2007-1, and Soundview Home Loan Trust
21 2005-OPT4 offerings.

22 403. The NCUA Board brings this cause of action pursuant to Sections
23 25401 and 25501 of the California Corporations Code, with respect to WesCorp's
24 purchases of the Alternative Loan Trust 2006-AR4, American Home Mortgage
25 Assets Trust 2007-3, First Franklin Mortgage Loan Trust 2005-FFH4, HarborView
26 2007-5, HarborView 2007-4, HarborView 2007-2, HarborView 2007-1,
27 HarborView 2006-14, HarborView 2006-12, HarborView 2006-11, HarborView
28 2006-10, HarborView 2006-9, HarborView 2006-8, IndyMac INDX Mortgage

1 Loan Trust 2006-AR35, Luminent Mortgage Trust 2007-1, MortgageIT Mortgage
2 Loan Trust 2006-1, Nomura HELT 2007-1, and Soundview Home Loan Trust
3 2005-OPT4 certificates against Defendant RBS, as the seller of those certificates.

4 404. Defendant RBS offered to sell for its own financial gain and sold the
5 certificates to WesCorp by means of written and/or oral communications which
6 included untrue statements of material fact and omissions of material facts that
7 were necessary to make the statements made not misleading, as alleged above.

8 405. The untrue statements and omitted facts were material because a
9 reasonably prudent investor deciding whether to purchase the certificates would
10 have viewed them as important and as substantially altering the total mix of
11 information available, as alleged above.

12 406. Defendant RBS sold the certificates to WesCorp in California.

13 407. Defendant RBS's sales of the certificates violated Cal. Corp. Code
14 § 25401.

15 408. WesCorp and the NCUA Board sustained damages as a result of
16 Defendant RBS's violations of Cal. Corp. Code § 25401, and WesCorp and the
17 NCUA Board are entitled to the remedies provided by Cal. Corp. Code § 25501.

18
19 WHEREFORE, the NCUA Board requests the Court to enter judgment in its
20 favor against Defendant RBS awarding damages in an amount to be proven at trial,
21 costs, and such other relief as the Court deems appropriate and just.

22
23 **PRAYER FOR RELIEF**

24 WHEREFORE, plaintiff prays for judgment as follows:

25 A. For judgment against the defendants in accordance with the prayers for
26 relief set forth in each of the foregoing Claims for Relief;

27 B. For plaintiff's costs of suit; and

28 C. For any other relief the Court deems just and proper.

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2 Dated: July 18, 2011

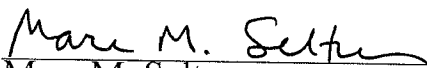
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BRYAN J.E. CAFORIO
SUSMAN GODFREY L.L.P.

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25 Marc M. Seltzer
26 Attorneys for Plaintiff
27 National Credit Union Administration
28 Board

1 **JURY DEMAND**

2 Pursuant to Fed. R. Civ. P. 38(b), Plaintiff demands a trial by jury of all of
3 the claims asserted in this Complaint so triable.

4 Dated: July 18, 2011

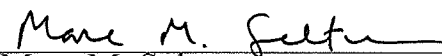
MARC M. SELTZER
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Appendix A

Table 1

CUSIP	ISSUING ENTITY	DEPOSITOR	BUYER	TRADE DATE	PRICE PAID
65538DAB1	Alternative Loan Trust 2006-AR4	Nomura Asset Acceptance Corporation	WesCorp	11/17/06	\$12,778,000
026935AD8	American Home Mortgage Assets Trust 2007-3	American Home Mortgage Assets LLC	WesCorp	6/1/07	\$30,339,000
32027NXE6	First Franklin Mortgage Loan Trust 2005-FFH4	Financial Asset Securities Corp.	WesCorp	11/30/05	\$10,000,000
41162CAD3	HarborView 2006-10	Greenwich Capital Acceptance, Inc.	WesCorp	10/18/06	\$90,000,000
41162GAB8	HarborView 2006-11	Greenwich Capital Acceptance, Inc.	WesCorp	10/27/06	\$18,934,000
41162DAG4	HarborView 2006-12	Greenwich Capital Acceptance, Inc.	WesCorp	10/19/06	\$80,000,000
41162DAH2	HarborView 2006-12	Greenwich Capital Acceptance, Inc.	WesCorp	11/29/06	\$120,000,000
41162NAD9	HarborView 2006-14	Greenwich Capital Acceptance, Inc.	WesCorp	12/5/06	\$60,000,000
41162NAH0	HarborView 2006-14	Greenwich Capital Acceptance, Inc.	WesCorp	12/5/06	\$99,827,000
41161GAE3	HarborView 2006-8	Greenwich Capital Acceptance, Inc.	WesCorp	8/1/06	\$105,693,000
41161XAM8	HarborView 2006-9	Greenwich Capital Acceptance, Inc.	WesCorp	8/18/06	\$100,000,000
41164MAF4	HarborView 2007-1	Greenwich Capital Acceptance, Inc.	WesCorp	2/14/07	\$48,602,000
41164MAP2	HarborView 2007-1	Greenwich Capital Acceptance, Inc.	WesCorp	2/16/07	\$56,000,000
41164LAC3	HarborView 2007-2	Greenwich Capital Acceptance, Inc.	WesCorp	3/1/07	\$55,000,000
41164YAD3	HarborView 2007-4	Greenwich Capital Acceptance, Inc.	WesCorp	5/30/07	\$98,667,000
41165AAC6	HarborView 2007-5	Greenwich Capital Acceptance, Inc.	WesCorp	6/26/07	\$55,000,000
41165AAD4	HarborView 2007-5	Greenwich Capital Acceptance, Inc.	WesCorp	6/26/07	\$71,000,000
45667SAN7	IndyMac INDX Mortgage Loan Trust 2006-AR35	IndyMac MBS, Inc.	WesCorp	11/28/06	\$180,000,000
45667SAP2	IndyMac INDX Mortgage Loan Trust 2006-AR35	IndyMac MBS, Inc.	WesCorp	11/28/06	\$20,000,000
55028CAA3	Luminent Mortgage Trust 2007-1	Lares Asset Securitization, Inc.	WesCorp	1/23/07	\$35,000,000
55028CAB1	Luminent Mortgage Trust 2007-1	Lares Asset Securitization, Inc.	WesCorp	1/23/07	\$20,400,000

61915RCL8	MortgageIT Mortgage Loan Trust 2006-1	Greenwich Capital Acceptance, Inc.	WesCorp	2/17/06	\$35,710,500
65537KAB6	Nomura Home Equity Loan, Inc., Home Equity Loan Trust, Series 2007-1	Nomura Home Equity Loan, Inc.	WesCorp	1/23/07	\$40,000,000
65537KAC4	Nomura Home Equity Loan, Inc., Home Equity Loan Trust, Series 2007-1	Nomura Home Equity Loan, Inc.	WesCorp	1/23/07	\$30,000,000
83611MJM1	Soundview Home Loan Trust 2005-OPT4	Financial Asset Securities Corp.	WesCorp	11/22/05	\$18,037,000

Table 2

CUSIP	ISSUING ENTITY	DEPOSITOR	BUYER	TRADE DATE	PRICE PAID
41161XAN6	HarborView 2006-9	Greenwich Capital Acceptance, Inc.	WesCorp	3/8/07	\$22,810,706
41164MAP2	HarborView 2007-1	Greenwich Capital Acceptance, Inc.	WesCorp	3/12/07	\$6,921,395
55028CAE5	Luminent Mortgage Trust 2007-1	Lares Asset Securitization, Inc.	WesCorp	3/1/07	\$25,074,560
92978GAC3	Wachovia Mortgage Loan Trust, Series 2006-ALT1	Wachovia Mortgage Loan Trust, LLC	WesCorp	11/30/06	\$44,376,000

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Table 3
Credit Ratings

Moody's	S&P	Definitions	Grade Type	
Aaa	AAA	Prime (Maximum Safety)	INVESTMENT GRADE	
Aa1 Aa2 Aa3	AA+ AA AA-	High Grade, High Quality		
A1 A2 A3	A+ A A-	Upper Medium Grade		
Baa1 Baa2 Baa3	BBB+ BBB BBB-	Medium Grade		
Ba2 Ba3	BB BB-	Non-Investment Grade, or Speculative		SPECULATIVE GRADE
B1 B2 B3	B+ B B-	Highly Speculative, or Substantial Risk		
Caa2 Caa3	CCC+	In Poor Standing		
Ca	CCC CCC-	Extremely Speculative		
C	-	May be in Default		
-	D	Default		

Table 4

CREDIT RATINGS OF RMBS PURCHASES ORIGINAL/RECENT						
CUSIP	ISSUER NAME	BUYER	ORIGINAL RATING S&P	ORIGINAL RATING MOODY'S	RECENT RATING S&P	RECENT RATING MOODY'S
65538DAB1	Alternative Loan Trust 2006-AR4	WesCorp	AAA 12/4/2006	Aaa 11/30/2006	D 8/19/2009	C 9/2/2010
026935AD8	American Home Mortgage Assets Trust 2007-3	WesCorp	AAA 6/14/2007	Aaa 6/14/2007	D 2/24/2010	C 2/2/2009
32027NXE6	First Franklin Mortgage Loan Trust 2005-FFH4	WesCorp	AA 12/28/2005	Aa2 12/22/2005	B- 8/4/2009	C 4/6/2010
41162CAD3	HarborView 2006-10	WesCorp	AAA 11/22/2006	Aaa 11/21/2006	CC 5/11/2011	C 12/5/2010
41162GAB8	HarborView 2006-11	WesCorp	AAA 12/22/2006	Aaa 12/20/2006	CC 2/16/2010	C 11/19/2010
41162DAG4	HarborView 2006-12	WesCorp	AAA 12/19/2006	Aaa 12/13/2006	CCC 7/24/2009	C 12/5/2010
41162DAH2	HarborView 2006-12	WesCorp	AAA 12/19/2006	Aaa 12/13/2006	AA+ 11/8/2010	Aa3 11/23/2008
41162NAD9	HarborView 2006-14	WesCorp	AAA 12/27/2006	Aaa 12/22/2006	CCC 8/14/2009	C 11/19/2010
41162NAH0	HarborView 2006-14	WesCorp	AAA 12/27/2006	Aaa 12/22/2006	D 6/23/2010	C 11/19/2010
41161GAE3	HarborView 2006-8	WesCorp	AAA 9/5/2006	Aaa 8/4/2006	D 9/24/2010	C 12/5/2010
41161XAM8	HarborView 2006-9	WesCorp	AAA 10/18/2006	Aaa 10/4/2006	CCC 4/15/2009	C 12/5/2010
41161XAN6	HarborView 2006-9	WesCorp	AAA 10/18/2006	Aaa 10/4/2006	CCC 8/14/2009	C 12/5/2010
41164MAF4	HarborView 2007-1	WesCorp	NR	Aaa 2/26/2007	NR	C 2/20/2009
41164MAP2	HarborView 2007-1	WesCorp	AAA 3/22/2007	Aaa 3/9/2007	CCC 8/14/2009	C 12/5/2010
41164LAC3	HarborView 2007-2	WesCorp	AAA 4/3/2007	Aaa 3/30/2007	CCC 8/14/2009	C 12/5/2010
41164YAD3	HarborView 2007-4	WesCorp	NR	Aaa 6/14/2007	NR	C 12/5/2010
41165AAC6	HarborView 2007-5	WesCorp	AAA 7/26/2007	Aaa 7/12/2007	CCC 7/24/2009	C 12/5/2010
41165AAD4	HarborView 2007-5	WesCorp	AAA 7/26/2007	Aaa 7/12/2007	D 5/25/2010	C 12/5/2010
45667SAN7	IndyMac INDX Mortgage Loan Trust 2006-AR35	WesCorp	AAA 12/1/2006	Aaa 11/29/2006	D 3/18/2011	Caa3 1/29/2009
45667SAP2	IndyMac INDX Mortgage Loan Trust 2006-AR35	WesCorp	AAA 12/1/2006	Aaa 11/29/2006	D 12/24/2009	C 10/12/2010

