

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NASSAU

PLUMBERS' & PIPEFITTERS' LOCAL #562
SUPPLEMENTAL PLAN & TRUST and
PLUMBERS' & PIPEFITTERS' LOCAL #562
PENSION FUND, On Behalf of Themselves
and All Others Similarly Situated,

Plaintiffs,

vs.

J.P. MORGAN ACCEPTANCE
CORPORATION I, J.P. MORGAN
ALTERNATIVE LOAN TRUST 2006-A1,
J.P. MORGAN ALTERNATIVE LOAN
TRUST 2006-A2, J.P. MORGAN
ALTERNATIVE LOAN TRUST 2006-A3,
J.P. MORGAN ALTERNATIVE LOAN
TRUST 2006-A4, J.P. MORGAN
ALTERNATIVE LOAN TRUST 2006-A5,
J.P. MORGAN ALTERNATIVE LOAN
TRUST 2006-A6, J.P. MORGAN
ALTERNATIVE LOAN TRUST 2006-A7,
J.P. MORGAN ALTERNATIVE LOAN
TRUST 2006-S1, J.P. MORGAN
ALTERNATIVE LOAN TRUST 2006-S2, J.P.
MORGAN ALTERNATIVE LOAN TRUST
2006-S3, J.P. MORGAN ALTERNATIVE
LOAN TRUST 2006-S4, J.P. MORGAN
MORTGAGE ACQUISITION TRUST 2006-
A3, J.P. MORGAN MORTGAGE
ACQUISITION TRUST 2006-A4,

Index No. *5675/08*

CLASS ACTION

COMPLAINT FOR VIOLATION OF §§11
AND 15 OF THE SECURITIES ACT OF
1933

Filed: 3-26-08

DEMAND FOR JURY TRIAL

[Caption continued on following page.]

NATURE OF THE ACTION

1. This is a securities class action on behalf of all persons or entities who acquired the Mortgage Pass-Through Certificates and Asset-Backed Pass-Through Certificates ("Certificates") of J.P. Morgan Acceptance Corporation I ("JP Morgan Acceptance" or the "Depositor") pursuant and/or traceable to false and misleading Registration Statements and Prospectus Supplements issued between January 2006 and March 2007 by JP Morgan Acceptance (collectively, the "Registration Statements"). This action, brought against the issuers and underwriters of the Certificates, involves solely *strict liability* and *negligence* claims brought pursuant to the Securities Act of 1933 ("1933 Act").

2. JP Morgan Acceptance was formed in 1988 for the purpose of acquiring, owning and selling interests in those assets. JP Morgan Acceptance is a subsidiary of J.P. Morgan Securities Inc. ("JP Morgan") and is engaged in mortgage lending and other real estate finance-related businesses, including mortgage banking, mortgage warehouse lending, and insurance underwriting.

3. The issuers of the various offerings (the "Defendant Issuers") are the Trusts identified in ¶15 established by defendants to issue billions of dollars worth of Certificates in 2006-2007.

4. On July 29, 2005 and February 8, 2006, JP Morgan Acceptance and the Defendant Issuers caused Registration Statements to be filed with the Securities and Exchange Commission ("SEC") in connection with the issuance of billions of dollars of Certificates. The Certificates were issued pursuant to Prospectus Supplements, each of which was incorporated into the Registration Statements. The Certificates included several classes or tranches, which had various priorities of payment, exposure to default, interest payment provisions and/or levels of seniority.

5. The Certificates were supported by large pools of mortgage loans. The Registration Statements represented that the mortgage pools would primarily consist of loan groups generally

secured by first liens on residential properties, including conventional, adjustable rate and negative amortization mortgage loans.

6. Investors purchased the Certificates based upon two primary factors: return (in the form of interest payments), including timing of principal and interest payments, and safety (risk of default of the underlying mortgage loan assets). The Registration Statements discussed the underwriting standards purportedly used in connection with the underwriting of the underlying mortgage loans and included numerous representations about the loan-to-value ratios used to qualify borrowers, the appraisals of properties underlying the mortgages and the maximum debt-to-income ratios permitted on the mortgage loans.¹

7. The Registration Statements omitted and/or misrepresented the fact that the sellers of the underlying mortgages to JP Morgan Acceptance were issuing many of the mortgage loans to borrowers who: (i) did not meet the prudent or maximum debt-to-income ratio purportedly required by the lender; (ii) did not provide adequate documentation to support the income and assets required for the lenders to approve and fund the mortgage loans pursuant to the lenders' own guidelines; (iii) were steered to stated income/asset and low documentation mortgage loans by lenders, lenders' correspondents or lenders' agents, such as mortgage brokers, because the borrowers could not qualify for mortgage loans that required full documentation; and (iv) did not have the income required by the lenders' own guidelines to afford the required mortgage payments which resulted in a mismatch between the amount loaned to the borrower and the capacity of the borrower. The Registration Statements failed to disclose that the lenders or the lenders' agents knew that the borrowers either could not provide the required documentation or refused to provide it. In addition, the Registration Statements did not disclose that:

¹ Loan-to-value ratio is the ratio of the money borrowed to the market value of the property.

- The underwriting, quality control and due diligence practices utilized in connection with the approval and funding of the mortgage loans were so weak that some borrowers were given mortgage loans based on stated income in the loan applications with purported income amounts that could not possibly be reconciled with the jobs claimed on the loan application or through a check of free “online” salary databases such as salary.com.
- The appraisals of many properties were inflated, as appraisers were pressured by lenders, lenders’ correspondents or the lenders’ agents, such as mortgage brokers, to provide the desired appraisal value regardless of the actual value of the underlying property so the mortgage loan would be approved and funded. In this way many appraisers were rewarded for their willingness to support preconceived or predetermined property values violating the Uniform Standards of Professional Appraisal Practice (“USPAP”).²

8. As a result of the misstatements and omissions detailed herein, the Certificates sold to plaintiffs and the Class were secured by assets that had a much greater risk profile in the form of a statistically significant difference between the expected versus actual performance of such assets than represented in the Registration Statements, and defendants offered superior credit ratings on the Certificates as a result of defendants’ failure to disclose the underwriting defects and appraisal manipulations.³

9. One commentator, posting on *Market Pipeline*, referred to one of the very trusts included herein – the J.P. Morgan Alternative Loan Trust Series 2006-A4 – when describing just how risky the investments in the Certificates really were:

It’s been said that risk is commonly underestimated when it comes to mortgage banking. Nowhere is that sentiment more true, apparently, than in the very nature of how many RMBS have been created.

² USPAP are the generally accepted standards for professional appraisal practice in North America. USPAP contain standards for all types of appraisal services. Standards are included for real estate, personal property, business and mass appraisal.

³ The rating agencies are Moody’s Investors Service, Fitch Investor Service and Standard & Poor’s (the “Rating Agencies”). The Rating Agencies are approved as “Nationally Recognized Statistical Rating Organizations” (or “NRSROs”) by the SEC and are intended to provide independent, easy-to-use measurements of relative credit risk.

10. By the summer of 2007, the amount of uncollectible mortgage loans securing the Certificates began to be revealed to the public. To avoid scrutiny for their own involvement in the sale of the Certificates, the Rating Agencies began to put negative watch labels on many Certificate classes, ultimately downgrading many. The delinquency and foreclosure rates of the mortgage loans securing the Certificates has grown both faster and in greater quantity than what would be expected for mortgage loans of the types described in the Prospectus Supplements. As an additional result, the Certificates are no longer marketable at prices anywhere near the price paid by plaintiffs and the Class and the holders of the Certificates are exposed to much more risk with respect to both the timing and absolute cash flow to be received than the Registration Statements/Prospectus Supplements represented.

JURISDICTION AND VENUE

11. The claims alleged herein arise under §§11 and 15 of the 1933 Act, 15 U.S.C. §§77k and 77o. Jurisdiction is conferred by §22 of the 1933 Act and venue is proper pursuant to §22 of the 1933 Act. Section 22 of the 1933 Act explicitly states that “[e]xcept as provided in section 16(c), no case arising under this title and brought *in any State* court of competent jurisdiction shall be removed to any court in the United States.” Section 16(c) refers to “covered class actions,” which are defined as lawsuits brought as class actions or brought on behalf of more than 50 persons asserting claims *under state or common law*. This is an action asserting federal law claims. Thus, it does not fall within the definition of a “covered class action” under §16(b)-(c) and therefore is not removable to federal court under the Securities Litigation Uniform Standards Act of 1998.

12. The violations of law complained of herein occurred in this County, including the dissemination of materially false and misleading statements complained of herein into this County. JP Morgan Acceptance and JP Morgan conduct business in this County.

PARTIES

13. (a) Plaintiff Plumbers' & Pipefitters' Local #562 Supplemental Plan & Trust acquired Certificates pursuant and traceable to the Registration Statements and Prospectus Supplements and has been damaged thereby.

(b) Plaintiff Plumbers' & Pipefitters' Local #562 Pension Fund acquired Certificates pursuant and traceable to the Registration Statements and Prospectus Supplements and has been damaged thereby.

14. Defendant JP Morgan Acceptance is a Delaware corporation headquartered in New York, New York. It is a special purpose corporation formed in 1988.

