IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF KANSAS

NATIONAL CREDIT UNION ADMINISTRATION BOARD, as Liquidating Agent of U.S. Central Federal Credit Union, and of Western Corporate Federal Credit Union,	)	Case No. 12-cv-2631 KHV/GLR
Plaintiffs,	)	
v.	)	**JURY TRIAL DEMANDED**
BARCLAYS CAPITAL INC., BCAP LLC, and SECURITIZED ASSET BACKED RECEIVABLES LLC,	)	
Defendants.	)	

COMPLAINT

TABLE OF CONTENTS

I. NATURE OF THE ACTION 1

Table 1 3

Table 2 4

II. PARTIES AND RELEVANT NON-PARTIES 5

III. JURISDICTION AND VENUE 7

IV. MORTGAGE ORIGINATION AND THE PROCESS OF SECURITIZATION 8

Figure 1
Illustration of the Securitization Process 11

V. RMBS CREDIT RATINGS AND CREDIT ENHANCEMENT 11

Table 3
Credit Ratings System 12

VI. U.S. CENTRAL'S AND WESCORP'S PURCHASES 14

Table 4
Credit Ratings for U.S. Central's and WesCorp's RMBS Purchases 15

VII. THE ORIGINATORS SYSTEMATICALLY DISREGARDED THE UNDERWRITING GUIDELINES STATED IN THE OFFERING DOCUMENTS 16

A. The Surge in Mortgage Delinquency and Defaults Shortly After the Offerings and the High OTD Practices of the Originators Demonstrates Systematic Disregard of Underwriting Standards 17

Table 5
Delinquency and Default Rates for U.S. Central's and WesCorp's RMBS Purchases 18

Table 6
Originator "Originate-to-Distribute" Percentages 23

B. The Surge in Actual Versus Expected Cumulative Gross Losses is Evidence of the Originators' Systemic Disregard of Underwriting Standards 23

Figure 2
Illustration of Expected Gross Losses v. Actual Gross Losses for U.S. Central's and WesCorp's RMBS Purchases 26

C. The Collapse of the Certificates' Credit Ratings is Evidence of Systematic Disregard of Underwriting Guidelines 32

D. Revelations Subsequent to the Offerings Show That the Originators Systematically Disregarded Underwriting Standards 32

1. The Systematic Disregard of Underwriting Standards Was Pervasive as Revealed After the Collapse 33

2. Argent Mortgage Company's Systematic Disregard of Underwriting Standards 37

3. Countrywide Home Loans, Inc.'s Systematic Disregard of Underwriting Standards 44

4. Fremont Investment and Loan's Systematic Disregard for Underwriting Standards 52

5. GreenPoint Mortgage Funding's Systematic Disregard of Underwriting Standards 56

6. Homecomings' Systematic Disregard of Underwriting Standards 57

7. IndyMac Bank F.S.B.'s Systematic Disregard for Underwriting Standards 60

8. National City Mortgage's Systematic Disregard of Underwriting Standards 65

9. New Century's Systematic Disregard of Underwriting Standards 66

10. OwnIt Mortgage Solutions, Inc.'s Systematic Disregard of Underwriting Standards 75

11. People's Choice Home Loan Inc.'s Systematic Disregard of Underwriting Standards 76

12. WMC Mortgage Corp.'s Systematic Disregard of Underwriting Standards 79

VIII. THE OFFERING DOCUMENTS CONTAINED UNTRUE STATEMENTS OF MATERIAL FACT....83

A. Untrue Statements in the Offering Documents About Weighted Average LTV Ratios, Weighted Average Combined LTV Ratios and Weighted Average Mixed LTV Ratios. 84

B. Untrue Statements in the Offering Documents About Owner Occupancy Rates....87

C. Other Untrue Statements in the Offering Documents....91

1. Untrue Statements Concerning Evaluation of the Borrower's Capacity and Likelihood To Repay the Mortgage Loan....92

2. Untrue Statements Concerning Reduced Documentation Programs 113

3. Untrue Statements Concerning Loan-to-Value Ratios 123

IX. THE CLAIMS ARE TIMELY....131

X. CLAIMS FOR RELIEF 134

COUNT ONE
Section 11 of the Securities Act
(BCAP LLC Trust 2006-AA2, BCAP LLC Trust 2007-AA1)....134

COUNT TWO
Section 11 of the Securities Act
(RASC Series 2006-KS9) 135

COUNT THREE
Section 11 of the Securities Act
(Securitized Asset Backed Receivables LLC Trust 2006-FR4, Securitized Asset Backed Receivables LLC Trust 2006-WM2, Securitized Asset Backed Receivables LLC Trust 2006-WM3, Securitized Asset Backed Receivables LLC Trust 2007-BR4) 136

COUNT FOUR
Section 11 of the Securities Act
(Fremont Home Loan Trust 2006-D)....138

COUNT FIVE
Section 11 of the Securities Act
(Luminent Mortgage Trust 2006-7) 139

COUNT SIX
Section 12(a)(2) of the Securities Act
(BCAP LLC Trust 2006-AA2, BCAP LLC Trust 2007-AA1)............................140

COUNT SEVEN
Section 12(a)(2) of the Securities Act
(RASC Series 2006-KS9 Trust, Securitized Asset Backed Receivables LLC Trust 2006-FR4, Securitized Asset Backed Receivables LLC Trust 2006-WM2, Securitized Asset Backed Receivables LLC Trust 2006-WM3, Securitized Asset Backed Receivables LLC Trust 2007-BR4) 141

COUNT EIGHT
Violation of the Kansas Blue Sky Law
Kan. Stat. Ann. § 17-12a509
(Argent Securities Inc., Asset-Backed Pass-Through Certificates, Series 2006-W2, RASC Series 2006-KS9 Trust, Securitized Asset Backed Receivables LLC Trust 2006-FR4, Securitized Asset Backed Receivables LLC Trust 2006-WM2, Securitized Asset Backed Receivables LLC Trust 2006-WM3, Securitized Asset Backed Receivables LLC Trust 2007-BR4) 143

COUNT NINE
Violation of the California Corporate Securities Law
Cal. Corp. Code §§ 25401 and 25501
(BCAP LLC Trust 2006-AA2, BCAP LLC Trust 2007-AA1)............................145

APPENDIX A...148

Table 1 148

Table 2 149

Table 3
Credit Rating System...150

Table 4
Credit Ratings for U.S. Central's and WesCorp's RMBS Purchases..............................151

Table 5
Delinquency and Default Rates for U.S. Central's and WesCorp's RMBS Purchases 152

Table 6
Originator "Originate-to-Distribute" Percentages 155

APPENDIX B 156

Figure 1
Illsustration of the Securitization Process 156

Figure 2
Illustration of Expected Gross Losses v. Actual Gross Losses for
U.S. Central's and WesCorp's RMBS Purchases 157

Plaintiff, the National Credit Union Administration Board ("NCUA Board"), brings this action in its capacity as Liquidating Agent of U.S. Central Federal Credit Union ("U.S. Central") and Western Corporate Federal Credit Union ("WesCorp") against Barclays Capital, Inc. ("Barclays"), as underwriter and seller, and against BCAP LLC and Securitized Asset Backed Receivables LLC (collectively, the "Issuer Defendants") as issuers, of certain residential mortgage-backed securities ("RMBS") purchased by U.S. Central and WesCorp, and alleges as follows:

I. NATURE OF THE ACTION

1. This action arises out of the sale of RMBS to U.S. Central and WesCorp where Barclays acted as underwriter and/or seller of the RMBS.

2. Virtually all of the RMBS sold to U.S. Central and WesCorp were rated as triple-A (the same rating as U.S. Treasury bonds) at the time of issuance.

3. The Issuer Defendants issued and Barclays underwrote and sold the RMBS pursuant to registration statements, prospectuses, and/or prospectus supplements (collectively, the "Offering Documents"). These Offering Documents contained untrue statements of material fact or omitted to state material facts in violation of Sections 11 and 12(a)(2) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§ 77k, 77*l*(a)(2) ("Section 11" and "Section 12(a)(2)," respectively), the California Corporate Securities Law of 1968 ("California Corporate Securities Law"), Cal. Corp. Code §§ 25401, 25501, and the Kansas Uniform Securities Act, Kan. Stat. Ann. § 17-12a509 ("Kansas Blue Sky law").

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

5. The Offering Documents described, among other things, the mortgage underwriting standards of the originators ("the Originators") who made the mortgages that were pooled and served as the collateral for the RMBS purchased by U.S. Central and WesCorp.

6. The Offering Documents represented that the Originators adhered to the underwriting guidelines set out in the Offering Documents for the mortgages in the pools collateralizing the RMBS. The Offering Documents also represented that the loan pools underlying the RMBS had certain average loan-to-value ("LTV") ratios, certain average combined loan-to-value ("CLTV") ratios, certain average mixed loan-to-value ("mixed LTV") ratios, and certain owner occupancy rates.

7. In fact, the Originators had systematically abandoned the stated underwriting guidelines in the Offering Documents. Because the mortgages in the pools collateralizing the RMBS were largely underwritten without adherence to the underwriting standards in the Offering Documents, the RMBS were significantly riskier than represented in the Offering Documents. The property values supporting the average LTV, CLTV and mixed LTV ratios were routinely overvalued at the time of origination, rendering the average LTV, CLTV and mixed LTV ratios inaccurate. Further, the rates of owner occupancy were far lower than represented in the Offering Documents. Indeed, a material percentage of the borrowers whose loans collateralized the RMBS were all but certain to become delinquent or default shortly after origination. As a result, the RMBS were destined from inception to perform poorly.

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

9. U.S. Central and WesCorp purchased the RMBS listed in Table 1 (*infra*) through initial offerings directly from Barclays by means of prospectuses or oral communications. Thus, Barclays is liable for material untrue statements and omissions of fact under Section 11, Section 12(a)(2), the California Corporate Securities Law and/or the Kansas Blue Sky law.

Table 1

CUSIP[1]	ISSUING ENTITY	DEPOSITOR DEFENDANT	PURCHASER	TRADE DATE	PRICE PAID
040104RW3	Argent Securities Inc., Asset-Backed Pass-Through Certificates, Series 2006-W2	-	U.S. Central	15-Feb-06	$14,000,000
05530MAB5	BCAP LLC Trust 2006-AA2	BCAP LLC	WesCorp	29-Nov-06	$38,002,000
05530PAD4	BCAP LLC Trust 2007-AA1	BCAP LLC	WesCorp	27-Feb-07	$29,678,000
75406YAF4	RASC Series 2006-KS9 Trust	-	U.S. Central	25-Oct-06	$12,515,000
81377GAC3	Securitized Asset Backed Receivables LLC Trust 2006-FR4	Securitized Asset Backed Receivables LLC	U.S. Central	7-Dec-06	$24,002,000
81376GAB6	Securitized Asset Backed Receivables LLC Trust 2006-WM2	Securitized Asset Backed Receivables LLC	U.S. Central	13-Oct-06	$200,000,000
81377EAB0	Securitized Asset Backed Receivables LLC Trust 2006-WM3	Securitized Asset Backed Receivables LLC	U.S. Central	21-Nov-06	$100,000,000

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

CUSIP[1]	ISSUING ENTITY	DEPOSITOR DEFENDANT	PURCHASER	TRADE DATE	PRICE PAID
81377EAD6	Securitized Asset Backed Receivables LLC Trust 2006-WM3	Securitized Asset Backed Receivables LLC	U.S. Central	21-Nov-06	$20,000,000
81378EAB9	Securitized Asset Backed Receivables LLC Trust 2007-BR4	Securitized Asset Backed Receivables LLC	U.S. Central	12-Jun-07	$40,000,000

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

Table 2

CUSIP	ISSUING ENTITY	DEPOSITOR DEFENDANT	PURCHASER	TRADE DATE	PRICE PAID
35729VAE7	Fremont Home Loan Trust 2006-D	-	U.S. Central	25-Oct-06	$18,000,000
35729VAF4	Fremont Home Loan Trust 2006-D	-	U.S. Central	25-Oct-06	$32,000,000
55028BAB3	Luminent Mortgage Trust 2006-7	-	WesCorp	18-Jan-07	$27,270,844

11. The RMBS purchased by U.S. Central and WesCorp suffered a significant drop in market value. U.S. Central and WesCorp have sustained significant losses from those RMBS purchased despite the NCUA Board's mitigation efforts.

II. PARTIES AND RELEVANT NON-PARTIES

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

13. U.S. Central was a federally chartered corporate credit union with its offices and principal place of business in Lenexa, Kansas. As a corporate credit union, U.S. Central provided investment and financial services to other credit unions.

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

15. The NCUA Board placed U.S. Central and WesCorp into conservatorship on March 20, 2009, pursuant to the FCU Act, 12 U.S.C. § 1751 *et seq*. On October 1, 2010, the NCUA Board placed U.S. Central and WesCorp into involuntary liquidation pursuant to 12

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

16. Prior to being placed into conservatorship and involuntary liquidation, U.S. Central and WesCorp were the two largest corporate credit unions in the United States.

17. Any recoveries from this legal action will reduce the total losses resulting from the failure of U.S. Central and WesCorp. Losses from U.S. Central's and WesCorp's failures must be paid from the NCUSIF or the TCCUSF. Expenditures from these funds must be repaid through assessments against all federally insured credit unions. Because of the expenditures resulting from U.S. Central's and WesCorp's failures, federally insured credit unions will experience larger assessments, thereby reducing federally insured credit unions' net worth. Reductions in net worth can adversely affect the dividends that individual members of credit unions receive for the savings on deposit at their credit union. Reductions in net worth can also make loans for home mortgages and automobile purchases more expensive and difficult to obtain. Any recoveries from this action will help to reduce the amount of any future assessments on federally insured credit unions throughout the system, reducing the negative impact on

federally insured credit unions' net worth. Recoveries from this action will benefit credit unions and their individual members by increasing net worth resulting in more efficient and lower-cost lending practices.

18. Defendant Barclays is a United States Securities and Exchange Commission ("SEC") registered broker-dealer and was an underwriter of all the RMBS that are the subject of this Complaint and as seller to U.S. Central and WesCorp of all of the RMBS in Table 1 (*supra*). Barclays is a Connecticut corporation with its principal place of business in New York.

19. BCAP LLC is the depositor and the issuer for the BCAP LLC Trust 2006-AA2 and BCAP LLC Trust 2007-AA1 offerings. BCAP LLC is a Delaware corporation with its principal place of business in New York.

20. Securitized Asset Backed Receivables LLC is the depositor and the issuer for the Securitized Asset Backed Receivables LLC Trust 2006-FR4, Securitized Asset Backed Receivables LLC Trust 2006-WM2, Securitized Asset Backed Receivables LLC Trust 2006-WM3 and Securitized Asset Backed Receivables LLC Trust 2007-BR4 offerings. Securitized Asset Backed Receivables LLC is a Delaware corporation with its principal place of business in New York.

III. JURISDICTION AND VENUE

21. This Court has subject matter jurisdiction pursuant to: (a) 12 U.S.C. § 1789(a)(2), which provides that "[a]ll suits of a civil nature at common law or in equity to which the [NCUA Board] shall be a party shall be deemed to arise under the laws of the United States, and the United States district courts shall have original jurisdiction thereof, without regard to the amount in controversy"; and (b) 28 U.S.C. § 1345, which provides that "the district courts shall have

original jurisdiction of all civil actions, suits or proceedings commenced by the United States, or by any agency or officer thereof expressly authorized to sue by Act of Congress."

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

IV. MORTGAGE ORIGINATION AND THE PROCESS OF SECURITIZATION

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

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

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

26. This changed in the 1970s when the Government National Mortgage Association ("Ginnie Mae"), the Federal National Mortgage Association ("Fannie Mae"), and the Federal Home Loan Mortgage Corporation ("Freddie Mac") (collectively government sponsored enterprises or "GSEs") began purchasing "conforming" or "prime" loans—so-called because they conformed to guidelines set by the GSEs. The GSEs either sponsored the RMBS issuance (Ginnie Mae) or issued the RMBS themselves after purchasing the conforming loans (Fannie Mae and Freddie Mac). The GSEs securitized the mortgage loans by grouping mortgages into "loan pools," then repackaging the loan pools into RMBS where investors received the cash flow from the mortgage payments. The GSEs guarantee the monthly cash flow to investors on the agency RMBS.

27. More recently, originators, usually working with investment banks, began securitizing "non-conforming loans"—loans originated (in theory) according to private guidelines adopted by the originators. Non-conforming loans are also known as "nonprime" or "private label" loans and include "Alt-A" and "subprime" loans. Despite the non-conforming nature of the underlying loans, the securitizers of such RMBS were able to obtain triple-A credit ratings by using "credit enhancement" (explained *infra*) when they securitized the non-conforming loans.

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

29. The securitization process shifted the originators' focus from ensuring the ability of borrowers to repay their mortgages, to ensuring that the originator could process (and obtain fees from) an ever-larger loan volume for distribution as RMBS. This practice is known as "originate-to-distribute" ("OTD").

30. Securitization begins with a "sponsor" who purchases loans in bulk from one or more originators. The sponsor transfers title of the loans to an entity called the "depositor."

31. The depositor transfers the loans to a trust called the "issuing entity."

32. The issuing entity issues "notes" or "certificates" representing an ownership interest in the cash flow from the mortgage pool underlying the securities (*i.e.*, the principal and interest generated as borrowers make monthly payments on the mortgages in the pool).

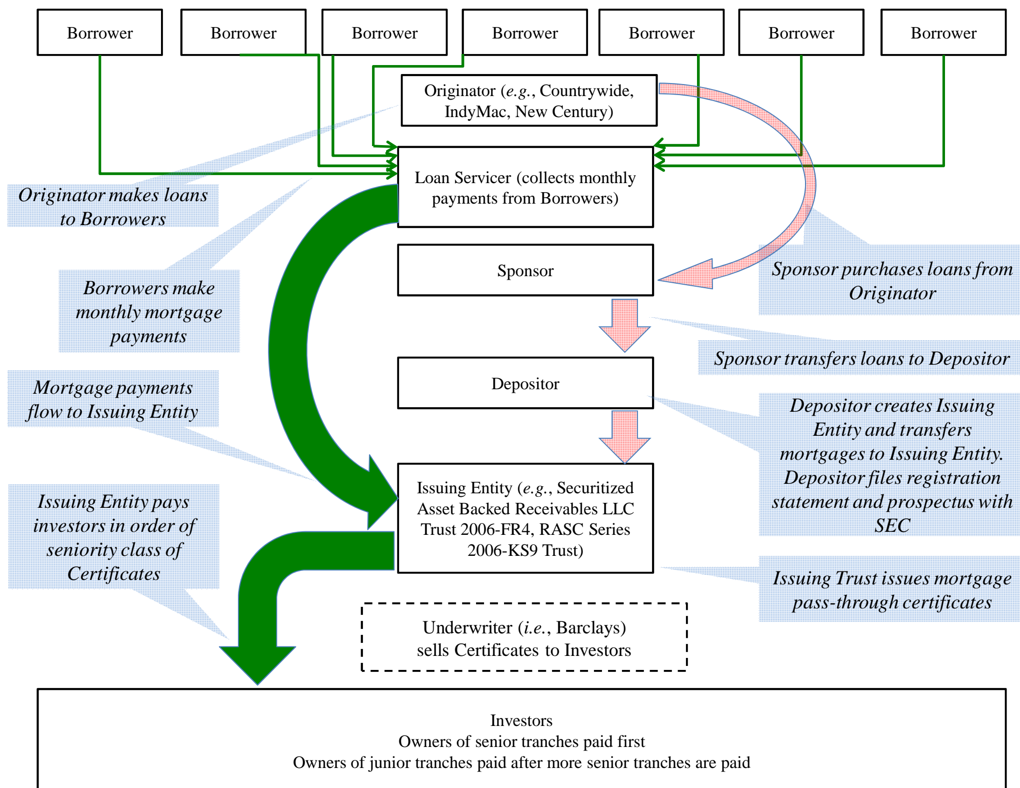
33. The depositor files required documents (such as registration statements and prospectuses) with the SEC so that the certificates can be offered to the public.

34. One or more "underwriters"—like Barclays—then sell the certificates to investors.

35. A loan "servicer" collects payments from borrowers on individual mortgages as part of a pool of mortgages, and the issuing entity allocates and distributes the income stream generated from the mortgage loan payments to the RMBS investors.

36. Figure 1 (*infra*) depicts a typical securitization process.

Figure 1
Illustration of the Securitization Process



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

V. RMBS CREDIT RATINGS AND CREDIT ENHANCEMENT

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

39. The credit rating for an RMBS reflects an assessment of the creditworthiness of that RMBS and indicates the level of risk associated with that RMBS. Standard & Poor's

("S&P") and Moody's Investors Service, Inc. ("Moody's") are the credit rating agencies that assigned credit ratings to the RMBS in this case.

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

Table 3
Credit Ratings System

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

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

extremely strong." Standard & Poor's, *Ratings Definitions*, *available at*:http://www.standardandpoors.com/ratings/articles/en/us/?assetID=1245303711350.

42. In fact, RMBS could not be sold unless they received one of the highest "investment grade" ratings on most tranches from one or more credit rating agencies, because the primary market for RMBS are institutional investors, such as U.S. Central and WesCorp, which are generally limited to buying only securities with the highest credit ratings. *See*, *e.g.*, NCUA Credit Risk Management Rule, 12 C.F.R. § 704.6(d)(2) (2010) (prohibiting corporate credit unions from investing in securities rated below AA-); *but see*, *e.g.*, Removing References to Credit Ratings in Regulations; Proposing Alternatives to the Use of Credit Ratings, 76 Fed. Reg. 11164 (proposed Mar. 1, 2011) (to be codified at 12 C.F.R. pts. 703, 704, 709, and 742) (the NCUA's proposed rule eliminating the use of credit ratings for guidance in investment decisions by credit unions).

43. While the pool of mortgages underlying the RMBS may not have been sufficient to warrant a triple-A credit rating, various forms of "credit enhancement" were used to obtain a triple-A rating on the higher tranches of RMBS.

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

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

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

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

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

VI. U.S. CENTRAL'S AND WESCORP'S PURCHASES

49. U.S. Central and WesCorp purchased only the highest rated tranches of RMBS. All but three were rated triple-A at the time of purchase. These securities have since been downgraded below investment grade just a few years after they were sold (*see infra* Table 4).