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CREDIT RATINGS OF RMBS PURCHASES ORIGINAL/RECENT						
CUSIP	ISSUER NAME	BUYER	ORIGINAL RATING S&P	ORIGINAL RATING MOODY'S	RECENT RATING S&P	RECENT RATING MOODY'S
55028CAA3	Luminent Mortgage Trust 2007-1	WesCorp	AAA 2/1/2007	Aaa 1/25/2007	CCC 7/24/2009	Caa3 12/14/2010
55028CAB1	Luminent Mortgage Trust 2007-1	WesCorp	AAA 2/1/2007	Aaa 1/25/2007	CC 2/16/2010	C 12/14/2010
55028CAE5	Luminent Mortgage Trust 2007-1	WesCorp	AAA 2/1/2007	Aaa 1/25/2007	D 6/23/2010	C 12/5/2010
61915RCL8	MortgageIT Mortgage Loan Trust 2006-1	WesCorp	AAA 3/2/2006	Aaa 2/22/2006	D 2/24/2010	C 12/9/2010
65537KAB6	Nomura Home Equity Loan, Inc., Home Equity Loan Trust, Series 2007-1	WesCorp	AAA 2/2/2007	Aaa 1/31/2007	D 11/25/2009	Ca 9/2/2010
65537KAC4	Nomura Home Equity Loan, Inc., Home Equity Loan Trust, Series 2007-1	WesCorp	AAA 2/2/2007	Aaa 1/31/2007	D 6/25/2009	C 9/2/2010
83611MJM1	Soundview Home Loan Trust 2005- OPT4	WesCorp	AA 12/1/2005	NR	CCC 8/4/2009	NR
92978GAC3	Wachovia Mortgage Loan Trust, Series 2006-ALT1	WesCorp	AAA 1/3/2007	Aaa 12/27/2006	B- 2/2/2010	Caa2 1/14/2010

Table 5

CUSIP	OFFERING	RATE AT CUT-OFF DATE FOR OFFERING	1 MO.	3 MOS.	6 MOS.	12 MOS.	RECENT
65538DAB1	Alternative Loan Trust 2006-AR4 Aggregate (P.S. dated November 30, 2006)	Zero. (S-34)	.27% (Dec., p.9)	2.69% (Feb., p.9)	7.32% (May, p.9)	17.63% (Nov., p.9)	42.39% (May 2011, p.9)
	American Home Mortgage Assets Trust 2007-3 Aggregate (June 5, 2007)	Zero. (S-40)	0% (June, p.10)	4.99% (Aug., p.10)	13.90% (Nov., p.10)	27.47% (May, p.10)	46.49% (May 2011, p.11)
	American Home Mortgage Assets Trust 2007-3: Group I-1	Zero. (S-40)	0% (June, p.12)	2.62% (Aug., p.12)	8.63% (Nov., p.12)	23.58% (May, p.12)	52.52% (May 2011, p.12)
026935AD8	American Home Mortgage Assets Trust 2007-3: Group I-2 *Class I-2A-2 in Group I-2. (S-12)	Zero. (S-40)	0% (June, p.12)	9.63% (Aug., p.12)	23.04% (Nov., p.12)	43.78% (May, p.12)	62.39% (May 2011, p.12)
	American Home Mortgage Assets Trust 2007-3: Group II-1	Zero. (S-40)	0% (June, p.13)	2.04% (Aug., p.13)	5.74% (Nov., p.13)	15.73% (May, p.13)	42.32% (May 2011, p.13)
	American Home Mortgage Assets Trust 2007-3: Group II-2	Zero. (S-40)	0% (June, p.13)	3.72% (Aug., p.13)	12.44% (Nov., p.13)	25.55% (May, p.13)	42.85% (May 2011, p.13)
	American Home Mortgage Assets Trust 2007-3: Group III	Zero. (S-40)	0% (June, p.14)	5.16% (Aug., p.14)	16.35% (Nov., p.14)	18.05% (May, p.14)	13.85% (May 2011, p.14)
	First Franklin Mortgage Loan Trust 2005-FFH4 Aggregate (P.S. dated November 30, 2005)		.80% (Dec., p.12)	2.16% (Feb., p.12)	3.83% (May, p.12)	9.64% (Nov., p.12)	49.43% (May 2011, p.13)

CUSIP	OFFERING	RATE AT CUT-OFF DATE FOR OFFERING	1 MO.	3 MOS.	6 MOS.	12 MOS.	RECENT
32027NXE6	First Franklin Mortgage Loan Trust 2005-FFH4 Group 1 *Class M-2 in Groups 1 and 2. (S-72)		.73% (Dec., p.13)	1.38% (Feb., p.13)	2.58% (May, p.13)	8.66% (Nov., p.13)	46.37% (May 2011, p.14)
32027NXE6	First Franklin Mortgage Loan Trust 2005-FFH4 Group 2 *Class M-2 in Groups 1 and 2. (S-72)		.88% (Dec., p.14)	3.09% (Feb., p.14)	5.39% (May, p.14)	10.92% (Nov., p.14)	54.40% (May 2011, p.15)
	HarborView 2006-10 Aggregate (P.S. dated November 10, 2006)	.15% of the mortgage loans were 30-59 days delinquent. (S-27)	.14% (Nov., p.10)	.67% (Jan., p.10)	1.12% (Apr., p.10)	5.47% (Apr., p.10)	28.99% (May 2011, p.10)
	HarborView 2006-10 Group 1	.15% of the mortgage loans were 30-59 days delinquent. (S-27)	.07% (Nov., p.11)	.55% (Jan., p.11)	.56% (Apr., p.11)	5.38% (Apr., p.11)	32.57% (May 2011, p.11)
41162CAD3	HarborView 2006-10 Group 2 *Class 2A-1B and 2A-1C in Group 2 (S-6)	.15% of the mortgage loans were 30-59 days delinquent. (S-27)	.19% (Nov., p.11)	.74% (Jan., p.11)	1.44% (Apr., p.11)	5.52% (Apr., p.11)	26.97% (May 2011, p.11)
41162GAB8	HarborView 2006-11 (P.S. dated November 10, 2006)	Zero. (S-20)	.38% (Nov., p.9)	1.46% (Jan., p.9)	2.44% (Apr., p.9)	9.07% (Apr., p.9)	50.38% (May 2011, p.9)
	HarborView 2006-12 Aggregate (P.S. dated December 11, 2006)	Zero. (S-28)	0% (Dec., p.11)	.57% (Feb., p.11)	1.41% (May, p.10)	7.37% (Nov., p.10)	61.77% (May 2011, p.11)
	HarborView 2006-12 Group 1	Zero. (S-28)	0% (Dec., p.12)	.46% (Feb., p.13)	1.01% (May, p.11)	6.88% (Nov., p.11)	63.08% (May 2011, p.12)
41162DAG4 41162DAH2	HarborView 2006-12 Group 2 *Class 2A-1B, 2A-2B and 2A-2C in Group 2. (S-7)	Zero. (S-28)	0% (Dec., p.12)	.61% (Feb., p.13)	1.53% (May, p.11)	7.55% (Nov., p.11)	61.27% (May 2011, p.12)

CUSIP	OFFERING	RATE AT CUT-OFF DATE FOR OFFERING	1 MO.	3 MOS.	6 MOS.	12 MOS.	RECENT
	HarborView 2006-14 Aggregate (December 20, 2006)	Zero. (S-26)	.17% (Jan., p.11)	.78% (Mar., p.10)	1.97% (June, p.10)	8.61% (Dec., p.10)	36.66% (May 2011, p.11)
	HarborView 2006-14 Group 1	Zero. (S-26)	.20% (Jan., p.13)	.39% (Mar., p.12)	.74% (June, p.12)	6.45% (Dec., p.12)	37.01% (May 2011, p.12)
41162NAD9 41162NAH0	HarborView 2006-14 Group 2 *Class 2A-1B and 2A-2C in Group 2. (S-7)	Zero. (S-26)	.16% (Jan., p.13)	.90% (Mar., p.12)	2.36% (June, p.12)	9.29% (Dec., p.12)	36.54% (May 2011, p.12)
	HarborView 2006-8 Aggregate (P.S. dated August 28, 2006)	2.78% of the mortgage loans were 30-59 days delinquent in payment, and 0.48% were 60-89 days delinquent in payment. (S-24)	5.59% (Sept., p.11)	5.68% (Nov., p.11)	5.48% (Feb., p.10)	9.16% (Aug., p.10)	46.43% (May 2011, p.10)
	HarborView 2006-8 Group 1	2.78% of the mortgage loans were 30-59 days delinquent in payment, and 0.48% were 60-89 days delinquent in payment. (S-24)	3.78% (Sept., p.13)	4.12% (Nov., p.13)	3.40% (Feb., p.12)	8.11% (Aug., p.12)	45.29% (May 2011, p.11)
41161GAE3	HarborView 2006-8 Group 2 *Class 2A-1C in Group 2. (S-7)	2.78% of the mortgage loans were 30-59 days delinquent in payment, and 0.48% were 60-89 days delinquent in payment. (S-24)	6.51% (Sept., p.13)	6.50% (Nov., p.13)	6.54% (Feb., p.12)	9.75% (Aug., p.12)	47.13% (May 2011, p.11)
	HarborView 2006-9 Aggregate (P.S. dated October 3, 2006)	Zero. (S-26)	0% (Oct., p.10)	.31% (Dec., p.10)	.99% (Mar., p.10)	5.32% (Sept., p.10)	61.34% (May 2011, p.10)
	HarborView 2006-9 Group 1	Zero. (S-26)	0% (Oct., p.11)	.31% (Dec., p.11)	.67% (Mar., p.11)	4.96% (Sept., p.11)	58.93% (May 2011, p.15)
41161XAM8 41161XAN6	HarborView 2006-9 Group 2 *Class 2A-1C1 and 2A-1B2 in Group 2. (S-7)	Zero. (S-26)	0% (Oct., p.12)	.31% (Dec., p.12)	1.14% (Mar., p.12)	5.50% (Sept., p.12)	62.52% (May 2011, p.19)

CUSIP	OFFERING	RATE AT CUT-OFF DATE FOR OFFERING	1 MO.	3 MOS.	6 MOS.	12 MOS.	RECENT
	HarborView 2007-1 Aggregate (P.S. dated March 7, 2007)	0.04% of the mortgage loans were at least 30 days but less than 60 days delinquent in payment, and 0.03% were 60 days or more delinquent in payment. (S-24)	.32% (Mar., p.10)	1.08% (May, p.10)	2.88% (Aug., p.10)	12.86% (Feb., p.10)	62.01% (May 2011, p.10)
41164MAF4	HarborView 2007-1 Group 1 *Class B-1 in both loan groups. (S-6)	0.04% of the mortgage loans were at least 30 days but less than 60 days delinquent in payment, and 0.03% were 60 days or more delinquent in payment. (S-24)	.25% (Mar., p.11)	1.05% (May, p.11)	2.32% (Aug., p.11)	10.83% (Feb., p.11)	57.52% (May 2011, p.11)
41164MAP2 41164MAF4	HarborView 2007-1 Group 2 *Class 2A-1C2 in Group 2 and Class B-1 in both groups. (S-6)	0.04% of the mortgage loans were at least 30 days but less than 60 days delinquent in payment, and 0.03% were 60 days or more delinquent in payment. (S-24)	.37% (Mar., p.11)	1.10% (May, p.11)	3.29% (Aug., p.11)	14.29% (Feb., p.11)	65.17% (May 2011, p.11)
	HarborView 2007-2 Aggregate (P.S. dated March 29, 2007)	.64% of the mortgage loans were 30 days or more delinquent. (S-25)	1.40% (Apr., p.10)	2.84% (June, p.10)	6.45% (Sept., p.10)	16.00% (Mar., p.10)	39.27% (May 2011, p.10)
	HarborView 2007-2 Group 1	.64% of the mortgage loans were 30 days or more delinquent. (S-25)	.84% (Apr., p.11)	1.18% (June, p.11)	3.15% (Sept., p.11)	10.64% (Mar., p.11)	37.72% (May 2011, p.11)
41164LAC3	HarborView 2007-2 Group 2 *Class 2A-1B in Group 2. (S-7)	.64% of the mortgage loans were 30 days or more delinquent. (S-25)	1.63% (Apr., p.11)	3.45% (June, p.11)	7.66% (Sept., p.11)	17.93% (Mar., p.11)	39.94% (May 2011, p.11)