15. Each of the Defendant Issuers of the Certificates are Delaware trusts which issued billions of dollars worth of Certificates pursuant the Registration Statements. The Defendant Issuers are:

J.P. Morgan Alternative Loan Trust 2006-A1	J.P. Morgan Alternative Loan Trust 2006-A7
J.P. Morgan Alternative Loan Trust 2006-A2	J.P. Morgan Alternative Loan Trust 2006-S1
J.P. Morgan Alternative Loan Trust 2006-A3	J.P. Morgan Alternative Loan Trust 2006-S2
J.P. Morgan Alternative Loan Trust 2006-A4	J.P. Morgan Alternative Loan Trust 2006-S3
J.P. Morgan Alternative Loan Trust 2006-A5	J.P. Morgan Alternative Loan Trust 2006-S4
J.P. Morgan Alternative Loan Trust 2006-A6	J.P. Morgan Mortgage Acquisition Trust 2006-A3
J.P. Morgan Mortgage Acquisition Trust 2006-A4	J.P. Morgan Mortgage Acquisition Trust 2006-A5
J.P. Morgan Mortgage Acquisition Trust 2006-A6	J.P. Morgan Mortgage Acquisition Trust 2006-A7
J.P. Morgan Mortgage Acquisition Trust 2006-ACC1	J.P. Morgan Mortgage Acquisition Trust 2006-CH2
J.P. Morgan Mortgage Acquisition Trust 2006-HE2	J.P. Morgan Mortgage Acquisition Trust 2006-HE3
J.P. Morgan Mortgage Acquisition Trust 2006-NC1	J.P. Morgan Mortgage Acquisition Trust 2006-RM1
J.P. Morgan Mortgage Acquisition Trust 2006-S2	J.P. Morgan Mortgage Acquisition Trust 2006-WF1
J.P. Morgan Mortgage Acquisition Trust 2006-WMC2	J.P. Morgan Mortgage Acquisition Trust 2006-WMC3
J.P. Morgan Mortgage Acquisition Trust 2006-WMC4	J.P. Morgan Mortgage Acquisition Trust 2007-A1
J.P. Morgan Mortgage Acquisition Trust 2007-A2	J.P. Morgan Mortgage Acquisition Trust 2007-CH1
J.P. Morgan Mortgage Acquisition Trust 2007-CH2	J.P. Morgan Mortgage Acquisition Trust 2007-S1

16. Defendant JP Morgan engages in investment banking activities in the U.S. Its services include debt and equity underwriting, advice on mergers and acquisitions and restructuring, securities dealing and brokerage, and trade execution services, such as market making, equity

derivatives and structured investments, for institutional clients. JP Morgan is a Delaware corporation based in New York, New York. JP Morgan acted as underwriter in the sale of the Certificates and in doing so drafted and disseminated the offering documents. JP Morgan failed to perform adequate due diligence to ensure the statements incorporated into the Registration Statements were not misleading.

17. Defendant David M. Duzyk ("Duzyk") was President and a director of JP Morgan Acceptance during the relevant time period. Defendant Duzyk signed the July 29, 2005 and February 8, 2006 Registration Statements.

18. Defendant Louis Schioppo, Jr. ("Schioppo") was the Controller and Chief Financial Officer ("CFO") of JP Morgan Acceptance during the relevant time period. Defendant Schioppo signed the July 29, 2005 and February 8, 2006 Registration Statements.

19. Defendant Christine E. Cole ("Cole") was a director of JP Morgan Acceptance during the relevant time period. Defendant McCarthy signed the July 29, 2005 and February 8, 2006 Registration Statements.

20. Defendant Edwin F. McMichael ("McMichael") was a director of JP Morgan Acceptance during the relevant time period. Defendant McMichael signed the July 29, 2005 and February 8, 2006 Registration Statements.

21. The defendants identified in ¶¶17-20 are referred to herein as the "Individual Defendants." The Individual Defendants functioned as directors to the Trusts as they were directors to Citigroup Mortgage and signed the Registration Statement for the registration of the securities issued by the Trusts.

22. These defendants aided and abetted, and/or participated with and/or conspired with, the named defendants in the wrongful acts and course of conduct or otherwise caused the damages

and injuries claimed herein and are responsible in some manner for the acts, occurrences and events alleged in this Complaint.

CLASS ACTION ALLEGATIONS

23. Plaintiffs bring this action as a class action pursuant to CPLR 901, *et seq.*, on behalf of a class consisting of all persons or entities who acquired Certificates of the Trust Series identified herein pursuant and/or traceable to the false and misleading Registration Statements (Registration Nos. 333-127020 and 333-130192) (the "Class"). Excluded from the Class are defendants, the officers and directors and affiliates of the defendants, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

24. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to plaintiffs at this time and can only be ascertained through appropriate discovery, plaintiffs believe that there are hundreds of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by JP Morgan Acceptance and/or JP Morgan or their transfer agents and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions. The Registration Statements issued billions of dollars worth of Certificates.

25. Plaintiffs' claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by defendants' wrongful conduct in violation of federal law that is complained of herein.

26. Plaintiffs will fairly and adequately protect the interests of the members of the Class and have retained counsel competent and experienced in class and securities litigation.

27. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- (a) whether defendants violated the 1933 Act;
- (b) whether statements made by defendants to the investing public in the Registration Statements misrepresented material facts about the Certificates and/or the underlying mortgage loans held by the Trusts; and
- (c) to what extent the members of the Class have sustained damages and the proper measure of damages.

28. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

BACKGROUND

29. JP Morgan Acceptance is a subsidiary of JP Morgan and is engaged in mortgage lending and other real estate finance-related businesses, including mortgage banking, mortgage warehouse lending, and insurance underwriting. JP Morgan Acceptance was set up to establish the Trusts, acquire mortgage loans and then issue Certificates of various classes or tranches that were sold to investors pursuant to Registration Statements. The Registration Statements contained data about the characteristics of the mortgage loans. However, the defendants omitted and/or misrepresented material information in the Registration Statements about the origination, underwriting, quality control, approval and funding practices and policies for the mortgage loans, as well as the likelihood borrowers would repay such mortgage loans according to the terms of the

mortgage and/or deed of trust. This depended on several factors, including creditworthiness of the borrowers, debt-to-income levels, loan-to-value ratios, assets of the borrowers, occupancy of the properties securing the mortgage loans, and the accuracy of other data collected during the origination of the mortgage loans. Material omissions and misrepresentations related to these factors rendered the mortgage loans "Defective Qualified Loans" prior to their transfer to JP Morgan Acceptance, contradicting the representations in the Prospectus Supplements that all mortgage loans transferred to JP Morgan Acceptance were "Qualified Loans" under tax code §860G(a)(3) and rendering the Registration Statements false and misleading.

THE FALSE AND MISLEADING REGISTRATION STATEMENTS/PROSPECTUS SUPPLEMENTS

30. JP Morgan Acceptance issued Registration Statements, filed with the SEC and dated July 29, 2005 and February 8, 2006, which discussed the mortgage loans contained in the mortgage pools held by the Defendant Issuers. Defendants represented that the mortgage loans held by the Defendant Issuers were mortgage loans made to creditworthy borrowers whose income documentation was subject to established standards just a notch below those established for other borrowers.

31. Emphasizing the underwriting standards and income verification requirements utilized to generate the underlying mortgage loans held by the Defendant Issuers, the Registration Statements stated:

- Underwriting standards were applied by or on behalf of a lender to evaluate the borrower's credit standing and repayment ability and the value and adequacy of the mortgaged property as collateral.
- In most cases, an employment verification was obtained from an independent source, typically the borrower's employer. The verification reported, among other things, the length of employment with that organization, the borrower's current salary and whether it was expected that the borrower would continue employment in the future. Where a prospective borrower was self-employed, the Registration Statements stated that the borrower was required to submit copies of signed tax returns.

32. These representations were false and misleading. The true facts which were concealed were that the originators and other lenders that sold mortgage loans to JP Morgan Acceptance had become so aggressive in approving and funding loans that many of the mortgage loans were made to borrowers who had either falsified the required documentation or had not submitted it to the lender. Similarly, for those self-employed borrowers who were actually required to document income levels, income levels were routinely inflated to extreme levels in order to ensure approval of the mortgage loans.

33. The Registration Statements also represented that where property appraisals were required, the appraiser was required to inspect the property to verify that it was in good repair and that construction, if new, had been completed. The Registration Statements further stated that the appraisal was based on the market value of comparable homes, the estimated rental income (if considered applicable by the appraiser) and the cost of replacing the home. The Registration Statements stated that appraisers and appraisals adhered to USPAP regulations and requirements.

34. These representations were false and misleading. The true facts were that the appraisals were unreliable due to lack of controls on the part of JP Morgan and the lenders. Moreover, the originators had exerted pressure on appraisers to produce pre-determined appraisal values that were not based upon the actual values of the properties. Appraisers employed by the originators were also secretly pressured to appraise properties at a certain level or they would not be hired again, resulting in appraisals being done on a "drive-by" basis, where appraisers issued appraisals without a reasonable basis.

FALSE STATEMENTS ABOUT ORIGINATORS' PRACTICES

PHH Mortgage Corporation

35. The Registration Statements and Prospectus Supplements contained false statements about the underwriting practices of PHH Mortgage Corporation, a key originator in the following Series:

Alternative Loan Trust 2006-A1	Alternative Loan Trust 2006-A2
Alternative Loan Trust 2006-A4	Alternative Loan Trust 2006-A5
Alternative Loan Trust 2006-A6	Alternative Loan Trust 2006-A7
Alternative Loan Trust 2006-S3	Alternative Loan Trust 2006-S4
Mortgage Trust 2006-A3	Mortgage Trust 2006-A4
Mortgage Trust 2006-A5	Mortgage Trust 2006-A6
Mortgage Trust 2006-A7	Mortgage Trust 2007-A2

36. The Alternative Loan Trust Series 2006-A1 Prospectus Supplement addressed underwriting standards utilized by PHH Mortgage, which originated 38.34% of the Pool 1 mortgages and 30.47% of the Pool 3 mortgages in Series 2006-A1:

PHH Mortgage's underwriting standards have been established based upon its knowledge of the primary and secondary residential mortgage markets. They are intended to originate investment-quality mortgage loans that are salable in the secondary mortgage market. They are applied in originating or purchasing mortgage loans for its own account, and in originating loans for, or purchasing mortgage loans from, other lenders under various "private-label" programs. The application of the underwriting standards represent a balancing of several factors that may affect the ultimate recovery of the loan amount, including but not limited to, the applicant's credit standing and ability to repay the loan, as well as the value and adequacy of the mortgaged property as collateral. PHH Mortgage may adapt its underwriting guidelines based upon the nature of a specific private-label relationship.

Omitted Information: PHH Mortgage had numerous exceptions to its underwriting standards beyond what it disclosed, such that the mortgages issued had not resulted in investment-quality mortgage loans, as loans were made to borrowers with insufficient income to make the mortgage payments on the loans after loans with low initial teaser rates were reset, such that, absent housing price appreciation sufficient to make refinancing possible, these mortgage loans were sure to be problematic. PHH Mortgage was extremely aggressive in making loans, promising same-day loan decisions and a best-price guarantee wherein it would beat any lender's price or pay the borrower

\$500. The mortgage loans PHH Mortgage held on to had suffered declines in value by late 2007 with many of the declines related to "loans with origination flaws."

37. The Prospectus Supplement dated March 28, 2007, for Mortgage Trust Series 2007-A2 described PHH Mortgage's originating practices (PHH Mortgage originated 33% of the mortgage loans in the 2007-A2 pool), as follows:

(a) **Closed Loan Purchases.** This platform is also known as the wholesale/correspondent platform. PHH Mortgage generally underwrites and (i) partially processes and closes and/or (ii) purchases closed loans from financial institutions and mortgage banks. These include banks, credit unions and other mortgage companies that are affiliated with real estate brokerage organizations. PHH Mortgage approves all of its wholesalers/correspondents *after a thorough review* of the entity's corporate, financial and licensing information.