Table 4
Credit Ratings for U.S. Central's and WesCorp's RMBS Purchases

CUSIP	ISSUING ENTITY	PURCHASER	ORIGINAL RATING S&P	ORIGINAL RATING MOODY'S	First Downgrade Below Investment Grade S&P	First Downgrade Below Investment Grade MOODY'S	RECENT RATING S&P	RECENT RATING MOODY'S
040104RW3	Argent Securities Inc., Asset-Backed Pass-Through Certificates, Series 2006-W2	U.S. Central	AAA	Aaa	CCC 8-4-2009	Caa2 3-24-2009	CCC 8-4-2009	Ca 4-12-2010
05530MAB5	BCAP LLC Trust 2006-AA2	WesCorp	AAA	Aaa	B 10-27-2008	B3 8-14-2008	D 5-25-2010	withdrawn 1-5-2012
05530PAD4	BCAP LLC Trust 2007-AA1	WesCorp	AAA	Aaa	B 3-19-2009	Ba2 8-14-2008	D 3-22-2012	C 11-11-2010
35729VAE7	Fremont Home Loan Trust 2006-D	U.S. Central	AAA	Aaa	CCC 8-4-2009	Ba2 10-16-2008	CCC 8-4-2009	Ca 4-29-2010
35729VAF4	Fremont Home Loan Trust 2006-D	U.S. Central	AA+	Aa1	B 9-2-2008	Caa2 10-16-2008	D 2-25-2011	C 3-17-2009
55028BAB3	Luminent Mortgage Trust 2006-7	WesCorp	AAA	NR	CCC 8-19-2009	NR	D 3-23-2010	NR
75406YAF4	RASC Series 2006-KS9 Trust	U.S. Central	AA+	Aa1	BB 3-17-2008	Caa3 10-17-2008	D 6-21-2011	C 3-20-2009
81377GAC3	Securitized Asset Backed Receivables LLC Trust 2006-FR4	U.S. Central	AAA	Aaa	BB 4-4-2008	B1 4-21-2008	D 5-23-2011	Ca 3-20-2009
81376GAB6	Securitized Asset Backed Receivables LLC Trust 2006-WM2	U.S. Central	AAA	Aaa	BB 4-4-2008	B2 11-21-2008	CCC 5-4-2009	Ca 7-8-2010
81377EAB0	Securitized Asset Backed Receivables LLC Trust 2006-WM3	U.S. Central	AAA	Aaa	BB 4-3-2008	Caa2 10-22-2008	D 5-23-2011	Ca 3-20-2009
81377EAD6	Securitized Asset Backed Receivables LLC Trust 2006-WM3	U.S. Central	AA+	Aa1	B 4-3-2008	B2*- 4-21-2008	D 6-25-2009	withdrawn 1-11-2012
81378EAB9	Securitized Asset Backed Receivables LLC Trust 2007-BR4	U.S. Central	AAA	Aaa	B- 8-4-2009	B3 10-22-2008	D 5-23-2011	Ca 7-8-2010

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

51. The securities' substantial loss of market value has injured U.S. Central, WesCorp and the NCUA Board.

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

52. The performance and value of RMBS are largely contingent upon borrowers repaying their mortgages. The loan underwriting guidelines ensure that the borrower has the means to repay the mortgage and that the RMBS is secured by sufficient collateral in the event of reasonably anticipated defaults on underlying mortgage loans.

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

a. a surge in borrower delinquencies and defaults on the mortgages in the pools (*see infra* Section VII.A and Table 5);

b. actual gross losses to the underlying mortgage pools within the first 12 months after the offerings exceeded expected gross losses (*see infra* Section VII.B and Figure 2); and

c. a high percentage of the underlying mortgage loans were originated for distribution, as explained below (*see infra* Table 6 and accompanying allegations).

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

55. This conclusion is further corroborated by reports that the Originators that contributed mortgage loans to the RMBS at issue in this Complaint abandoned the underwriting standards described in the RMBS Offering Documents (*see infra* Section VII.D).

A. The Surge in Mortgage Delinquency and Defaults Shortly After the Offerings and the High OTD Practices of the Originators Demonstrates Systematic Disregard of Underwriting Standards

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

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

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

59. The pools of mortgages collateralizing the RMBS experienced delinquency and default rates up to 14.23% within the first three months, up to 21.10% at six months, and up to 38.14% at one year (*see infra* Table 5).

60. As of July 2012, 39.15% of the mortgage collateral across all of the RMBS that U.S. Central and WesCorp purchased was in delinquency, bankruptcy, foreclosure, or was real estate owned ("REO"), which means that a bank or lending institution owns the property after a failed sale at a foreclosure auction (*see infra* Table 5).

61. Table 5 (*infra*) reflects the delinquency, foreclosure, bankruptcy, and REO rates on the RMBS as to which claims are asserted in this Complaint. The data presented in the last five columns are from the trustee reports (dates and page references as indicated in the parentheticals). The shadowed rows reflect the group of mortgages in the pool underlying the specific tranches purchased by U.S. Central or WesCorp; however, some trustee reports include

only the aggregate data. For RMBS with multiple groups, aggregate information on all the groups is included because the tranches are cross-collateralized.

Table 5
Delinquency and Default Rates for U.S. Central's and WesCorp's RMBS Purchases

CUSIP	ISSUING ENTITY	RATE AT CUT-OFF DATE FOR OFFERING	1 MO.	3 MOS.	6 MOS.	12 MOS.	RECENT
	Argent Securities Inc., Asset-Backed Pass-Through Certificates, Series 2006-W2: Aggregate (P.S. dated February 15, 2006)	Zero. (S-13)	0% (Mar., p.10)	2.47% (May, p.10)	7.72% (Aug., p.10)	17.57% (Feb., p.10)	42.27% (July 2012, p.10)
	Argent Securities Inc., Asset-Backed Pass-Through Certificates, Series 2006-W2: Group 1	Zero. (S-13)	0% (Mar., p.11)	2.1% (May, p.11)	6.66% (Aug., p.11)	15.35% (Feb., p.11)	37.87% (July 2012, p.21)
040104RW3	Argent Securities Inc., Asset-Backed Pass-Through Certificates, Series 2006-W2: Group 2 ***Class A-2C in Group 2. (S-6)**	Zero. (S-13)	0% (Mar., p.12)	2.98% (May, p.12)	9.16% (Aug., p.12)	20.48% (Feb., p.12)	50.07% (July 2012, p.27)
05530MAB5	BCAP LLC Trust 2006-AA2 (P.S. dated November 29, 2006)	Zero. (S-32)	4.10% (Dec., p.9)	3.07% (Feb., p.9)	4.72% (May, p.9)	13.14% (Nov., p.9)	34.04% (July 2012, p.9)
	BCAP LLC Trust 2007-AA1: Aggregate (P.S. dated February 26, 2007)	Zero. (S-40)	2.7% (Mar., p.13)	3.6% (May, p.13)	5.47% (Aug., p.13)	13.5% (Feb., p.13)	40.15% (July 2012, p.13)
05530PAD4	BCAP LLC Trust 2007-AA1: Group 1 * Class I-A-4 in Group 1. (S-24)	Zero. (S-40)	2.75% (Mar., p.14)	4.5% (May, p.14)	5.85% (Aug., p.14)	14.04% (Feb., p.15)	49.27% (July 2012, p.18)
	BCAP LLC Trust 2007-AA1: Group 2	Zero. (S-40)	2.65% (Mar., p.15)	2.46% (May, p.15)	4.99% (Aug., p.15)	12.85% (Feb., p.17)	29.28% (July 2012, p.24)
35729VAF4	Fremont Home Loan Trust 2006-D: Aggregate (P.S. dated November 1, 2006) *Class M1 in all Loan Groups. (3)	Zero. (19)	.79% (Dec., p.10)	5.21% (Feb., p.10)	12.45% (May, p.10)	26.17% (Nov., p.10)	43.74% (July 2012, p.9)
	Fremont Home Loan Trust 2006-D: Group 1	Zero. (19)	1% (Dec., p.12)	4.42% (Feb., p.12)	10.19% (May, p.12)	24.12% (Nov., p.12)	46.58% (July 2012, p.10)

CUSIP	ISSUING ENTITY	RATE AT CUT-OFF DATE FOR OFFERING	1 MO.	3 MOS.	6 MOS.	12 MOS.	RECENT
35729VAE7	Fremont Home Loan Trust 2006-D: Group 2 *The Class 2-A-4 in Group 2. (3)	Zero. (19)	.52% (Dec., p.12)	1.59% (Feb., p.12)	4.03% (May, p.12)	9.84% (Nov., p.12)	31.52% (July 2012, p.10)
	Fremont Home Loan Trust 2006-D: Group 3	Zero. (19)	.78% (Dec., p.13)	7.23% (Feb., p.13)	17.55% (May, p.13)	35.42% (Nov., p.13)	51.65% (July 2012, p.11)
	Fremont Home Loan Trust 2006-D: Group 4	Zero. (19)	.51% (Dec., p.13)	4.86% (Feb., p.13)	11.47% (May, p.13)	19.17% (Nov., p.13)	31.52% (July 2012, p.11)
	Luminent Mortgage Trust 2006-7 (P.S. dated December 22, 2006)		2.49% (Jan., p.11)	1.53% (Mar., p.11)	1.81% (June, p.11)	9.40% (Dec., p.11)	40.62% (July 2012, p.11)
55028BAB3	Luminent Mortgage Trust 2006-7: Group 1 ***Class I-A-2 in Group 1. (S-3)**		1.77% (Jan., p.13)	2.94% (Mar., p.13)	3.14% (June, p.13)	11.01% (Dec., p.13)	36.59% (July 2012, p.12)
	Luminent Mortgage Trust 2006-7: Group 2		2.86% (Jan., p.13)	0.88% (Mar., p.13)	1.20% (June, p. 13)	8.63% (Dec., p.13)	42.19% (July 2012, p.12)
75406YAF4	RASC Series 2006-KS9 Trust: Aggregate (P.S. dated October 26, 2006) *Class- M-1S in Sequential Class M Certificates. (S-14)	Zero. (S-53)	0.00% (Nov., p.9)	5.90% (Jan., p.9)	11.11% (Apr., p.9)	23.74% (Oct., p.9)	37.01% (July 2012, p.9)
	RASC Series 2006-KS9 Trust: Group 1: Arm	Zero. (S-47)	0.00% (Nov., p.10)	7.08% (Jan., p.10)	13.21% (Apr., p.10)	28.14% (Oct., p.10)	42.27% (July 2012, p.10)
	RASC Series 2006-KS9 Trust: Group 1: Fixed	Zero. (S-47)	0.00% (Nov., p.11)	2.50% (Jan., p.11)	6.11% (Apr., p.11)	12.11% (Oct., p.11)	27.45% (July 2012, p.11)
	RASC Series 2006-KS9 Trust: Group 2: Arm	Zero. (S-50)	0.00% (Nov., p.12)	7.24% (Jan., p.12)	11.33% (Apr., p.12)	26.01% (Oct., p.12)	39.76% (July 2012, p.12)
	RASC Series 2006-KS9 Trust: Group 2: Fixed	Zero. (S-50)	0.00% (Nov., p.13)	2.05% (Jan., p.13)	5.16% (Apr., p.13)	13.08% (Oct., p.13)	27.14%% (July 2012, p.13)
	Securitized Asset Backed Receivables LLC Trust 2006-FR4: Aggregate (P.S. dated December 11, 2006)	2.99% of mortgage loans 30 to 59 days delinquent. (S-9)	5% (Dec., p.10)	12.61% (Feb., p.11)	19.10% (May, p.10)	35.79% (Nov., p.10)	42.15% (July 2012, p.11)

CUSIP	ISSUING ENTITY	RATE AT CUT-OFF DATE FOR OFFERING	1 MO.	3 MOS.	6 MOS.	12 MOS.	RECENT
	Securitized Asset Backed Receivables LLC Trust 2006-FR4: Group 1	2.99% of mortgage loans 30 to 59 days delinquent. (S-9)	3.2% (Dec., p.11)	7.60% (Feb., p.12)	12.90% (May, p.11)	28.45% (Nov., p.11)	43.80% (July 2012, p.16)
81377GAC3	Securitized Asset Backed Receivables LLC Trust 2006-FR4: Group 2 * Class A-2C in Group 2. (S-11)	2.99% of mortgage loans 30 to 59 days delinquent. (S-9)	5.57% (Dec., p.12)	14.23% (Feb., p.13)	21.10% (May, p.12)	38.14% (Nov., p.12)	41.55% (July 2012, p.22)
81376GAB6	Securitized Asset Backed Receivables LLC Trust 2006-WM2 (P.S. dated October 19, 2006)	.23% of mortgage loans 30 to 59 days delinquent. (S-9)	3.26% (Nov., p.11)	8.86% (Jan., p.10)	14.41% (Apr., p.10)	28.75% (Oct., p.9)	36.53% (July 2012, p.9)
	Securitized Asset Backed Receivables LLC Trust 2006-WM2: Group 1	.23% of mortgage loans 30 to 59 days delinquent. (S-9)	N/A	N/A	N/A	N/A	36.75% (July 2012, p.10)
	Securitized Asset Backed Receivables LLC Trust 2006-WM2: Group 2	.23% of mortgage loans 30 to 59 days delinquent. (S-9)	N/A	N/A	N/A	N/A	36.45% (July 2012, p.10)
81377EAB0 81377EAD6	Securitized Asset Backed Receivables LLC Trust 2006-WM3 (P.S. dated November 29,2006)	.33% of mortgage loans 30 to 59 days delinquent. (S-9)	3.82% (Dec., p.11)	10.26% (Feb., p.11)	15.69% (May, p.10)	30.53% (Nov., p.10)	37.87% (July 2012, p.11)
	Securitized Asset Backed Receivables LLC Trust 2007-BR4: Aggregate (P.S. dated June 13, 2007) *Class A-2B in Group 2. (S-10)	.55% of mortgage loans 30 to 59 days delinquent. (S-9)	3.35% (Jun., p.10)	9.55% (Aug., p.10)	18.91% (Nov., p.10)	33.37% (May, p.10)	34.04% (July 2012, p.11)
	Securitized Asset Backed Receivables LLC Trust 2007-BR4: Group 1	.55% of mortgage loans 30 to 59 days delinquent. (S-9)	2.91% (Jun., p.11)	7.23% (Aug., p.11)	15.24% (Nov., p.11)	29.77% (May, p.13)	35.98% (July 2012, p.16)
81378EAB9	Securitized Asset Backed Receivables LLC Trust 2007-BR4: Group 2 *Class A-2B in Group 2. (S-11)	.55% of mortgage loans 30 to 59 days delinquent. (S-9)	3.42% (Jun., p.12)	9.91% (Aug., p.12)	19.48% (Nov., p.12)	33.92% (May, p.15)	33.71% (July 2012, p.22)

62. This early spike in delinquencies and defaults, which occurred almost immediately after these RMBS were purchased by U.S. Central or WesCorp, was later discovered to be indicative of the Originators' systematic disregard of their stated underwriting guidelines.

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

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

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

66. The FSOC Risk Retention Report observed that the securitization process often incentivizes poor underwriting by shifting the risk of default from the originators to the investors, while obscuring critical information concerning the actual nature of the risk. The FSOC Risk Retention Report stated:

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

Id. at 3.

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

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

69. Table 6 (*infra*) shows the percentage of loans originated for distribution relative to all the loans made by the Originators for the years 2005, 2006 and 2007, for those Originators in this Complaint with high OTD percentages. The data was obtained from the Home Mortgage Disclosure Act database.

Table 6
Originator "Originate-to-Distribute" Percentages

Originator	OTD % 2005	OTD% 2006	OTD % 2007
Aegis Mortgage Corporation	100	100	-
Argent Mortgage Company, LLC	80.1	87.4	89.4
Countrywide Home Loans, Inc.	98.5	96.5	98.4
Fremont Investment & Loan	91.2	85.2	94.0
GreenPoint Mortgage Funding, Inc.	89.0	87.1	95.6
Home123 Corporation	94.3	44.3	-
Homecomings Financial, LLC	97.4	97.9	99.9
IndyMac Bank, F.S.B.	81.1	87.7	82.8
Lehman Brothers Bank	87.9	81.5	36.8
New Century Mortgage Corporation	92.4	84.2	-
OwnIt Mortgage Solutions, Inc.	100	-	-
People's Choice Home Loan, Inc.	83.4	87.8	-
WMC Mortgage Corp.	100	100	100

B. The Surge in Actual Versus Expected Cumulative Gross Losses is Evidence of the Originators' Systemic Disregard of Underwriting Standards

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

71. Every month, the RMBS trustee reports the number and outstanding balance of all loans in the mortgage pools that have defaulted. The running total of this cumulative default balance is referred to as the "gross loss."

72. When defaulted loans are foreclosed upon, the proceeds from the foreclosures are distributed to the investors and any shortfall on the defaulted loan balances is realized as a loss. The running total of this cumulative realized loss (defaulted loan balance minus recovery in foreclosure) is referred to as the "net loss."

73. "Actual loss" is the economic loss the mortgage pool experiences *in fact*. So "actual gross loss" is the *actual* cumulative sum of the balance of the loans in default for a particular security. Likewise, "actual net loss" is the *actual* cumulative realized loss on defaulted loans after foreclosure.

74. At the time a security is rated, the rating agency calculates an amount of "*expected* loss" using a model based on historical performance of similar securities. So "expected gross loss" is the *expected* cumulative sum of the balance of the loans in default for a particular security. Likewise, "expected net loss" is the *expected* cumulative realized loss on defaulted loans after foreclosure. The amount of expected net loss drives the credit ratings assigned to the various tranches of RMBS.

75. Each credit rating has a "rating factor," which can be expressed in multiples of the amount of credit enhancement over expected net loss (in equation form: CE/ENL = RF). Thus, the rating factor expresses how many times the expected net loss is covered by credit enhancement. A triple-A rated security would have a rating factor of "5," so would require credit enhancement of five times the amount of the expected net loss. A "double-A rating" would have a rating factor of "4," and thus would require credit enhancement equaling four times the expected net loss. A "single-A" rating would have a rating factor of "3" and would require credit enhancement of three times expected net loss. A "Baa" rating would require credit

enhancement of 2—1.5 times expected net loss, and a "Ba" rating or lower requires some amount of credit enhancement less than 1.5 times expected net loss.

76. Accordingly, by working backwards from this equation, one can infer expected net loss in an already-issued offering. For example, assume there is a $100 million offering backed by $100 million of assets, with a triple-A rated senior tranche with a principal balance of $75 million. This means the non-senior tranches, in aggregate, have a principal balance of $25 million. The $25 million amount of the non-senior tranches in this hypothetical offering serves as the credit enhancement for the senior tranche. Therefore, on our hypothetical $100 million offering, the expected net loss would be $5 million, which is the amount of the credit enhancement on the triple-A rated senior tranche—$25 million—divided by the rating factor for triple-A rated securities—5. The following equation illustrates: $25,000,000/5 = $5,000,000.

77. Expected gross loss can be then mathematically derived by applying an "expected recovery rate" to the expected net loss (EGL = ENL/(1 – ERR).

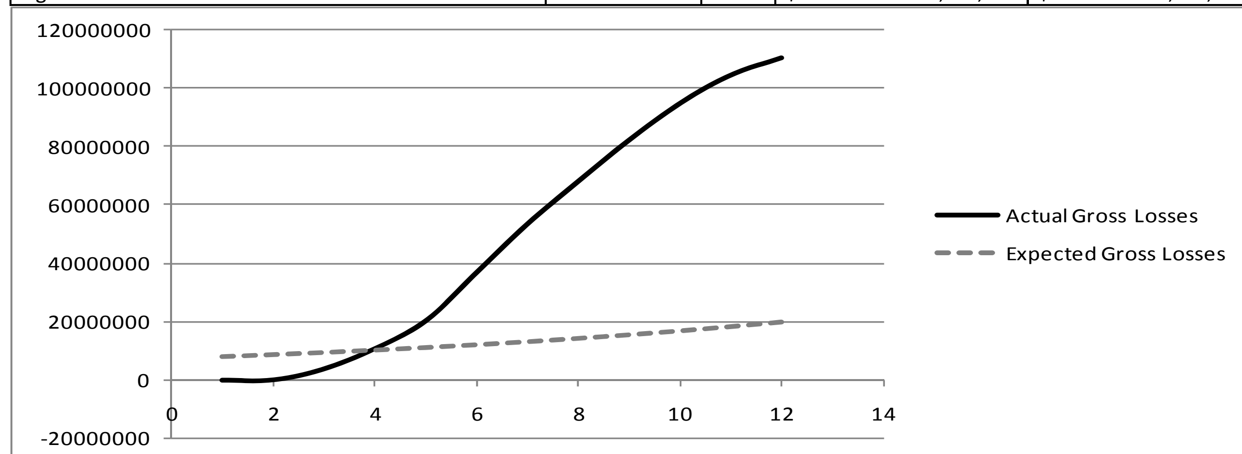
78. A comparison of actual gross losses to expected gross losses for a particular security can be made graphically by plotting the actual versus expected loss data on a line graph. Figure 2 (*infra*) is a series of such line graphs. Figure 2 illustrates the actual gross loss (again, actual defaults) the pools backing the RMBS purchased by U.S. Central and WesCorp experienced *in the first twelve months* after issuance compared to the expected gross loss (again, expected defaults) for those pools during the same time period.

79. The actual gross loss data in Figure 2 (*infra*) was obtained from ABSNET, a resource for asset-backed securities related data. The expected gross losses were calculated by "grossing up" the rating-implied expected net losses using an expected recovery rate of 85%.

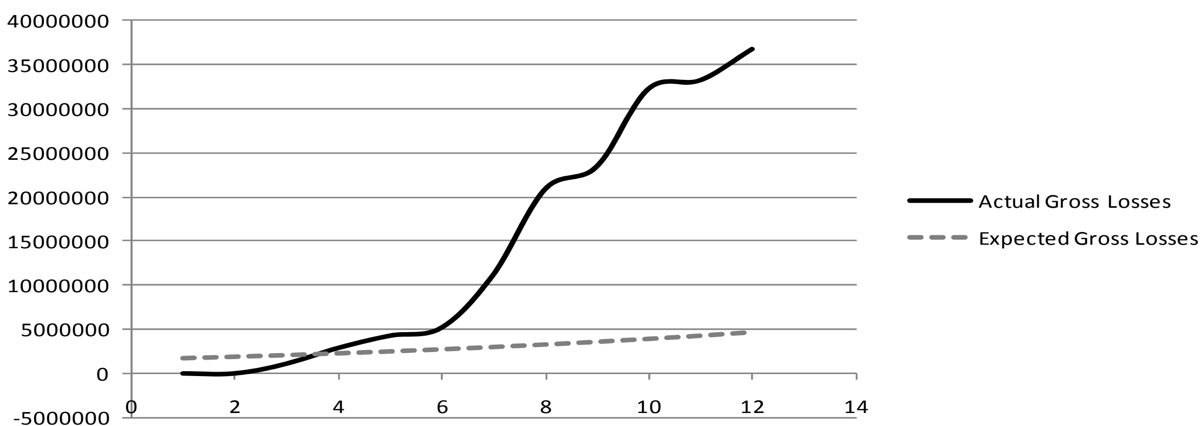
80. As the graphs show, the actual gross losses (the solid lines) far exceeded the expected gross losses (the dotted lines) for the period analyzed. That means that the *actual* balance of defaulted loans in the first twelve months following issuance far exceeded the *expected* balance of defaulted loans based on historical performance.