CUSIP	OFFERING	RATE AT CUT-OFF DATE FOR OFFERING	1 MO.	3 MOS.	6 MOS.	12 MOS.	RECENT
	HarborView 2007-4 Aggregate (P.S. dated June 13, 2007)	.26% of the mortgage loans were 30 days or more delinquent. (S-26)	.69% (June, p.11)	2.62% (Aug., p.10)	5.90% (Nov., p.10)	14.04% (May, p.10)	29.24% (May 2011, p.10)
	HarborView 2007-4 Group 1	.26% of the mortgage loans were 30 days or more delinquent. (S-26)	.44% (June, p.12)	.77% (Aug., p.11)	1.73% (Nov., p.11)	4.88% (May, p.11)	24.24% (May 2011, p.11)
41164YAD3	HarborView 2007-4 Group 2 *Class 2A-3 in Group 2 (S-7)	.26% of the mortgage loans were 30 days or more delinquent. (S-26)	.78% (June, p.12)	3.31% (Aug., p.11)	7.45% (Nov., p.11)	17.40% (May, p.11)	31.52% (May 2011, p.11)
41165AAC6 41165AAD4	HarborView 2007-5 Aggregate *Classes A-1B and A-1C (P.S. dated July 11, 2007)	Zero. (S-23)	0% (July, p.10)	.55% (Sept., p.10)	1.88% (Dec., p.9)	7.42% (June, p.9)	35.23% (May 2011, p.9)
	HarborView 2007-5 Group 1	Zero. (S-23)	0% (July, p.11)	0.00% (Sept., p.11)	.32% (Dec., p.10)	3.31% (June, p.10)	30.32% (May 2011, p.10)
	HarborView 2007-5 Group 2	Zero. (S-23)	0% (July, p.11)	.60% (Sept., p.11)	2.01% (Dec., p.10)	7.75% (June, p.10)	35.71% (May 2011, p.10)
	IndyMac INDX Mortgage Loan Trust 2006-AR35 Aggregate (P.S. dated November 29, 2006)	Zero. (S-36)	2.42% (Dec., p.10)	3.76% (Feb., p.10)	6.42% (May, p.10)	16.16% (Nov., p.10)	43.06% (May 2011, p.10)
	IndyMac INDX Mortgage Loan Trust 2006-AR35 Group 1	Zero. (S-36)	1.67% (Dec., p.11)	2.99% (Feb., p.11)	6.16% (May, p.11)	15.58% (Nov., p.11)	44.60% (May 2011, p.15)
45667SAN7 45667SAP2	IndyMac INDX Mortgage Loan Trust 2006-AR35 Group 2 *Classes 2-A-1A, 2-A-3A and 2-A-3B in Group 2. (S-11)	Zero. (S-36)	2.89% (Dec., p.12)	4.25% (Feb., p.12)	6.58% (May, p.12)	16.54% (Nov., p.12)	41.99% (May 2011, p.20)

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CUSIP	OFFERING	RATE AT CUT-OFF DATE FOR OFFERING	1 MO.	3 MOS.	6 MOS.	12 MOS.	RECENT
	Luminent Mortgage Trust 2007-1 Aggregate (P.S. dated January 24, 2007)	Zero. (S-24)	1.24% (Feb., p.11)	2.56% (Apr., p.11)	4.82% (July, p.11)	11.32% (Jan., p.11)	45.39% (May 2011, p.11)
55028CAA3 55028CAB1	Luminent Mortgage Trust 2007-1 Group 1 *Classes I-A-1 and I-A-2 in Group 1. (S-7)	Zero. (S-24)	1.14% (Feb., p.13)	2.54% (Apr., p.13)	4.32% (July, p.13)	9.95% (Jan., p.13)	43.19% (May 2011, p.12)
55028CAE5	Luminent Mortgage Trust 2007-1 Group 2 *Class II-A-3 in Group 2. (S-7)	Zero. (S-24)	1.40% (Feb., p.13)	2.59% (Apr., p.13)	5.55% (July, p.13)	13.40% (Jan., p.13)	49.11% (May 2011, p.12)
	MortgageIT Mortgage Loan Trust 2006-1 Aggregate (P.S. dated February 17, 2006)		.17% (Mar., p.13)	1.89% (May, p.13)	3.03% (Aug., p.13)	5.75% (Feb., p.13)	24.42% (May 2011, p.13)
	MortgageIT Mortgage Loan Trust 2006-1 Group 1-A1	.27% of the mortgage loans were 30 days or more delinquent. (S-31)	0% (Mar., p.14)	1.37% (May, p.14)	1.33% (Aug., p.14)	2.18% (Feb., p.14)	18.12% (May 2011, p.15)
	MortgageIT Mortgage Loan Trust 2006-1 Group 1-A2	.26% of the mortgage loans were 30 days or more delinquent. (S-47)	.27% (Mar., p.14)	2.74% (May, p.14)	4.35% (Aug., p.14)	8.05% (Feb., p.14)	23.14% (May 2011, p.15)
61915RCL8	MortgageIT Mortgage Loan Trust 2006-1 Group 2 *Class 2-A-1C in Group 2. (S-8)	.34% of the mortgage loans were 30 days or more delinquent. (S-54)	.18% (Mar., p.15)	1.30% (May, p.15)	2.80% (Aug., p.15)	5.91% (Feb., p.15)	31.62% (May 2011, p.14)

CUSIP	OFFERING	RATE AT CUT-OFF DATE FOR OFFERING	1 MO.	3 MOS.	6 MOS.	12 MOS.	RECENT
	Nomura Home Equity Loan, Inc., Home Equity Loan Trust, Series 2007-1 Aggregate (P.S. dated January 29, 2007)	Zero. (S-57)	.16% (Feb., p.13)	5.05% (Apr., p.13)	11.90% (July, p.13)	24.01% (Jan., p.13)	46.39% (May 2011, p.13)
65537KAB6 65537KAC4	Nomura Home Equity Loan, Inc., Home Equity Loan Trust, Series 2007-1 Group 2 *Classes 2-A-1A and 2-A-1B in Group 2. (S-i)	Zero. (S-57)	.19% (Feb., p.14)	7.00% (Apr., p.15)	14.26% (July, p.15)	27.54% (Jan., p.15)	47.53% (May 2011, p.14)
	Soundview Home Loan Trust 2005-OPT4 Aggregate (P.S. dated November 22, 2005)	Zero. (37)	.12% (Dec., p.12)	1.87% (Feb., p.12)	.04% (May, p.11)	8.51% (Nov., p.11)	36.08% (May 2011, p.12)
83611MJM1	Soundview Home Loan Trust 2005-OPT4 Group 1 *Classes M-1 and M-2 in Groups 1 and 2. (S-68)	Zero. (37)	.05% (Dec., p.13)	2.13% (Feb., p.13)	3.34% (May, p.12)	9.3% (Nov., p.12)	34.35% (May 2011, p.13)
83611MJM1	Soundview Home Loan Trust 2005-OPT4 Group 2 *Classes M-1 and M-2 in Groups 1 and 2. (S-68)	Zero. (37)	.2% (Dec., p.14)	1.6% (Feb., p.14)	2.72% (May, p.13)	7.71% (Nov., p.13)	37.66% (May 2011, p.14)
92978GAC3	Wachovia Mortgage Loan Trust, Series 2006-ALT1 (P.S. dated December 19, 2006)	Zero. (S-32)	.94% (Jan., p.14)	2.13% (Mar., p.14)	4.14% (June, p.14)	10.84% (Dec., p.14)	31.95% (May 2011, p.12)

Table 6

Originator Name	OTD % 2005	OTD% 2006	OTD % 2007
American Home Mortgage Corp.	91.9	62.4	
American Home Mortgage Investment Corp.	100	100	100
Countrywide Home Loans, Inc.	98.5	96.5	98.4
First Federal Bank of California	0	20.6	54.3
First National Bank of Nevada	88.0	79.8	89.4
IndyMac Bank, F.S.B.	81.1	87.7	82.8
Kay-Co Investment Inc. dba Pro30 Funding		99.4	
Metrocities Mortgage, LLC	99.96	100	100
MortgageIT, Inc.	55.5	98.8	100
Option One Mortgage Corporation	92.2	72.7	58.2
Paul Financial, LLC	85.2	83.4	99.1
Residential Mortgage Capital	99.9	100	100

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Table 7

CUSIP	ISSUING ENTITY	BUYER	TRADE DATE	American Pipe Tolling Commencement Date	American Pipe Tolling Latest Update
41162CAD3	HarborView 2006-10	WesCorp	10/18/06	<i>New Jersey Carpenters Vacation Fund v. The Royal Bank of Scotland</i> , No. 08-cv-5093 (S.D.N.Y.) Consolidated First Amended Class Action Complaint Filed: May 19, 2009	<i>New Jersey Carpenters Vacation Fund v. The Royal Bank of Scotland</i> , No. 08-cv-5093 (S.D.N.Y.) Opinion & Order Granting in Part Motion To Dismiss Filed: May 19, 2011
41162GAB8	HarborView 2006-11	WesCorp	10/27/06	<i>New Jersey Carpenters Vacation Fund v. The Royal Bank of Scotland</i> , No. 08-cv-5093 (S.D.N.Y.) Consolidated First Amended Class Action Complaint Filed: May 19, 2009	<i>New Jersey Carpenters Vacation Fund v. The Royal Bank of Scotland</i> , No. 08-cv-5093 (S.D.N.Y.) Opinion & Order Granting in Part Motion To Dismiss Filed: May 19, 2011
41162DAG4	HarborView 2006-12	WesCorp	10/19/06	<i>New Jersey Carpenters Vacation Fund v. The Royal Bank of Scotland</i> , No. 08-cv-5093 (S.D.N.Y.) Consolidated First Amended Class Action Complaint Filed: May 19, 2009	<i>New Jersey Carpenters Vacation Fund v. The Royal Bank of Scotland</i> , No. 08-cv-5093 (S.D.N.Y.) Opinion & Order Granting in Part Motion To Dismiss Filed: May 19, 2011
41162DAH2	HarborView 2006-12	WesCorp	11/29/06	<i>New Jersey Carpenters Vacation Fund v. The Royal Bank of Scotland</i> , No. 08-cv-5093 (S.D.N.Y.) Consolidated First Amended Class Action Complaint Filed: May 19, 2009	<i>New Jersey Carpenters Vacation Fund v. The Royal Bank of Scotland</i> , No. 08-cv-5093 (S.D.N.Y.) Opinion & Order Granting in Part Motion To Dismiss Filed: May 19, 2011
41162NAD9	HarborView 2006-14	WesCorp	12/5/06	<i>New Jersey Carpenters Vacation Fund v. The Royal Bank of Scotland</i> , No. 08-cv-5093 (S.D.N.Y.) Consolidated First Amended Class Action Complaint Filed: May 19, 2009	<i>New Jersey Carpenters Vacation Fund v. The Royal Bank of Scotland</i> , No. 08-cv-5093 (S.D.N.Y.) Opinion & Order Granting in Part Motion To Dismiss Filed: May 19, 2011
41162NAH0	HarborView 2006-14	WesCorp	12/5/06	<i>New Jersey Carpenters Vacation Fund v. The Royal Bank of Scotland</i> , No. 08-cv-5093 (S.D.N.Y.) Consolidated First Amended Class Action Complaint Filed: May 19, 2009	<i>New Jersey Carpenters Vacation Fund v. The Royal Bank of Scotland</i> , No. 08-cv-5093 (S.D.N.Y.) Opinion & Order Granting in Part Motion To Dismiss Filed: May 19, 2011