Omitted Information: PHH Mortgage, which was spun-off from Cendant Corporation in 2005, was a private label mortgage provider which was the lender behind certain realtors which offered mortgage loans. As stated, PHH Mortgage acquired loans from these realtors, but did not routinely perform the thorough review represented. The lack of a thorough review was critical since the structure of the arrangement was that the real estate agents were pushing both the home and the mortgage on the borrower. Real estate agents would always push valuations in order to get the deal done and have the deal look attractive to the actual lender PHH Mortgage. PHH Mortgage looked the other way on inflated real estate values in order to keep its big corporate clients happy.

(b) PHH Mortgage also originates mortgage loans pursuant to alternative sets of underwriting criteria under its reduced documentation program ("Reduced Documentation Program"), stated income, stated asset program ("Stated Income, Stated Asset Program"), stated income, full asset program ("Stated Income Full Asset Program"), no income, stated asset program ("No Income Stated Asset Program") and rate and term refinance limited documentation program ("Streamlined Documentation Program"). Under the Reduced Documentation Program, Stated Income, Stated Asset Program, Stated Income Full Asset Program and No Income Stated Asset Program, certain documentation concerning income/employment and asset verification is reduced or excluded. Each of these programs is designed to facilitate the loan approval process.

Under the Streamlined Documentation Program, which is generally available only to the loans in PHH Mortgage's portfolio having no mortgage delinquencies in

the past 12 months, rate and term refinance loans are underwritten based solely on the original appraisal and limited credit verification, if any. Although no current appraisal of the property is obtained with respect to the origination of these mortgage loans, a "drive-by" appraisal may be obtained in certain cases and the loan-to-value ratio generally may not exceed the original loan-to-value ratio at origination.

Omitted Information: PHH Mortgage did little to verify that the original loan-to-value ratio on these types of loans was not exceeded and ignored situations where it was likely the original appraisal was no longer reasonable, assuming it ever was.

Countrywide Home Loans

38. The Registration Statements and Prospectus Supplements contained false statements about the underwriting practices of Countrywide Home Loans, a key originator in the following Series:

Alternative Loan Trust Series 2006-A1	Alternative Loan Trust Series 2006-S3
Alternative Loan Trust Series 2006-A2	Alternative Loan Trust Series 2006-S4
Alternative Loan Trust Series 2006-A4	Mortgage Trust 2006-A4
Alternative Loan Trust Series 2006-A6	Mortgage Trust 2006-A6
Alternative Loan Trust Series 2006-A7	Mortgage Trust 2007-S1
Alternative Loan Trust Series 2006-S1	Mortgage Trust 2007-A2

39. The Prospectus Supplement issued in connection with Alternative Loan Trust Series 2006-A1 further addressed the underwriting standards of Countrywide Home Loans (which originated 33.53% of the Pool 2 mortgages and 65.04% of the Pool 3 mortgages), noting:

Under those standards, a prospective borrower must generally demonstrate that the ratio of the borrower's monthly housing expenses (including principal and interest on the proposed mortgage loan and, as applicable, the related monthly portion of property taxes, hazard insurance and mortgage insurance) to the borrower's monthly gross income and the ratio of total monthly debt to the monthly gross income (the "debt-to-income" ratios) are within acceptable limits. . . . The maximum acceptable debt-to-income ratio, which is determined on a loan-by-loan basis varies depending on a number of underwriting criteria, including the Loan-to-Value Ratio, loan purpose, loan amount and credit history of the borrower. In addition to meeting the debt-to-income ratio guidelines, each prospective borrower is required to have sufficient cash resources to pay the down payment and closing costs. Exceptions to Countrywide Home Loans' underwriting guidelines may be made if compensating factors are demonstrated by a prospective borrower.

Omitted Information: Countrywide was issuing or acquiring mortgages with limited documentation and/or excessive loan-to-value ratios even where compensating factors were not demonstrated. Some borrowers with "No Doc" mortgage loans were wage earners who could have provided employment, income and asset verification, but were not required to do so because their actual income and assets would have been insufficient for the mortgage amounts. As Countrywide has reported increasing foreclosures and delinquencies, analysts who follow Countrywide closely have indicated they were not surprised given Countrywide's past practices. As *MarketWatch* reported on February 15, 2008:

Analysts were not surprised to see the increases, pointing to past lending practices popularized by the lending industry during the height of the housing boom as an underlying problem that will continue to play out in 2008.

"It is certainly not a big surprise that we are seeing more [delinquencies], as many of these loans came about because of poor underwriting practices," Gary Gordon, an analyst for Portales Partners who has been following Countrywide for almost two decades.

Gordon said he expected the number to rise throughout this year as many borrowers crack under the pressure of paying off loans for which they should not [sic] originally received.

"The delinquencies for these kinds of loans are then likely to come out early in the lifecycle of the loan, which is happening now," he said.

40. The Alternative Loan Trust Series 2006-A1 Prospectus Supplement also stated with respect to Countrywide:

Under its Expanded Underwriting Guidelines, Countrywide Home Loans generally permits a debt-to-income ratio based on the borrower's monthly housing expenses of up to 36% and a debt-to-income ratio based on the borrower's total monthly debt of up to 40%; provided, however, that if the Loan-to-Value Ratio exceeds 80%, the maximum permitted debt-to-income ratios are 33% and 38%, respectively.

Omitted Information: Countrywide's appraisals were frequently inflated, reckless, contained predetermined values or were otherwise unreliable, which caused the loan-to-value ratios to be misstated. This caused mortgages to be issued for borrowers with higher than 38% debt-to-income

ratios even though the loan-to-value ratio was higher than 80% of what the property would appraise for under a legitimate appraisal.

41. The Alternative Loan Trust Series 2006-A4 Prospectus Supplement, dated July 27, 2006, stated with respect to the underwriting practices of Countrywide, which accounted for 70% of mortgages in the 2006-A4 Trust:

The Streamlined Documentation Program is available for borrowers who are refinancing an existing mortgage loan that was originated or acquired by Countrywide Home Loans provided that, among other things, the mortgage loan has not been more than 30 days delinquent in payment during the previous twelve-month period. Under the Streamlined Documentation Program, appraisals are obtained only if the loan amount of the loan being refinanced had a Loan-to-Value Ratio at the time of origination in excess of 80% or if the loan amount of the new loan being originated is greater than \$650,000. In addition, under the Streamlined Documentation Program, a credit report is obtained but only a limited credit review is conducted, no income or asset verification is required, and telephonic verification of employment is permitted. The maximum Loan-to-Value Ratio under the Streamlined Documentation Program ranges up to 95%.

EXPANDED UNDERWRITING GUIDELINES

Mortgage loans which are underwritten pursuant to the Expanded Underwriting Guidelines may have higher Loan-to-Value Ratios, higher loan amounts and different documentation requirements than those associated with the Standard Underwriting Guidelines. The Expanded Underwriting Guidelines also permit higher debt-to-income ratios than mortgage loans underwritten pursuant to the Standard Underwriting Guidelines.

Countrywide Home Loans' Expanded Underwriting Guidelines for mortgage loans with non-conforming original principal balances generally allow Loan-to-Value Ratios at origination of up to 95% for purchase money or rate and term refinance mortgage loans with original principal balances of up to \$400,000, up to 90% for mortgage loans with original principal balances of up to \$650,000, up to 80% for mortgage loans with original principal balances of up to \$1,000,000, up to 75% for mortgage loans with original principal balances of up to \$1,500,000 and up to 70% for mortgage loans with original principal balances of up to \$3,000,000. Under certain circumstances, however, Countrywide Home Loans' Expanded Underwriting Guidelines allow for Loan-to-Value Ratios of up to 100% for purchase money mortgage loans with original principal balances of up to \$375,000.

* * *

The same documentation and verification requirements apply to mortgage loans documented under the Alternative Documentation Program regardless of

whether the loan has been underwritten under the Expanded Underwriting Guidelines or the Standard Underwriting Guidelines. However, under the Alternative Documentation Program, mortgage loans that have been underwritten pursuant to the Expanded Underwriting Guidelines may have higher loan balances and Loan-to-Value Ratios than those permitted under the Standard Underwriting Guidelines.

Similarly, the same documentation and verification requirements apply to mortgage loans documented under the Reduced Documentation Program regardless of whether the loan has been underwritten under the Expanded Underwriting Guidelines or the Standard Underwriting Guidelines. However, under the Reduced Documentation Program, higher loan balances and Loan-to-Value Ratios are permitted for mortgage loans underwritten pursuant to the Expanded Underwriting Guidelines than those permitted under the Standard Underwriting Guidelines. The maximum Loan-to-Value Ratio, including secondary financing, ranges up to 90%. The borrower is not required to disclose any income information for some mortgage loans originated under the Reduced Documentation Program, and accordingly debt-to-income ratios are not calculated or included in the underwriting analysis. The maximum Loan-to-Value Ratio, including secondary financing, for those mortgage loans ranges up to 85%.

Under the No Income/No Asset Documentation Program, no documentation relating to a prospective borrower's income, employment or assets is required and therefore debt-to-income ratios are not calculated or included in the underwriting analysis, or if the documentation or calculations are included in a mortgage loan file, they are not taken into account for purposes of the underwriting analysis. This program is limited to borrowers with excellent credit histories. Under the No Income/No Asset Documentation Program, the maximum Loan-to-Value Ratio, including secondary financing, ranges up to 95%. Mortgage loans originated under the No Income/No Asset Documentation Program are generally eligible for sale to Fannie Mae or Freddie Mac.

Under the Stated Income/Stated Asset Documentation Program, the mortgage loan application is reviewed to determine that the stated income is reasonable for the borrower's employment and that the stated assets are consistent with the borrower's income. The Stated Income/Stated Asset Documentation Program permits maximum Loan-to-Value Ratios up to 90%. Mortgage loans originated under the Stated Income/Stated Asset Documentation Program are generally eligible for sale to Fannie Mae or Freddie Mac.

Omitted Information: These non-traditional mortgage loans were increasingly being widely used by Countrywide and its brokers where the loan-to-value ratios were over the stated limit due to "silent second" liens. In fact, for the mortgage loans generated under the Streamlined Documentation Program, appraisals were not obtained at all, even though the mortgage loans obtained did, in fact, exceed 80% of the actual value of the subject property. The importance of legitimate appraisals was

even more important under the Expanded Underwriting Guidelines because these mortgage loans provided for loan amounts which reached 90%, 95% or even 100% in some cases. Given the inflated appraisals frequently provided, the undisclosed risk of mortgages exceeding home values was extreme. Countrywide's appraisal practices were intended to inflate the property value so that loans would close. Countrywide was recently sued for inflated appraisals in connection with Countrywide's joint venture with KB Homes.