Figure 2
Illustration of Expected Gross Losses v. Actual Gross Losses for U.S. Central's and WesCorp's RMBS Purchases

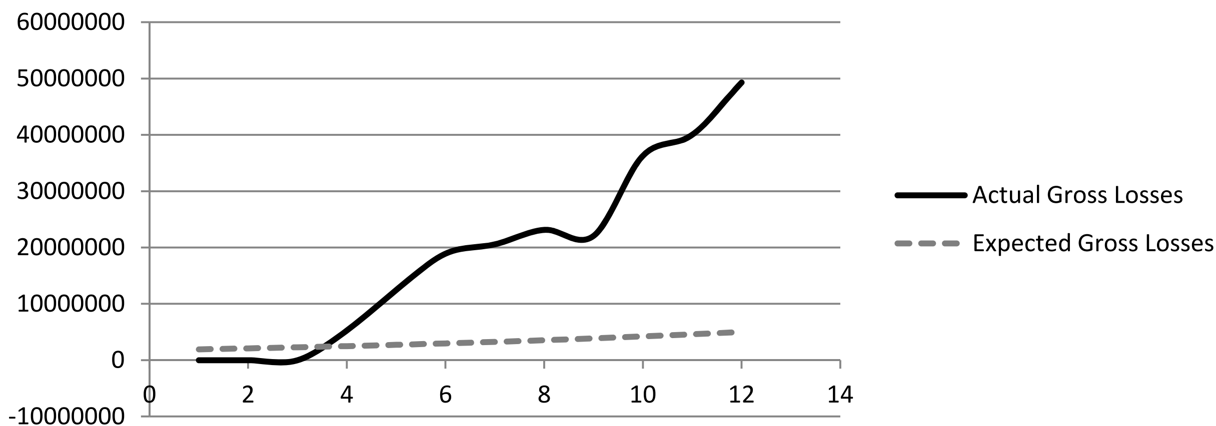
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Argent Securities Trust 2006-W2	36890	1	$ -	$ 7,642,233
Argent Securities Trust 2006-W2	36890	2	$ 90,658	$ 8,347,230
Argent Securities Trust 2006-W2	36890	3	$ 3,846,762	$ 9,115,784
Argent Securities Trust 2006-W2	36890	4	$ 10,795,824	$ 9,953,341
Argent Securities Trust 2006-W2	36890	5	$ 20,230,622	$ 10,865,759
Argent Securities Trust 2006-W2	36890	6	$ 36,746,851	$ 11,859,330
Argent Securities Trust 2006-W2	36890	7	$ 53,338,839	$ 12,940,796
Argent Securities Trust 2006-W2	36890	8	$ 67,914,639	$ 14,117,373
Argent Securities Trust 2006-W2	36890	9	$ 82,027,163	$ 15,396,760
Argent Securities Trust 2006-W2	36890	10	$ 94,578,602	$ 16,787,158
Argent Securities Trust 2006-W2	36890	11	$ 104,270,525	$ 18,297,271
Argent Securities Trust 2006-W2	36890	12	$ 110,193,229	$ 19,936,315



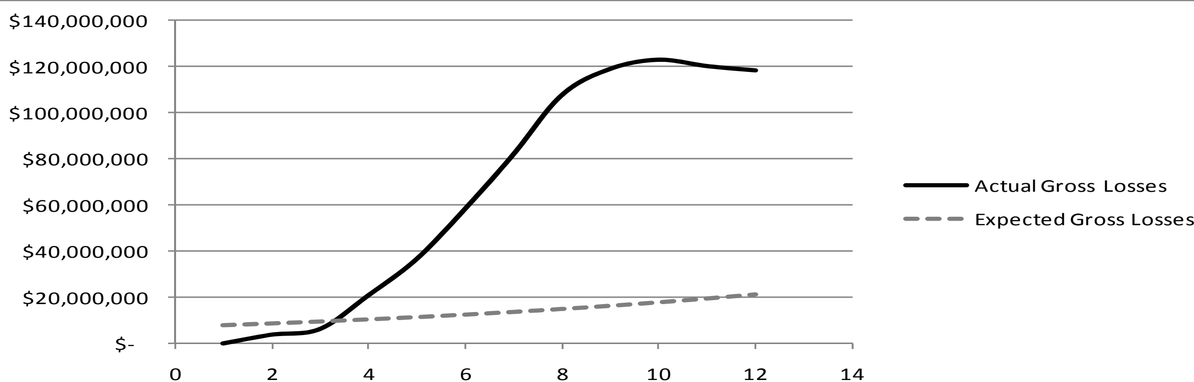
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
BCAP, LLC 2006-AA2	41160	1	$ -	$ 1,777,978
BCAP, LLC 2006-AA2	41160	2	$ -	$ 1,941,996
BCAP, LLC 2006-AA2	41160	3	$ 1,104,000	$ 2,120,802
BCAP, LLC 2006-AA2	41160	4	$ 2,895,980	$ 2,315,661
BCAP, LLC 2006-AA2	41160	5	$ 4,286,943	$ 2,527,936
BCAP, LLC 2006-AA2	41160	6	$ 5,203,741	$ 2,759,092
BCAP, LLC 2006-AA2	41160	7	$ 11,229,339	$ 3,010,697
BCAP, LLC 2006-AA2	41160	8	$ 20,931,470	$ 3,284,429
BCAP, LLC 2006-AA2	41160	9	$ 23,496,991	$ 3,582,081
BCAP, LLC 2006-AA2	41160	10	$ 32,336,294	$ 3,905,559
BCAP, LLC 2006-AA2	41160	11	$ 33,299,575	$ 4,256,889
BCAP, LLC 2006-AA2	41160	12	$ 36,833,330	$ 4,638,215



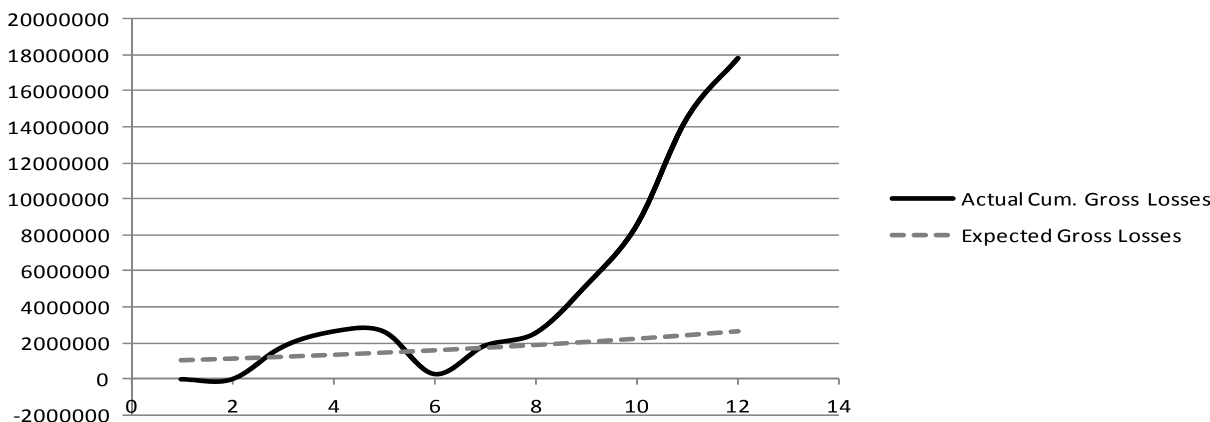
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
BCAP LLC Trust 2007-AA1	40920	1	$ -	$ 1,917,143
BCAP LLC Trust 2007-AA1	40920	2	$ -	$ 2,094,000
BCAP LLC Trust 2007-AA1	40920	3	$ -	$ 2,286,800
BCAP LLC Trust 2007-AA1	40920	4	$ 5,283,437	$ 2,496,911
BCAP LLC Trust 2007-AA1	40920	5	$ 12,456,212	$ 2,725,802
BCAP LLC Trust 2007-AA1	40920	6	$ 18,921,827	$ 2,975,050
BCAP LLC Trust 2007-AA1	40920	7	$ 20,569,097	$ 3,246,349
BCAP LLC Trust 2007-AA1	40920	8	$ 23,148,525	$ 3,541,507
BCAP LLC Trust 2007-AA1	40920	9	$ 22,072,675	$ 3,862,456
BCAP LLC Trust 2007-AA1	40920	10	$ 36,299,348	$ 4,211,253
BCAP LLC Trust 2007-AA1	40920	11	$ 40,018,106	$ 4,590,083
BCAP LLC Trust 2007-AA1	40920	12	$ 49,300,426	$ 5,001,256



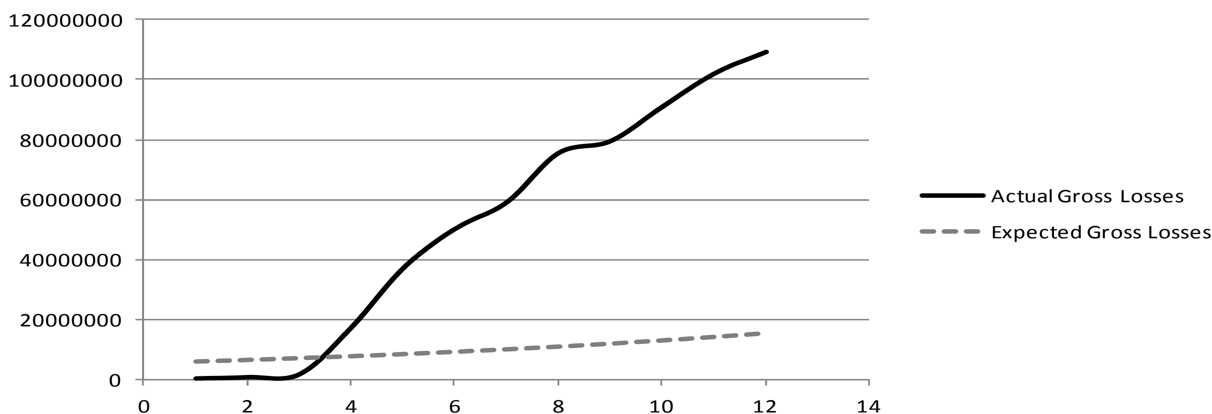
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Fremont Home Loan Trust 2006-D	39741	1	$ -	$ 8,287,486
Fremont Home Loan Trust 2006-D	39741	2	$ 3,753,135	$ 9,052,007
Fremont Home Loan Trust 2006-D	39741	3	$ 6,212,973	$ 9,885,452
Fremont Home Loan Trust 2006-D	39741	4	$ 20,765,954	$ 10,793,726
Fremont Home Loan Trust 2006-D	39741	5	$ 36,520,130	$ 11,783,182
Fremont Home Loan Trust 2006-D	39741	6	$ 58,203,553	$ 12,860,642
Fremont Home Loan Trust 2006-D	39741	7	$ 81,810,437	$ 14,033,419
Fremont Home Loan Trust 2006-D	39741	8	$ 107,497,063	$ 15,309,337
Fremont Home Loan Trust 2006-D	39741	9	$ 118,828,404	$ 16,696,747
Fremont Home Loan Trust 2006-D	39741	10	$ 122,788,975	$ 18,204,539
Fremont Home Loan Trust 2006-D	39741	11	$ 120,044,997	$ 19,842,154
Fremont Home Loan Trust 2006-D	39741	12	$ 118,165,126	$ 21,619,586



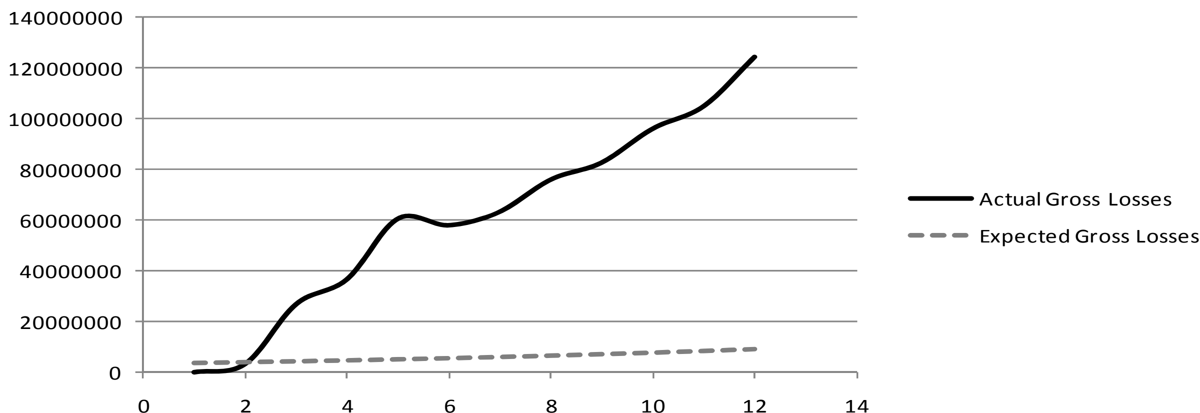
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Luminent Mortgage Loan Trust 2006-7	39950	1	$ -	$ 1,017,653
Luminent Mortgage Loan Trust 2006-7	39950	2	$ -	$ 1,111,532
Luminent Mortgage Loan Trust 2006-7	39950	3	$ 1,797,650	$ 1,213,874
Luminent Mortgage Loan Trust 2006-7	39950	4	$ 2,644,450	$ 1,325,404
Luminent Mortgage Loan Trust 2006-7	39950	5	$ 2,644,450	$ 1,446,903
Luminent Mortgage Loan Trust 2006-7	39950	6	$ 287,988	$ 1,579,209
Luminent Mortgage Loan Trust 2006-7	39950	7	$ 1,863,750	$ 1,723,219
Luminent Mortgage Loan Trust 2006-7	39950	8	$ 2,563,695	$ 1,879,894
Luminent Mortgage Loan Trust 2006-7	39950	9	$ 5,196,874	$ 2,050,259
Luminent Mortgage Loan Trust 2006-7	39950	10	$ 8,540,143	$ 2,235,407
Luminent Mortgage Loan Trust 2006-7	39950	11	$ 14,504,349	$ 2,436,496
Luminent Mortgage Loan Trust 2006-7	39950	12	$ 17,793,779	$ 2,654,754



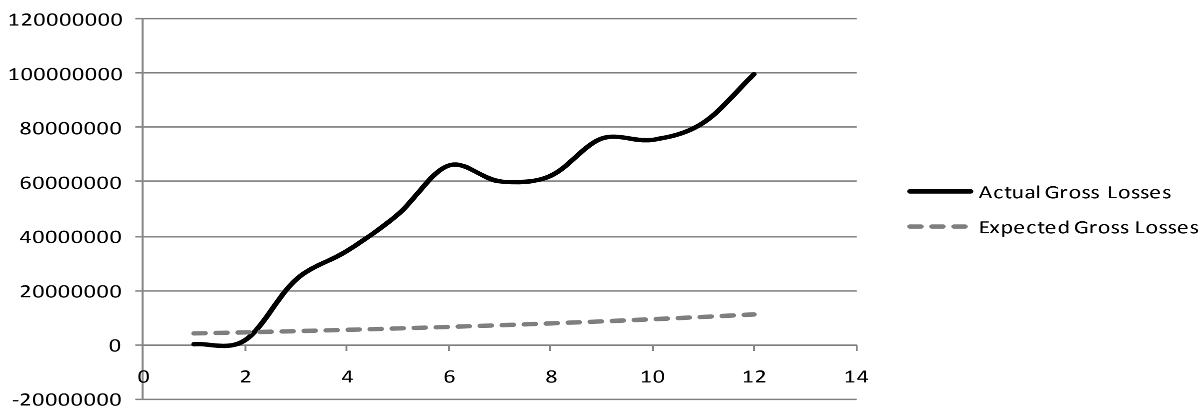
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
RASC Series 2006-KS9 Trust	39677	1	$ 500,187	$ 5,886,653
RASC Series 2006-KS9 Trust	39677	2	$ 948,163	$ 6,429,697
RASC Series 2006-KS9 Trust	39677	3	$ 1,953,677	$ 7,021,698
RASC Series 2006-KS9 Trust	39677	4	$ 17,528,610	$ 7,666,851
RASC Series 2006-KS9 Trust	39677	5	$ 37,197,835	$ 8,369,667
RASC Series 2006-KS9 Trust	39677	6	$ 50,239,854	$ 9,134,994
RASC Series 2006-KS9 Trust	39677	7	$ 59,078,469	$ 9,968,025
RASC Series 2006-KS9 Trust	39677	8	$ 75,438,849	$ 10,874,317
RASC Series 2006-KS9 Trust	39677	9	$ 79,361,613	$ 11,859,803
RASC Series 2006-KS9 Trust	39677	10	$ 90,777,459	$ 12,930,797
RASC Series 2006-KS9 Trust	39677	11	$ 101,780,983	$ 14,094,005
RASC Series 2006-KS9 Trust	39677	12	$ 108,972,314	$ 15,356,527



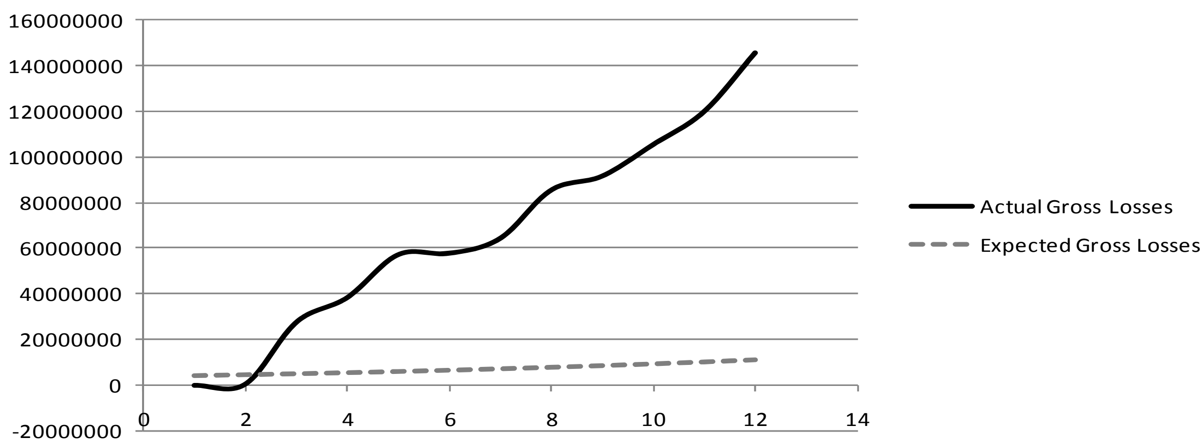
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Securitized Asset Backed Receivables LLC Trust 2006-FR4	40582	1	$ -	$ 3,621,805
Securitized Asset Backed Receivables LLC Trust 2006-FR4	40582	2	$ 3,279,186	$ 3,955,917
Securitized Asset Backed Receivables LLC Trust 2006-FR4	40582	3	$ 26,894,432	$ 4,320,149
Securitized Asset Backed Receivables LLC Trust 2006-FR4	40582	4	$ 36,751,715	$ 4,717,084
Securitized Asset Backed Receivables LLC Trust 2006-FR4	40582	5	$ 60,701,998	$ 5,149,497
Securitized Asset Backed Receivables LLC Trust 2006-FR4	40582	6	$ 58,099,814	$ 5,620,370
Securitized Asset Backed Receivables LLC Trust 2006-FR4	40582	7	$ 63,461,039	$ 6,132,898
Securitized Asset Backed Receivables LLC Trust 2006-FR4	40582	8	$ 76,148,806	$ 6,690,501
Securitized Asset Backed Receivables LLC Trust 2006-FR4	40582	9	$ 82,861,563	$ 7,296,828
Securitized Asset Backed Receivables LLC Trust 2006-FR4	40582	10	$ 96,256,376	$ 7,955,765
Securitized Asset Backed Receivables LLC Trust 2006-FR4	40582	11	$ 105,121,894	$ 8,671,437
Securitized Asset Backed Receivables LLC Trust 2006-FR4	40582	12	$ 124,615,059	$ 9,448,212



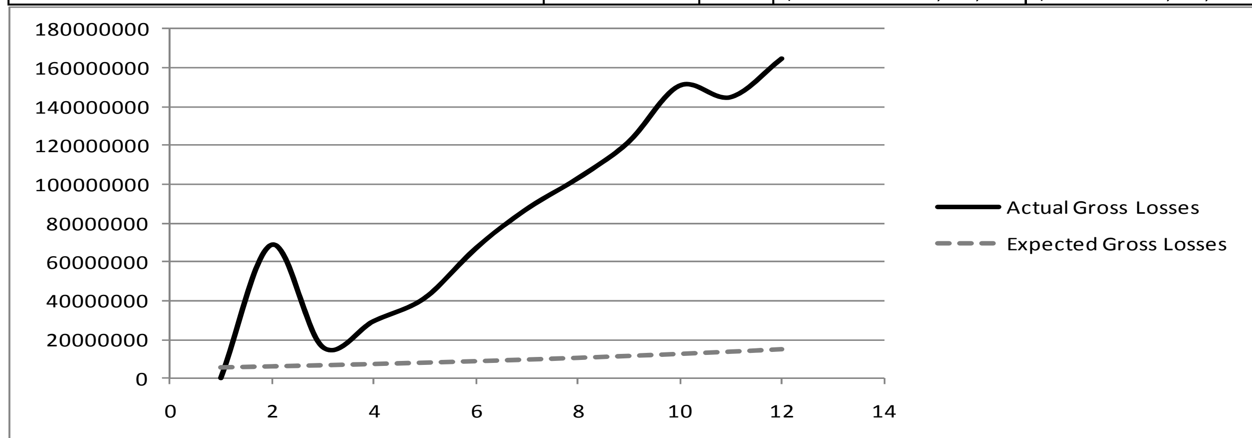
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Securitized Asset Backed Receivables LLC Trust 2006-WM2	39375	1	$ -	$ 4,206,770
Securitized Asset Backed Receivables LLC Trust 2006-WM2	39375	2	$ 1,472,265	$ 4,594,845
Securitized Asset Backed Receivables LLC Trust 2006-WM2	39375	3	$ 23,869,115	$ 5,017,906
Securitized Asset Backed Receivables LLC Trust 2006-WM2	39375	4	$ 34,484,260	$ 5,478,950
Securitized Asset Backed Receivables LLC Trust 2006-WM2	39375	5	$ 47,939,614	$ 5,981,203
Securitized Asset Backed Receivables LLC Trust 2006-WM2	39375	6	$ 66,120,394	$ 6,528,127
Securitized Asset Backed Receivables LLC Trust 2006-WM2	39375	7	$ 60,313,685	$ 7,123,435
Securitized Asset Backed Receivables LLC Trust 2006-WM2	39375	8	$ 62,286,828	$ 7,771,097
Securitized Asset Backed Receivables LLC Trust 2006-WM2	39375	9	$ 76,064,340	$ 8,475,353
Securitized Asset Backed Receivables LLC Trust 2006-WM2	39375	10	$ 75,653,277	$ 9,240,716
Securitized Asset Backed Receivables LLC Trust 2006-WM2	39375	11	$ 81,899,334	$ 10,071,978
Securitized Asset Backed Receivables LLC Trust 2006-WM2	39375	12	$ 99,915,045	$ 10,974,212



Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Securitized Asset Backed Receivables LLC Trust 2006-WM3	40362	1	$ -	$ 4,111,142
Securitized Asset Backed Receivables LLC Trust 2006-WM3	40362	2	$ 545,631	$ 4,490,395
Securitized Asset Backed Receivables LLC Trust 2006-WM3	40362	3	$ 27,622,540	$ 4,903,839
Securitized Asset Backed Receivables LLC Trust 2006-WM3	40362	4	$ 38,406,808	$ 5,354,403
Securitized Asset Backed Receivables LLC Trust 2006-WM3	40362	5	$ 57,196,374	$ 5,845,239
Securitized Asset Backed Receivables LLC Trust 2006-WM3	40362	6	$ 57,761,237	$ 6,379,731
Securitized Asset Backed Receivables LLC Trust 2006-WM3	40362	7	$ 64,299,327	$ 6,961,506
Securitized Asset Backed Receivables LLC Trust 2006-WM3	40362	8	$ 85,445,549	$ 7,594,446
Securitized Asset Backed Receivables LLC Trust 2006-WM3	40362	9	$ 91,535,194	$ 8,282,693
Securitized Asset Backed Receivables LLC Trust 2006-WM3	40362	10	$ 105,339,051	$ 9,030,658
Securitized Asset Backed Receivables LLC Trust 2006-WM3	40362	11	$ 119,796,917	$ 9,843,023
Securitized Asset Backed Receivables LLC Trust 2006-WM3	40362	12	$ 145,478,072	$ 10,724,748



Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Securitized Asset Backed Receivables LLC Trust 2007-BR4	41355	1	$ 34,292	$ 5,785,223
Securitized Asset Backed Receivables LLC Trust 2007-BR4	41355	2	$ 68,586,197	$ 6,318,910
Securitized Asset Backed Receivables LLC Trust 2007-BR4	41355	3	$ 15,907,771	$ 6,900,711
Securitized Asset Backed Receivables LLC Trust 2007-BR4	41355	4	$ 29,318,819	$ 7,534,747
Securitized Asset Backed Receivables LLC Trust 2007-BR4	41355	5	$ 41,228,630	$ 8,225,454
Securitized Asset Backed Receivables LLC Trust 2007-BR4	41355	6	$ 66,710,406	$ 8,977,593
Securitized Asset Backed Receivables LLC Trust 2007-BR4	41355	7	$ 86,974,989	$ 9,796,271
Securitized Asset Backed Receivables LLC Trust 2007-BR4	41355	8	$ 102,746,325	$ 10,686,947
Securitized Asset Backed Receivables LLC Trust 2007-BR4	41355	9	$ 121,505,612	$ 11,655,453
Securitized Asset Backed Receivables LLC Trust 2007-BR4	41355	10	$ 150,441,981	$ 12,707,993
Securitized Asset Backed Receivables LLC Trust 2007-BR4	41355	11	$ 144,512,249	$ 13,851,159
Securitized Asset Backed Receivables LLC Trust 2007-BR4	41355	12	$ 164,325,484	$ 15,091,926



81. As indicated in Figure 2 (*supra*), actual gross losses spiked almost immediately after issuance of the RMBS. For example, in the Securitized Asset Backed Receivables LLC Trust 2007-BR4 offering (shown in Figure 2), actual losses at month 12 exceeded $164 million, or nearly eleven times the expected losses of approximately $15 million (*see supra* Figure 2).