CUSIP	ISSUING ENTITY	BUYER	TRADE DATE	American Pipe Tolling Commencement Date	American Pipe Tolling Latest Update
41161XAM8	HarborView 2006-9	WesCorp	8/18/06	<i>New Jersey Carpenters Vacation Fund v. Harborview Mortgage Loan</i> , No. 08-601451 (N.Y. Sup. Ct. Trial Div.) Filed: May 14, 2008 (Removed to No. 08-5093 (S.D.N.Y.))	<i>New Jersey Carpenters Vacation Fund v. The Royal Bank of Scotland</i> , No. 08-cv-5093 (S.D.N.Y.) Opinion & Order Granting in Part Motion To Dismiss Filed: May 19, 2011
41161XAN6	HarborView 2006-9	WesCorp	3/8/07	<i>New Jersey Carpenters Vacation Fund v. Harborview Mortgage Loan</i> , No. 08-601451 (N.Y. Sup. Ct. Trial Div.) Filed: May 14, 2008 (Removed to No. 08-5093 (S.D.N.Y.))	<i>New Jersey Carpenters Vacation Fund v. The Royal Bank of Scotland</i> , No. 08-cv-5093 (S.D.N.Y.) Opinion & Order Granting in Part Motion To Dismiss Filed: May 19, 2011
45667SAN7	IndyMac INDX Mortgage Loan Trust 2006-AR35	WesCorp	11/28/06	<i>Police and Fire Retirement System of Detroit v. Indymac</i> , No. 09-cv-4583 (S.D.N.Y.) Complaint Filed: May 14, 2009 <i>Wyoming State Treasurer v. Olinski</i> , No. 09-cv-5933 (S.D.N.Y.) Complaint Filed: June 29, 2009 (Consolidated with No. 09-4583 (S.D.N.Y.))	<i>In re Indymac Mortgage-Backed Sec. Litig.</i> , No. 09-cv-4583 (S.D.N.Y.) Motion for Class Certification PENDING: December 10, 2010
45667SAP2	IndyMac INDX Mortgage Loan Trust 2006-AR35	WesCorp	11/28/06	<i>Police and Fire Retirement System of Detroit v. Indymac</i> , No. 09-cv-4583 (S.D.N.Y.) Complaint Filed: May 14, 2009 <i>Wyoming State Treasurer v. Olinski</i> , No. 09-cv-5933 (S.D.N.Y.) Complaint Filed: June 29, 2009 (Consolidated with No. 09-4583 (S.D.N.Y.))	<i>In re Indymac Mortgage-Backed Sec. Litig.</i> , No. 09-cv-4583 (S.D.N.Y.) Motion for Class Certification PENDING: December 10, 2010

Appendix B

Figure 1

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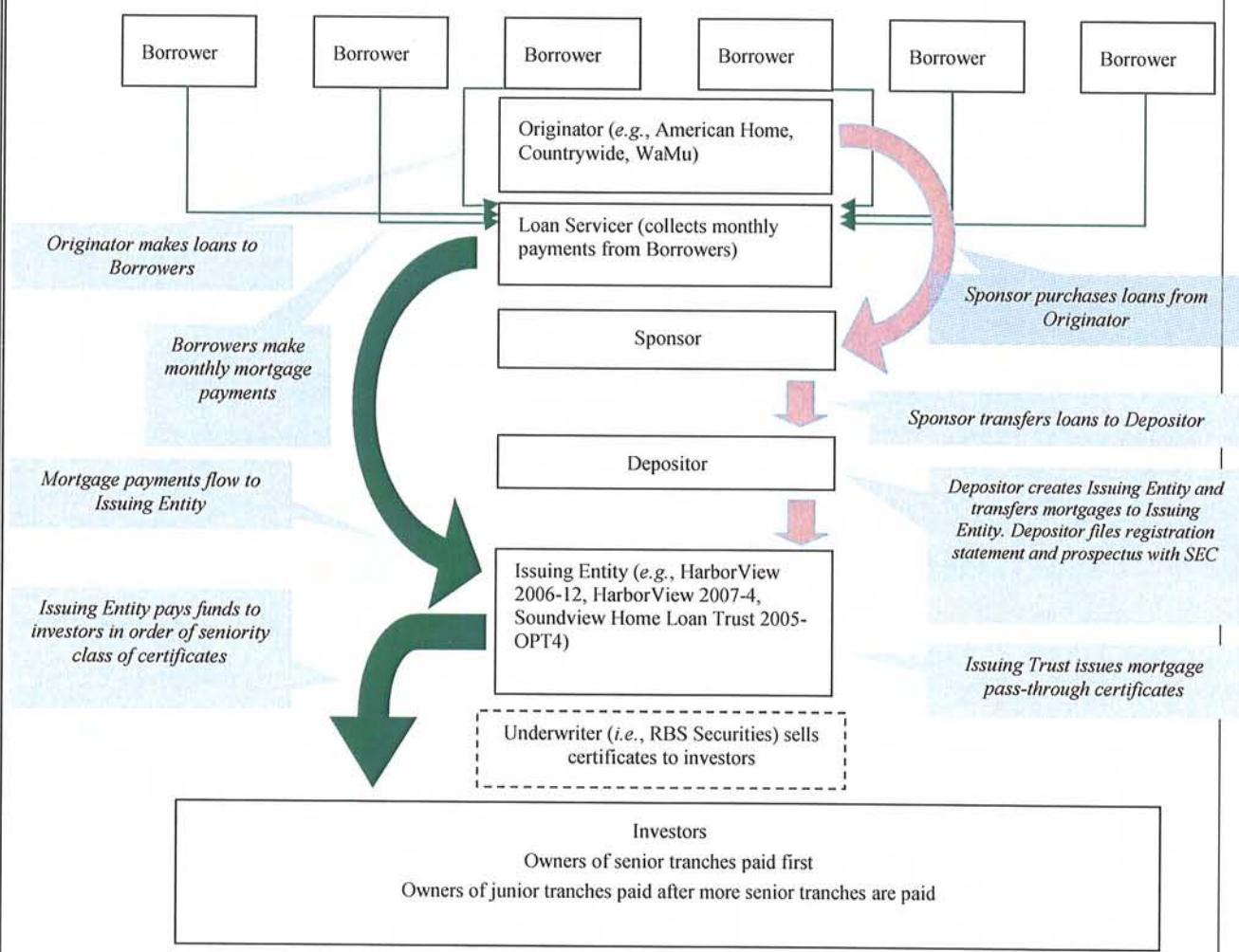
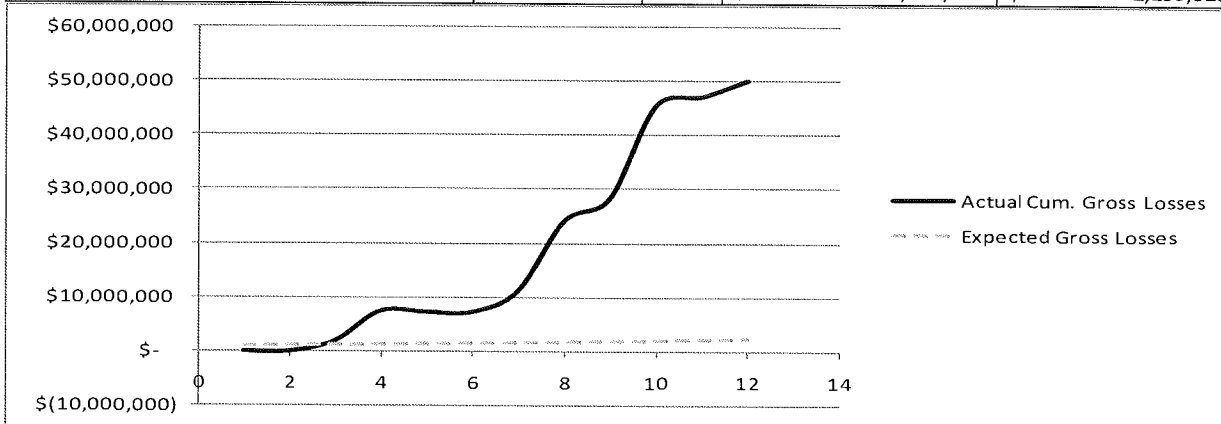
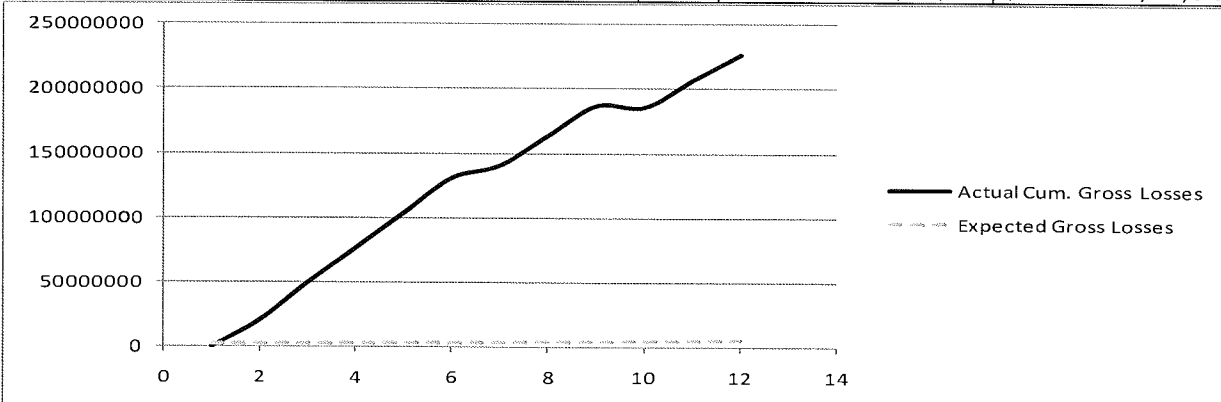