Chase Home Finance LLC

42. The Registration Statements and Prospectus Supplements contained false statements about the underwriting practices of Chase Home Finance LLC ("CHF"), which was a key originator for the following Series:

Alternative Loan Trust 2006-A1	Alternative Loan Trust 2006-A2
Alternative Loan Trust 2006-A3	Alternative Loan Trust 2006-A4
Alternative Loan Trust 2006-A5	Alternative Loan Trust 2006-A6
Alternative Loan Trust 2006-A7	Alternative Loan Trust 2006-S1
Alternative Loan Trust 2006-S4	Mortgage Trust 2006-A3
Mortgage Trust 2006-A4	Mortgage Trust 2006-A5
Mortgage Trust 2006-A6	Mortgage Trust 2006-A7
Mortgage Trust 2006-CH2	Mortgage Trust 2006-NC1
Mortgage Trust 2006-S2	Mortgage Trust 2007-A1
Mortgage Trust 2007-A2	Mortgage Trust 2007-CH1
Mortgage Trust 2007-CH2	

43. The Alternative Loan Trust Series 2006-S1 Prospectus Supplement dated February 24, 2006 for loans originated by CHF (which represented 36% of the 2006-S1 pool) represented:

Under CHF's "No Doc" program, no employment information, sources of income, income amount or assets are disclosed. Additionally, employment verification is not required. The underwriting for such mortgage loans are based primarily or entirely on a stronger credit profile (evidenced by a higher minimum FICO credit risk score), a lower maximum product limit and additional due diligence performed on the collateral.

Pursuant to CHF's Stated Income Stated Asset Program (which is sometimes referred to as CHF's "SISA" program), verification of the income and assets, as stated on the application, is not required. The underwriting for such mortgage loans

requires AUS approval and is based entirely on stronger credit profile and lower loan-to-value ratio requirements.

Omitted Information: The "No Doc" mortgage loans and SISA programs were not limited to situations where the collateral was more closely analyzed, and the appraisal process was much more perfunctory than represented. In fact, in late 2007, CHF announced changes to its underwriting, essentially admitting it had been doing the opposite before the changes. The changes included:

- Developing a new upfront disclosure in a simple format, so that borrowers could compare important product features for traditional as well as non-traditional mortgages, including more information on how an adjustable-rate feature can affect the monthly payment.
- Employing underwriting guidelines that require borrowers to demonstrate their ability to handle increases in interest rates on non-traditional mortgages.
- Requiring an initial fixed rate for at least five years on adjustable-rate mortgages for non-prime borrowers to reduce payment shock risk.

44. The Prospectus Supplement dated March 28, 2007 for Mortgage Trust Series 2007-A2 described CHF's originating practices, which originated or acquired 39% of the mortgage loans on the 2007-A2 pool, as follows:

(a) The Chase Originator Mortgage Loans were originated in a manner generally consistent, except as to loan amounts, with Fannie Mae or Freddie Mac published underwriting guidelines. Therefore, each Chase Originator Mortgage Loans originated in such a manner should generally meet the credit, appraisal and underwriting standards described in such published underwriting guidelines, except for the original principal balances of such Chase Originator Mortgage Loans. Initially, a prospective borrower is required to fill out an application designed to provide pertinent information about the borrower's assets, liabilities, income and credit, the property to be financed and the type of loan desired. A three-file merged credit report for each borrower is obtained, which summarizes each repository's credit score, credit history and depth, and any derogatory public records. The middle of three credit scores is used if there is a single applicant and the lower of both middle credit scores is used if there are joint applicants. In addition, employment, income and assets are verified. Self-employed prospective borrowers are generally required to submit their federal income tax returns for the last two years and in certain cases a separate statement of income and expenses is independently verified by a third party.

Once the necessary information is received, a determination is made as to whether the prospective borrower has sufficient monthly income available to meet the borrower's monthly obligations on the proposed loan and other expenses

Omitted information: During 2006, CHF represented to real estate agents that it would not require certain standard minimums if borrowers had certain credit scores. Given that credit scores could be altered or manipulated by certain borrower practices, the lack of requirements for traditional loans meant that mortgages were not originated consistent with Fannie Mae or Freddie Mac underwriting guidelines. CHF told real estate professionals that asset verification was not required with a 640 credit score or with loan-to-value ratio less than or equal to 80% and that taxes and insurance escrows were not required at any loan-to-value ratio.

(b) An appraisal (which in certain circumstances may be a confirmation of an existing appraisal) is required for each property to be financed. The appraisal is conducted by an independent fee appraiser who estimates the mortgaged property's market value. The independent appraisers do not receive any compensation dependent upon either the amount of the loan or its consummation. In normal practice, the lower of purchase price or appraised value determines the maximum amount which will be advanced against the property. For certain jumbo loans in high value markets, the lower value of two appraisals would be used if certain dollar amounts and loan-to-value thresholds are exceeded. An automated valuation model may be used instead of an independent fee appraiser.

Omitted information: CHF and its brokers either tacitly or explicitly pressured appraisers to appraise to certain values, since appraisers knew they would not be hired again if they failed to report the value desired. This led to inflated appraisals.

(c) From time to time, exceptions and/or variances to underwriting policies may be made. Such exceptions and/or variances may be made only if specifically approved on a loan-by-loan basis by certain credit and-underwriting personnel who have the authority to make such exceptions and/or variances. Exceptions and/or variances may be made only after careful consideration of certain mitigating factors such as borrower capacity, liquidity, employment and residential stability and local economic conditions.

Omitted information: CHF and its brokers were much more generous in granting exceptions than represented and the emphasis was on getting loans approved more so than on making "careful considerations" of the borrower's ability to pay.

SunTrust Mortgage

45. The Registration Statements and Prospectus Supplements contained false statements about SunTrust, a key originator in Alternative Loan Trust Series 2006-S1 and Alternative Loan Trust Series 2006-S2. With respect to the SunTrust mortgage loans, which represented 21% of the overall pool of Alternative Loan Trust Series 2006-S1 and 47.5% of the Pool 3 mortgage loans of Alternative Loan Trust Series 2006-S1, the Prospectus Supplement represented:

SunTrust underwriting guidelines generally follow standard Fannie Mae guidelines. They are designed to evaluate the borrower's capacity to repay the loan, to evaluate the credit history of the borrower, to verify the availability of funds required for closing and cash reserves for fully documented mortgage loans, and to evaluate the acceptability and marketability of the property to be used as collateral. SunTrust may consider a loan to have met underwriting guidelines where specific criteria or documentation are not met if, upon analyzing the overall qualitative evaluation of the loan package, there are acceptable compensating factors that can be used. SunTrust also offers reduced documentation mortgage loans that eliminate the verification of income and assets or disclosure and verification of income and assets when specific underwriting criteria are met. Disclosure and verification of employment may also be waived within specific program parameters. SunTrust continuously updates and enhances its underwriting guidelines to comply with secondary market investor guidelines and to reflect changes required for new mortgage products.

Omitted Information: SunTrust did not limit alternative documentation situations to those where "acceptable compensating factors" existed. In fact, SunTrust's practice of granting a relatively high level of stated income and low documentation mortgage loans attracted mortgage brokers, correspondents and borrowers who were more inclined to provide misrepresentations, or "liar loans" as they were known in the industry. SunTrust contributed to the problem further by requiring only minimal data to approve new mortgage brokers and then doing little monitoring on an ongoing basis of the thousands of approved mortgage brokers and the mortgage brokers' practices for originating mortgage loans. Moreover, SunTrust emphasized speeding up the origination process and cutting costs – using technology to get more Alt-A mortgage loans approved at a faster rate. This de-emphasized the quality control and due diligence of the loan origination process. SunTrust

compensated its loan officers based primarily on the volume of mortgage loans produced, which discouraged significant due diligence which would have protected Certificate holders. SunTrust was also becoming more aggressive in granting pay-option adjustable rate mortgages ("ARMs") which were much more likely to default.

WMC Mortgage Corporation

46. The Registration Statements and Prospectus Supplements contained false statements about the underwriting practices of WMC Mortgage Corp. ("WMC"), the key originator for:

Mortgage Trust Series 2006-WMC2
Mortgage Trust Series 2006-WMC3
Mortgage Trust Series 2006-WMC4

47. The Prospectus Supplement dated December 15, 2006 for Mortgage Trust Series 2006-WMC4, described the underwriting practices of WMC, which originated all the mortgage loans in the 2006-WMC4 Trust, as follows:

(a) The Underwriting Guidelines are primarily intended to (a) determine that the borrower has the ability to repay the mortgage loan in accordance with its terms and (b) determine that the related mortgaged property will provide sufficient value to recover the investment if the borrower defaults. On a case-by-case basis WMC may determine that, based upon compensating factors, a prospective mortgagor not strictly qualifying under the underwriting risk category or other guidelines described below warrants an underwriting exception. Compensating factors may include, but are not limited to, low debt-to-income ratio ("Debt Ratio"), good mortgage payment history, an abundance of cash reserves, excess disposable income, stable employment and time in residence at the applicant's current address. It is expected that a substantial number of the mortgage loans to be included in the trust will represent such underwriting exceptions.

* * *

All mortgage loans originated or purchased under the Underwriting Guidelines are based on loan application packages submitted through mortgage brokerage companies or on loan files (which include loan application documentation) submitted by correspondents. Loan application packages submitted through mortgage brokerage companies, containing in each case relevant credit, property and underwriting information on the loan request, are compiled by the applicable mortgage brokerage company and submitted to WMC for approval and funding. The mortgage brokerage companies receive a portion of the loan origination fee charged to the mortgagor at the time the loan is made and/or a yield-spread premium for

services provided to the borrower. No single mortgage brokerage company accounts for more than 3%, measured by outstanding principal balance, of the mortgage loans originated by WMC.

Omitted Information: WMC did not focus so much on whether the borrower could repay the loan and did not exert much control, if any, over brokers who did loans for WMC. In fact, WMC was particularly aggressive in providing yield-spread premium "buy-ups" to compensate the brokers even more. Considering that WMC was known in the industry for offering subprime mortgages up to 100% on low, teaser-rate ARMs, it was very easy (and profitable) for brokers to originate loans for WMC even if the borrowers were not good credit risks. A credit risk manager which later performed an investigation into WMC loans quickly found "fraud, errors, misrepresentations, or gross negligence that took place on the part of WMC." This resulted in the loan-to-value ratio exceeding 100% at origination. Also, at origination certain documents were missing from the loan file. In 38% of the sample, there was unreasonable stated income and/or misrepresentation of income and/or employment by borrowers. WMC could have easily discovered these problems through simple due diligence.