82. This dramatic spike in actual versus expected gross losses during the first twelve months following issuance is strong evidence that a significant number of the loans in those pools were underwritten in disregard of the underwriting guidelines stated in the Offering Documents.

83. In addition, credit enhancement is designed to ensure that high investment grade rated RMBS perform to that standard. The fact that the credit enhancement for U.S. Central's

and WesCorp's senior tranches failed also shows that a critical number of mortgages in the pool were improperly underwritten.

C. The Collapse of the Certificates' Credit Ratings is Evidence of Systematic Disregard of Underwriting Guidelines

84. Virtually all of the RMBS U.S. Central and WesCorp purchased were rated triple-A at issuance.

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

86. Triple-A rated product "should be able to withstand an extreme level of stress and still meet its financial obligations. A historical example of such a scenario is the Great Depression in the U.S." *Understanding Standard & Poor's Rating Definitions*, June 3, 2009, at 14. The certificate purchased in the Securitized Asset Backed Receivables LLC Trust 2006-WM3 offering (CUSIP 81377EAD6, *see supra* Table 1) has defaulted, meaning the certificate has failed to pay out to RMBS investors as promised, because the income stream generated from borrower's mortgage loan payments was insufficient and credit enhancement failed to make up for the shortfall.

87. The collapse in the credit ratings of the RMBS indicates that the loans collateralizing the certificates were the product of systematic disregard of underwriting guidelines and that these securities were impaired from the outset.

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

88. Public disclosures subsequent to the issuance of the RMBS reinforce the allegation that the Originators systematically abandoned their stated underwriting guidelines.

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

89. Originators experienced unprecedented success during the mortgage boom. Yet their success was illusory.

90. The Office of the Comptroller of the Currency (the "OCC"), an office within the Treasury Department, published a report in November 2008 listing the "Worst Ten" metropolitan areas with the highest rates of foreclosures and the "Worst Ten" originators with the largest numbers of foreclosures in those areas ("2008 'Worst Ten in the Worst Ten' Report"). In this report, the OCC emphasized the importance of adherence to underwriting standards in mortgage loan origination:

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

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

> Washington Mutual was far from the only lender that sold poor quality mortgages and mortgage backed securities that undermined U.S. financial markets. The Subcommittee investigation indicates that Washington Mutual was emblematic of a host of financial institutions that knowingly originated, sold, and securitized billions of dollars in high risk, poor quality home loans. These lenders were not the victims of the financial crisis; the high risk loans they issued became the fuel that ignited the financial crisis.

STAFF OF S. PERMANENT SUBCOMM. ON INVESTIGATIONS, 112TH CONG., WALL STREET AND

THE FINANCIAL CRISIS: ANATOMY OF A FINANCIAL COLLAPSE 50 (Subcomm. Print 2011).

92. Indeed, the Financial Crisis Inquiry Commission ("FCIC") issued its final report in January 2011 that detailed, among other things, the collapse of mortgage underwriting standards and subsequent collapse of the mortgage market and wider economy. *See* Fin. Crisis Inquiry Comm'n, Final Report of the National Commission on the Causes of the Financial and Economic Crisis in the United States (2011) ("FCIC Report").

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

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

Id. at xvi.

94. During the housing boom, mortgage lenders focused on quantity rather than quality, originating loans for borrowers who had no realistic capacity to repay the loan. The FCIC Report found "that the percentage of borrowers who defaulted on their mortgages within just a matter of months after taking a loan nearly doubled from the summer of 2006 to late 2007." *Id*. at xxii. Early Payment Default is a significant indicator of pervasive disregard for underwriting standards. The FCIC Report noted that mortgage fraud "flourished in an environment of collapsing lending standards..." *Id*.

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

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

Id.

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

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

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

> First, at the point of origination, underwriting standards became increasingly compromised. The best-known and most serious case is that of subprime mortgages, mortgages extended to borrowers with weaker credit histories. To a degree that increased over time, these mortgages were often poorly documented and extended with insufficient attention to the borrower's ability to repay. In retrospect, the breakdown in underwriting can be linked to the incentives that the originate-to-distribute model, as implemented in this case, created for the originators. Notably, the incentive structures often tied originator revenue to loan volume, rather than to the quality of the loans being passed up the chain.

> Investors normally have the right to put loans that default quickly back to the originator, which should tend to apply some discipline to the underwriting process. However, in the recent episode, some originators had little capital at stake, reducing their exposure to the risk that the loans would perform poorly.

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

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

> The Commission concludes that firms securitizing mortgages failed to perform adequate due diligence on the mortgages they purchased and at times knowingly waived compliance with underwriting standards. Potential investors were not fully informed or were misled about the poor quality of the mortgages contained in some mortgage-related securities. These problems appear to have been significant.

FCIC Report at 187.

100. The lack of disclosure regarding the true underwriting practices of the Originators in the Offering Documents at issue in this Complaint put U.S. Central and WesCorp at a severe disadvantage.

101. Because investors had limited or no access to information concerning the actual quality of loans underlying the RMBS, the OTD model created a situation where the origination of low quality mortgages through poor underwriting thrived. The FSOC found:

> In the originate-to-distribute model, originators receive significant compensation upfront without retaining a material ongoing economic interest in the performance of the loan. This reduces the economic incentive of originators and securitizers to evaluate the credit quality of the underlying loans carefully. Some research indicates that securitization was associated with lower quality loans in the financial crisis. For instance, one study found that subprime borrowers with credit scores just above a threshold commonly used by securitizers to determine which loans to purchase defaulted at significantly higher rates than those with

> credit scores below the threshold. By lower underwriting standards, securitization may have increased the amount of credit extended, resulting in riskier and unsustainable loans that otherwise may not have been originated.

Id. at 11 (footnote omitted).

102. The FSOC reported that as the OTD model became more pervasive in the mortgage industry, underwriting practices weakened across the industry. The FSOC Risk Retention Report found "[t]his deterioration was particularly prevalent with respect to the verification of the borrower's income, assets, and employment for residential real estate loans…" *Id*.

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

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

2. Argent Mortgage Company's Systematic Disregard of Underwriting Standards

105. ACC Capital Holdings ("ACC Capital"), based in Orange, California, was the nation's largest privately-owned subprime lender. Ameriquest Mortgage Company ("Ameriquest") was ACC Capital's retail mortgage lending unit. Argent Mortgage Company ("Argent") was ACC Capital's wholly-owned wholesale lending unit that made loans through

independent brokers. ACC Capital was one of the first subprime lenders to start showing problems stemming largely from problems with loan quality. On September 1, 2007, Citigroup purchased Argent from the troubled ACC Capital, and Ameriquest announced that it was shutting down lending operations. Argent originated all of the loans in the mortgage pool underlying the Argent Securities Inc., Asset-Backed Pass-Through Certificates, Series 2006-W2 offering.

106. Argent appeared in OCC's 2008 "Worst Ten in the Worst Ten" Report. Argent was ranked as the "worst" lender in Cleveland, Ohio, and Detroit, Michigan; the second worst in Las Vegas, Nevada, and Miami, Florida; the third worst in Denver, Colorado; the fourth worst in Stockton, California; the fifth worst in Bakersfield, California; the sixth worst in Riverside and Sacramento, California; and the eighth worst in Memphis, Tennessee.

107. In the 2009 Report, Argent was fourth in Las Vegas, Nevada, sixth in Fort Pierce-Port St. Lucie, Florida and Reno, Nevada, seventh in Bakersfield, California and Stockton-Lodi, California, eighth in Riverside-San Bernardino, California, ninth in Merced, California, Modesto, California and Fort Myers-Cape Coral, Florida and tenth in Vallejo-Fairfield-Napa, California.

108. According to a May 11, 2008, Cleveland Plain Dealer article titled *The Subprime House of Cards*, Jacquelyn Fishwick, who worked for more than two years at an Argent loan processing center near Chicago as an underwriter and account manager, reported that "some Argent employees played fast and loose with the rules" and stated: "I personally saw some stuff I didn't agree with." Ms. Fishwick "saw [Argent] account managers remove documents from files and create documents by cutting and pasting them." Mark Gillispie, *The Subprime House of Cards*, CLEVELAND PLAIN-DEALER, May 11, 2008, *available at* http://blog.cleveland.com/metro/2008/05?the_subprime_house_of_cards.html.

109. According to a January 29, 2009, article in the Miami Herald, Orson Benn, a former vice president of Argent who was convicted and sentenced to prison for racketeering relating to mortgage fraud, spent three years during the height of the housing boom teaching brokers "how to doctor credit reports, coached them to inflate [borrower] income on loan applications, and helped them invent phantom jobs for borrowers" so that loans could be approved. Jack Dolan *et al.*, *Home Loan Racket Flourished In Florida*, MIAMI HERALD, Jan. 29, 2009, *available at* http://www.miamiherald.com/2008/12/07/v-fullstory/878194/home-loan-racket-flourished-in.html.

110. According to Mr. Benn himself, "the accuracy of loan applications was not a priority." *Id.* The article reports: "The simplest way for a bank to confirm someone's income is to call the employer. But in at least two dozen cases, the applications show bogus telephone numbers for work references." *Id.* The article notes that one Argent broker generated at least 100 loans worth $22 million in Miami and nearly all of them were based on false and misleading financial information. *See id.* For instance, "one borrower claimed to work for a company that didn't exist—and got a $170,000 loan. Another borrower claimed to work a job that didn't exist—and got enough money to buy four houses." *Id.* The Miami Herald obtained applications for 129 loans funded by Argent and found that "103 contained red flags: non-existent employers, grossly inflated salaries and sudden, drastic increases in the borrower's net worth." *Id.*

111. The New York Times reported that Ameriquest refused to sign up for a tax verification service for verifying the reported taxes of borrowers as part of its underwriting process. *See* Gretchen Mortgenson, *A Road Not Taken By Lenders*, N.Y. TIMES, Apr. 6, 2010, *available at* http://www.nytimes.com/2008/04/06/business/06gret.html.

112. Richard Bowen, the former Business Chief Underwriter at Citibank, was involved in the due diligence process for Citibank's acquisition of Argent. In his April 7, 2010 appearance before the FCIC, Mr. Bowen testified that he advised against the acquisition because "we sampled loans that were originated by Argent, and we found large numbers that did not—that were not underwritten according to the representations that were there." *Subprime Lending and Securitization and Government Sponsored Entities: Hearing Before the Fin. Crisis Inquiry Comm'n*, Hearing Transcript 239 (Apr. 7, 2010) (testimony of Richard M. Bowen III, former Business Chief Underwriter, Citibank).

113. In a video released by the American News Project on May 11, 2009 titled "Fraud By Mortgage Companies Key Cause of Foreclosures," reporters Lagan Sebert and Mike Fritz interviewed several former employees of Argent/Ameriquest regarding their lending practices.

114. Tamara Loatman-Clark, a former loan closer for Argent, stated "I mean you did what you had to do and again if that meant manipulating documents so that you can get them out so that they could conform, that's what you did." "…there were incentives to get as many done as possible. So on a typical Thursday, I may have 15 or 20 files that I need to get funded somehow and you know you need to work very hard to get 20 files funded. Whatever hit your desk for the day is what you wanted to get out."

115. According to the video, "It was the Wall Street business that drove the frantic pace. Even before proper papers were signed, Ameriquest was bundling the loans and passing them on." Loatman-Clark said, "And so sometimes when they came back and you're talking about, you know, names not properly on mortgage documents… you're talking about missing documents, like internally the incentive was to do whatever you needed to do to get them out and that sometimes meant that you manipulated documents to get them out."

The video report contained the following exchange:

> Reporter: "So you are saying the goal was to make these loans and then get them off your books as quick as possible?"
>
> Loatman-Clark: "Exactly. That was the pressure."
>
> Reporter: "But who were the people who were buying, who were like the most hungry for these loans?"
>
> Loatman-Clark: "Bear Stearns… Citigroup was another one. Basically the ones that were/are hardest hit were the people who invested. And these were the people we were shuffling these documents out to by any means necessary."

Id.

116. Omar Kahn, a former Ameriquest Loan Officer, also told the reporters, "Every closing we had was a bait and switch, because you could never get them to the table if you were honest." "There were instances where the borrower felt uncomfortable about signing the stated income letter, because they didn't want to lie, and the stated income letter would be filled out later on by the processing staff." *Id.*

117. Another former Ameriquest Loan Officer named Tyson Russum said, "The entire system is built to do whatever you can to close as many loans at the highest fee amount as possible." *Id.*

118. In testimony before the FCIC given Jan. 14, 2010, Illinois Attorney General Lisa Madigan explained that a multistate investigation of Ameriquest "revealed that the company engaged in the kinds of fraudulent practices that other predatory lenders subsequently emulated on a wide scale ... includ[ing]: inflating home appraisals."

119. On June 23, 2011, the Cleveland Plain Dealer reported that a Cleveland grand jury indicted nine former Argent employees for their suspected roles in approving fraudulent home loans. *See* Mark Gillespie, "Former employees of subprime mortgage lender indicted by

Cuyahoga County grand jury," The Plain Dealer, June 23, 2011. The indictment alleges that Argent employees "helped coach mortgage brokers about how to falsify loan documents so that they misstated the source or existence of down payments as well as borrower's income and assets." *Id.* The article noted that "[e]mployees at an Argent loan processing center in Illinois ultimately approved the loans knowing that the company's own lending rules had not been satisfied." *Id.* A spokesman for the prosecutor's office said that "Argent employees bent the rules to get loans approved in order to inflate their wages and bonuses." *Id.*

120. In a follow up article published Nov. 15, 2011, Gillespie reported that additional criminal charges had been brought against one of the former Argent employees indicted in June—a woman named Angela Pasternak. *See* Mark Gillespie, "Argent Mortgage worker gets indicted again in suspected mortgage fraud case," The Plain Dealer, Nov. 15, 2011. According to the article, prosecutors said that Ms. Pasternak, "approved exceptions knowing that loan applications contained false income information and bogus credit scores." *Id.* The article also reported, "Plain Dealer investigations found numerous instances in which Argent approved mortgages that contained blatant misrepresentations of borrowers' income, assets and ability to pay." *Id.*

121. According to another article, Steve Jernigan, a fraud investigator at Argent, said that when he sent an appraiser to check on a subdivision for which Argent had made loans, the address on the loans was fictitious because the appraiser was standing in the middle of a cornfield. *See* Michael W. Hudson, "Silencing the Whistle-blowers," The Investigative Fund, May 10, 2010. When Jernigan reviewed the loan files, he determined that the houses did not exist and that each of the loan files contained the picture of the same house. *See id.* The article also reported that Argent had been ripped off by a con man named Robert Andrew Penn, who

later admitted that he had appropriated victims' names and credit histories to obtain loans and buy properties for inflated prices around Indianapolis. *See id.* Although Argent was warned about the man in 2004, Jernigan said the company did not "conduct a serious investigation" into the fraud until mid-2006 when it learned the scheme was about to be made public by another duped lender. *Id.*

122. The article stated that the reluctance to investigate fraud was deliberate because management did not want to "crimp loan sales." *Id.* The article quoted Kelly Dragna, a fraud investigator at Ameriquest who said, "You're like a dog on a leash. You're allowed to go as far as a company allows you to go," "At Ameriquest, we were on pretty short leash. We were there for show. We were there to show people that they had a lot of investigators on staff." *Id.*

123. The article outlined the story of one fraud investigator's career at Ameriquest to demonstrate the extent to which Ameriquest turned a blind eye to fraud:

> Ed Parker signed on as Ameriquest's head of mortgage fraud investigation in early 2003, as the company was on the verge of becoming the nation's largest subprime lender. The first case he took on involved allegations that employees at the company's Grand Rapids, Mich., branch were pushing real-estate appraisers to inflate loan applicants' home values. Workers admitted to the scheme, Parker said, and the company shut down the branch and repurchased hundreds of loans from the investors who'd bought them.
>
> Parker saw the investigation as a success. He thought he'd helped set a precedent that fraud wouldn't be tolerated. But he discovered that his actions didn't endear him to many of his co-workers. One executive told him the sales force looked on him as "Darth Vader." On another occasion, when a suspicious loan file was brought up during a staff meeting, a senior executive said: "Don't give it to Ed. If you give it to him, that one file will multiply and become hundreds of files."
>
> Parker said higher-ups began pushing him to limit the scope of his inquiries and focus on smaller cases rather than big-impact ones like Grand Rapids. This message was driven home after Ameriquest learned that a TV reporter was digging into problems at a branch in Mission Valley, Calif. Two loans raised questions about whether branch employees were falsifying not only borrowers' incomes but also their ages, so that the inflated incomes would seem plausible. One borrower was 67, but the loan application prepared in her name said she was

> 41. Another was 74, but the loan application indicated the borrower was 44. The company, Parker said, wanted to limit its exposure and portray the problem as a couple of isolated cases. The company had all of the branch's loan files boxed up and transported to the fraud investigation team in Orange County. Management sent word, however, that Parker's team shouldn't open the boxes. His investigators looked anyway. As they cracked open the files, they saw that falsified incomes and ages were a problem that went beyond two borrowers' loans. When senior managers discovered what the team was doing, Parker said, they weren't happy. "They said: 'Don't look anymore,' " he recalled. "They didn't want to know."

Id.

124. In January 2010, Ameriquest and Argent agreed to pay $22 million to settle 29 class action lawsuits against them that had been consolidated in the Northern District of Illinois, alleging that Argent and Ameriquest inflated appraisal values and borrower income or asset statements and aggressively employed misleading marketing/sales techniques as part of a business strategy to force potential borrowers to close loans. *See In re Ameriquest Mortgage Co. Mortgage Lending Practices Litig*., MDL No. 1715 (N.D. Ill).

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

125. Countrywide Home Loans, Inc. ("Countrywide") was one of the largest originators of residential mortgages in the United States during the time period at issue in this Complaint. Countrywide originated or contributed a substantial portion of the loans in the mortgage pools underlying the BCAP LLC Trust 2006-AA2 and the BCAP LLC Trust 2007-AA1 offerings.

126. In October 2009, the House Committee on Oversight and Government Reform launched an investigation into the entire subprime mortgage industry, including Countrywide, focusing on "whether mortgage companies employed deceptive and predatory lending practices, or improper tactics to thwart regulation, and the impact of those activities on the current crisis."

Press Release, Comm. on Oversight & Government Reform, Statement of Chairman Towns on Committee Investigation Into Mortgage Crisis at 1 (Oct. 23, 2009) (internal quotation marks omitted).

127. On May 9, 2008, the New York Times noted that minimal documentation and stated income loans—Countrywide's No Income/No Assets Program and Stated Income/Stated Assets Program—have "bec[o]me known [within the mortgage industry] as 'liars' loans' because many [of the] borrowers falsified their income." Floyd Norris, *A Little Pity, Please, for Lenders*, N.Y. Times, May 9, 2008 at C1.

128. In a television special titled, "If You Had a Pulse, We Gave You a Loan," Dateline NBC reported on March 27, 2009:

> To highlight just how simple it could be to borrow money, Countrywide marketed one of its stated-income products as the "Fast and Easy loan."
>
> As manager of Countrywide's office in Alaska, Kourosh Partow pushed Fast and Easy loans and became one of the company's top producers.
>
> He said the loans were "an invitation to lie" because there was so little scrutiny of lenders. "We told them the income that you are giving us will not be verified. The asset that you are stating will not be verified."
>
> He said they joked about it: "If you had a pulse, we gave you a loan. If you fog the mirror, give you a loan."
>
> But it turned out to be no laughing matter for Partow. Countrywide fired him for processing so-called "liar loans" and federal prosecutors charged him with crimes. On April 20, 2007, he pleaded guilty to two counts of wire fraud involving loans to a real estate speculator; he spent 18 months in prison.
>
> In an interview shortly after he completed his sentence, Partow said that the practice of pushing through loans with false information was common and was known by top company officials. "It's impossible they didn't know."
> …
>
> During the criminal proceedings in federal court, Countrywide executives portrayed Partow as a rogue who violated company standards.

> But former senior account executive Bob Feinberg, who was with the company for 12 years, said the problem was not isolated. "I don't buy the rogue. I think it was infested."
>
> He lamented the decline of what he saw as a great place to work, suggesting a push to be number one in the business led Countrywide astray. He blamed Angelo Mozilo, a man he long admired, for taking the company down the wrong path. It was not just the matter of stated income loans, said Feinberg. Countrywide also became a purveyor of loans that many consumer experts contend were a bad deal for borrowers, with low introductory interest rates that later could skyrocket.
>
> In many instances, Feinberg said, that meant borrowers were getting loans that were "guaranteed to fail."

129. On June 4, 2009, the SEC sued Angelo Mozilo and other Countrywide executives, alleging securities fraud. Specifically, the SEC alleged that Mozilo and the others misled investors about the credit risks that Countrywide created with its mortgage origination business, telling investors that Countrywide was primarily involved in prime mortgage lending, when it was actually heavily involved in risky sub-prime loans with expanded underwriting guidelines. *See* Compl. for Violations of the Federal Securities Laws, *SEC v. Mozilo*, No. CV 09-3994-JFW (C.D. Cal. filed June 4, 2009). Mozilo and the other executives settled the charges with the SEC for $73 million on October 15, 2010. *See* Walter Hamilton & E. Scott Reckard, *Angelo Mozilo, Other Former Countrywide Execs Settle Fraud Charges*, L.A. Times, Oct. 16, 2010, at A1.

130. Internal Countrywide e-mails the SEC released in connection with its lawsuit show the extent to which Countrywide systematically deviated from its underwriting guidelines. For instance, in an April 13, 2006 e-mail from Mozilo to other top Countrywide executives, Mozilo stated that Countrywide was originating home mortgage loans with "serious disregard for process, compliance with guidelines and irresponsible behavior relative to meeting timelines." E-mail from Angelo Mozilo to Eric Sieracki and other Countrywide Executives (Apr. 13, 2006 7:42 PM PDT). Mozilo also wrote that he had "personally observed a serious lack of compliance

within our origination system as it relates to documentation and generally a deterioration in the quality of loans originated versus the pricing of those loan[s]." *Id.* (internal quotation marks omitted).

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

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

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

> In all my years in the business I have never seen a more toxic prduct. [sic] It's not only subordinated to the first, but the first is subprime. In addition, the [FICOs] are below 600, below 500 and some below 400 . . . With real estate values coming

> down. . .the product will become increasingly worse. There has [sic] to be major changes in this program, including substantial increases in the minimum [FICO].

Id.