Figure 2

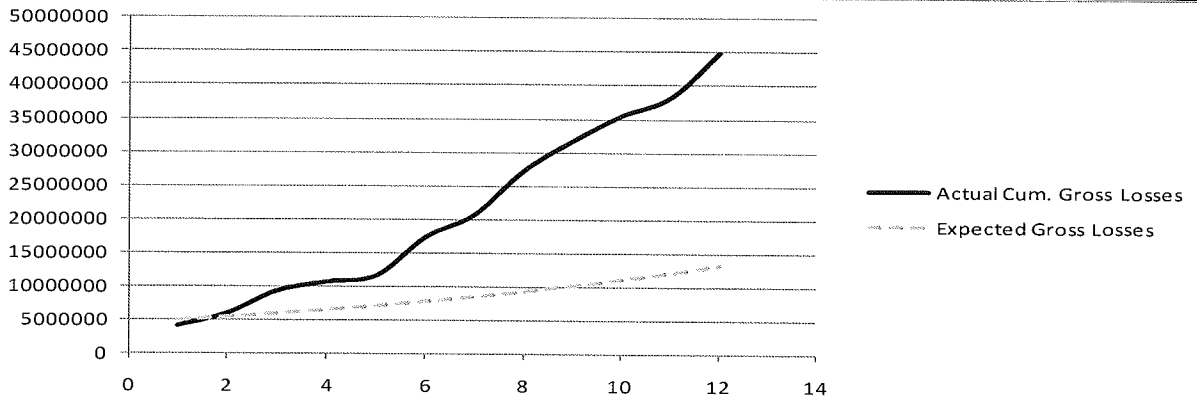
Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Alternative Loan Trust 2006-AR4	39723	1	\$ -	\$ 881,637
Alternative Loan Trust 2006-AR4	39723	2	\$ -	\$ 962,968
Alternative Loan Trust 2006-AR4	39723	3	\$ 1,901,772	\$ 1,051,631
Alternative Loan Trust 2006-AR4	39723	4	\$ 7,464,605	\$ 1,148,255
Alternative Loan Trust 2006-AR4	39723	5	\$ 7,310,855	\$ 1,253,515
Alternative Loan Trust 2006-AR4	39723	6	\$ 7,310,855	\$ 1,368,137
Alternative Loan Trust 2006-AR4	39723	7	\$ 11,290,671	\$ 1,492,899
Alternative Loan Trust 2006-AR4	39723	8	\$ 24,181,875	\$ 1,628,633
Alternative Loan Trust 2006-AR4	39723	9	\$ 28,385,840	\$ 1,776,228
Alternative Loan Trust 2006-AR4	39723	10	\$ 45,560,714	\$ 1,936,629
Alternative Loan Trust 2006-AR4	39723	11	\$ 47,163,113	\$ 2,110,842
Alternative Loan Trust 2006-AR4	39723	12	\$ 50,115,861	\$ 2,299,928



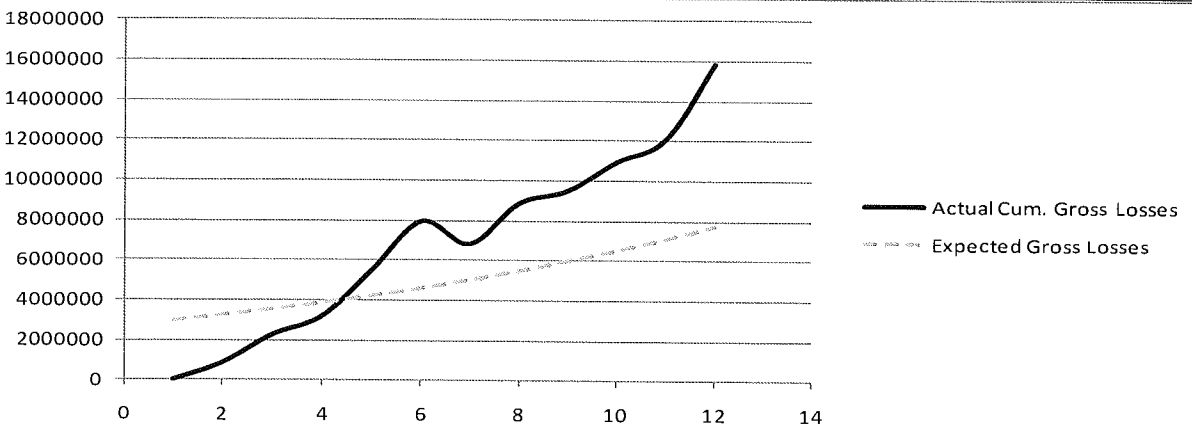
Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
American Home Mortgage Assets Trust 2007-3	41708	1	\$ -	\$ 2,232,609
American Home Mortgage Assets Trust 2007-3	41708	2	\$ 20,399,980	\$ 2,438,567
American Home Mortgage Assets Trust 2007-3	41708	3	\$ 49,464,549	\$ 2,663,093
American Home Mortgage Assets Trust 2007-3	41708	4	\$ 76,378,883	\$ 2,907,778
American Home Mortgage Assets Trust 2007-3	41708	5	\$ 103,617,642	\$ 3,174,333
American Home Mortgage Assets Trust 2007-3	41708	6	\$ 130,873,934	\$ 3,464,595
American Home Mortgage Assets Trust 2007-3	41708	7	\$ 140,742,932	\$ 3,780,536
American Home Mortgage Assets Trust 2007-3	41708	8	\$ 163,847,101	\$ 4,124,262
American Home Mortgage Assets Trust 2007-3	41708	9	\$ 187,001,069	\$ 4,498,024
American Home Mortgage Assets Trust 2007-3	41708	10	\$ 185,965,334	\$ 4,904,215
American Home Mortgage Assets Trust 2007-3	41708	11	\$ 206,785,530	\$ 5,345,381
American Home Mortgage Assets Trust 2007-3	41708	12	\$ 226,605,691	\$ 5,824,213



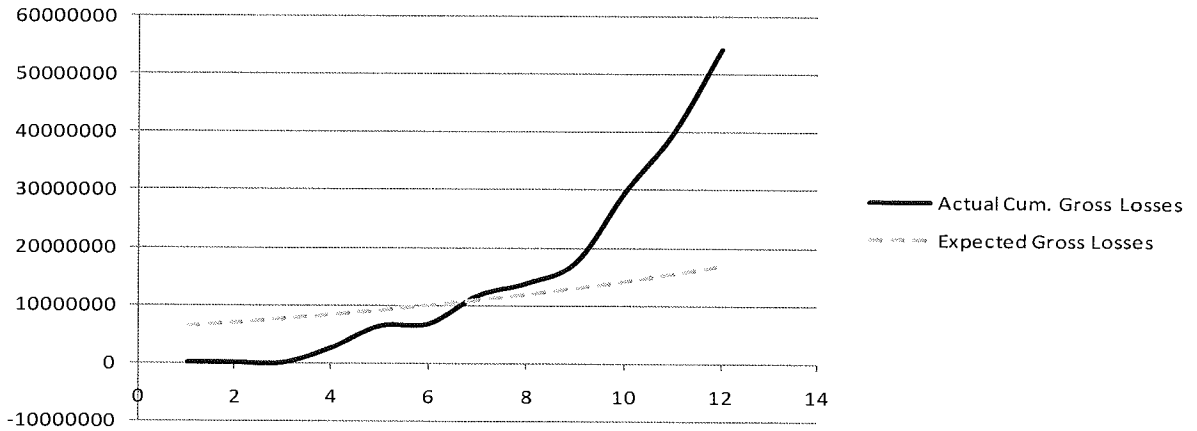
Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
First Franklin Mortgage Loan Trust 2005-FFH4	36028	1	\$ 4,157,138	\$ 5,089,278
First Franklin Mortgage Loan Trust 2005-FFH4	36028	2	\$ 6,017,078	\$ 5,558,764
First Franklin Mortgage Loan Trust 2005-FFH4	36028	3	\$ 9,357,150	\$ 6,070,576
First Franklin Mortgage Loan Trust 2005-FFH4	36028	4	\$ 10,723,986	\$ 6,628,339
First Franklin Mortgage Loan Trust 2005-FFH4	36028	5	\$ 11,705,031	\$ 7,235,956
First Franklin Mortgage Loan Trust 2005-FFH4	36028	6	\$ 17,425,209	\$ 7,897,616
First Franklin Mortgage Loan Trust 2005-FFH4	36028	7	\$ 20,756,714	\$ 8,617,809
First Franklin Mortgage Loan Trust 2005-FFH4	36028	8	\$ 27,245,055	\$ 9,401,340
First Franklin Mortgage Loan Trust 2005-FFH4	36028	9	\$ 31,707,712	\$ 10,253,337
First Franklin Mortgage Loan Trust 2005-FFH4	36028	10	\$ 35,498,901	\$ 11,179,259
First Franklin Mortgage Loan Trust 2005-FFH4	36028	11	\$ 38,255,707	\$ 12,184,906
First Franklin Mortgage Loan Trust 2005-FFH4	36028	12	\$ 44,937,612	\$ 13,276,413



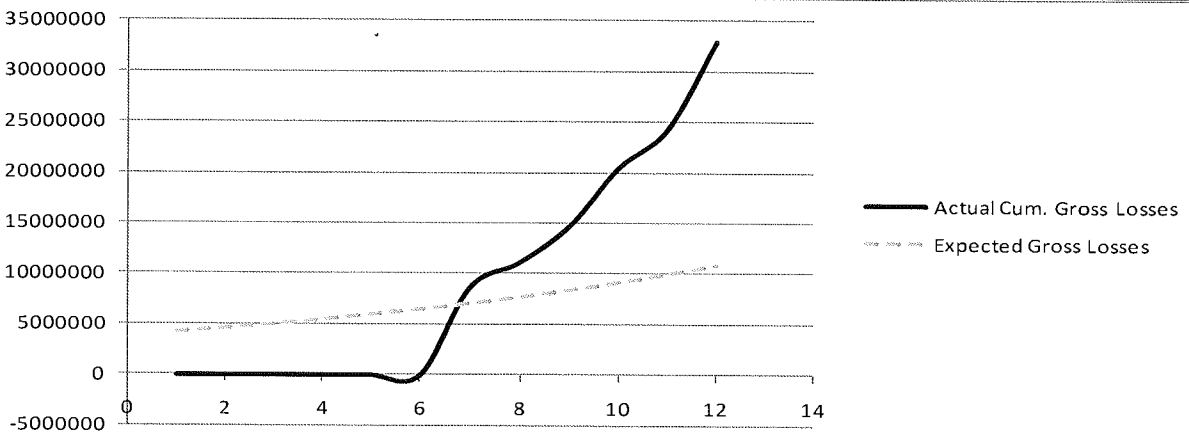
Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
HarborView 2006-8	38787	1	\$ -	\$ 2,969,076
HarborView 2006-8	38787	2	\$ 844,510	\$ 3,242,974
HarborView 2006-8	38787	3	\$ 2,248,223	\$ 3,541,564
HarborView 2006-8	38787	4	\$ 3,195,493	\$ 3,866,962
HarborView 2006-8	38787	5	\$ 5,503,145	\$ 4,221,445
HarborView 2006-8	38787	6	\$ 7,929,141	\$ 4,607,456
HarborView 2006-8	38787	7	\$ 6,810,649	\$ 5,027,615
HarborView 2006-8	38787	8	\$ 8,830,028	\$ 5,484,726
HarborView 2006-8	38787	9	\$ 9,472,044	\$ 5,981,780
HarborView 2006-8	38787	10	\$ 10,903,395	\$ 6,521,962
HarborView 2006-8	38787	11	\$ 12,058,271	\$ 7,108,654
HarborView 2006-8	38787	12	\$ 15,824,121	\$ 7,745,437



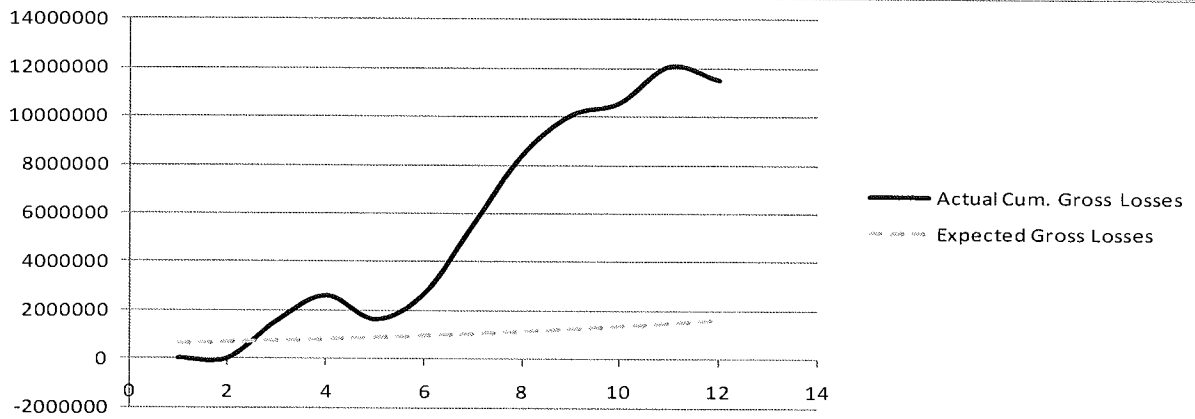
Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
HarborView 2006-9	39173	1	\$ -	\$ 6,428,529
HarborView 2006-9	39173	2	\$ -	\$ 7,021,561
HarborView 2006-9	39173	3	\$ -	\$ 7,668,057
HarborView 2006-9	39173	4	\$ 2,570,574	\$ 8,372,597
HarborView 2006-9	39173	5	\$ 6,353,042	\$ 9,140,109
HarborView 2006-9	39173	6	\$ 6,758,658	\$ 9,975,885
HarborView 2006-9	39173	7	\$ 11,655,574	\$ 10,885,598
HarborView 2006-9	39173	8	\$ 13,825,145	\$ 11,875,316
HarborView 2006-9	39173	9	\$ 17,538,934	\$ 12,951,517
HarborView 2006-9	39173	10	\$ 29,668,715	\$ 14,121,098
HarborView 2006-9	39173	11	\$ 39,916,025	\$ 15,391,381
HarborView 2006-9	39173	12	\$ 54,441,864	\$ 16,770,120