(b) The general collateral requirements in the Underwriting Guidelines specify that a mortgaged property not have a condition rating of lower than "average." Each appraisal includes a market data analysis based on recent sales of comparable homes in the area. The general collateral requirements in the Underwriting Guidelines specify conditions and parameters relating to zoning, land-to-improvement ratio, special hazard zones, neighborhood property value trends, whether the property site is too isolated, whether the property site is too close to commercial businesses, whether the property site is rural, city or suburban, whether the property site is typical for the neighborhood in which it is located and whether the property site is sufficient in size and shape to support all improvements.

Omitted Information: The appraisals due on properties securing loans originated by brokers working for WMC were not thorough enough to confirm the property characteristics described. As a result, given the lax underwriting by WMC, the lack of valid appraisals meant that many of WMC's originations were in trouble from the origination time.

ResMAE Mortgage Corporation

48. The Registration Statements and Prospectus Supplements contained false statements about the underwriting practices of ResMAE Mortgage Corporation ("ResMAE"), a key originator for Mortgage Trust Series 2006-RM1 and Mortgage Trust Series 2006-HE3. The Prospectus Supplement dated October 27, 2006 for Mortgage Trust Series 2006-HE3, described the underwriting practices of ResMAE, which originated 60% the mortgage loans in the 2006-HE3 Trust, as follows:

(a) Substantially all of the mortgage loans originated by ResMAE are based on loan application packages submitted through licensed mortgage brokers. These brokers must meet minimum standards set by ResMAE based on an analysis of the following information submitted with an application for approval: applicable state lending license (in good standing), signed broker agreement and signed broker authorization. Once approved, licensed mortgage brokers are eligible to submit loan application packages in compliance with the terms of a signed broker agreement.

Omitted Information: ResMAE relied significantly on mortgage brokers to originate loans and exercised little control over them to ensure that loans were only made to borrowers with an ability and willingness to pay back the loans. Following ResMAE's bankruptcy, analysts attributed the problems to poor underwriting. *Bloomberg.com* later reported: "More than 100 other lenders will go out of business this year,' said Doug Duncan, chief economist of the Mortgage Bankers Association in Washington. Many will be subprime lenders, victims of loans to borderline borrowers last year. 'Loans in 2006 will be the worst we have ever seen in the business,' said Matthew Howlett, an analyst who covers the subprime market in New York for Fox-Pitt, Kelton Ltd., an investment bank. 'The underwriting quality was disastrous.'"

(b) All of the mortgage loans were underwritten by ResMAE's underwriters having the appropriate signature authority. Each underwriter is granted a level of authority commensurate with their proven judgment, maturity and credit skills. On a case by case basis, ResMAE may determine that, based upon compensating factors, a prospective mortgagor not strictly qualifying under the underwriting risk category guidelines described below warrants an underwriting exception. Compensating factors may include, but are not limited to, low loan-to-value ratio, low Debt Ratio, substantial liquid assets, good credit history, stable

employment and time in residence at the applicant's current address. A substantial portion of the Mortgage Loans represent such underwriting exceptions.

Omitted Information: ResMAE did not grant exceptions to underwriting guidelines solely when compensating factors were present but granted exceptions on a widespread basis. This ultimately led to defaults and investor demands that ResMAE buy back \$308 million in defaulting loans. These demands forced ResMAE into bankruptcy, only a few months after JP Morgan underwrote the relevant offerings. That ResMAE would file for bankruptcy so soon after the 2006-RMI and 2006-HE3 series offerings demonstrates the lack of any meaningful due diligence by JP Morgan.

NovaStar Mortgage, Inc.

49. The Registration Statements and Prospectus Supplements contained false statements about the underwriting practices of NovaStar Mortgage, Inc., a key originator for Mortgage Trust Series 2006-HE2 and Mortgage Trust Series 2006-HE3. The Prospectus Supplement dated October 27, 2006 for Mortgage Trust Series 2006-HE3, described the underwriting practices of NovaStar, which originated 22% the mortgage loans in the 2006-HE3 Series, stated as follows:

(a) The underwriting guidelines of NovaStar are intended to evaluate the credit history of the potential borrower, the capacity and willingness of the borrower to repay the loan and the adequacy of the collateral securing the loan. Each loan applicant completes an application that includes information with respect to the applicant's income, liabilities and employment history. Prior to issuing an approval on the loan, the loan underwriter runs an independent credit report or pulls a reissue of the clients credit through an independent 3rd party vendor, which provides detailed information concerning the payment history of the borrower on all of their debts to verify that the information submitted by the broker is still accurate and up to date.

Omitted Information: NovaStar account executives, who brought the loans to the Company for processing, made great efforts to ensure that overly risky loans were approved by other NovaStar employees, greatly increasing the risk that mortgages would default. These efforts were facilitated by a bonus structure that rewarded the account executives' supervisors for turning a blind eye and marginalizing the Company's loan underwriters.

(b) An appraisal is also required on all loans and in many cases a review appraisal or second appraisal may be required depending on the value of the property and the underwriter's comfort with the original valuation. All appraisals are required to conform to the Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Standards Board of the Appraisal Foundation and are generally on forms acceptable to Fannie Mae. The properties securing the mortgage loans are appraised by qualified independent appraisers who are generally approved by the related originator. A streamline appraisal program is offered by our Retention division for borrowers that currently have a mortgage loan with NovaStar.

Under this program an AVM can be used to determine valuation if the full appraisal from the previous loan is less than two years old. The maximum increase in value that can be supported with an AVM is 10%. The mortgagor may also include information regarding verification of deposits at financial institutions where the mortgagor had demand or savings accounts. In the case of investment properties, income derived from the mortgaged property may have been used for underwriting purposes.

Omitted information: Three primary changes occurred in early 2006. First, fewer funded loans were audited for quality. Second, among these loans that were audited and reviewed, many variances from and exceptions to the underwriting guidelines that previously were flagged and recorded as "high risk" to future loan performance were overlooked in the audit process and no longer recorded in NovaStar's NOVALINQ system. Third, it became much more difficult to address and resolve questions that outside investors raised about the specific loans in the pools they were considering purchasing. By early 2006, the Quality Control Auditors were seeing a material increase in exceptions to the underwriting guidelines in the loans they reviewed.

(c) On a case-by-case basis, exceptions to the underwriting guidelines are made where NovaStar believes compensating factors exist. Compensating factors may consist of factors like length of time in residence, lowering of the borrower's monthly debt service payments, the loan-to-value ratio on the loan, as applicable, or other criteria that in the judgment of the loan underwriter warrant an exception. All loans in excess of \$350,000 currently require the approval of the underwriting supervisor or designee approved by the supervisor. All loans over \$650,000 require the approval of the VP of Operations and Corporate Credit Department or its approved designees. In addition, the President of NovaStar approves all loans in excess of \$1,100,000.

Omitted information: Underwriters received a credit toward their bonus for looking at a file regardless of whether the file was approved, so long as at least 90% of the loans they approved could

pass muster with the Quality Department. The underwriters, however, were supervised by Regional Operations Managers whose bonuses were based on the number of loans they *approved and closed*, the former auditor in the Quality Department stated. The account executives received a percentage of each loan that closed and the percentage depended on the type and size of the loan. Supervisors received bonuses if their department exceeded a monthly goal. Supervisors could make as much as 35% of their salary in bonuses. Supervisors would approve loans to make their bonuses regardless of whether it made sense to approve the loan.

Wells Fargo Bank, N.A.

50. The Prospectus Supplements made false statements about the loans originated by Wells Fargo Bank, N.A. ("Wells Fargo") which was the key originator for the Mortgage Trust Series 2006-WF1. For example, the Prospectus Supplement dated August 29, 2006, for Series 2006-WF1, stated in part:

(a) Wells Fargo Bank's underwriting standards are applied by or on behalf of Wells Fargo Bank to evaluate the applicant's credit standing and ability to repay the loan, as well as the value and adequacy of the mortgaged property as collateral. The underwriting standards that guide the determination represent a balancing of several factors that may affect the ultimate recovery of the loan amount, including, among others, the amount of the loan, the ratio of the loan amount to the property value (*i.e.*, the lower of the appraised value of the mortgaged property and the purchase price), the borrower's means of support and the borrower's credit history. Wells Fargo Bank's guidelines for underwriting may vary according to the nature of the borrower or the type of loan, since differing characteristics may be perceived as presenting different levels of risk. With respect to certain mortgage loans, the originators of such loans may have contracted with unaffiliated third parties to perform the underwriting process.

Omitted Information: Wells Fargo lenders were becoming increasingly aggressive in mortgage lending practices in 2006, leading to higher defaults, well beyond Wells Fargo's experience. In fact, in 2006, Wells Fargo was increasing its share of subprime mortgages just as the market was softening. The degree to which Wells Fargo was willing to go to increase volume is shown by the fact that, in June 2006, Wells Fargo was considering offering pay-option ARMs.

(b) In order to qualify for participation in Wells Fargo Bank's mortgage loan purchase programs, lending institutions must (i) meet and maintain certain net worth and other financial standards, (ii) demonstrate experience in originating residential mortgage loans, (iii) meet and maintain certain operational standards, (iv) evaluate each loan offered to Wells Fargo Bank for consistency with Wells Fargo Bank's underwriting guidelines and represent that each loan was underwritten in accordance with Wells Fargo Bank standards and (v) utilize the services of qualified appraisers.

The contractual arrangements with Correspondents may involve the commitment by Wells Fargo Bank to accept delivery of a certain dollar amount of mortgage loans over a period of time. This commitment may be satisfied either by delivery of mortgage loans one at a time or in multiples as aggregated by the Correspondent. The contractual arrangements with Correspondents may also involve the delegation of all underwriting functions to such Correspondents ("DELEGATED UNDERWRITING"), which will result in Wells Fargo Bank not performing any underwriting functions prior to acquisition of the loan but instead relying on such Correspondents' representations and, in the case of bulk purchase acquisitions from such Correspondents, Wells Fargo Bank's post-purchase reviews of samplings of mortgage loans acquired from such Correspondents regarding the Correspondents' compliance with Wells Fargo Bank's underwriting standards. In all instances, however, acceptance by Wells Fargo Bank is contingent upon the loans being found to satisfy Wells Fargo Bank's program standards.