134. Countrywide sold a product called the "Pay Option ARM." This loan was a 30-year adjustable rate mortgage that allowed the borrower to choose between various monthly payment options, including a set minimum payment. In a June 1, 2006 e-mail, Mozilo noted that most of Countrywide's Pay Option ARMs were based on stated income and admitted that "[t]here is also some evidence that the information that the borrower is providing us relative to their income does not match up with IRS records." E-mail from Angelo Mozilo to Carlos Garcia, former CFO of Countrywide Financial and Jim Furash, former President of Countrywide Bank (June 1, 2006 10:38 PM PST).

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

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

137. With growing concern over the performance of Pay Option ARM loans in the waning months of 2007, Mozilo advised that he "d[id]n't want any more Pay Options originated for the Bank." E-mail from Angelo Mozilo Countrywide to Carlos Garcia, former Managing

Director, Countrywide (Nov. 3, 2007 5:33 PM PST). In other words, if Countrywide was to continue to originate Pay Option ARM loans, it was not to hold onto the loans. Mozilo's concerns about Pay Option ARM loans were rooted in "[Countrywide's] inability to underwrite [Pay Option ARM loans] combined with the fact that these loans [we]re inherently unsound unless they are full doc, no more than 75% LTV and no piggys." *Id.*

138. In a March 27, 2006 e-mail, Mozilo reaffirmed the need to "oversee all of the corrective processes that will be put into effect to permanently avoid the errors of both judgement [sic] and protocol that have led to the issues that we face today" and that "the people responsible for the origination process understand the necessity for adhering to the guidelines for 100% LTV sub-prime product. This is the most dangerous product in existence and there can be nothing more toxic and therefore requires that no deviation from guidelines be permitted irrespective of the circumstances." E-mail from Angelo Mozilo to the former Countrywide Managing Directors (Mar. 27, 2006 8:53 PM PST).

139. Yet Countrywide routinely found exceptions to its underwriting guidelines without sufficient compensating factors. In an April 14, 2005 e-mail, Frank Aguilera, a Countrywide managing director, explained that the "spirit" of Countrywide's exception policy was not being followed. He noted a "significant concentration of similar exceptions" that "denote[d] a divisional or branch exception policy that is out side [sic] the spirit of the policy." E-mail from Frank Aguilera, Managing Director, Countrywide, to John McMurray, Managing Director, Countrywide (Apr. 14, 2005 12:14 PM PDT). Aguilera continued: "The continued concentration in these same categories indicates either a) inadequate controls in place to mange [sic] rogue production units or b) general disregard for corporate program policies and

guidelines." *Id.* Aguilera observed that pervasive use of the exceptions policy was an industry-wide practice:

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

Id.

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

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

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

143. Countrywide conceded that the poor performance of loans it originated was, in many cases, due to poor underwriting. In April 2007, Countrywide noticed that its high CLTV

stated income loans were performing worse than those of its competitors. After reviewing many of the loans that went bad, a Countrywide executive stated that "in most cases [poor performance was] due to poor underwriting related to reserves and verification of assets to support reasonable income." E-mail from Russ Smith, Countrywide to Andrew Gissinger, Managing Director, Countrywide (Apr. 11, 2007 7:58 AM PDT).

144. On October 6, 2008, 39 states announced that Countrywide agreed to pay up to $8 billion in relief to homeowners nationwide to settle lawsuits and investigations regarding Countrywide's deceptive lending practices.

145. On July 1, 2008, NBC Nightly News aired the story of a former Countrywide regional Vice President, Mark Zachary, who sued Countrywide after he was fired for questioning his supervisors about Countrywide's poor underwriting practices.

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

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

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

149. Not surprisingly, Countrywide's default rates reflected its approach to underwriting. *See* 2008 "Worst Ten in the Worst Ten" Report. Countrywide appeared on the top ten list in six of the ten markets: 4th in Las Vegas, Nevada; 8th in Sacramento, California; 9th in Stockton, California and Riverside, California; and 10th in Bakersfield, California and Miami, Florida. When the OCC issued its updated 2009 "Worst Ten in the Worst Ten" Report, Countrywide appeared on the top ten list in every market, holding 1st place in Las Vegas, Nevada; 2nd in Reno, Nevada; 3rd in Merced, California; 6th in Fort Myers-Cape Coral, Florida, Modesto, California, and Stockton-Lodi, California; 7th in Riverside-San Bernardino, California and Fort Pierce-Port St. Lucie, Florida; 8th in Vallejo-Fairfield-Napa, California; and 9th in Bakersfield, California. *See* 2009 "Worst Ten in the Worst Ten" Report.

4. Fremont Investment and Loan's Systematic Disregard for Underwriting Standards

150. Fremont Investment and Loan ("Fremont") contributed loans to the Fremont Home Loan Trust 2006-D and the Securitized Asset Backed Receivables LLC Trust 2006-FR4 offerings.

151. Senator Carl Levin, at a hearing before the Senate PSI, singled out Fremont as a lender "'known for poor quality loans.'" Opening Statement of Sen. Carl Levin, Chairman, Permanent S. Comm. on Investigations, Hearing on *Wall Street and the Financial Crisis: The*

Role of Credit Rating Agencies (Apr. 23, 2010). Senator Levin recounted how an analyst with S&P raised concerns about the quality of Fremont-originated loans in a Goldman Sachs RMBS offering:

> In January 2007, S&P was asked to rate an RMBS being assembled by Goldman Sachs using subprime loans from Fremont Investment and Loan, *a subprime lender known for loans with high rates of delinquency*. On January 24, 2007, an analyst wrote seeking advice from two senior analysts: "I have a Goldman deal with subprime Fremont collateral. *Since Fremont collateral has been performing not so good, is there anything special I should be aware of*?" One analyst responded: "*No, we don't treat their collateral any differently*." The other asked: "are the FICO scores current?" "Yup," came the reply. Then "You are good to go." In other words, *the analyst didn't have to factor in any greater credit risk for an issuer known for poor quality loans, even though three weeks earlier S&P analysts had circulated an article about how Fremont had severed ties with 8,000 brokers due to loans with some of the highest delinquency rates in the industry*. In the spring of 2007, Moody's and S&P provided AAA ratings for 5 tranches of RMBS securities backed by Fremont mortgages. By October, both companies began downgrading the CDO. Today all five AAA tranches have been downgraded to junk status.

Id. (emphasis added).

152. Fremont was subject to a cease and desist order from the Federal Deposit Insurance Corporation ("FDIC") in 2007. A July 1, 2008 article in the BCD News reported:

> Ever since the FDIC slapped Fremont Investment & Loan with a cease and desist order in March 2007, a Chapter 11 filing seemed likely.
>
> . . .
>
> When the subprime mortgage market collapsed, Fremont Investment & Loan, once one of the top 10 subprime mortgage originators, found itself mired in financial disaster. To make matters worse, it also faced scrutiny from the FDIC, and was the subject of numerous lawsuits alleging that Fremont engaged in deceptive practices in connection with its origination and servicing of residential mortgage[s]…
>
> In March 2007, the company exited the residential subprime loan business in light of an FDIC cease and desist order. The FDIC determined, among other things, that Fremont had been operating without adequate subprime mortgage loan underwriting criteria, and that it was marketing and extending subprime mortgage loans in a way that substantially increased the likelihood of borrower default.

Former Subprime Lender's Parent Throws in the Towel, 50 BCD NEWS & COMMENT, July 1, 2008.

153. In July 2009, The New Yorker reported that Sheila Bair, Chairman of the FDIC, initiated the first federal government action against Fremont in 2007 that culminated in the cease and desist order to Fremont:

> In March, 2007, she initiated the first government action against a subprime lender, instructing Fremont Investment & Loan, a California bank, to cease operations. Fremont was among the worst of the subprime offenders, using all the now familiar practices: targeting people with bad credit, *ignoring traditional standards for underwriting home loans*, paying third-party brokers handsomely to bring in gullible customers, and then infecting the larger financial system by selling off the hazardous loans. "We ordered them out of the business," she said. "And they weren't happy about it."

Ryan Lizza, *The Contrarian; Sheila Bair and the White House financial debate*, NEW YORKER, July 6, 2009, at 30 (emphasis added).

154. Fremont currently faces a lawsuit filed by Cambridge Place Investment, Inc., which is mentioned in this August 15, 2010 article in the Myrtle Beach Sun-News:

> Cambridge hinges much of its case on 63 confidential witnesses who testified in court documents about the reckless lending practices that dominated the subprime market during the real estate boom.
>
> Fremont, for example, regularly approved loans with unrealistic stated incomes – such as pizza delivery workers making $6,000 a month, according to the lawsuit.
>
> Other Fremont witnesses said in court documents that loan officers spotted and ignored fraudulent information, such as falsified pay stubs, every day.

David Wren, *Myrtle Beach Area Loans Lumped Into Spiraling Mortgage-Backed Securities*, MYRTLE BEACH SUN-NEWS, Jan. 13, 2011, at A.

155. On December 21, 2011, the Federal Housing Finance Agency filed an amended complaint against UBS Americas, Inc., alleging securities laws violations concerning RMBS purchases made by Freddie Mac and Fannie Mae. In the complaint, the FHFA alleged:

> A confidential witness who previously worked at Fremont in its system operations and underwriting sections stated that Fremont consistently cut corners and sacrificed underwriting standards in order to issue loans. He noted that "Fremont was all about volume and profit," and that when he attempted to decline a loan, he was regularly told "you have signed worse loans than this." The same witness also said that employees at Fremont would create documents that were not provided by the borrowers, including check stubs and tax documents, in order to get loans approved. The confidential witness stated that Fremont regularly hired underwriters with no experience, who regularly missed substantial numbers of answers on internal underwriting exams. He explained that like many Fremont employees, he quit because he was uncomfortable with the company's practices.

See Federal Housing Fin. Agency v. UBS Americas, Inc., Case No. 11 Civ. 05201 (S.D.N.Y.) (Second Amended Complaint, filed Dec. 21, 2011). The court denied a motion to dismiss the complaint in May 2012. *See Federal Housing Fin. Agency v. UBS Americas, Inc.*, --- F.Supp.2d ---, 2012 WL 1570856 (S.D.N.Y. May 4, 2012).

156. Fremont was also included in the 2008 "Worst Ten in the Worst Ten" Report, ranking 1st in Miami, Florida; 3rd in Riverside, California; 4th in Denver, Colorado and Sacramento, California; 5th in Stockton, California; 6th in Detroit, Michigan and Las Vegas, Nevada; 7th in Bakersfield, California; and 10th in Memphis, Tennessee. See 2008 "Worst Ten in the Worst Ten" Report. In the 2009 "Worst Ten of the Worst Ten" Report, Fremont holds the following positions: 2nd in Fort Myers-Cape Coral, Florida and Fort Pierce-Port St. Lucie, Florida; 4th in Riverside-San Bernardino, California; 5th in Stockton-Lodi, California and Vallejo-Fairfield-Napa, California; 7th in Las Vegas, Nevada and Modesto, California; and 8th in Bakersfield, California and Merced, California. See 2009 "Worst Ten in the Worst Ten" Report.

5. GreenPoint Mortgage Funding's Systematic Disregard of Underwriting Standards

157. GreenPoint Mortgage Funding Inc. ("GreenPoint") originated or contributed loans underlying the Luminent Mortgage Trust 2006-7 offering.

158. GreenPoint, based in Novato, California, was the wholesale mortgage banking unit of Capital One Financial Corp. ("Capital One"). Capital One acquired GreenPoint when it purchased GreenPoint's holding company, North Fork Bancorp, in December 2006. Capital One shut down GreenPoint's operations less than one year later on August 21, 2007.

159. According to a press release issued by Capital One on August 20, 2007, GreenPoint had an "originate and sell" (*i.e.*, OTD) business model with a focus on "prime non-conforming and near-prime markets, especially the Alt-A mortgage sector." Capital One eventually liquidated GreenPoint in December 2008, taking an $850 million write-down due to mortgage-related losses associated with GreenPoint's origination business.

160. When originating stated income loans, GreenPoint often inflated the borrowers' income by as much as 5%. A September 12, 2008, article on Bloomberg reports on GreenPoint's underwriting practices:

> Many Alt-A loans go to borrowers with credit scores higher than subprime and lower than prime, and carried lower interest rates than subprime mortgages.
>
> So-called no-doc or stated-income loans, for which borrowers didn't have to furnish pay stubs or tax returns to document their earnings, were offered by lenders such as GreenPoint Mortgage and Citigroup Inc. to small business owners who might have found it difficult to verify their salaries.
>
> . . .
>
> "To grow, the market had to embrace more borrowers, and the obvious way to do that was to move down the credit scale," said Guy Cecala, publisher of Inside Mortgage Finance. "Once the door was opened, it was abused."
>
> . . .
>
> Almost all stated-income loans exaggerated the borrower's actual income by 5

> percent or more, and more than half increased the amount by more than 50 percent, according to a study cited by Mortgage Asset Research Institute in its 2006 report to the Washington-based Mortgage Bankers Association.

Dan Levy & Bob Ivry, *Alt-A Mortgages Next Risk for Housing Market as Defaults Surge*, BLOOMBERG, Sept. 12, 2008, *available at* http://www.bloomberg.com/apps/news?pid=newsarchive&sid=arb3xM3SHBVk.

161. GreenPoint is the defendant in private litigation regarding its origination practices. The allegations concern GreenPoint's adherence to its underwriting guidelines in the mortgage loan origination process, and the plaintiff seeks to have GreenPoint repurchase 30,000 loans it issued that allegedly were not in compliance with GreenPoint's own underwriting guidelines. *See U.S. Bank Nat'l Ass'n v. GreenPoint Mortgage Funding, Inc.*, No. 09-600352 (N.Y. Sup. Ct. filed Apr. 22, 2009). On March 3, 2010, the court denied GreenPoint's motion to dismiss this claim, holding that discovery would be required to determine whether GreenPoint would be required under the parties' contract to repurchase all 30,000 loans based on the deficiencies in individual loans identified by U.S. Bank.

162. GreenPoint's pervasive disregard of underwriting standards resulted in its inclusion among the worst ten originators in the 2008 "Worst Ten in the Worst Ten" Report. GreenPoint was identified 7th worst in Stockton, California, and 9th worst in both Sacramento, California, and Las Vegas, Nevada. *See* 2008 "Worst Ten in the Worst Ten" Report. In the 2009 "Worst Ten in the Worst Ten" Report, GreenPoint was listed as 3rd worst in Modesto, California; 4th worst in Stockton, Merced, and Vallejo-Fairfield-Napa, California; 6th worst in Las Vegas, Nevada; and 9th in Reno, Nevada. *See* 2009 "Worst Ten in the Worst Ten" Report.

6. Homecomings' Systematic Disregard of Underwriting Standards

163. Homecomings was a major originator of residential mortgage loans during the time period at issue. Homecomings originated or contributed a significant portion of the loans in the mortgage pools underlying the RASC Series 2006-KS9 Trust offering.

164. Following the purchase of the offerings, public disclosures revealed that Homecomings systemically disregarded its underwriting guidelines in favor of riskier, fee-driven mortgage lending practices including subprime, Alt-A and option-ARM loans, and engaged in predatory lending.

165. The Federal Trade Commission ("FTC") opened an investigation into Homecomings mortgage lending and underwriting practices, closing the investigation in January 2009, after Homecomings ceased mortgage loan origination. *See* Letter from Peggy L. Twohig, Associate Dir. Div. of Fin. Practices, Bur. of Consumer Protection, Federal Trade Commission, dated Jan. 22, 2009.

166. In March 2009, the Portland Tribune reported on Homecomings' lending practices that allowed for the origination of shaky loans precipitating a wave of foreclosures. The article reported:

> "In order to keep your market share, you had to be more aggressive," said Tim Boyd, who sold subprime loans in the Portland area for six years and then Alt A loans for seven years for Homecomings Financial.
>
> "The main focus was doing Alt A because that's where the money was," said Boyd, who left the industry. A loan officer arranging a $300,000 Option ARM loan could collect $10,500 in fees, he said.
>
> Lenders could unload shaky loans by selling them to investors, who often resold them in what amounted to a worldwide game of financial musical chairs. Wall Street's insatiable appetite for more loans kept the pipeline filled, even if the deals weren't always sound.
>
> "The V.P.s came down to the office beating the drums about Option ARMs," urging mortgage brokers to sell them to customers, [Bill Ridge, owner of Ridge Mortgage Services] said. "I had Wachovia march through there; I had GMAC."

> . . . .
>
> He said he knows of loan officers who'd tell title agents to keep quiet about Option ARM loan provisions during document-signing time.
>
> "They'd tell the title officer, 'Don't go over this; just glean through it quickly and get the thing signed.'"
>
> Tim Boyd said he drew the line at selling Option ARMs because he saw how that could get people into trouble. "It made me sick," he said.

Steve Law, *Shaky Loans May Spur New Foreclosure Wave*; *Unraveling 'Alt A' Mortgages Could Keep Portland Housing Market Dismal*, PORTLAND TRIBUNE, Mar. 5, 2009, *available at* http://www.portlandtribune.com/news/story.php?story_id=123620453702532400.

167. Homecomings' parent company, Residential Funding Corporation ("RFC"), is the defendant in a lawsuit brought by MBIA Insurance Company ("MBIA"). MBIA's suit alleges material misrepresentations and omissions regarding the quality of loans underlying the securities MBIA insured. *See MBIA Ins. Corp. v. Residential Funding Co., LLC*, 603552/2008 (N.Y. Sup. Ct. filed Dec. 4, 2008). The complaint describes numerous violations of RFC's underwriting guidelines, including the improper use of an automated underwriting system, Assetwise, to underwrite loans outside of the boundaries of RFC's own guidelines. *See id.* ¶¶ 64-68.

168. A confidential witness, who was an account executive at Homecomings from August 2001 to September 2008, corroborated the allegations in the *MBIA* complaint. As a subsidiary of RFC, Homecomings used Assetwise in its mortgage origination. According to the confidential witness, Homecomings' employees would "game Assetwise." Assetwise was programmed to make "automated exceptions" that were purportedly within the RFC and Homecomings underwriting guidelines. Homecomings did not monitor what information a loan officer could input in Assetwise, and Assetwise required only a limited amount of information to

process and approve a loan. Loan officers would game Assetwise by submitting only the necessary information for loan approval even if the entire loan application may not have gained approval.

169. The confidential witness also stated that Homecomings' employees would run the same loan through Assetwise several times, making a slight adjustment to the loan application each time until Assetwise approved the loan. This was possible because Homecomings did not place limits on the number of times a loan application could be submitted to Assetwise, and the software itself had no internal limits on the number of times a loan application could be submitted.

170. RFC is also the defendant in several other cases brought by the Financial Guaranty Insurance Company ("FGIC"), alleging material misrepresentations in the offering documents concerning the characteristics of the mortgages underlying the securities at issue. *See Financial Guaranty Ins. Co. v. Residential Funding Co., LLC*, 653304/2011 (N.Y. Sup. Ct. filed Nov. 29, 2011); *see also*, related FGIC cases 653493/2011, 653621/2011, 653622/2011, 653623/2011, 653303.2011.

171. The complaints allege that Homecomings originated and serviced many of the deficient loans underlying the securities at issue in the FGIC complaints, and that disregard of underwriting standards at Homecomings directly led to the losses incurred by FGIC.

7. IndyMac Bank F.S.B.'s Systematic Disregard for Underwriting Standards

172. IndyMac Bank F.S.B. ("IndyMac") contributed a substantial portion of the loans collateralizing the BCAP LLC Trust 2006-AA2 offering.

173. On July 11, 2008, just four months after IndyMac filed its 2007 Annual Report, federal regulators seized IndyMac in what was among the largest bank failures in U.S. history. IndyMac's parent, IndyMac Bancorp, Inc., filed for bankruptcy on July 31, 2008.

174. On March 4, 2009, the Office of the Inspector General of the United States Department of the Treasury ("Treasury OIG") issued Audit Report No. OIG-09-032, titled "Safety and Soundness: Material Loss Review of IndyMac Bank, FSB" (the "IndyMac OIG Report") reporting the results of Treasury OIG's review of the failure of IndyMac. The IndyMac OIG Report portrays IndyMac as a company determined to originate as many loans as possible, as quickly as possible, without regard for the quality of the loans, the creditworthiness of the borrowers, or the value of the underlying collateral.

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

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

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

178. IndyMac's "risk from its loan products. . .was not sufficiently offset by other underwriting parameters, primarily higher FICO scores and lower LTV ratios." *Id.* at 31.

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

180. In June 2008, the Center for Responsible Lending ("CRL") published a report entitled *IndyMac: What Went Wrong? How an 'Alt-A' Leader Fueled its Growth with Unsound and Abusive Mortgage Lending* (June 30, 2008) ("CRL Report"), *available at* http://www.responsiblelending.org/mortgage-lending/research-analysis/indymac_what_went_wrong.pdf. The CRL Report detailed the results of the CRL's investigation into IndyMac's lending practices. CRL based its report on interviews with former IndyMac employees and a review of numerous lawsuits filed against IndyMac. The CRL Report summarized the results of its investigation as follows:

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

CRL Report at 1.

181. CRL reported that its investigation "uncovered substantial evidence that [IndyMac] engaged in unsound and abusive lending during the mortgage boom, routinely making loans without regard to borrowers' ability to repay [the mortgage loans]." *Id*. at 2.

182. The CRL Report stated that "IndyMac pushed through loans with fudged or falsified information or simply lowered standards so dramatically that shaky loans were easy to approve." *Id*.

183. The CRL Report noted that "[a]s IndyMac lowered standards and pushed for more volume," "the quality of [IndyMac's] loans became a running joke among its employees." *Id.* at 3.

184. Former IndyMac mortgage underwriters explained that "loans that required no documentation of the borrowers' wages" were "[a] big problem" because "these loans allowed outside mortgage brokers and in-house sales staffers to inflate applicants' [financial information] . . . and make them look like better credit risks." *Id*. at 8. These "shoddily documented loans were known inside the company as 'Disneyland loans' – in honor of a mortgage issued to a Disneyland cashier whose loan application claimed an income of $90,000 a year." *Id.* at 3.

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

> [W]hen he rejected a loan, sales managers screamed at him and then went up the line to a senior vice president and got it okayed. "There's a lot of pressure when you're doing a deal and you know it's wrong from the get-go – that the guy can't afford it," Miller told CRL. "And then they pressure you to approve it."
>
> The refrain from managers, Miller recalls, was simple: "Find a way to make this

work."

Id. at 9 (footnote omitted).

186. Likewise, Audrey Streater, a former IndyMac mortgage underwriting team leader, stated: "I would reject a loan and the insanity would begin. It would go to upper management and the next thing you know it's going to closing." *Id*. at 1, 3. Streater also said the "prevailing attitude" at IndyMac was that underwriting was "window dressing – a procedural annoyance that was tolerated because loans needed an underwriter's stamp of approval if they were going to be sold to investors." *Id*. at 8.

187. Scott Montilla, who was an IndyMac mortgage loan underwriter in Arizona during the same time period, told the CRL that IndyMac management would override his decision to reject loans about 50% of the time. *See id*. at 9. According to Montilla:

> "I would tell them: 'If you want to approve this, let another underwriter do it, I won't touch it – I'm not putting my name on it,'" Montilla says. "There were some loans that were just blatantly overstated. . . . Some of these loans are very questionable. They're not going to perform."

Id. at 10.

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

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

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

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

8. National City Mortgage's Systematic Disregard of Underwriting Standards

192. National City Mortgage is a division of National City Bank which is a wholly owned subsidiary of National City Corporation. Collectively these entities are referred to as "National City." National City originated or contributed loans to the pool of mortgages underlying the Luminent Mortgage Trust 2006-7 offering.