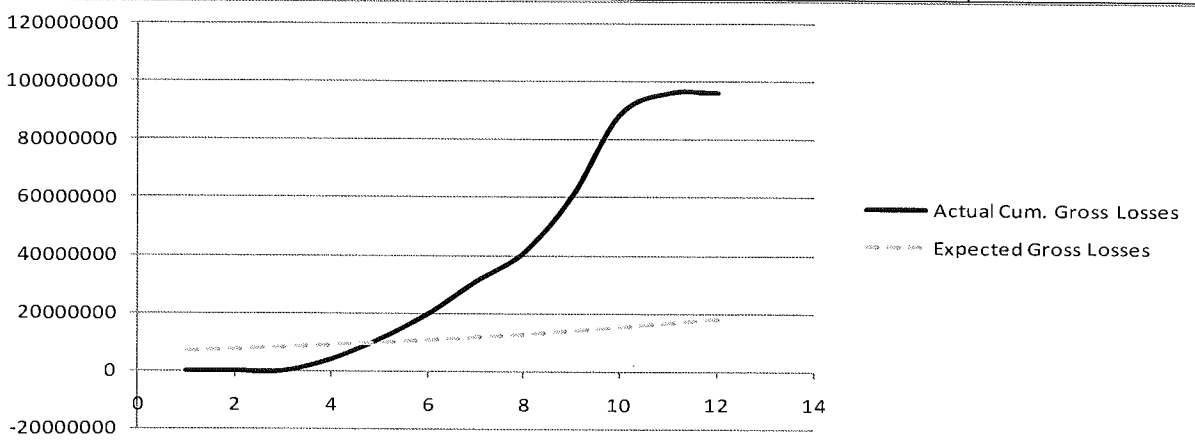
Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
HarborView 2006-10	39466	1	\$ -	\$ 4,146,641
HarborView 2006-10	39466	2	\$ -	\$ 4,529,169
HarborView 2006-10	39466	3	\$ -	\$ 4,946,182
HarborView 2006-10	39466	4	\$ -	\$ 5,400,637
HarborView 2006-10	39466	5	\$ -	\$ 5,895,711
HarborView 2006-10	39466	6	\$ -	\$ 6,434,818
HarborView 2006-10	39466	7	\$ 8,680,070	\$ 7,021,616
HarborView 2006-10	39466	8	\$ 11,141,881	\$ 7,660,021
HarborView 2006-10	39466	9	\$ 14,725,771	\$ 8,354,211
HarborView 2006-10	39466	10	\$ 20,454,135	\$ 9,108,634
HarborView 2006-10	39466	11	\$ 24,280,421	\$ 9,928,015
HarborView 2006-10	39466	12	\$ 32,908,115	\$ 10,817,352



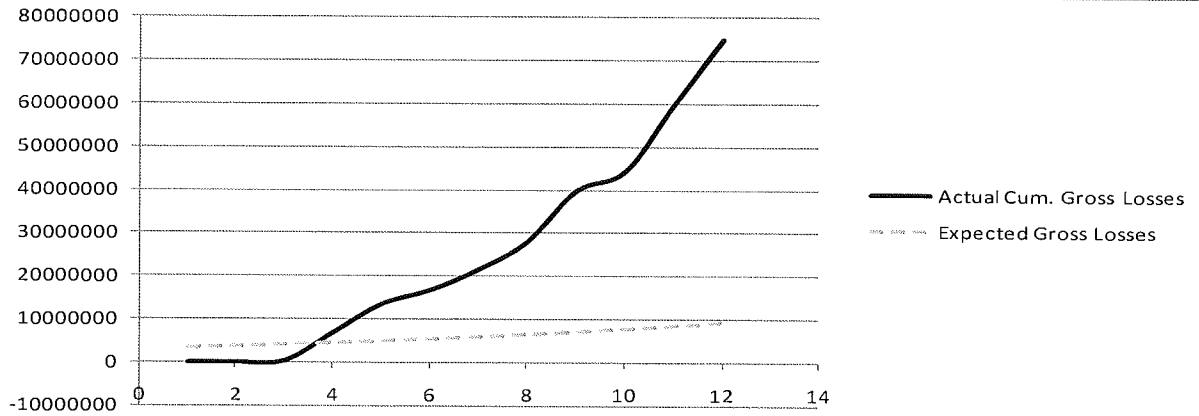
Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
HarborView 2006-11	39604	1	\$ -	\$ 620,128
HarborView 2006-11	39604	2	\$ -	\$ 677,335
HarborView 2006-11	39604	3	\$ 1,541,596	\$ 739,700
HarborView 2006-11	39604	4	\$ 2,586,325	\$ 807,663
HarborView 2006-11	39604	5	\$ 1,614,729	\$ 881,701
HarborView 2006-11	39604	6	\$ 2,697,387	\$ 962,324
HarborView 2006-11	39604	7	\$ 5,548,956	\$ 1,050,080
HarborView 2006-11	39604	8	\$ 8,395,221	\$ 1,145,553
HarborView 2006-11	39604	9	\$ 10,039,321	\$ 1,249,369
HarborView 2006-11	39604	10	\$ 10,546,521	\$ 1,362,193
HarborView 2006-11	39604	11	\$ 12,059,557	\$ 1,484,731
HarborView 2006-11	39604	12	\$ 11,489,433	\$ 1,617,731



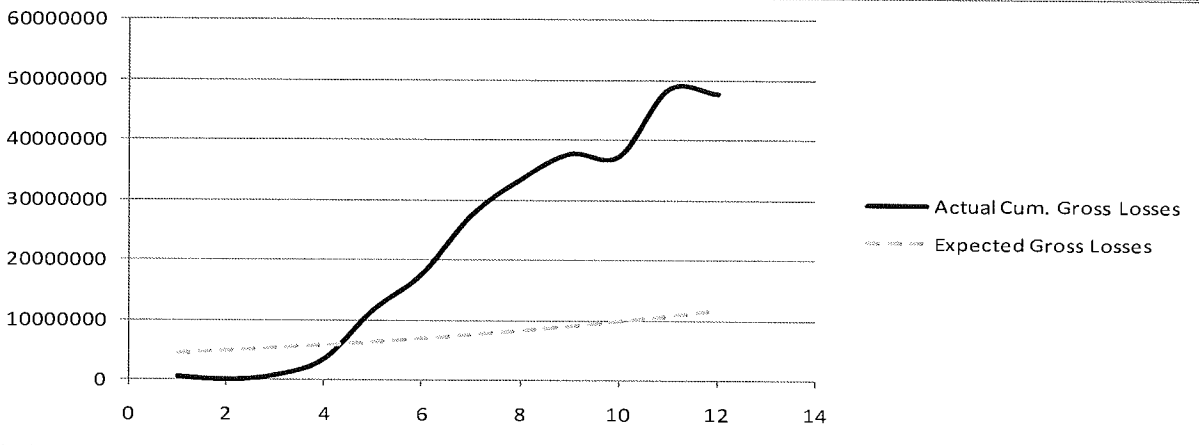
Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
HarborView 2006-12	39654	1	\$ -	\$ 6,998,409
HarborView 2006-12	39654	2	\$ -	\$ 7,644,013
HarborView 2006-12	39654	3	\$ -	\$ 8,347,820
HarborView 2006-12	39654	4	\$ 4,084,060	\$ 9,114,816
HarborView 2006-12	39654	5	\$ 11,094,460	\$ 9,950,367
HarborView 2006-12	39654	6	\$ 19,896,280	\$ 10,860,234
HarborView 2006-12	39654	7	\$ 31,022,567	\$ 11,850,591
HarborView 2006-12	39654	8	\$ 40,963,688	\$ 12,928,047
HarborView 2006-12	39654	9	\$ 60,192,493	\$ 14,099,652
HarborView 2006-12	39654	10	\$ 88,526,405	\$ 15,372,914
HarborView 2006-12	39654	11	\$ 96,055,571	\$ 16,755,807
HarborView 2006-12	39654	12	\$ 96,131,151	\$ 18,256,769



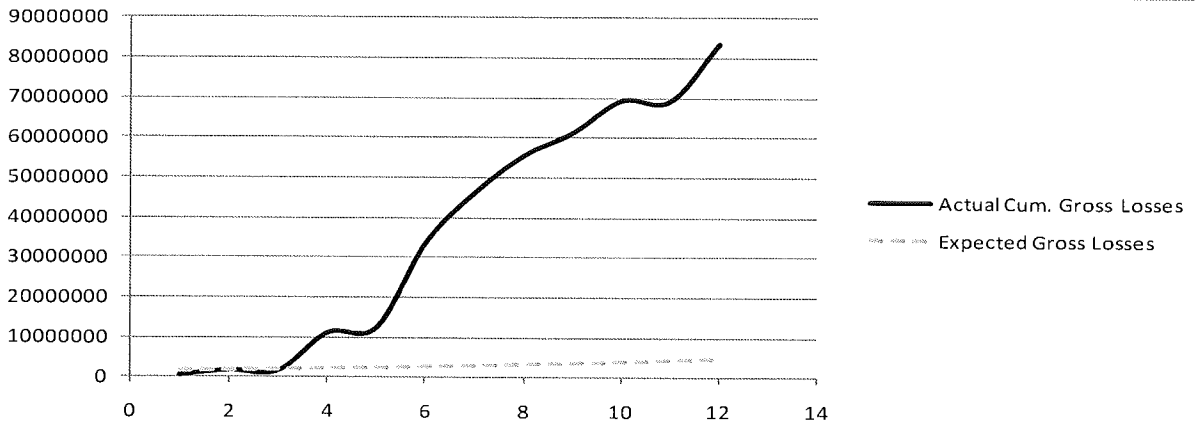
Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
HarborView 2006-14	39668	1	\$ -	\$ 3,574,654
HarborView 2006-14	39668	2	\$ -	\$ 3,904,416
HarborView 2006-14	39668	3	\$ 368,396	\$ 4,263,907
HarborView 2006-14	39668	4	\$ 6,858,408	\$ 4,655,674
HarborView 2006-14	39668	5	\$ 13,473,277	\$ 5,082,458
HarborView 2006-14	39668	6	\$ 16,771,582	\$ 5,547,200
HarborView 2006-14	39668	7	\$ 21,587,406	\$ 6,053,056
HarborView 2006-14	39668	8	\$ 28,030,117	\$ 6,603,399
HarborView 2006-14	39668	9	\$ 39,750,069	\$ 7,201,833
HarborView 2006-14	39668	10	\$ 44,347,316	\$ 7,852,191
HarborView 2006-14	39668	11	\$ 59,770,494	\$ 8,558,546
HarborView 2006-14	39668	12	\$ 74,945,944	\$ 9,325,209