Omitted Information: In fact, Wells Fargo did not sufficiently confirm the standards of mortgage brokers, correspondents and other third parties from which Wells Fargo acquired mortgages. These third parties were able to engage in serious underwriting deficiencies without correction by Wells Fargo. Wells Fargo has subsequently attributed much of its \$1.3 billion mortgage-related write-down to loans it held which were originated by third parties.

Accredited Home Lenders, Inc.

51. The Prospectus Supplements made false statements about the underwriting practices of Accredited Home Lenders, Inc. ("Accredited") which was a key originator in Mortgage Trust Series 2006-ACC1. The Prospectus Supplement dated May 26, 2006, for Series 2006-ACC1, stated:

(a) Each mortgage loan originated or acquired by Accredited is underwritten prior to loan closing, or re-underwritten after loan closing but prior to purchase by Accredited, in accordance with Accredited's underwriting guidelines. Accredited's underwriting process is intended to assess a mortgage loan applicant's credit standing and repayment ability and the value and adequacy of the real property security as collateral for the proposed mortgage loan. All underwriting and re-

underwriting is performed by Accredited's underwriting personnel, and Accredited does not delegate underwriting authority to any broker, correspondent or other mortgage loan provider. Accredited's underwriting standards are applied in a standardized manner which complies with applicable federal and state laws and regulations.

Omitted Information: Beginning in 2007, Accredited's stated underwriting guidelines were disregarded in an effort to increase the volume of loans that Accredited originated. Accredited experienced a growing problem with bad loans attributed to management overrides of the underwriting and appraisal process. At the end of financial reporting periods, Accredited made increasing exceptions to its underwriting standards to inflate the volume of loans originated in an attempt to meet financial projections. ***The amount of overrides grew to be so large that, in 2005, Accredited instituted a system to track such overrides, which included a box on the loan file that needed to be checked off by an underwriter if the loan was approved as a business decision by a higher-level manager over the recommendation of the underwriter to reject the application.***

(b) A full appraisal of the property proposed to be pledged as collateral is required in connection with the origination of each first priority mortgage loan and each second priority mortgage loan greater than \$50,000. Appraisals are performed by licensed, third-party, fee-based appraisers and include, among other things, an inspection of the exterior and interior of the subject property. Appraisals are also required to address neighborhood conditions, site and zoning status and the condition and value of improvements. Following each appraisal, the appraiser prepares a report which includes a reproduction costs analysis (when appropriate) based on the current cost of constructing a similar home and market value analysis based on recent sales of comparable homes in the area. Appraisals generally conform to the Uniform Standards of Professional Appraisal Practice and must be on forms acceptable to Freddie Mac and Fannie Mae. Every appraisal is reviewed by a non-affiliated appraisal review firm or by Accredited's Appraisal Review Department or a qualified underwriter before the mortgage loan is closed. The appraisal may not be more than 180 days old on the day the mortgage loan is funded. A second full appraisal is required for combined mortgage loan amounts and/or property values greater than \$1,000,000. For second priority mortgage loans of \$50,000 or less, "drive-by" appraisals alone are acceptable. The standard appraisal may be waived in favor of an Insured Automated Value Model (AVM) with a physical inspection, provided the mortgage loan meets certain criteria. The Insured AVM is effective for the life of the mortgage loan, is transferable, and provides an unbiased opinion of the property value. The Insured AVM process includes a Property Condition Report which is a drive-by inspection that verifies the collateral is conforming. The insurance

certificate provides protection that minimizes loss severity in the event of Foreclosure.

Omitted Information: Accredited did not exercise sufficient controls over brokers to prevent them from pressuring appraisers to appraise to certain values, causing larger numbers of inflated (and hence worthless) appraisals. Because of the credit problems of certain of the borrowers, the appraisals were extremely important and the omission of the information about weakness in the appraisal process was significant.

(c) All of Accredited's prospective mortgage brokers and correspondents are subjected to a pre-approval process, including verification that all required licenses are current, and are required to sign agreements pursuant to which they represent and warrant compliance with Accredited's underwriting guidelines and all applicable laws and regulations. Accredited periodically reviews each of its mortgage broker's and correspondent's performance relative to issues disclosed by Accredited's quality control review, and discontinues relationships with unacceptable performers.

Omitted Information: Due to Accredited's lack of controls over its brokers, there was very little review of the underwriting process. It was, in fact, the opposite since brokers were compensated for getting loans approved – not disapproved – and there were little or no consequences to the broker if the loan subsequently went bad.

Ownit Mortgage Solutions, Inc.

52. The Prospectus Supplements made false statements about the underwriting practices of Ownit Mortgage Solutions, Inc. ("Ownit") which was the key originator in Mortgage Trust Series 2006-HE2. The Prospectus Supplement dated June 23, 2006, for Series 2006-HE2, stated:

(a) The underwriting guidelines and credit matrices of the RightLoan are designed to be used as a guide in determining the credit worthiness of the borrower and his/her ability to repay. The guidelines, a reasonable loan amount and the RightLoan itself offer a solution that also facilitates making logical exceptions to those guides. Exceptions to the guidelines will be made if the loan meets the primary criteria of the RightLoan and offers supported compensating factors when a deviation occurs. In all cases, the exception(s) and compensating factor(s) are clearly documented in the file and require branch manager approval and a second signature from the corporate underwriter.

Using the three components, capacity, credit and collateral, the underwriter analyzes the loan profile. Capacity, which is the borrower's ability to repay, is determined by cash flow. It must be clearly shown that the borrower has a proven, historical cash flow, which will support the requested loan amount. This approach anticipates that the loan is going to be repaid from the borrower's recurring cash inflows, not from the sale of the collateral. Job stability and length of time in current residence are also strong factors in determining a borrower's capacity. Continuity of employment is a strong factor in establishing the income used as a basis for repayment. Credit is the borrower's willingness to repay his or her debts according to the contractual agreements. The most valuable resource in determining the borrower's ability to repay is the credit report. Ownit underwriters will use the credit report and credit explanation letter when supplied in determining willingness. Ownit uses the credit score as a primary factor in determining the borrower's willingness to repay his or her debts. Collateral is defined as the asset pledged by the borrower to the lender. Collateral is a secondary source of repayment; cash flow is the primary source of repayment. Ownit will evaluate the property by reviewing uniform residential real estate appraisal reports, along with other data sources, to determine whether the collateral is sufficient to secure the mortgage.

The underwriter's objective is to analyze an application individually with the understanding that no single characteristic will approve or deny a loan. The underwriter must utilize the credit report, loan application, asset verifications, appraisal and all other supporting documents in determining credit worthiness and risk. Credit risk can be defined as, but is not restricted to, limited liquid assets or reserves, and derogatory credit history. The overall situation and profile of a borrower, including compensating factors, which may offset negative characteristics, must be taken into consideration in determining if the borrower is creditworthy. Credit worthiness is determined by the borrower's ability and willingness to repay his or her contractual debt and the value of the property securing the loan. A sufficient property value gives Ownit the ability to recover its investment if the loan defaults.

Omitted Information: In fact, Ownit did not adequately verify the borrower's ability to pay nor the property value underlying the loan. Within months of the 2006-HE2 offering, Ownit filed for bankruptcy, as Merrill Lynch demanded Ownit buy back \$165 million in loans which had defaulted. Had Ownit performed underwriting as represented, this buy-back would not have been required. The former president of Ownit, William D. Dallas, subsequently acknowledged underwriting standards were loosened in 2006 to keep up volume. *The New York Times* reported: "For his part, Mr. Dallas acknowledges that standards were lowered, but he placed the blame at the feet of investors and Wall Street, saying they encouraged Ownit and other subprime lenders to make riskier

loans to keep the pipeline of mortgage securities well supplied. 'The market is paying me to do a no-income-verification loan more than it is paying me to do the full documentation loans,' he said.

'What would you do?'"

(b) The collateral value and amount of equity in the subject property are important factors in assessing the risk of a particular loan. All properties must conform to the neighborhood and be in average or better condition. Acceptable property type includes: 1-2 family, 3-4 family, condominiums, planned unit developments ("PUDs"), modular homes and leasehold properties. Emphasis is placed on property type, location and occupancy to determine risk associated with specific LTV and credit score. Maximum financing is not available for rural properties, neighborhoods with declining values, oversupply of housing and/or marketing time over 6 months, or properties at the low or high end of value range with no comparable sales in the immediate area. Maximum financing is also not available on transactions involving a gift of equity. All appraisals should conform to the Uniform Standards of Professional Appraisal Practices. Ownit requires the underwriter to review all appraisals for content and accuracy, pulling additional data if available or warranted. Certain types of transactions require an enhanced desk or field review. Loan amounts in excess of \$650,000 require a second full appraisal. The minimum square footage is 700 and deferred maintenance must be cosmetic in nature, not resulting in a health or safety hazard and should not exceed \$3,500 cost to cure.

Omitted Information: Ownit did not exercise sufficient controls over brokers to prevent them from pressuring appraisers to appraise to certain values, causing larger numbers of inflated (and hence worthless) appraisals. Because of the credit problems of certain of the borrowers, the appraisals were extremely important and the omission of the information about weakness in the appraisal process was significant.

FALSE STATEMENTS ABOUT UNDERWRITING OF THE LOANS GENERALLY

53. The Registration Statements and Prospectus Supplements also misrepresented the general origination practices of the sellers and originators.

54. The January 26, 2006 Prospectus Supplement filed by defendants with the SEC in connection with the sale of Alternative Loan Trust Series 2006-A1 stated:

The weighted average Loan-to-Value Ratio at origination of the Mortgage Loans in the Aggregate Pool is approximately 73.45%, and no Mortgage Loan in the Aggregate Pool had a Loan-to-Value Ratio at origination exceeding 100.00%

55. The statement detailed above was false and misleading as the appraisal manipulations occurring at the origination stage, whereby appraisals were inflated or issued with only minimal effort, caused the loan-to-value ratio to be understated, meaning the Aggregate Pool was riskier than represented.

56. In the Alternative Loan Trust Series 2006-A1 Prospectus Supplement defendants detailed "General Underwriting Guidelines," stating:

A lender may also originate mortgage loans pursuant to alternative sets of underwriting criteria under reduced or limited documentation programs. These programs are designed to facilitate the loan approval process. Under these programs, certain documentation concerning income/employment and asset verification is reduced or excluded. Loans underwritten under these programs are generally limited to borrowers who have demonstrated an established ability and willingness to repay the mortgage loans in a timely fashion. Permitted maximum loan-to-value ratios under these programs are generally more restrictive than those under the lender's standard underwriting criteria.