193. Investors brought a securities fraud class action lawsuit against National City alleging that National City misrepresented the quality of its mortgage loans. *See* Am. Class Action Compl., *In Re National City Corp. Sec., Derivative & ERISA Litig*., No. 08-NC-70004 (N.D. Ohio filed June 13, 2008). On August 8, 2011, it was announced that the case had settled for $168 million.

194. National City faced another class action lawsuit alleging, among other things, that National City did not adhere to its underwriting standards. *See* Second Am. Class Action

Compl., *Argent Classic Convertible Arbitrage Fund (Bermuda) LTD. and Argent Classic Convertible Arbitrage Fund L.P. v. National City Corp., et. al.*, No. 08-NC-70016 (N.D. Ohio filed Feb. 19, 2010). On November 30, 2010, the case settled for $22.5 million.

9. New Century's Systematic Disregard of Underwriting Standards

195. New Century Capital Corporation, New Century Mortgage Corporation and Home123 Corporation were subsidiaries of New Century Financial Corp. ("New Century"). New Century was founded in 1995 in Irvine, California, and grew to be one of the nation's largest subprime lenders—originating $60 billion in loans in 2006 alone. New Century originated or contributed a substantial number of the mortgages in the pools underlying the Securitized Asset Backed Receivables LLC Trust 2007-BR4 offering.

196. New Century failed amid revelations that its books contained numerous accounting errors, government investigations and a liquidity crisis when its Wall Street backers pulled the financial plug on loan funding. The circumstances leading to its collapse tell the story of a company—like so many other lenders of the time—that was far more concerned with originating mortgages to fuel the securitization machine than in the quality of those mortgages.

197. A June 2, 2008 article in the Columbus Dispatch summarized New Century's reputation in the industry:

> The California-based mortgage company catered to the riskiest borrowers, even those with credit scores as low as 500. Its brokers cut deals by asking few questions and reviewing even fewer documents, investigators say.
>
> Homeowners struggling to pay their existing mortgages signed up for what they believed to be redemption: a new loan. They were unaware of the warnings from lending and legal experts that New Century loaned money with a devil-may-care-attitude.
>
> New Century typified the book-'em-at-any-cost mentality that fueled the national

mania for high-rate mortgages, commonly called subprime.

Jill Riepenhoff and Doug Haddix, *Risky Refinancings Deepen Financial Hole*, COLUMBUS DISPATCH, June 2, 2008, at 1A.

198. The article continued:

> Lending experts and consumer advocates say New Century was the poster child for the subprime tsunami -- a company that relaxed lending standards so much that even borrowers with fresh bankruptcies and foreclosures could get a mortgage.

Id.

199. New Century's foreclosure rates reflected its inattention to underwriting standards. Indeed, New Century appeared in the OCC's 2008 "Worst Ten in the Worst Ten" Report in every housing market highlighted. Incredibly, New Century appeared in the top five in every market—1st in Las Vegas, Nevada and Riverside, California; 2nd in Cleveland, Ohio, Denver, Colorado, Sacramento, California and Stockton, California; 3rd in Bakersfield, California and Detroit, Michigan; and 5th in Miami, Florida and Memphis, Tennessee.

200. When the OCC issued its updated 2009 "Worst Ten in the Worst Ten" Report, New Century rose to the top three in every one of the ten worst markets, holding 1st place in Reno, Nevada, Bakersfield, California, Riverside-San Bernardino, California and Fort Myers-Cape Coral, Florida; 2nd place in Modesto, California, Las Vegas, Nevada, Merced, California, and Stockton-Lodi, California; and 3rd place in Fort Pierce-Port St. Lucie, Florida and Vallejo-Fairfield-Napa, California.

201. The U.S. Bankruptcy Court of the District of Delaware presiding over the case appointed Michael J. Missal ("the Examiner") to examine "any and all accounting and financial statement irregularities, errors and misstatements" in connection with New Century's practices and procedures. The Examiner engaged a law firm, forensic accountants and financial advisors

to assist in his investigation and reporting. His final report to the Bankruptcy Court dated February 29, 2008 (the "Examiner's Report") was unsealed and publicly released on March 26, 2008.

202. The Examiner concluded that New Century "engaged in a number of significant improper and imprudent practices related to its loan originations, operations, accounting and financial reporting processes." Examiner's Report at 2. The Examiner summarized the findings:

a. "New Century had a brazen obsession with increasing loan originations, without due regard to the risks associated with that business strategy. Loan originations rose dramatically in recent years, from approximately $14 billion in 2002 to approximately $60 billion in 2006. The Loan Production Department was the dominant force within the Company and trained mortgage brokers to originate New Century loans in the aptly named 'CloseMore University.' Although a primary goal of any mortgage banking company is to make more loans, New Century did so in an aggressive manner that elevated the risks to dangerous and ultimately fatal levels." *Id.* at 3.

b. "The increasingly risky nature of New Century's loan originations created a ticking time bomb that detonated in 2007. Subprime loans can be appropriate for a large number of borrowers. New Century, however, layered the risks of loan products upon the risks of loose underwriting standards in its loan originations to high risk borrowers." *Id.*

c. "More than 40% of the loans originated by New Century were underwritten on a stated income basis. These loans are sometimes referred to as 'liars' loans' because borrowers are not required to provide verification of claimed income, leading a New Century employee to tell certain members of Senior Management in 2004 that 'we are unable to actually determine the borrowers' ability to afford a loan.'" *Id.*

d. "New Century also made frequent exceptions to its underwriting guidelines for borrowers who might not otherwise qualify for a particular loan. A Senior Officer of New Century warned in 2004 that the 'number one issue is exceptions to guidelines.' Moreover, many of the appraisals used to value the homes that secured the mortgages had deficiencies." *Id.* at 3-4.

> e. "Senior Management turned a blind eye to the increasing risks of New Century's loan originations and did not take appropriate steps to manage those risks. New Century's former Chief Credit Officer noted in 2004 that the Company had "no standard for loan quality. Instead of focusing on whether borrowers could meet their obligations under the terms of the mortgages, a number of members of the Board of Directors and Senior Management told the Examiner that their predominant standard for loan quality was whether the loans New Century originated could be initially sold or securitized in the secondary market." *Id*. at 4.
>
> f. "Senior Management was aware of an alarming and steady increase in early payment defaults ('EPD') on loans originated by New Century, beginning no later than mid-2004. The surge in real estate prices slowed and then began to decrease, and interest rates started to rise. The changing market conditions exacerbated the risks embedded in New Century's products, yet Senior Management continued to feed eagerly the wave of investor demands without anticipating the inevitable requirement to repurchase an increasing number of bad loans. Unfortunately, this wave turned into a tsunami of impaired and defaulted mortgages. New Century was not able to survive and investors suffered mammoth losses." *Id.*

203. The Examiner's Report also stated that New Century's underwriting and appraisal systems were antiquated. Rather than undertaking sophisticated risk assessments, New Century relied on outdated manual systems that, according to a member of New Century management interviewed by the Examiner, allowed New Century to "finagle anything." *Id.* at 54.

204. Brad Morrice, New Century's CEO beginning in 2006, acknowledged that "bad appraisals were a frustrating source of concern and the main cause of loan 'kickouts,'" *i.e.*, a rejection of certain loans by investors, and that "improper appraisals were the biggest contributors to losses when loans went bad." *Id.* at 61-62.

205. From 2003 to 2006, New Century began peddling riskier and riskier mortgage products, yet failed to employ underwriting safeguards that might have mitigated the inherent risk associated with such products. For instance, from March 2003 to June 2005, the percentage

of interest-only loans New Century originated leapt from 0% to 38.49%. And from 2004 to 2005, the percentage of interest-only ARMs rose from 19.3% to 29.6% of the total volume of New Century's originations and purchases. New Century qualified borrowers based on their ability to pay the initial interest rate rather than the interest plus principal amortization, which was added after the first several years. *See id.* at 57, 125-26.

206. Likewise, from 2004 through 2006, New Century increasingly sold "stated income" loans—with such loans representing at least 42% of New Century's total loan volume. (Table, Missal 57). "Stated income" loans involve no documentation regarding a borrower's income; instead, the loan is made based on the borrower's statement as to the amount of his or her income. Stated income loans are often referred to in the industry as "liars' loans," because of the ease with which unscrupulous borrowers or mortgage brokers can overstate income. (Examiner's Report, at 58). New Century actively discouraged its employees from even seeking to verify whether a prospective borrower's stated income was reasonable. *See id.* at 127 n.314.

207. The Examiner identified several "red flags" that were indicative of the poor quality of New Century's loans and the fact that New Century was not adhering to its underwriting guidelines. Specifically, the Examiner noted that "defective appraisals, incorrect credit reports and missing documentation" had led to a high number of kick-outs by investors, all of which "suggested that New Century's loan origination processes were not consistently producing loans that met New Century's underwriting standards and investor guidelines." *Id.* at 109.

208. The Examiner found:

> New Century's Senior Management recognized that the Company had serious loan quality issues beginning as early as 2004. For example, in April 2004, New Century's Chief Credit Officer reported that 'the QA [quality assurance] results [pertaining to the loan origination processes] are still at unacceptable levels' and

> that 'Investor Rejects [kickouts] are at an incline as well.' Two months later, in June 2004, the head of Secondary Marketing remarked in an e-mail that 'we have so many issues pertaining to quality and process!'"

Id. at 110.

209. In 2005, New Century began internal audits of its loan origination and production processes. An audit of the Sacramento wholesale fulfillment center revealed a number of "high risk" problems, including the fact that 45% of the loans reviewed had improper RESPA disclosures, 42% did not have approval stipulations fully satisfied, 39% had noted exceptions with respect to the calculation or verification of income, and 23% had appraisal exceptions or problems. *See id.* at 152.

210. Further adding to the problem was the fact that exceptions were frequently granted to underwriting guidelines, but "New Century had no formal exceptions policy." *Id.* at 174.

211. With no policy in place, the granting of exceptions was arbitrary. Despite upper management's awareness of the tremendous problems regarding loan quality, the Examiner concluded that "New Century continued to focus on generating greater quantities of ever riskier loans, devoting little effort to such basic issues as making sure that the Company's loan origination and underwriting policies and procedures were followed to avoid kickouts of loans offered for sale." *Id.* at 111.

212. The Examiner reported:

> New Century's loan originations grew at an enormous rate from 2000 through 2006, becoming the second largest subprime lender by the end of 2004 and remaining one of the largest in 2005. The Production Department was highly motivated and effective in originating such loans and apparently resisted changes that might have limited loan production volume. While both the Quality Assurance and Internal Audit Departments identified loan quality problems, and kick-out and EPD rates confirmed many of these problems, the Production

> Department devoted its resources to generating high volumes of loans, with relatively little attention to loan quality.

Id. at 113.

213. New Century consistently prioritized the origination of new loans over virtually all other concerns, including loan quality. Despite after-the-fact assertions by some company spokespeople that such disregard was anomalous, New Century leaders articulated priorities demonstrating that the disregard was, in fact, systematic. For example, Patrick Flanagan, who until 2006 was New Century's Head of Loan Production and Secondary Marketing, "emphasized maintaining New Century's loan production even when field audits revealed loan quality problems." Even after Flanagan left the company, New Century's prioritization of volume, rather than quality, continued. *Id*. at 89.

214. The Examiner noted that New Century's Quality Assurance Department would run audit reports after loans were funded to determine if the loan file evidenced compliance with New Century's underwriting guidelines. "The Quality Assurance audit results tended to identify the same sorts of problems as identified in the kickout reports, such as faulty appraisals, undocumented exceptions to underwriting guidelines and missing documentation from loan files." Despite this fact, "since such post-funding audits did not directly affect profitability, some in Management discounted their importance." *Id*. at 137.

215. The Examiner's Report contains pages of findings that management ignored the loan quality issue and resisted efforts to implement strategies that would improve the quality of loans. For instance, the Examiner reported that management had determined a way to identify underwriters whose actions led to a high number of defective loans in October 2005, but failed to implement the effort until much later. *Id*. at 169 n.337.

216. The Examiner's Report finds that loan quality trends "worsened dramatically" at New Century in 2006 and early 2007. Although New Century made a belated effort to improve loan quality late in 2006, it was "too little too late" and even as late as December 2006, "the same sorts of problems, including defective appraisals and missing documentation continued to be the main reasons for investors kicking out increasing quantities of New Century loans." *Id*. at 157-58.

217. The Examiner concludes, "New Century knew from multiple data sources that its loan quality was problematic, starting no later than 2004. Yet . . . the Board of Directors and Senior Management before 2006 took few steps to address the troubling loan quality trends." *Id*. at 175.

218. On April 7, 2010, Patricia Lindsay, former Vice President of Corporate Risk at New Century, who worked for the company from 1997 through December 2007, corroborated the Examiner's findings in her testimony before the FCIC. She testified that at New Century, risk managers were often viewed as a roadblock rather than a resource and that:

> Account executives, who were New Century employees who brought loans in from brokers, were primarily compensated on commission of closed loans that they brought in… Many of the sales managers and account executives lacked any real estate or mortgage experience. They were missing the depth of experience necessary to make an informed lending decision. These same sales mangers had the ability to make exceptions to guidelines on loans, which would result in loans closing with these exceptions, at times over the objections of seasoned appraisers, underwriters or risk personnel. Some of the best sales managers had underwriting backgrounds and were more closely aligned with risk management and better at understanding potential problems, but this was the exception and not the rule.

Section 2: Subprime Origination and Securitization Before the Fin. Crisis. Inquiry Comm'n (April 7, 2010) (testimony of Patricia Lindsay, former Vice President of Corporate Risk, New Century).

219. She also testified as to systematic problems in the appraisal process:

> In my experience at New Century, fee appraisers hired to go to the properties were often times pressured into coming in "at value", fearing if they didn't, they would lose future business and their livelihoods. They would charge the same fees as usual, but would find properties that would help support the needed value rather than finding the best comparables to come up with the most accurate value.

Id.

220. Ms. Lindsay noted that at the end, New Century's approach to lending lacked "common sense"—that the business became "volume driven and automated" with a broker being able to get a loan pre-approved in "12 seconds or less." *Id.*

221. New Century's collapse has led to numerous civil and criminal investigations and lawsuits. For instance, in early 2007, the Ohio Attorney General filed a civil suit against New Century. The Attorney General obtained a temporary restraining order prohibiting New Century from initiating any new loans or pursuing any foreclosure actions in Ohio. The injunction acted as a moratorium on New Century foreclosures in Ohio, thus giving the Attorney General's Office an opportunity to review the loans for evidence of predatory practices. After the investigation, the local newspaper reported:

> New Century's underwriting standards were so low "that they would have sold a loan to a dog," said Ohio Assistant Attorney General Robert M. Hart.
>
> "Most people believe their broker has a duty to get them the best deal," Hart said. But New Century's brokers had incentives "to do the worst deal for borrowers."
>
> They earned more money when they made high-rate loans and tacked on fees or prepayment penalties.

Jill Riepenhoff & Doug Haddix, *Risky Refinancings Deepen Financial Hole*, COLUMBUS DISPATCH, June 2, 2008, at 1A.

222. In December 2009, the SEC filed a complaint charging three former New Century executives with securities fraud. *See SEC v. Morrice*, No. SACV09-01426 JVS (C.D. Cal. filed Dec. 7, 2009). The SEC's complaint alleges that the New Century executives misled investors as to the deterioration of New Century's loan portfolio, including dramatic increases in early default rates and loan repurchases/repurchase requests. On July 30, 2010, the SEC announced it had accepted offers to settle the case, subject to court approval, with defendants agreeing to (1) pay over $1.5 million in disgorgement and civil penalties; (2) be permanently enjoined from further securities law violations; and (3) a five-year ban on serving as an officer or director of a public company.

10. OwnIt Mortgage Solutions, Inc.'s Systematic Disregard of Underwriting Standards

223. OwnIt Mortgage Solutions, Inc. ("OwnIt") was a California-based company that specialized in the origination of mortgages for individuals who earned less than $100,000 annually, and had less than $100,000 in personal assets. OwnIt was created by William Dallas in 2003 out of a small mortgage company that Mr. Dallas purchased that same year. OwnIt originated or contributed loans in the mortgage pool underlying the RASC Series 2006-KS9 Trust offering.

224. Investors asked OwnIt to buy back over $100 million in loans, which had gone bad almost immediately, a problem directly attributable to OwnIt's disregard of its underwriting guidelines. As a result, OwnIt filed for bankruptcy in 2006.

225. Moreover, according to a report by the New York Times, OwnIt issued a majority of the loans in what turned out to be one of the worst mortgage securitizations in history. *See* Floyd Norris, *Color-Blind Merrill in a Sea of Red Flags*, N.Y. TIMES, May 16, 2008. Because of the bad loans, Moody's predicted that "so many of the mortgages will have gone bad that 60

percent of the money lent will not be paid back." *Id*. OwnIt's origination practices resulted in the securitization's poor performance.

226. OwnIt's systematic disregard of its own underwriting standards is confirmed by independent government analyses of OwnIt's underwriting standards and the quality of its loans. According to the OCC's 2010 "Worst Ten in the Worst Ten Report," OwnIt ranked among only twenty-one companies that "in various combinations occupy the Worst Ten slots in the Worst Ten metro areas." John C. Dugan, *Comptroller of the Currency, Appendix B: Activities of National Banks Related to Subprime Lending, remarks before the FCIC*, Washington, D.C. (Apr. 8, 2010), *available at* http://www.occ.treas.gov/ftp/release/2010-39d.pdf.

11. People's Choice Home Loan Inc.'s Systematic Disregard of Underwriting Standards

227. People's Choice Home Loan Inc. ("People's Choice") was a subprime mortgage lender headquartered in Irvine, California. People's Choice filed for bankruptcy in March 2007, seeking Chapter 11 protection. People's Choice originated a substantial portion of the loans in the mortgage pool underlying the RASC Series 2006-KS9 offering.

228. People's Choice was at the heart of the subprime mortgage crisis, participating in systemic disregard of its underwriting standards in order to reap greater profit.

229. People's Choice was prominently featured in a March 22, 2009 program on Dateline NBC which highlighted the underhanded lending practices committed by various mortgage companies:

> James LaLiberte joined People's Choice in 2004 as the chief credit officer, overseeing the underwriting. Later, he was promoted to one of the top positions, chief operating officer, and was in charge of all operations and setting credit guidelines.
>
> He presented Dateline with a list of nearly 13,000 loans People's Choice

funded in one year from April 2004 through March 2005, totaling more than $2 billion. Many of the loans, he said, were questionable; some possibly fraudulent.

In an interview, he said that when he came on board, the company's reputation was "spotty at best," though he acknowledged the company was more conservative than many other subprime lenders.

…

Income discrepancies Dateline independently researched dozens of the stated income loans on the list LaLiberte presented and found many instances where incomes apparently were inflated.

Examples on the People's Choice list included a registered massage therapist who claimed an income of $15,000 a month ($180,000 a year) and whom People's Choice loaned $640,000. According to the Web site Salary.com, which is often used by lenders, the median income in the zip code where the borrower lived is $3,799 a month, about one quarter of the amount the borrower claimed.

A manicurist who borrowed $445,500 in 2004 claimed monthly income of $16,800, more than $200,000 a year. Later, she filed for bankruptcy and submitted papers to the court reporting her 2005 annual income as $27,092, meaning $2,258 a month (plus approximately $4,500 a year in child support).

Another borrower in 2005 listed herself as director of development for a charity earning $15,500 a month ($186,000 a year) and obtained $655,000. But a review of the charity's publicly-filed tax returns shows that the director of development that year was paid $69,808, or $5,817 a month. Surprisingly, that person has a different name from the borrower. A call to the charity elicited the information that the borrower indeed had worked there at the time the loan was issued, but held a position below director of development.

Former People's Choice COO LaLiberte said that he used the list of loans as a training tool. He put the spreadsheet up on a screen to highlight the types of loans the company should stop issuing.

"The initial reaction was laughter," LaLiberte said. "And then I said, 'Well,

wait a minute here. Y'all think it's funny. I think it's funny, too, sort of. But these are loans that we funded. These are loans that we wired the money on.'"

He said that when he tried to implement more controls, he ran into resistance. "The chief appraiser once said, 'Fraud is what we do.' That's how we got where we are today.'" Another former executive told Dateline he was present when the comment was made and confirmed the accuracy of LaLiberte's account.

…

Eileen Loiacono was an underwriter at People's Choice from 2003 until September 2005. She said LaLiberte tried to do the right thing, but lost out to more powerful forces.

She and several other underwriters told Dateline that they felt pressured by sales staff to approve questionable applications. While their work as underwriters was supervised by a chief credit officer, they said that for administrative and basic personnel matters, they reported to sales managers.

One former People's Choice manager who spoke on condition of anonymity said, "That place was run by the sales people," some making $200,000 to $300,000 a month. That did create pressure on underwriters, the former manager said. "There was a lot of 'keep your mouth shut' going on, meaning you just didn't ask questions about things you knew were wrong."

Loiacono said that the problems and pressure were not restricted to stated income loans, but also involved full documentation applications for which borrowers submitted records to prove how much they made.

Falsified documents

She said she saw numerous instances of falsified W-2s, tax returns, and bank statements, including crude cut-and-paste jobs. "They would use someone else's tax returns, and then they'd put someone else's name in them," she said.

She said that she challenged about a third of all loan applications but was

> overruled by company executives the vast majority of the time.
>
> According to Loiacono and several other underwriters, in a few instances, sales people offered incentives to sign off on loans. Loaicono claimed the offers included breast implants, cars, and cash. She said she declined all such offers and reported them to the human resources department. She said nothing was done, as far as she knows.
>
> Loiacono said that some sales people engaged in intimidation, threatening, for instance, to slash the tires of an uncooperative underwriter. Another underwriter, who requested anonymity, told Dateline her car was scratched up with a key by a sales person she crossed.
>
> The environment became too uncomfortable, Loiacono said, so she quit in September 2005. "I wanted to be able to sleep at night without feeling like I was coming into a fight every day about something that I knew needed to be done right, and was not being done right."

Chris Hansen, '*If You Had a Pulse, We Gave You a Loan*,' NBC Dateline (Mar. 22, 2009) http://www.msnbc.msn.com/id/29827248/ns/dateline_nbc-the_hansen_files_with_chris_hansen/.

12. WMC Mortgage Corp.'s Systematic Disregard of Underwriting Standards

230. In 2004, when General Electric ("GE") purchased it from a private equity firm, WMC Mortgage Corporation ("WMC") was the sixth-largest subprime lender in the country. WMC specialized in nonprime loans and jumbo loans of up to $1 million. WMC originated all the loans in the Securitized Asset Backed Receivables LLC Trust 2006-WM2 and Securitized Asset Backed Receivables LLC Trust 2006-WM3 offerings.

231. On January 20, 2012, the Huffington Post reported that the FBI and the Department of Justice are investigating possible fraud at WMC.

232. Another article published that same day on iwatchnews.org elaborated on the investigation. According to the article, "the government is asking whether WMC used falsified paperwork, overstated borrowers' income and other tactics to push through questionable loans"

with the probe focused on whether "senior managers condoned improper practices that enabled fraudulent loans to be sold to investors." The article reports:

> The FBI's San Francisco office indicated that it has been looking into WMC's business practices for nearly two years, according to one of the people who has knowledge of the investigation. The bureau has examined individual WMC loan files and has begun contacting former employees about how the lender handled the sale of mortgages to investors, this person said.

Michael Hudson, "Feds investigating possible fraud at GE's former subprime unit," iwatchnews.org, Jan. 20, 2012.