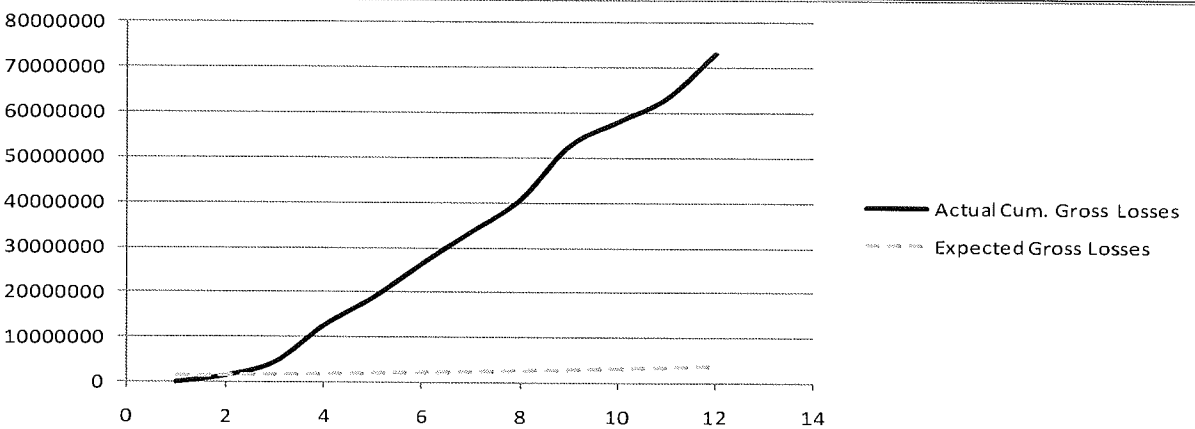
Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
HarborView 2007-1	40906	1	\$ 470,016	\$ 4,486,867
HarborView 2007-1	40906	2	\$ -	\$ 4,900,781
HarborView 2007-1	40906	3	\$ 740,974	\$ 5,352,010
HarborView 2007-1	40906	4	\$ 3,422,669	\$ 5,843,752
HarborView 2007-1	40906	5	\$ 11,572,487	\$ 6,379,446
HarborView 2007-1	40906	6	\$ 17,645,257	\$ 6,962,786
HarborView 2007-1	40906	7	\$ 27,455,285	\$ 7,597,731
HarborView 2007-1	40906	8	\$ 33,429,089	\$ 8,288,517
HarborView 2007-1	40906	9	\$ 37,706,844	\$ 9,039,664
HarborView 2007-1	40906	10	\$ 37,339,557	\$ 9,855,987
HarborView 2007-1	40906	11	\$ 48,483,984	\$ 10,742,596
HarborView 2007-1	40906	12	\$ 47,750,914	\$ 11,704,903



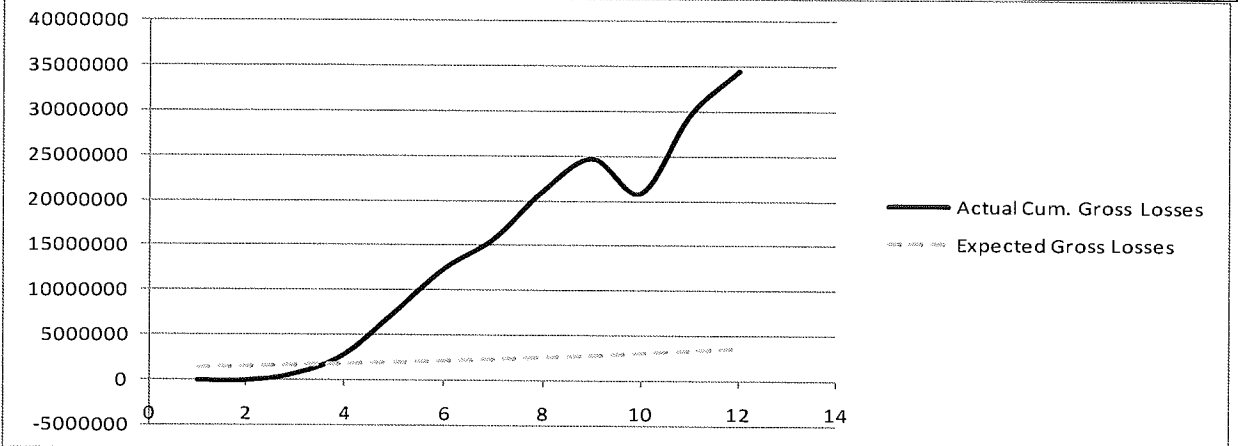
Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
HarborView 2007-2	40907	1	\$ 647,551	\$ 1,785,903
HarborView 2007-2	40907	2	\$ 1,783,440	\$ 1,950,652
HarborView 2007-2	40907	3	\$ 1,699,532	\$ 2,130,255
HarborView 2007-2	40907	4	\$ 11,140,763	\$ 2,325,982
HarborView 2007-2	40907	5	\$ 12,498,521	\$ 2,539,204
HarborView 2007-2	40907	6	\$ 33,584,483	\$ 2,771,390
HarborView 2007-2	40907	7	\$ 46,188,913	\$ 3,024,116
HarborView 2007-2	40907	8	\$ 55,536,048	\$ 3,299,069
HarborView 2007-2	40907	9	\$ 61,318,518	\$ 3,598,047
HarborView 2007-2	40907	10	\$ 69,284,016	\$ 3,922,967
HarborView 2007-2	40907	11	\$ 69,215,449	\$ 4,275,863
HarborView 2007-2	40907	12	\$ 83,515,196	\$ 4,658,889



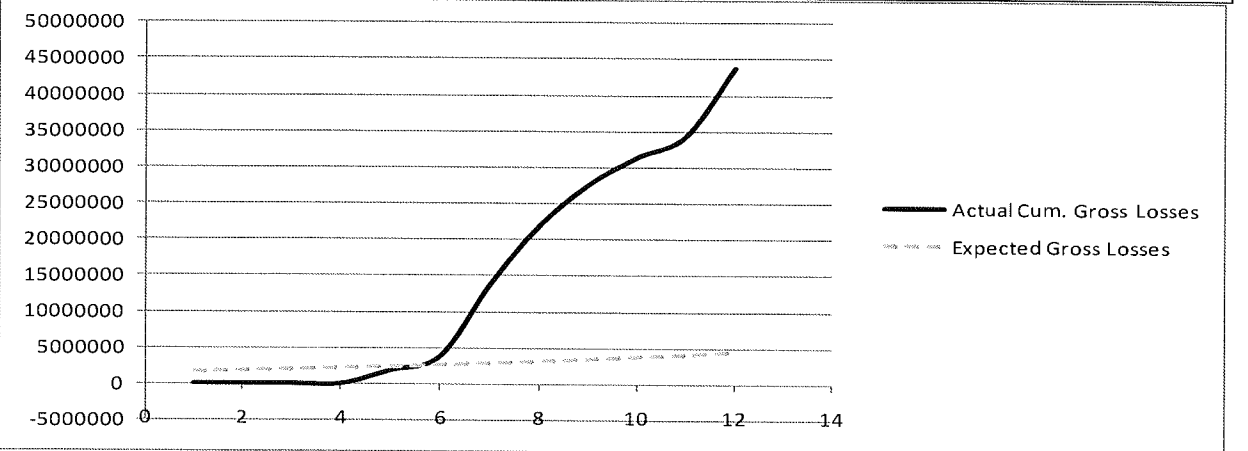
Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
HarborView 2007-4	41472	1	\$ -	\$ 1,484,815
HarborView 2007-4	41472	2	\$ 1,475,896	\$ 1,621,790
HarborView 2007-4	41472	3	\$ 4,503,163	\$ 1,771,113
HarborView 2007-4	41472	4	\$ 12,670,740	\$ 1,933,842
HarborView 2007-4	41472	5	\$ 18,897,311	\$ 2,111,117
HarborView 2007-4	41472	6	\$ 26,420,698	\$ 2,304,158
HarborView 2007-4	41472	7	\$ 33,546,631	\$ 2,514,277
HarborView 2007-4	41472	8	\$ 40,719,514	\$ 2,742,875
HarborView 2007-4	41472	9	\$ 52,660,914	\$ 2,991,449
HarborView 2007-4	41472	10	\$ 58,084,757	\$ 3,261,590
HarborView 2007-4	41472	11	\$ 63,355,076	\$ 3,554,991
HarborView 2007-4	41472	12	\$ 73,274,190	\$ 3,873,442



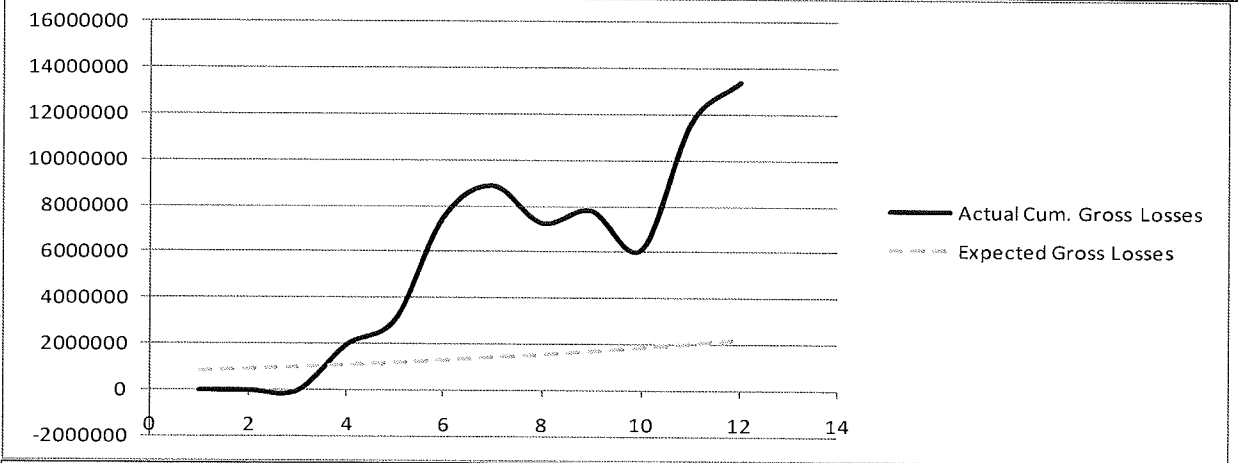
Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
HarborView 2007-5	41776	1	\$ -	\$ 1,359,786
HarborView 2007-5	41776	2	\$ -	\$ 1,485,226
HarborView 2007-5	41776	3	\$ 751,500	\$ 1,621,975
HarborView 2007-5	41776	4	\$ 2,920,614	\$ 1,771,002
HarborView 2007-5	41776	5	\$ 7,632,190	\$ 1,933,349
HarborView 2007-5	41776	6	\$ 12,511,060	\$ 2,110,135
HarborView 2007-5	41776	7	\$ 15,835,944	\$ 2,302,561
HarborView 2007-5	41776	8	\$ 21,143,592	\$ 2,511,910
HarborView 2007-5	41776	9	\$ 24,750,664	\$ 2,739,552
HarborView 2007-5	41776	10	\$ 20,932,966	\$ 2,986,945
HarborView 2007-5	41776	11	\$ 29,635,152	\$ 3,255,640
HarborView 2007-5	41776	12	\$ 34,563,869	\$ 3,547,276