Omitted Information: The alternative underwriting criteria used to make the underlying mortgage loans was not limited to borrowers with a demonstrated ability/willingness to pay, nor was it combined with more restrictive loan-to-value ratios. In fact, these "alternative sets of underwriting criteria" were routinely extended to borrowers with poor credit histories, misstated income and misstated assets, and were used to issue loans which were not "more restrictive," but rather were expansive, with an emphasis on getting loans closed.

57. The Alternative Loan Trust Series 2006-A1 Prospectus Supplement also stated:

From time to time, exceptions to a lender's underwriting policies may be made. Such exceptions may be made on a loan-by-loan basis at the discretion of the lender's underwriter. Exceptions may be made after careful consideration of certain mitigating factors such as borrower liquidity, employment and residential stability and local economic conditions.

Omitted Information: Exceptions to underwriting policies were not limited to situations involving “careful consideration” of “mitigating factors,” but rather loans outside the underwriting standards were made as a matter of course without consideration of mitigating factors.

58. The Alternative Loan Trust Series 2006-S3 Prospectus Supplement dated June 29, 2006 stated:

**REPRESENTATIONS BY SELLERS OR ORIGINATORS;
REPURCHASES**

Each seller or originator of loans that are included in a trust fund for a series of securities will have made representations and warranties in respect of the loans sold by that seller or originated by that originator. Unless otherwise specified in the related prospectus supplement, the representations and warranties typically include the following:

* * *

- The terms of the mortgage note and mortgage have not been impaired, waived, altered or modified in any respect, other than by a written instrument which has been recorded

Omitted Information: The misrepresentations in the mortgage loan file represent a “waiver” of the terms of the mortgage or deed of trust. The discovery of such a waiver may have occurred based on the servicing history and records for the mortgage loan.

59. The Alternative Loan Trust Series 2006-S3 Prospectus Supplement also stated:

**REPRESENTATIONS BY SELLERS OR ORIGINATORS;
REPURCHASES**

Each seller or originator of loans that are included in a trust fund for a series of securities will have made representations and warranties in respect of the loans sold by that seller or originated by that originator. Unless otherwise specified in the related prospectus supplement, the representations and warranties typically include the following:

* * *

- No required payment on a loan was delinquent more than the number of days specified in the related prospectus supplement

Omitted Information: Loans with early payment defaults that were transferred to the trust would be potentially over the no-more-than 30-days-delinquent requirement for the individual mortgage loans and represented mortgage loans that were defective.

60. The Alternative Loan Trust Series 2006-S3 Prospectus Supplement stated:

**REPRESENTATIONS BY SELLERS OR ORIGINATORS;
REPURCHASES**

Each seller or originator of loans that are included in a trust fund for a series of securities will have made representations and warranties in respect of the loans sold by that seller or originated by that originator. Unless otherwise specified in the related prospectus supplement, the representations and warranties typically include the following:

* * *

- All provisions of any primary mortgage insurance ["PMI"] policies have been and are being complied with

Omitted Information: There were pervasive misrepresentations in the mortgage loans which would render the PMI policy void.

61. The Prospectus Supplement dated June 29, 2006 and the Pooling and Servicing Agreement dated June 1, 2006 for Alternative Loan Trust Series 2006-S3 stated:

(a) Supplement to the Prospectus:

**REPRESENTATIONS BY SELLERS OR ORIGINATORS;
REPURCHASES**

Each seller or originator of loans that are included in a trust fund for a series of securities will have made representations and warranties in respect of the loans sold by that seller or originated by that originator. Unless otherwise specified in the related prospectus supplement, the representations and warranties typically include the following:

* * *

- Each loan was made in compliance with, and is enforceable under, all applicable local, state and federal laws and regulations in all material respects

(b) Pooling and Servicing Agreement:

Representations and Warranties of the Seller as to the Mortgage Loans.

The Seller hereby represents and warrants to the Trustee:

(xii) The Seller hereby represents and warrants that, as of the Closing Date, (i) no Mortgage Loan is subject to the Home Ownership and Equity Protection Act of 1994 or any applicable, similar federal, state or local statutes or regulations related to "high cost" mortgage loans or "predatory," "high cost," "threshold" or "covered" lending (as such terms are defined in the applicable statute or regulation); (ii) no Mortgage Loan is (w) a "High-Cost Home Loan" as defined in the New Jersey Home Ownership Act effective November 27, 2003, (x) a "High-Cost Home Loan" as defined in the New Mexico Home Loan Protection Act effective January 1, 2004, (y) a "High Cost Loan" or "Covered Loan" (as such terms are defined in the current S&P's LEVELS® Glossary), or (z) governed by the Georgia Fair Lending Act, if such Mortgage Loan was originated on or after October 1, 2002 through March 6, 2003, (iii) *each Mortgage Loan at origination complied in all material respects with applicable local, state and federal laws, including, but not limited to, applicable anti-predatory and abusive lending laws*, and (iv) each Mortgage Loan is a "qualified mortgage" within the meaning of 860G(a)(3) of the Code.

Omitted Information: The originators had violated certain regulations. For instance, under §5 of the FTC Act, 15 U.S.C. §45, "unfair or deceptive acts or practices" have been found in or affecting the commerce related to originating mortgage loans. Borrowers were steered by lenders or the lenders' agents toward using stated income or low documentation loans when the borrower could not qualify for a traditional loan. As a result there was "a mismatch between the needs and capacity of the borrower." Also, there were evasions of the Home Ownership Equity Protection Act ("HOEPA"). Stated income/stated asset mortgage loans, low documentation mortgage loans or no income documentation mortgage loans allowed lenders or lenders' agents to evade HOEPA regulations and state predatory regulations for refinance transactions, and engage in asset-based lending without concern for the ability of the borrower to repay the loan. Had the borrower correctly stated his/her income, the correct debt-to-income ratio would have been used in determining the type of loan a borrower would qualify for. Most likely the correct income would have resulted in a high debt-to-income ratio. A borrower with a high debt-to-income ratio as part of a refinance transaction would have either: (a) not qualified for a loan, or (b) could have been the subject of a loan with

characteristics governed by HOEPA. A high level of interest and/or points would have been charged by a lender as compensation for the risk of approving a borrower with a high debt-to-income ratio. By evading HOEPA and state predatory lending laws, the lenders of the mortgage loans did not have to verify that the borrower had the capacity to repay a loan and asset-based lending could be completed.

62. The Prospectus Supplement dated June 29, 2006 for Alternative Loan Trust Series 2006-S3 stated:

The master servicer or the trustee, if the master servicer is also the seller or originator, will promptly notify the relevant seller or originator of any breach of any representation or warranty made by it in respect of a loan which materially and adversely affects the interests of the securityholders in the loan. If the applicable seller or originator cannot cure a breach within the time period specified in the related prospectus supplement following notice from the master servicer or the trustee, as the case may be, then that seller or originator will be obligated either (1) to repurchase the loan from the trust fund at a price equal to 100% of its unpaid principal balance as of the date of the repurchase plus accrued interest on the unpaid principal balance to the first day of the month following the month of repurchase at the loan interest rate, less any advances or amount payable as related servicing compensation if the seller or originator is the master servicer, or (2) substitute for the loan a replacement loan that satisfies the criteria specified in the related prospectus supplement.

Omitted Information: An adequate review of the servicing records associated with the mortgage loans in general and a review of all mortgage loans with early payment defaults or delinquencies would have triggered a breach of the representation and warranties.

63. The Prospectus Supplement dated June 29, 2006 and the Pooling and Servicing Agreement dated June 1, 2006 and filed July 14, 2006 for Alternative Loan Trust Series 2006-S3 stated:

(a) Supplement to the Prospectus:

The Offered Certificates, other than the Class A-R Certificates and the Cap Contract component of the Component Certificates will represent qualified mortgages under Section 860G(a)(3) if acquired by a REMIC within the prescribed time periods of the Code.

(b) Pooling and Servicing Agreement:

Representations and Warranties of the Seller as to the Mortgage Loans.

The Seller hereby represents and warrants to the Trustee:

* * *

(xii) The Seller hereby represents and warrants that, as of the Closing Date, (i) no Mortgage Loan is subject to the Home Ownership and Equity Protection Act of 1994 or any applicable, similar federal, state or local statutes or regulations related to "high cost" mortgage loans or "predatory," "high cost," "threshold" or "covered" lending (as such terms are defined in the applicable statute or regulation); (ii) no Mortgage Loan is (w) a "High-Cost Home Loan" as defined in the New Jersey Home Ownership Act effective November 27, 2003, (x) a "High-Cost Home Loan" as defined in the New Mexico Home Loan Protection Act effective January 1, 2004, (y) a "High Cost Loan" or "Covered Loan" (as such terms are defined in the current S&P's LEVELS® Glossary), or (z) governed by the Georgia Fair Lending Act, if such Mortgage Loan was originated on or after October 1, 2002 through March 6, 2003, (iii) *each Mortgage Loan at origination complied in all material respects with applicable local, state and federal laws, including, but not limited to, applicable anti-predatory and abusive lending laws, and (iv) each Mortgage Loan is a "qualified mortgage" within the meaning of 860G(a)(3) of the Code.*

Omitted Information: Misrepresentations in the mortgage loans changed the status of the mortgage loans from "Qualified Loans" under tax code §860G(a)(3) to "Defective Qualified Loans" prior to their transfer to JP Morgan Acceptance, contradicting the representation in the Prospectus Supplements that all mortgage loans transferred to JP Morgan Acceptance were "Qualified Loans."

64. JP Morgan Acceptance issued the following Registration Statements between July 2005 and November 2006, which Registration Statements were false and misleading and were used to issue billions of dollars in Certificates:

REGISTRATION STATEMENTS DATE	REGISTRATION NO.	TRUST NO.
JULY 29, 2005	333-127020	Alternative Loan Trust 2006-A1 Alternative Loan Trust 2006-S1
FEBRUARY 8, 2006	333-130192	Alternative Loan Trust 2006-A2 Alternative Loan Trust 2006-A3 Alternative Loan Trust 2006-A4 Alternative Loan Trust 2006-A5 Alternative Loan Trust 2006-A6

Alternative Loan Trust 2006-A7
 Alternative Loan Trust 2006-S2
 Alternative Loan Trust 2006-S3
 Alternative Loan Trust 2006-S4
 Mortgage Trust 2006-A3
 Mortgage Trust 2006-A4
 Mortgage Trust 2006-A5
 Mortgage Trust 2006-A6
 Mortgage Trust 2006-A7
 Mortgage Trust 2006-ACC1
 Mortgage Trust 2006-CH2
 Mortgage Trust 2006-HE2
 Mortgage Trust 2006-HE3
 Mortgage Trust 2006-NC1
 Mortgage Trust 2006-RM1
 Mortgage Trust 2006-S2
 Mortgage Trust 2006-WF1
 Mortgage Trust 2006-WMC2
 Mortgage Trust 2006-WMC3
 Mortgage Trust 2006-WMC4
 Mortgage Trust 2007-A1
 Mortgage Trust 2007-A2
 Mortgage Trust 2007-CH1
 Mortgage Trust 2007-CH2
 Mortgage Trust 2007-S1

**DISCLOSURES EMERGE ABOUT PROBLEMS WITH
LOANS UNDERLYING THE CERTIFICATES**

65. On November 19, 2007, Moody's announced a downgrade of JP Morgan Acceptance tranches:

Complete rating actions are as follows:

Issuer: JP Morgan Alternative Loan Trust 2006-A1

Cl. 1-B-1, Downgraded to Ba1, previously Baa2,
 Cl. 1-B-2, Downgraded to B1, previously Baa3.