233. In another iwatchnews.org article, Hudson provided a lengthy report on GE's purchase of WMC and the practices of WMC's sales staff to push through loans at any cost. According to the article, several ex-employees claim that many WMC sales staff "embraced fraud as a tool for pushing through loans that borrowers couldn't afford" and that WMC ignored reports of loans supported by falsified documents and inflated incomes. The article continues:

> Dave Riedel, a former compliance manager at WMC, says sales reps intent on putting up big numbers used falsified paperwork, bogus income documentation and other tricks to get loans approved and sold off to Wall Street investors.
> One WMC official, Riedel claims, went so far as to declare: "Fraud pays."
>
> . . . .
>
> [Riedel] supervised a quality-control team of a dozen or more people who watched over WMC's lending in a broad area of Southern California where salespeople were pushing subprime loans as well as "Alt-A" mortgages, another type of risky home loan.
>
> The team, Riedel says, found many examples of fraud committed by in-house staffers or the independent mortgage brokers who helped bring in customers to the lender. These included faking proofs of loan applicants' employment and faking verifications that would-be home buyers had been faithfully paying rent for years rather than, say, living with their parents.
>
> Some employees also fabricated borrowers' incomes by creating bogus W-2 tax forms, he says. Some, he says, did it old-school, cutting and pasting numbers from

one photocopy to another. Others, he says, had software on their computers that allowed them to create W-2s from scratch.

. . . .

‘Business as usual’

While Dave Riedel was fighting battles inside WMC’s California headquarters, Gail Roman was losing battles on the other side of the country.

Roman worked as a loan auditor at WMC’s regional offices in Orangeburg, N.Y. She and other colleagues in quality control, she says, dug up persuasive evidence of inflated borrower incomes and other deceptions on loan applications.

It did little good. Management ignored their reports and approved the loans anyway, she says.

“They didn’t want to hear what you found,” Roman told iWatch News. “Even if you had enough documentation to show that there was fraud or questionable activity.”

If GE made any progress against fraud at WMC, Roman says, she didn’t notice it. Fraud was as bad at WMC in 2006 as it was when she started at the lender in 2004, she says.

“I didn’t really see much of a change,” Roman says.

Victor Argueta, the former risk analyst, says he didn’t see much change either.

Meetings would be held. Executives from GE would agree fraud was a problem and something needed to be done. “But the next month it was business as usual,” Argueta says.

. . . .

Argueta says one top sales staffer escaped punishment even though it was common knowledge he was using his computer to create fake documents to bolster applicants’ chances of getting approved.

“Bank statements, W-2s, you name it, pretty much anything that goes into a file,” Argueta says. “Anything to make the loan look better than what was the real story.”

In one instance, Argueta says, he sniffed out salespeople who were putting down fake jobs on borrowers’ loan applications — even listing their own cell phone numbers so they could pose as the borrowers’ supervisors and “confirm” that the borrowers were working at the made-up employers.

> Management gave him a pat on the back for pointing out the problem, he says, but did nothing about the salespeople he accused of using devious methods to make borrowers appear gainfully employed.
>
> Nightmare loans
>
> Roman and Argueta weren't alone in their concerns, according to other ex-employees who spoke on the condition they remain anonymous, because they still work in banking and fear being blackballed within the industry.
>
> "It was ugly," one former fraud investigator at WMC recalls. "I would have nightmares about some of the things I'd find in a file. I'd wake up in the middle of the night going, 'Oh my God, how did this happen?' "
>
> A former manager who worked for WMC in California claims that company officials transferred and essentially demoted her after she complained about fraud, including the handiwork of a sales rep who used an X-Acto knife to create bogus documents, cutting numbers from one piece of paper and pasting them onto another, then running the mock-up through a photocopier.
>
> . . . .
>
> By early 2006, Dave Riedel had begun to rebuild his career inside WMC.
>
> He helped put together a presentation in May 2006 aimed at giving GE officials a sense of how serious WMC's fraud problems were. Riedel says an audit of soured loans that investors had asked WMC to repurchase indicated that 78 percent of them had been fraudulent; nearly four out of five of the loan applications backing these mortgages had contained misrepresentations about borrowers' incomes or employment.

Michael Hudson, "Fraud and folly: The untold story of General Electric's subprime debacle," iwatchnews.org, Jan. 6, 2012.

234. On the radio program "This American Life," broadcast May 9, 2008, reporter Alex Blumberg interviewed a WMC sales manager who made over a million dollars a year by making loans to "people [who] didn't have a pot to piss in." Blumberg reported that the manager "didn't worry about whether the loans were good. That's someone else's problem."

235. In June 2008, the Washington State Department of Financial Institutions filed a "Statement of Charges and Notice of Intention to Enter an Order to Revoke License, Prohibit From Industry, Impose Fine, Order Restitution and Collect Investigation Fees" against WMC and its owners. The Statement of Charges stemmed from an investigation that found WMC had originated loans with unlicensed or unregistered mortgage brokers, understated amounts of finance charges on multiple loans, understated amounts of payments made to escrow companies, understated annual percentage rates by almost 5%, and committed numerous other violations of Washington State deceptive and unfair practices laws. In July 2009, WMC entered a consent order under which it agreed to pay fines, restitution and the costs of the investigation to settle the matter.

236. WMC's lack of underwriting landed it fourth in the Comptroller of the Currency's 2009 "Worst Ten of the Worst Ten" list.

VIII. THE OFFERING DOCUMENTS CONTAINED UNTRUE STATEMENTS OF MATERIAL FACT

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

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

A. Untrue Statements in the Offering Documents About Weighted Average LTV Ratios, Weighted Average Combined LTV Ratios and Weighted Average Mixed LTV Ratios

239. The Offering Documents included detailed representations regarding the weighted average LTV ratios, weighted average CLTV ratios, and/or weighted average mixed LTV ratios for the pools underlying the RMBS.

240. For first liens, the LTV ratio is the ratio of the mortgage loan's original principal balance to the appraised value of the mortgaged property. For instance, if a borrower borrows $130,000 to purchase a house estimated to be worth $150,000, the LTV ratio is $130,000/$150,000 or 87%.

241. A "weighted average" is an average in which each value to be averaged is assigned a weight that determines the relative importance of each value to the average. A weighted average can be contrasted with a straight arithmetic mean in which each of the values to be averaged contributes equally to the average. In the context of LTVs, the higher the balance of the loan(s) secured by the property, the more "weight" it is given in relation to the average. To calculate the weighted average LTV ratio, each loan's LTV ratio is multiplied by the loan balance, and the sum of those numbers is divided by the total loan balance of the pool. The weighted average LTV ratio is a factor in describing the risk of a particular RMBS.

242. The NCUA Board commissioned a forensic review that calculated LTV ratios for the loans underlying the RMBS at issue in this complaint. The forensic review used a retrospective automated valuation model ("AVM") to estimate the value of the property generally using data regarding comparable property values, comparable sales, and home price indices at the time of loan origination. Retrospective AVMs insert these data points into an algorithm that generates the estimated property value. The AVM in the forensic review uses

stringent criteria in determining an estimated property value (for instance, properties used as "comparables" must truly resemble the subject property) and thus enhancing accuracy.

243. The forensic review demonstrated that the Offering Documents materially understated the LTV ratios, and thus the risks, of the mortgage pools. The appraised values given to the mortgaged properties were significantly higher than what the properties were actually worth at the time of origination.

244. Some of the Offering Documents contained aggregated loan-by-loan statistics about the weighted average LTV ratios for the pools underlying the RMBS. The forensic review found that on average, the actual weighted average LTV ratio was 19.47% higher than the weighted average LTV ratio reported in the Offering Documents. The chart below shows the percentage that the weighted average LTV ratios represented in the Offering Documents was understated as compared to the actual weighted average LTV ratios as revealed by the forensic review.

Untrue Statements in the Offering Documents About Weighted Average LTV Ratios

ISSUING ENTITY	Represented Weighted Average LTV Ratio	Actual Weighted Average LTV Ratio	Actual Weighted Average LTV ___% Higher than Represented
BCAP LLC Trust 2006-AA2 (All Groups)	75.77%	89.16%	17.67%
BCAP LLC Trust 2007-AA1 (Group 1)	73.17%	90.29%	23.4%
Luminent Mortgage Trust 2006-7 (Group 1)	74.27%	87.15%	17.34%

245. Some of the Offering Documents contained aggregated loan-by-loan statistics about the weighted average CLTV ratios for the pools underlying the RMBS. The CLTV ratio takes into account other liens on the property, such as a second mortgage. The CLTV ratio adds additional specificity to the basic LTV ratio by indicating that additional liens on the property

have been considered in the calculation of the ratio. Like the LTV ratio, the CLTV ratio is a key statistic for investors in evaluating both the price and the risk of the RMBS.

246. Because the representations in the Offering Documents regarding CLTV ratios were based on false loan-level information, the aggregated statistics were also false.

247. The forensic review shows that on average, the actual weighted average CLTV ratio was 24.88% higher than the weighted average CLTV ratio represented in the Offering Documents. The chart below shows the percentage that the weighted average CLTV ratios represented in the Offering Documents was understated as compared to the actual weighted average CLTV ratios as revealed by the forensic review.

Untrue Statements in the Offering Documents About Weighted Average CLTV

ISSUING ENTITY	Represented Weighted Average CLTV Ratio	Actual Weighted Average CLTV Ratio	Actual Weighted Average CLTV ___% Higher than Represented
BCAP LLC Trust 2006-AA2 (All Groups)	84.93%	102.93%	21.19%
BCAP LLC Trust 2007-AA1 (Group 1)	79.01%	102.92%	30.26%
Luminent Mortgage Trust 2006-7 (Group 1)	82.32%	101.4%	23.18%

248. Some of the Offering Documents contained aggregated loan-by-loan statistics about the "mixed" LTV ratios where the group of loans underlying the RMBS included both first-lien loans and second-lien or junior loans. In such circumstances, the Offering Documents stated that the weighted average LTV ratio figure represented the original LTV ratio for the first-lien loans and the CLTV ratio for the second lien loans. Like LTV and CLTV ratios, mixed LTV ratios are a key statistic for investors in evaluating both the price and the risk of the RMBS.

249. Because the representations in the Offering Documents regarding mixed LTV ratios were based on false loan-level information, the aggregated statistics were also false.

250. The forensic review found that on average, the actual weighted average mixed LTV ratio was 13.06% higher than the weighted average mixed LTV ratio reported in the Offering Documents. The chart below shows the percentage that the weighted average mixed LTV ratios represented in the Offering Documents was understated as compared to the actual weighted average mixed LTV ratios as revealed by the forensic review.

Untrue Statements in the Offering Documents About Weighted Average Mixed LTV

ISSUING ENTITY	Represented Weighted Average Mixed LTV Ratio	Actual Weighted Average Mixed LTV Ratio	Actual Weighted Average Mixed LTV ___% Higher than Represented
Argent Securities Inc., Asset-Backed Pass-Through Certificates, Series 2006-W2 (Group 2)	81.96%	91.03%	11.07%
Fremont Home Loan Trust 2006-D (All Groups)	81.58%	94.25%	15.53%
RASC Series 2006-KS9 Trust (All Groups)	82.32%	94.2%	14.43%
Securitized Asset Backed Receivables LLC Trust 2006-FR4 (Group 2)	81.14%	91.49%	12.76%
Securitized Asset Backed Receivables LLC Trust 2006-WM2 (Group 2)	82.56%	91.45%	10.77%
Securitized Asset Backed Receivables LLC Trust 2006-WM3 (All Groups)	82.45%	91.91%	11.47%
Securitized Asset Backed Receivables LLC Trust 2007-BR4 (Group 2)	82.72%	95.45%	15.39%

B. Untrue Statements in the Offering Documents About Owner Occupancy Rates

251. The Offering Documents also contained detailed occupancy statistics for the underlying mortgage loans. The owner-occupancy rate for an RMBS indicates the number or percentage of the collateralized loans for which the mortgaged property was to serve as the primary residence of the borrower.

252. Representations regarding owner-occupancy status were material to U.S. Central and WesCorp, because RMBS collateralized by loans with high owner-occupancy rates make safer investments than RMBS backed by second homes or investment properties. Borrowers who reside in mortgaged properties are less likely to "walk away" and default than owners who purchase properties as investments or vacation homes. The personal disruption involved in defaulting on a primary residence exacts a far greater toll than defaulting on a vacation or investment property. As a result, borrowers are far more incentivized to satisfy their mortgage obligations on the property they occupy rather than default.

253. The forensic review commissioned by the NCUA used borrower- and property-specific public records to test loan-level occupancy data for each of the RMBS at issue.

254. First, the forensic review analyzed contemporaneous property tax records to determine whether: (1) borrowers received their property tax bill for the mortgaged property at the address of the mortgaged property; and (2) borrowers took a property tax exemption on the mortgaged property that is only available for owner-occupied properties. Borrowers are likely to have a tax bill sent to their primary residence to ensure their ability to make timely payment. However, if borrowers had tax records sent to a different address, then they probably did not actually reside at the mortgaged property. And if borrowers declined to make certain tax exemption elections dependent on the borrowers residing at the property, then the borrowers also probably did not reside at the mortgaged property.

255. Second, public records were analyzed to determine whether borrowers owned any other properties during the same time period in which they owned the securitized property. An examination was then made to determine whether the borrowers consistently identified the securitized property as their mailing address for property tax bills on each concurrently owned

property. Inconsistencies in tax bill mailing addresses for concurrently-owned properties also indicate that the securitized property was not, in fact, owner-occupied.

256. Third, lien records on concurrently-owned properties were reviewed to determine whether borrowers indicated that any property other than the securitized property was owner-occupied. This test also examines all liens originated on the same property after the securitized mortgage, and compares owner-occupancy representations with those additional liens. If liens on concurrently-owned properties indicate that those properties are owner-occupied, or if subsequent liens on the mortgaged property do not indicate that the property is owner-occupied, then the borrower probably did not reside at the mortgaged property.

257. Fourth, the mailing addresses identified for liens on concurrently-owned properties was examined to determine whether the address of the securitized property was listed as the mailing address for bills and other correspondence between borrowers and the lienholders. This test also examined the mailing address on additional liens on the mortgaged property. If the securitized property address is not identified in either scenario, then that is an indication that the borrower did not reside at the mortgaged property.

258. Finally, the forensic review studied credit records to help determine whether a given borrower occupied the mortgaged property. Specifically, an investigation was made into whether any creditors were reporting the securitized property's address as the borrower's mailing address six months after the origination of the loan. Within six months of closing on a mortgage, one would expect borrowers to have changed their billing address with each of their creditors. If a borrower was telling all creditors to send bills to another address even six months after buying the property, then that is an indication that the borrower did not reside at the mortgaged property.

259. In assessing the accuracy of the Offering Documents' representations about owner-occupancy, the forensic review considered mortgages that failed multiple owner-occupancy tests to not have actually have been backed by owner-occupied properties. Even with this high threshold, the forensic review revealed systematic overstatements of owner-occupancy rates within each of the RMBS at issue.

260. The results of the forensic review of actual owner-occupancy rates are set forth in the table below. The analysis demonstrates that the Offering Documents drastically overstated the percentage of owner-occupied properties in the collateral pools. Overall, RBS overstated the number of owner-occupied properties in each RMBS by 11.86% to 21.13%, with an average overstatement of 17.55%.

Untrue Statements in the Offering Documents About Owner-Occupancy Status

ISSUING ENTITY	Represented Percentage of Owner-Occupied Properties	Actual Percentage of Owner-Occupied Properties	Percentage Overstatement
Argent Securities Inc., Asset-Backed Pass-Through Certificates, Series 2006-W2 (Group 2)	98.77%	86.75%	13.86%
BCAP LLC Trust 2006-AA2 (All Groups)	85.88%	74.4%	15.46%
BCAP LLC Trust 2007-AA1 (Group 1)	80.67%	66.73%	20.89%
Fremont Home Loan Trust 2006-D (All Groups)	90.72%	75.94%	19.46%
Luminent Mortgage Trust 2006-7 (Group 1)	80.2%	66.21%	21.13%
RASC Series 2006-KS9 Trust (All Groups)	96.13%	85.94%	11.86%
Securitized Asset Backed Receivables LLC Trust 2006-FR4 (Group 2)	93.57%	78.72%	18.86%
Securitized Asset Backed Receivables LLC Trust 2006-WM2 (Group 2)	96.19%	79.67%	20.74%
Securitized Asset Backed Receivables LLC Trust 2006-WM3 (All Groups)	96.59%	81.15%	19.03%

ISSUING ENTITY	Represented Percentage of Owner-Occupied Properties	Actual Percentage of Owner-Occupied Properties	Percentage Overstatement
Securitized Asset Backed Receivables LLC Trust 2007-BR4 (Group 2)	89.09%	78.04%	14.16%

C. Other Untrue Statements in the Offering Documents

261. Statements in the Offering Documents concerning the following subjects were material and untrue at the time they were made: (1) the Originators' evaluation of the borrower's likelihood and capacity to repay the loan through application of the stated underwriting standards, including the calculation and use of an accurate "debt-to-income" ratio and the frequency and use of exceptions to those standards; (2) adherence to stated underwriting standards for reduced documentation programs; and (3) the accurate calculation of the "loan-to-value" ratio for the mortgaged property and the accuracy of appraisals.

262. The following chart lists which originators contributed loans to each RMBS. Under SEC's Regulation AB, the Offering Documents must disclose the originators that contributed more than 10% of the loans underlying the RMBS, and the Offering Documents must include underwriting guidelines for the originators that contributed more than 20% of the loans underlying the RMBS. *See* 17 C.F.R. § 229.1110 (2005). For the RMBS listed below, the Offering Documents included only those underwriting guidelines for the Originators that contributed more than 20% of the loans to the RMBS.

List of Originators Supplying Loans for Each RMBS at Issue

CUSIP(S)	ISSUING ENTITY	TRANCHE	ORIGINATOR(S)
040104RW3	Argent Securities Inc., Asset-Backed Pass-Through Certificates, Series 2006-W2	A-2C	Argent Mortgage Company, LLC (100%)
05530MAB5	BCAP LLC Trust 2006-AA2	A-2	Countrywide (26.50%) IndyMac (73.50%)
05530PAD4	BCAP LLC Trust 2007-AA1	I-A-4	Countrywide (100% Group 1)
35729VAE7 35729VAF4	Fremont Home Loan Trust 2006-D	2-A4 M1	Fremont Investment & Loan (100%)
55028BAB3	Luminent Mortgage Trust 2006-7	I-A-2	Lehman Brothers Bank (46.61% Group 1) National City Mortgage (32.19% Group 1) GreenPoint Mortgage Funding (21.20% Group 1)
75406YAF4	RASC Series 2006-KS9 Trust	M-1S	OwnIt Mortgage Solutions, Inc. (20.0%) Peoples Choice Home Loan, Inc. (16.2%) Aegis Mortgage Corp. (10.0%) Homecomings Financial, LLC (11.3%)
81377GAC3	Securitized Asset Backed Receivables LLC Trust 2006-FR4	A-2C	Fremont Investment & Loan (100%)
81376GAB6	Securitized Asset Backed Receivables LLC Trust 2006-WM2	A-2A	WMC Mortgage Corp. (100%)
81377EAB0 81377EAD6	Securitized Asset Backed Receivables LLC Trust 2006-WM3	A-2 M-1	WMC Mortgage Corp. (100%)
81378EAB9	Securitized Asset Backed Receivables LLC Trust 2007-BR4	A-2B	New Century or one of its affiliates, including Home123 Corporation (100%)

263. Examples of material untrue statements and/or omissions of fact in the Offering Documents of the RMBS listed above follow.

1. Untrue Statements Concerning Evaluation of the Borrower's Capacity and Likelihood To Repay the Mortgage Loan

264. The Argent Securities Trust 2006-W2 Prospectus Supplement stated:

> The Originator's underwriting standards are primarily intended to assess the applicant's credit standing and ability to repay as well as the value and the adequacy of the mortgaged property as collateral for the mortgage loan. The Originator provides loans primarily to mortgagors who do not qualify for loans conforming to the underwriting standards of more traditional lenders but who generally have equity in their property and the apparent ability to repay. While the Originator's primary considerations in underwriting a mortgage loan are the applicant's credit standing and repayment ability, as well as the value and adequacy of the mortgaged property as collateral, the Originator also considers, among other things, the applicant's credit history and debt service-to-income ratio, and the type and occupancy status of the mortgaged property. The Originator's underwriting standards do not prohibit a mortgagor from obtaining secondary financing at the time of originator of the Originator's first lien mortgage loan (or at any time thereafter), which secondary financing would reduce the equity the mortgagor would otherwise have in the related mortgaged property as indicated in the Originator's loan-to-value ratio determination.

Argent Securities Trust 2006-W2 Prospectus Supplement at S-12. *See also* Argent Securities Trust 2006-W2 Registration Statement, Dec. 30, 2004, at S-6.

265. The Argent Securities Trust 2006-W2 Prospectus Supplement stated:

> All of the Mortgage Loans acquired by the Seller were originated in accordance with guidelines (the "Underwriting Guidelines") established by the Originator as described below and with one of the following income documentation types: "Full Documentation," "Limited Documentation" or "Stated Income." The Underwriting Guidelines are primarily intended to evaluate: (1) the applicant's credit standing and repayment ability and (2) the value and adequacy of the mortgaged property as collateral. On a case-by-case basis, the Originator may determine that, based upon compensating factors, a loan applicant, not strictly qualifying under one of the Risk Categories described below, warrants an exception to the requirements set forth in the Underwriting Guidelines. Compensating factors may include, but are not limited to, loan-to-value ratio, debt-to-income ratio, good credit history, stable employment history, length at current 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 mortgage pool will represent such underwriting exceptions.

Argent Securities Trust 2006-W2 Prospectus Supplement at S-29. *See also* Argent Securities Trust 2006-W2 Registration Statement, Dec. 30, 2004, at S-16-17.

266. The Argent Securities Trust 2006-W2 Prospectus Supplement stated:

> During the underwriting process, the Originator reviews and verifies the loan applicant's sources of income (except under the Stated Income and Limited Documentation types, under which programs such information may not be independently verified), calculates the amount of income from all such sources indicated on the loan application, reviews the credit history of the applicant, calculates the debt-to-income ratio to determine the applicant's ability to repay the loan, and reviews the mortgaged property for compliance with the Underwriting Guidelines.

Argent Securities Trust 2006-W2 Prospectus Supplement at S-29. *See also* Argent Securities Trust 2006-W2 Registration Statement, Dec. 30, 2004, at S-17.

267. The Argent Securities Trust 2006-W2 Prospectus Supplement stated:

> Under the Underwriting Guidelines, various Risk Categories are used to grade the likelihood that the mortgagor will satisfy the repayment conditions of the mortgage loan. These Risk Categories establish the maximum permitted loan-to-value ratio and loan amount, given the occupancy status of the mortgaged property and mortgagor's credit history and debt ratio. In general, higher credit risk mortgage loans are graded in Risk Categories which permit higher debt ratios and more (or more recent) major derogatory credit items such as outstanding judgments or prior bankruptcies; however, the Underwriting Guidelines establish lower maximum loan-to-value ratios and lower maximum loan amounts for loans graded in such Risk Categories.

Argent Securities Trust 2006-W2, Feb. 15, 2006, at S-30-31. *See also* Argent Securities Trust 2006-W2 Registration Statement, Dec. 30, 2004, at S-18.