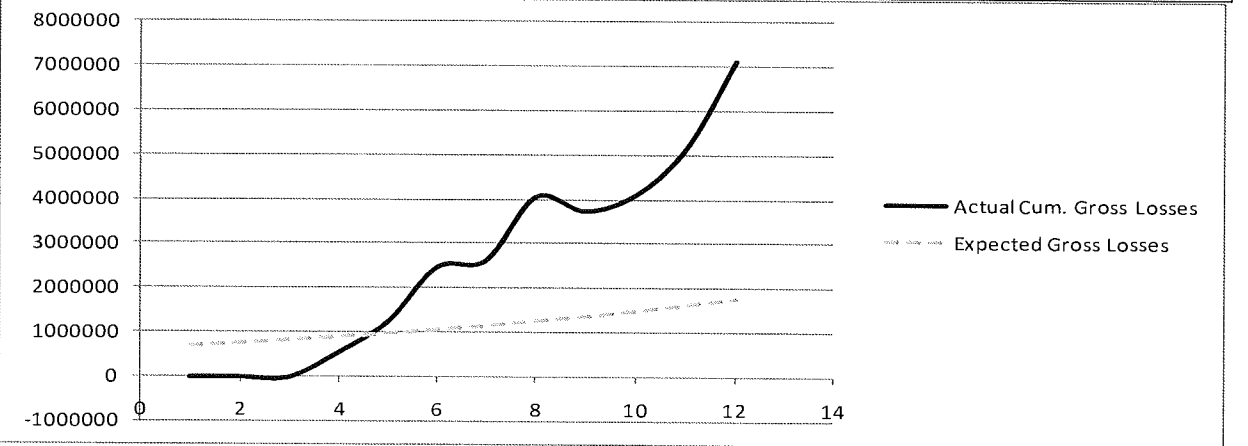
Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
IndyMac INDX Mortgage Loan Trust 2006-AR35	40677	1	\$ -	\$ 1,734,368
IndyMac INDX Mortgage Loan Trust 2006-AR35	40677	2	\$ -	\$ 1,894,364
IndyMac INDX Mortgage Loan Trust 2006-AR35	40677	3	\$ -	\$ 2,068,783
IndyMac INDX Mortgage Loan Trust 2006-AR35	40677	4	\$ -	\$ 2,258,863
IndyMac INDX Mortgage Loan Trust 2006-AR35	40677	5	\$ 1,848,000	\$ 2,465,932
IndyMac INDX Mortgage Loan Trust 2006-AR35	40677	6	\$ 3,866,023	\$ 2,691,418
IndyMac INDX Mortgage Loan Trust 2006-AR35	40677	7	\$ 13,740,659	\$ 2,936,851
IndyMac INDX Mortgage Loan Trust 2006-AR35	40677	8	\$ 21,838,012	\$ 3,203,870
IndyMac INDX Mortgage Loan Trust 2006-AR35	40677	9	\$ 27,603,649	\$ 3,494,221
IndyMac INDX Mortgage Loan Trust 2006-AR35	40677	10	\$ 31,428,103	\$ 3,809,765
IndyMac INDX Mortgage Loan Trust 2006-AR35	40677	11	\$ 34,423,595	\$ 4,152,477
IndyMac INDX Mortgage Loan Trust 2006-AR35	40677	12	\$ 43,899,521	\$ 4,524,450



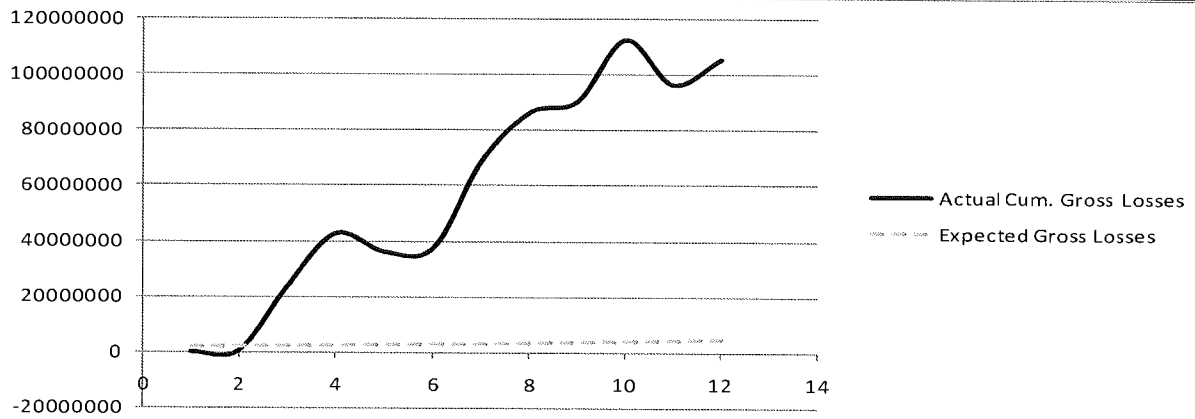
Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Luminent Mortgage Trust 2007-1	40299	1	\$ -	\$ 837,607
Luminent Mortgage Trust 2007-1	40299	2	\$ -	\$ 914,876
Luminent Mortgage Trust 2007-1	40299	3	\$ -	\$ 999,112
Luminent Mortgage Trust 2007-1	40299	4	\$ 1,982,522	\$ 1,090,910
Luminent Mortgage Trust 2007-1	40299	5	\$ 3,098,851	\$ 1,190,913
Luminent Mortgage Trust 2007-1	40299	6	\$ 7,535,538	\$ 1,299,811
Luminent Mortgage Trust 2007-1	40299	7	\$ 8,877,706	\$ 1,418,342
Luminent Mortgage Trust 2007-1	40299	8	\$ 7,269,659	\$ 1,547,298
Luminent Mortgage Trust 2007-1	40299	9	\$ 7,809,257	\$ 1,687,522
Luminent Mortgage Trust 2007-1	40299	10	\$ 6,135,975	\$ 1,839,912
Luminent Mortgage Trust 2007-1	40299	11	\$ 11,639,877	\$ 2,005,424
Luminent Mortgage Trust 2007-1	40299	12	\$ 13,374,400	\$ 2,185,068



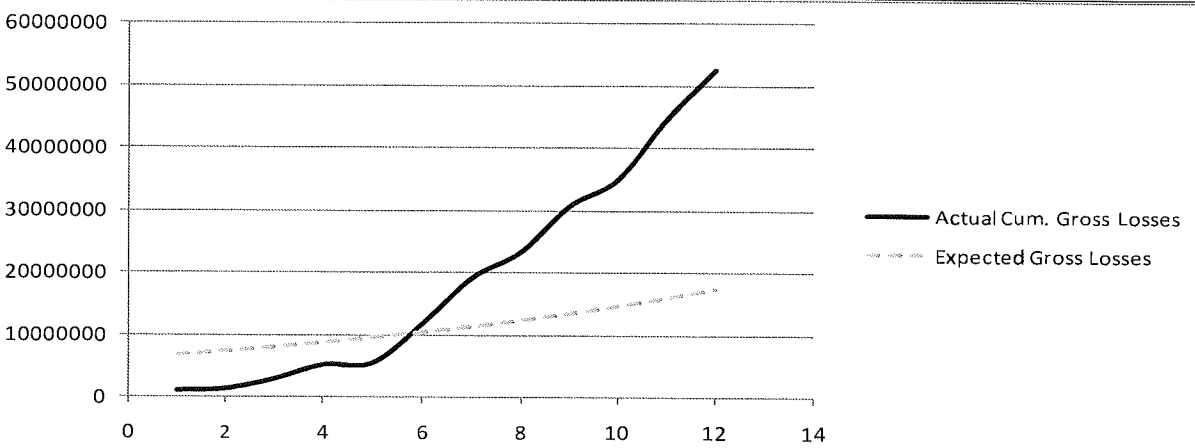
Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
MortgageIT Mortgage Loan Trust 2006-1	36837	1	\$ -	\$ 676,065.76
MortgageIT Mortgage Loan Trust 2006-1	36837	2	\$ -	\$ 738,432.90
MortgageIT Mortgage Loan Trust 2006-1	36837	3	\$ -	\$ 806,422.58
MortgageIT Mortgage Loan Trust 2006-1	36837	4	\$ 560,000.00	\$ 880,516.57
MortgageIT Mortgage Loan Trust 2006-1	36837	5	\$ 1,254,257.17	\$ 961,233.11
MortgageIT Mortgage Loan Trust 2006-1	36837	6	\$ 2,470,257.89	\$ 1,049,128.74
MortgageIT Mortgage Loan Trust 2006-1	36837	7	\$ 2,628,457.17	\$ 1,144,800.05
MortgageIT Mortgage Loan Trust 2006-1	36837	8	\$ 4,055,807.17	\$ 1,248,885.24
MortgageIT Mortgage Loan Trust 2006-1	36837	9	\$ 3,738,676.18	\$ 1,362,065.53
MortgageIT Mortgage Loan Trust 2006-1	36837	10	\$ 4,116,310.48	\$ 1,485,066.24
MortgageIT Mortgage Loan Trust 2006-1	36837	11	\$ 5,153,808.11	\$ 1,618,657.50
MortgageIT Mortgage Loan Trust 2006-1	36837	12	\$ 7,103,777.17	\$ 1,763,654.58



Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Nomura Home Equity Loan Trust Series 2007-1	40291	1	\$ 159,200	\$ 1,737,954
Nomura Home Equity Loan Trust Series 2007-1	40291	2	\$ 619,200	\$ 1,898,280
Nomura Home Equity Loan Trust Series 2007-1	40291	3	\$ 23,542,962	\$ 2,073,060
Nomura Home Equity Loan Trust Series 2007-1	40291	4	\$ 42,794,130	\$ 2,263,533
Nomura Home Equity Loan Trust Series 2007-1	40291	5	\$ 36,287,162	\$ 2,471,030
Nomura Home Equity Loan Trust Series 2007-1	40291	6	\$ 37,717,522	\$ 2,696,982
Nomura Home Equity Loan Trust Series 2007-1	40291	7	\$ 69,224,811	\$ 2,942,923
Nomura Home Equity Loan Trust Series 2007-1	40291	8	\$ 86,609,785	\$ 3,210,493
Nomura Home Equity Loan Trust Series 2007-1	40291	9	\$ 90,655,311	\$ 3,501,444
Nomura Home Equity Loan Trust Series 2007-1	40291	10	\$ 112,784,673	\$ 3,817,641
Nomura Home Equity Loan Trust Series 2007-1	40291	11	\$ 96,635,919	\$ 4,161,062
Nomura Home Equity Loan Trust Series 2007-1	40291	12	\$ 105,724,469	\$ 4,533,804



Deal Name	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Soundview Home Equity Loan Trust 2005-OPT4	36025	1	\$ 1,212,442	\$ 6,716,668
Soundview Home Equity Loan Trust 2005-OPT4	36025	2	\$ 1,512,469	\$ 7,336,281
Soundview Home Equity Loan Trust 2005-OPT4	36025	3	\$ 3,073,678	\$ 8,011,754
Soundview Home Equity Loan Trust 2005-OPT4	36025	4	\$ 5,331,109	\$ 8,747,873
Soundview Home Equity Loan Trust 2005-OPT4	36025	5	\$ 5,676,196	\$ 9,549,786
Soundview Home Equity Loan Trust 2005-OPT4	36025	6	\$ 12,008,162	\$ 10,423,024
Soundview Home Equity Loan Trust 2005-OPT4	36025	7	\$ 19,248,543	\$ 11,373,512
Soundview Home Equity Loan Trust 2005-OPT4	36025	8	\$ 23,426,005	\$ 12,407,591
Soundview Home Equity Loan Trust 2005-OPT4	36025	9	\$ 30,776,311	\$ 13,532,030
Soundview Home Equity Loan Trust 2005-OPT4	36025	10	\$ 35,034,668	\$ 14,754,033
Soundview Home Equity Loan Trust 2005-OPT4	36025	11	\$ 44,624,482	\$ 16,081,254
Soundview Home Equity Loan Trust 2005-OPT4	36025	12	\$ 52,570,998	\$ 17,521,790



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