Issuer: JP Morgan Alternative Loan Trust 2006-S1

Cl. 3-B-1, Downgraded to Baa3, previously Baa2,
 Cl. 3-B-2, Downgraded to Ba2, previously Baa3.

Issuer: JP Morgan Alternative Loan Trust 2006-S2

Cl. M-1 Currently Aa2 on review for possible downgrade,
 Cl. M-2 Downgraded to Baa2, previously A2,
 Cl. B-1, Downgraded to Ba3, previously Baa2,

Cl. B-2, Downgraded to B3, previously Baa3.

Issuer: JP Morgan Alternative Loan Trust 2006-A2

Cl. 1-M-2, Downgraded to A3, previously A2,
Cl. 1-B-1, Downgraded to Ba2, previously Baa2,
Cl. 1-B-1, Downgraded to B1, previously Baa3.

Issuer: JP Morgan Alternative Loan Trust 2006-A3

Cl. 1-M-2, Downgraded to A3, previously A2,
Cl. 1-B-1, Downgraded to Baa3, previously Baa2,
Cl. 1-B-2, Downgraded to Ba2, previously Baa3.

Issuer: JP Morgan Alternative Loan Trust 2006-S3

Cl. B-3 Downgraded to Ba1, previously Baa3.

Issuer: JP Morgan Alternative Loan Trust 2006-A4

Cl. B-2 Downgraded to Ba1, previously Baa3.

Issuer: JP Morgan Alternative Loan Trust 2006-A5

Cl. 1-B-1 Downgraded to Baa2, previously Baa1,
Cl. 1-B-2 Downgraded to Ba1, previously Baa2.

Issuer: JP Morgan Alternative Loan Trust 2006-A6

Cl. 1-M-2 Downgraded to Baa1, previously A2,
Cl. 1-B-1 Downgraded to Ba1, previously Baa2,
Cl. 1-B-2 Downgraded to Baa2, previously Baa3.

Issuer: JP Morgan Alternative Loan Trust 2006-A7

Cl. 1-M-1 Currently Aa1 on review for possible downgrade,
Cl. 1-M-2 Currently Aa2 on review for possible downgrade,
Cl. 1-M-3 Currently Aa3 on review for possible downgrade,
Cl. 1-M-4 Currently Aa3 on review for possible downgrade,
Cl. 1-M-5 Downgraded to Baa1, previously A2,
Cl. 1-B-1 Downgraded to Ba1, previously Baa1,
Cl. 1-B-2 Downgraded to Ba3, previously Baa2.

66. On January 31, 2008, Standard and Poor's indicated it would take negative action on hundreds of mortgage-backed securities. The following Series were included on Standard and Poor's listing:

Mortgage Trust 2007- CH1
Mortgage Trust 2006-ACC1
Mortgage Trust 2006-HE2
Mortgage Trust 2006-HE3
Mortgage Trust 2006-NC1
Mortgage Trust 2006-WF1
Mortgage Trust 2006-WMC2
Mortgage Trust 2006-WMC3
Mortgage Trust 2006-WMC4
Mortgage Trust 2006-RM1
Mortgage Trust 2006-CH2

67. The delinquency and foreclosure rates on the underlying mortgages have skyrocketed. The 60+ day delinquencies (including 60+, 30+ day delinquencies, foreclosures and REOs) have increased to as high as 17% of the pools. Some of the pools have 21% in foreclosure.

FIRST CAUSE OF ACTION

Violations of §11 of the 1933 Act Against All Defendants Except JP Morgan Acceptance

68. Plaintiffs repeat and reallege the allegations set forth above as if set forth fully herein. For purposes of this Cause of Action, plaintiffs expressly exclude and disclaim any allegation that could be construed as alleging fraud or intentional or reckless misconduct, as this Cause of Action is based solely on claims of strict liability and/or negligence under the 1933 Act.

69. This Cause of Action is brought pursuant to §11 of the 1933 Act, 15 U.S.C. §77k, on behalf of the Class, against all defendants except JP Morgan Acceptance.

70. The Registration Statements for the Certificate offerings were inaccurate and misleading, contained untrue statements of material facts, omitted to state other facts necessary to make the statements made not misleading, and omitted to state material facts required to be stated therein.

71. The Defendant Issuers (the defendants listed in ¶15) are strictly liable to plaintiffs and the Class for the misstatements and omissions.

72. JP Morgan was the underwriter for the following issuances:

J.P. Morgan Alternative Loan Trust 2006-A1	J.P. Morgan Alternative Loan Trust 2006-A7
J.P. Morgan Alternative Loan Trust 2006-A2	J.P. Morgan Alternative Loan Trust 2006-S1
J.P. Morgan Alternative Loan Trust 2006-A3	J.P. Morgan Alternative Loan Trust 2006-S2
J.P. Morgan Alternative Loan Trust 2006-A4	J.P. Morgan Alternative Loan Trust 2006-S3
J.P. Morgan Alternative Loan Trust 2006-A5	J.P. Morgan Alternative Loan Trust 2006-S4
J.P. Morgan Alternative Loan Trust 2006-A6	J.P. Morgan Mortgage Acquisition Trust 2006-A3
J.P. Morgan Mortgage Acquisition Trust 2006-A4	J.P. Morgan Mortgage Acquisition Trust 2006-A5
J.P. Morgan Mortgage Acquisition Trust 2006-A6	J.P. Morgan Mortgage Acquisition Trust 2006-A7
J.P. Morgan Mortgage Acquisition Trust 2006-ACC1	J.P. Morgan Mortgage Acquisition Trust 2006-CH2
J.P. Morgan Mortgage Acquisition Trust 2006-HE2	J.P. Morgan Mortgage Acquisition Trust 2006-HE3
J.P. Morgan Mortgage Acquisition Trust 2006-NC1	J.P. Morgan Mortgage Acquisition Trust 2006-RM1
J.P. Morgan Mortgage Acquisition Trust 2006-S2	J.P. Morgan Mortgage Acquisition Trust 2006-WF1
J.P. Morgan Mortgage Acquisition Trust 2006-WMC2	J.P. Morgan Mortgage Acquisition Trust 2006-WMC3
J.P. Morgan Mortgage Acquisition Trust 2006-WMC4	J.P. Morgan Mortgage Acquisition Trust 2007-A1
J.P. Morgan Mortgage Acquisition Trust 2007-A2	J.P. Morgan Mortgage Acquisition Trust 2007-CH1
J.P. Morgan Mortgage Acquisition Trust 2007-CH2	J.P. Morgan Mortgage Acquisition Trust 2007-S1

73. None of the defendants named herein made a reasonable investigation or possessed reasonable grounds for the belief that the statements contained in the Registration Statements were true and without omissions of any material facts and were not misleading.

74. By reason of the conduct herein alleged, each defendant violated, and/or controlled a person who violated, §11 of the 1933 Act.

75. Plaintiffs acquired the Certificates pursuant and/or traceable to the Registration Statements and Prospectus Supplements.

76. Plaintiffs and the Class have sustained damages. The value of the Certificates has declined substantially subsequent to and due to defendants' violations.

77. At the time of their purchases of the Certificates, plaintiffs and other members of the Class were without knowledge of the facts concerning the wrongful conduct alleged herein and could not have reasonably discovered those facts prior to the summer of 2007. Less than one year has elapsed from the time that plaintiffs discovered or reasonably could have discovered the facts upon which this complaint is based to the time that plaintiffs filed this complaint. Less than three

years has elapsed between the time that the securities upon which this Cause of Action is brought were offered to the public and the time plaintiffs filed this complaint.

SECOND CAUSE OF ACTION

Violations of §15 of the 1933 Act Against the Individual Defendants and JP Morgan Acceptance

78. Plaintiffs repeat and reallege each and every allegation contained above.
79. This Cause of Action is brought pursuant to §15 of the 1933 Act against the Individual Defendants and JP Morgan Acceptance.
80. Each of the Individual Defendants was a control person of JP Morgan Acceptance by virtue of his/her position as a director and/or senior officer of JP Morgan Acceptance.
81. Each of the Individual Defendants was a culpable participant in the violations of §11 of the 1933 Act alleged in the Causes of Action above, based on their having signed or authorized the signing of the Registration Statements and having otherwise participated in the process which allowed the offerings to be successfully completed.
82. JP Morgan Acceptance was the depositor for the offerings. The defendants named herein were responsible for routing payments from the borrowers to investors.
83. JP Morgan Acceptance and the Individual Defendant prepared, reviewed and/or caused the Registration Statements and Prospectus Supplements to be filed and disseminated.

PRAYER FOR RELIEF

WHEREFORE, plaintiffs pray for relief and judgment, as follows:

- A. Determining that this action is a proper class action and certifying plaintiffs as Class representatives;
- B. Awarding compensatory damages in favor of plaintiffs and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

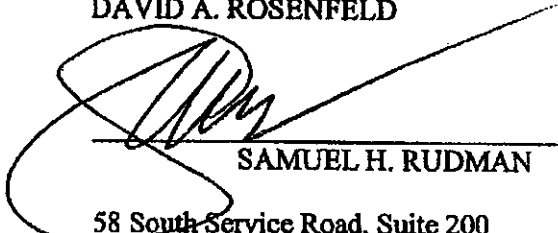
- C. Awarding plaintiffs and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees;
- D. Awarding rescission or a rescissory measure of damages; and
- E. Such equitable/injunctive or other relief as deemed appropriate by the Court.

JURY DEMAND

Plaintiffs hereby demand a trial by jury.

DATED: March 26, 2008

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