268. The BCAP LLC Trust 2006-AA2 Prospectus Supplement stated:

> IndyMac Bank's Underwriting Process. Mortgage loans that are acquired by IndyMac Bank are underwritten by IndyMac Bank according to IndyMac Bank's underwriting guidelines, which also accept mortgage loans meeting Fannie Mae or Freddie Mac guidelines regardless of whether such mortgage loans would otherwise meet IndyMac Bank's guidelines, or pursuant to an exception to those guidelines based on IndyMac Bank's procedures for approving such exceptions. Conventional mortgage loans are loans that are not insured by the FHA or partially guaranteed by the VA. Conforming mortgage loans are loans that qualify for sale to Fannie Mae and Freddie Mac, whereas non-conforming mortgage loans are loans that do not so qualify. Non-conforming mortgage loans originated or purchased by IndyMac Bank pursuant to its underwriting programs typically differ from conforming loans primarily with respect to loan-to-value ratios, borrower income, required documentation, interest rates, borrower occupancy of the mortgaged property and/or property types. To the extent that these programs

> reflect underwriting standards different from those of Fannie Mae and Freddie Mac, the performance of loans made pursuant to these different underwriting standards may reflect higher delinquency rates and/or credit losses.

BCAP LLC Trust 2006-AA2 Prospectus Supplement at S-38-39. *See also* BCAP LLC Trust 2006-AA2 Free Writing Prospectus, Nov. 21, 2006, at S-38-39.

269. The BCAP LLC Trust 2006-AA2 Prospectus Supplement stated:

> IndyMac Bank has two principal underwriting methods designed to be responsive to the needs of its mortgage loan customers: traditional underwriting and Electronic Mortgage Information and Transaction System ("e-MITS") underwriting. E-MITS is an automated, internet-based underwriting and risk-based pricing system. IndyMac Bank believes that e-MITS generally enables it to estimate expected credit loss, interest rate risk and prepayment risk more objectively than traditional underwriting and also provides consistent underwriting decisions. IndyMac Bank has procedures to override an e-MITS decision to allow for compensating factors.
>
> IndyMac Bank's underwriting criteria for traditionally underwritten mortgage loans includes an analysis of the borrower's credit history, ability to repay the mortgage loan and the adequacy of the mortgaged property as collateral. Traditional underwriting decisions are made by individuals authorized to consider compensating factors that would allow mortgage loans not otherwise meeting IndyMac Bank's guidelines.

BCAP LLC Trust 2006-AA2 Prospectus Supplement at S-39. *See also* BCAP LLC Trust 2006-AA2 Free Writing Prospectus, Nov. 21, 2006, at S-39.

270. The BCAP LLC Trust 2006-AA2 Prospectus Supplement stated

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

BCAP LLC Trust 2006-AA2 Prospectus Supplement at S-41. *See also* BCAP LLC Trust 2006-AA2 Free Writing Prospectus, Nov. 21, 2006, at S-41.

271. The BCAP LLC Trust 2006-AA2 Prospectus Supplement stated:

> Countrywide Home Loan's underwriting standards are applied by or on behalf of Countrywide Home Loans to evaluate the prospective borrower's credit standing and repayment ability and the value and adequacy of the mortgaged property as collateral. 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.

BCAP LLC Trust 2006-AA2 Prospectus Supplement at S-43; BCAP LLC Trust 2007-AA1 Prospectus Supplement at S-49. *See also* BCAP LLC Trust 2006-AA2 Free Writing Prospectus, Nov. 21, 2006, at S-43; BCAP LLC Trust 2007-AA1 Free Writing Prospectus, Feb. 22, 2007, at S-49.

272. The BCAP LLC Trust 2006-AA2 Prospectus Supplement stated:

> Exceptions to Countrywide Home Loan's underwriting guidelines may be made if compensating factors are demonstrated by a prospective borrower.

BCAP LLC Trust 2006-AA2 Prospectus Supplement at S-43; BCAP LLC Trust 2007-AA1 Prospectus Supplement at S-49. *See also* BCAP LLC Trust 2006-AA2 Free Writing Prospectus, Nov. 21, 2006, at S-43; BCAP LLC Trust 2007-AA1 Free Writing Prospectus, Feb. 22, 2007, at S-49.

273. The Fremont Home Loan Trust 2006-D Prospectus Supplement stated:

> Fremont Investment & Loan provides underwriters with specific underwriting guidelines and maintains strict control procedures to manage the quality of its originations at all locations.

Fremont Home Loan Trust 2006-D Prospectus, July 11, 2006, at 74. *See also* Fremont Home Loan Trust 2006-D Registration Statement, Mar. 17, 2006, at 74.

274. The Fremont Home Loan Trust 2006-D Prospectus Supplement stated:

> Generally, Fremont Investment & Loan's guidelines require an analysis of the following
>
> - a borrower's creditworthiness, as reflected in particular by the borrower's credit history and employment stability,
> - a borrower's "debt-to-income ratio," which measures a borrower's projected income relative to the proposed mortgage payment and to other fixed obligations, and
> - the "loan-to-value ratio" of the proposed loan, which measures the adequacy of the mortgaged property to serve as the collateral for a mortgage loan.

Fremont Home Loan Trust 2006-D Prospectus, July 11, 2006, at 74. *See also* Fremont Home Loan Trust 2006-D Registration Statement, Mar. 17, 2006, at 74.

275. The Fremont Home Loan Trust 2006-D Prospectus Supplement stated:

> A borrower's lack of credit payment history and/or relatively low Credit Score, however, will not necessarily preclude Fremont Investment & Loan from making a loan if other favorable borrower characteristics exist, including an adequate debt-to-income ratio or sufficient equity in the property.

Fremont Home Loan Trust 2006-D Prospectus, July 11, 2006, at 75. *See also* Fremont Home Loan Trust 2006-D Registration Statement, Mar. 17, 2006, at 75.

276. The Fremont Home Loan Trust 2006-D Prospectus Supplement stated:

> Fremont Investment & Loan's underwriting standards are primarily intended to assess the ability and willingness of the borrower to repay the debt and to evaluate the adequacy of the mortgaged property as collateral for the mortgage loan. All of the mortgage loans in the mortgage pool were underwritten with a view toward the resale of the mortgage loans in the secondary mortgage market. Fremont Investment & Loan considers, among other things, a mortgagor's Credit Score, past payment history, repayment ability and debt service-to-income ratio, as well as the value, type and use of the mortgaged property.
>
> The mortgage loans were underwritten in accordance with Fremont's current underwriting programs, referred to as the Scored Programs ("Scored Programs"). Fremont Investment & Loan began originating mortgage loans pursuant to Scored Programs in 2001 and the Scored Programs have been the exclusive type of origination programs beginning in 2004. Within the Scored Programs, there are three documentation types, Full Documentation, Easy Documentation, and Stated

> Income. All of the mortgage loans were originated in accordance with Fremont Investment & Loan's underwriting guidelines, subject to various exceptions as described in this section. A Credit Score is used along with, but not limited to, mortgage payment history, seasoning on bankruptcy and/or foreclosure, loan-to-value ratio as an aid to, not a substitute for, the underwriter's judgment. Fremont Investment & Loan's underwriting staff fully reviews each loan to determine whether it's underwriting guidelines for income, assets, employment and collateral are met.

Fremont Home Loan Trust 2006-D Prospectus, July 11, 2006, at 76-77. *See also* Securities Asset Backed Receivables LLC Trust 2006-FR4 Prospectus Supplement at S-45-46; Fremont Home Loan Trust 2006-D Registration Statement, Mar. 17, 2006, at 76-77; Securities Asset Backed Receivables LLC Trust 2006-FR4 Free Writing Prospectus, Dec. 5, 2006, at S-45.

277. The Fremont Home Loan Trust 2006-D Free Writing Prospectus stated:

> All of the mortgage loans were underwritten by Fremont's underwriters having the appropriate approval authority. Each underwriter is granted a level of authority commensurate with their proven judgment, experience and credit skills. On a case by case basis, Fremont may determine that, based upon compensating factors, a prospective mortgagor not strictly qualifying under the underwriting risk category guidelines described below is nonetheless qualified to receive a loan, i.e., an underwriting exception. Compensating factors may include, but are not limited to, low loan-to-value ratio, low debt to income ratio, substantial liquid assets, good credit history, stable employment and time in residence at the applicant's current address. It is expected that a substantial portion of the mortgage loans may represent such underwriting exceptions.

Fremont Home Loan Trust 2006-D Free Writing Prospectus, Oct. 24, 2006, at 41; Securities Asset Backed Receivables LLC Trust 2006-FR4 Prospectus Supplement at S-46. *See also* Fremont Home Loan Trust 2006-D Registration Statement, Mar. 17, 2006, at 78; Securities Asset Backed Receivables LLC Trust 2006-FR4 Free Writing Prospectus, Dec. 5, 2006, at S-46.

278. The Fremont Home Loan Trust 2006-D Free Writing Prospectus stated:

> Fremont conducts a number of quality control procedures, including a post-funding review as well as a full re-underwriting of a random selection of loans to assure asset quality. Under the funding review, all loans are reviewed to verify credit grading, documentation compliance and data accuracy. Under the asset quality procedure, a random selection of each month's originations is reviewed. The loan review confirms the existence and accuracy of legal documents, credit documentation, appraisal analysis and underwriting decision. A report detailing review findings and level of error is sent monthly to each loan production office for response. The review findings and branch responses are then reviewed by Fremont's senior management. Adverse findings are tracked monthly. This review procedure allows Fremont to assess programs for potential guideline changes, program enhancements, appraisal policies, areas of risk to be reduced or eliminated and the need for additional staff training.

Fremont Home Loan Trust 2006-D Free Writing Prospectus, Oct. 24, 2006, at 42; Securities Asset Backed Receivables LLC Trust 2006-FR4 Prospectus Supplement at S-47. *See also* Fremont Home Loan Trust 2006-D Registration Statement, Mar. 17, 2006, at S-38-39; Securities Asset Backed Receivables LLC Trust 2006-FR4 Free Writing Prospectus, Dec. 5, 2006, at S-47.

279. With respect to Lehman Brothers Bank's underwriting guidelines, the Luminent Mortgage Trust 2006-7 Prospectus Supplement stated:

> The LBB Underwriting Guidelines are generally not as strict as Fannie Mae or Freddie Mac guidelines. The LBB Underwriting Guidelines are intended to evaluate the value and adequacy of the mortgaged property as collateral and to consider the borrower's credit standing and repayment ability. On a case-by-case basis, the underwriter may determine that, based upon compensating factors, a prospective borrower not strictly qualifying under the applicable underwriting guidelines warrants an underwriting exception. Compensating factors may include, but are not limited to, low loan-to-value ratios, low debt-to-income ratios, good credit history, stable employment, financial reserves, and time in residence at the applicant's current address. A significant number of the Mortgage Loans may represent underwriting exceptions.

Luminent Mortgage Trust 2006-7 Prospectus Supplement at S-39.

280. With respect to National City's underwriting guidelines and exceptions thereto, the Luminent Mortgage Trust 2006-7 Prospectus Supplement stated:

> The originator's underwriting standards are applied to evaluate the prospective borrower's credit standing and repayment ability and the value and adequacy of the mortgaged property as collateral. These standards are applied in accordance with the applicable federal and state laws and regulations. Exceptions to the underwriting standards are permitted where compensating factors are present. Generally, each mortgagor will have been required to complete an application designed to provide to the lender pertinent credit information concerning the mortgagor. The mortgagor will have given information with respect to its assets, liabilities, income (except as described below), credit history, employment history and personal information, and will have furnished the lender with authorization to obtain a credit report which summarizes the mortgagor's credit history. In the case of investment properties and two-to four-unit dwellings, income derived from the mortgaged property may have been considered for underwriting purposes, in addition to the income of the mortgagor from other sources.

Luminent Mortgage Trust 2006-7 Prospectus Supplement at S-43.

281. On the issue of National City's underwriting guidelines, the Luminent Mortgage Trust 2006-7 Prospectus Supplement continued:

> In determining whether a prospective borrower has sufficient monthly income available (i) to meet the borrower's monthly obligation on their proposed mortgage loan and (ii) to meet the monthly housing expenses and other financial obligation on the proposed mortgage loan, the originator generally considers, when required by the applicable documentation program, the ratio of such amounts to the proposed borrower's acceptable stable monthly gross income. Such ratios vary depending on a number of underwriting criteria, including loan-to-value ratios, and are determined on a loan-by-loan basis. With respect to second homes or vacation properties, no income derived from the property will have been considered for underwriting purposes. The originator also examines a prospective borrower's credit report. Generally, each credit report provides a credit score for the borrower. Credit scores generally range from 350 to 840 and are available from three major credit bureaus: Experian (formerly TRW Information Systems and Services), Equifax and Trans Union. If three credit scores are obtained, the originator applies the lower middle score of all borrowers.

Luminent Mortgage Trust 2006-7 Prospectus Supplement at S-44.

282. With respect to GreenPoint, the Luminent Mortgage Trust 2006-7 Prospectus Supplement stated:

> Generally, the GreenPoint underwriting guidelines are applied to evaluate the prospective borrower's credit standing and repayment ability and the value and adequacy of the mortgaged property as collateral. Exceptions to the guidelines are permitted where compensating factors are present. The GreenPoint underwriting

> guidelines are generally not as strict as Fannie Mae or Freddie Mac guidelines. GreenPoint's underwriting guidelines are applied in accordance with applicable federal and state laws and regulations.
>
> In assessing a prospective borrower's creditworthiness, GreenPoint may use FICO(R) credit scores. FICO credit scores are statistical credit scores designed to assess a borrower's creditworthiness and likelihood to default on a consumer obligation over a two-year period based on a borrower's credit history. FICO credit scores were not developed to predict the likelihood of default on mortgage loans and, accordingly, may not be indicative of the ability of a borrower to repay its mortgage loan. FICO credit scores range from approximately 300 to approximately 850, with higher scores indicating an individual with a more favorable credit history compared to an individual with a lower score.
>
> In determining whether a prospective borrower has sufficient monthly income available to meet the borrower's monthly obligation on the proposed mortgage loan and monthly housing expenses and other financial obligations, GreenPoint generally considers the ratio of those amounts to the proposed borrower's monthly gross income. These ratios vary depending on a number of underwriting criteria, including loan-to-value ratios ("LTV"), and are determined on a loan-by-loan basis. The ratios generally are limited to 40% but may be extended to 50% with adequate compensating factors, such as disposable income, reserves, higher FICO credit score, or lower LTV's. Each mortgage loan has a required amount of reserves, with the minimum being three months of principal, interest, taxes and insurance for full documentation loans. Depending on the LTV and occupancy types, these reserve requirements may be increased to compensate for the additional risk.
>
> As part of its evaluation of potential borrowers, GreenPoint generally requires a description of the borrower's income. If required by its underwriting guidelines, GreenPoint obtains employment verification providing current and historical income information and/or a telephonic employment confirmation. Employment verification may be obtained through analysis of the prospective borrower's recent pay stubs and/or W-2 forms for the most recent two years or relevant portions of the borrower's most recent two years' tax returns, or from the prospective borrower's employer, wherein the employer reports the borrower's length of employment and current salary with that organization. Self-employed prospective borrowers generally are required to submit relevant portions of their federal tax returns for the past two years.

Luminent Mortgage Trust 2006-7 Prospectus Supplement at S-46-47.

283. The RASC Series 2006-KS9 Trust Prospectus Supplement stated:

> Prior to assignment to the depositor, Residential Funding Company, LLC reviewed the underwriting standards for the mortgage loans and all of the mortgage loans were in substantial conformity with the standards set forth in

> Residential Funding Company, LLC's AlterNet Program or are otherwise in conformity with the standards set forth in the description of credit grades set forth in this prospectus supplement.

RASC Series 2006-KS9 Trust Prospectus Supplement at S-56. *See also* RASC Series 2006-KS9 Trust Amended Registration Statement, Mar. 30, 2006, at S-49.

284. The RASC Series 2006-KS9 Trust Prospectus Supplement continued:

> Residential Funding Company, LLC's underwriting of the mortgage loans generally consisted of analyzing the following as standards applicable to the mortgage loans:
>
> - the creditworthiness of a mortgagor,
> - the income sufficiency of a mortgagor's projected family income relative to the mortgage payment and to other fixed obligations, including in certain instances rental income from investment property, and
> - the adequacy of the mortgaged property expressed in terms of LTV ratio, to serve as the collateral for a mortgage loan.
>
> Generally, each mortgagor would have been required to complete an application designed to provide to the original lender pertinent credit information concerning the mortgagor. As part of the description of the mortgagor's financial condition, each mortgagor would have been required to furnish information with respect to the mortgagor's assets, liabilities, income, credit history, employment history and personal information, and furnished an authorization to apply for a credit report which summarized the borrower's credit history with local merchants and lenders and any record of bankruptcy. The information may have been supplied solely in the loan application. The mortgagor may also have been required to authorize verifications 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 considered for underwriting purposes. With respect to mortgaged property consisting of vacation homes, generally no income derived from the property was considered for underwriting purposes.
>
> Based on the data provided in the application, certain verifications, if required by the originator of the mortgage loan, and the appraisal or other valuation of the mortgaged property, a determination was made by the original lender that the mortgagor's monthly income would be sufficient to enable the mortgagor to meet its monthly obligations on the mortgage loan and other expenses related to the property, including property taxes, utility costs, standard hazard insurance and other fixed obligations other than housing expenses. The originator's guidelines for mortgage loans generally specify that scheduled payments on a mortgage loan

> during the first year of its term plus taxes and insurance and all scheduled payments on obligations that extend beyond ten months, including those mentioned above and other fixed obligations, equal no more than specified percentages of the prospective mortgagor's gross income. The originator may also have considered the amount of liquid assets available to the mortgagor after origination.

RASC Series 2006-KS9 Trust Prospectus Supplement at S-57. *See also* RASC Series 2006-KS9 Trust Amended Registration Statement, Mar. 30, 2006, at S-49.

285. With respect to exceptions, the RASC Series 2006-KS9 Trust Prospectus Supplement stated:

> In most cases, the mortgage loans were either originated and underwritten in accordance with Residential Funding Company, LLC's AlterNet Program, as discussed below, or otherwise acquired from a mortgage collateral seller based on standards consistent with the following discussion on credit grades classification or substantially similar standards acceptable to Residential Funding Company, LLC. Exceptions to these standards are made, however, on a case by case basis if it is determined, generally based on compensating factors, that an underwriting exception is warranted. Compensating factors may include, but are not limited to, a low LTV ratio, stable employment, a relatively long period of time in the same residence, a mortgagor's cash reserves and savings and monthly residual income.

RASC Series 2006-KS9 Trust Prospectus Supplement at S-58. *See also* RASC Series 2006-KS9 Trust Amended Registration Statement, Mar. 30, 2006, at S-50.

286. The Securitized Asset Backed Receivables LLC Trust 2006-WM2 Prospectus Supplement stated:

> The mortgage loans have been either (i) originated generally in accordance with the underwriting guidelines established by WMC (collectively, the "Underwriting Guidelines") or (ii) purchased by WMC after re-underwriting the mortgage loans generally in accordance with the Underwriting Guidelines. WMC also originates certain other mortgage loans that are underwritten to the guidelines of specific investors, however, such mortgage loans are not included among those sold to the trust as described herein. 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.

Securitized Asset Backed Receivables LLC Trust 2006-WM2 Prospectus Supplement at S-45; Securitized Asset Backed Receivables LLC Trust 2006-WM3 Prospectus Supplement at S-43. *See also* Securitized Asset Backed Receivables LLC Trust 2006-WM2 Free Writing Prospectus, Oct. 12, 2006, at S-46; Securitized Asset Backed Receivables LLC Trust 2006-WM3 Free Writing Prospectus, Nov. 20, 2006, at S-43.

287. The Securitized Asset Backed Receivables LLC Trust 2006-WM2 Prospectus Supplement stated:

> Under the Underwriting Guidelines, WMC verifies the loan applicant's eligible sources of income for all products, calculates the amount of income from eligible sources indicated on the loan application, reviews the credit and mortgage payment history of the applicant and calculates the Debt Ratio to determine the applicant's ability to repay the loan, and reviews the mortgaged property for compliance with the Underwriting Guidelines. The Underwriting Guidelines are applied in accordance with a procedure which complies with applicable federal and state laws and regulations and require, among other things, (1) an appraisal of the mortgaged property which conforms to Uniform Standards of Professional Appraisal Practice and (2) an audit of such appraisal by a WMC-approved appraiser or by WMC's in-house collateral auditors (who may be licensed appraisers) and such audit may in certain circumstances consist of a second appraisal, a field review, a desk review or an automated valuation model.

Securitized Asset Backed Receivables LLC Trust 2006-WM2 Prospectus Supplement at S-46; Securitized Asset Backed Receivables LLC Trust 2006-WM3 Prospectus Supplement at S-43. *See also* Securitized Asset Backed Receivables LLC Trust 2006-WM2 Free Writing Prospectus, Oct. 12, 2006, at S-47; Securitized Asset Backed Receivables LLC Trust 2006-WM3 Free Writing Prospectus, Nov. 20, 2006, at S-43.

288. The Securitized Asset Backed Receivables LLC Trust 2006-WM2 Prospectus Supplement stated:

> Under the Underwriting Guidelines, various risk categories are used to grade the likelihood that the mortgagor will satisfy the repayment conditions of the mortgage loan. These risk categories establish the maximum permitted LTV, maximum loan amount and the allowed use of loan proceeds given the borrower's mortgage payment history, the borrower's consumer credit history, the borrower's liens/charge-offs/bankruptcy history, the borrower's Debt Ratio, the borrower's use of proceeds (purchase or refinance), the documentation type and other factors. In general, higher credit risk mortgage loans are graded in categories that require lower Debt Ratios and permit more (or more recent) major derogatory credit items such as outstanding judgments or prior bankruptcies. Tax liens are not considered in determining risk category (but must be paid off or subordinated by the taxing authority in all circumstances); and derogatory medical collections are not considered in determining risk category and are not required to be paid off.

Securitized Asset Backed Receivables LLC Trust 2006-WM2 Prospectus Supplement at S-47; Securitized Asset Backed Receivables LLC Trust 2006-WM3 Prospectus Supplement at S-45. *See also* Securitized Asset Backed Receivables LLC Trust 2006-WM2 Free Writing Prospectus, Oct. 12, 2006, at S-48; Securitized Asset Backed Receivables LLC Trust 2006-WM3 Free Writing Prospectus, Nov. 20, 2006, at S-45.

289. The Securitized Asset Backed Receivables LLC Trust 2007-BR4 Prospectus Supplement stated:

> The New Century Underwriting Guidelines are primarily intended to assess the borrower's ability to repay the mortgage loan, to assess the value of the mortgaged property and to evaluate the adequacy of the property as collateral for the mortgage loan. All of the mortgage loans in the mortgage pool were also underwritten with a view toward the resale of the mortgage loans in the secondary mortgage market. While NCMC's primary consideration in underwriting a mortgage loan is the value of the mortgaged property, NCMC also considers, among other things, a borrower's credit history, repayment ability and debt service-to-income ratio, as well as the type and use of the mortgaged property.

Securitized Asset Backed Receivables LLC Trust 2007-BR4 Prospectus Supplement at S-58. *See also* Securitized Asset Backed Receivables LLC Trust 2007-BR4 Free Writing Prospectus, June 11, 2007, at S-58.

290. The Securitized Asset Backed Receivables LLC Trust 2007-BR4 Prospectus Supplement represented:

> Each applicant completes an application that includes information with respect to the applicant's liabilities, income, credit history, employment history and personal information. The New Century Underwriting Guidelines require a credit report on each applicant from a credit reporting company. The report typically contains information relating to matters such as credit history with local and national merchants and lenders, installment debt payments and any record of defaults, bankruptcies, repossessions or judgments. Mortgaged properties that are to secure mortgage loans generally are appraised by qualified independent appraisers. These appraisers inspect and appraise the subject property and verify that the property is in acceptable condition. Following each appraisal, the appraiser prepares a report that includes a market value analysis based on recent sales of comparable homes in the area and, when deemed appropriate, replacement cost analysis based on the current cost of constructing a similar home. 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 and Freddie Mac. The New Century Underwriting Guidelines require a review of the appraisal by a qualified employee of NCMC or by an appraiser retained by NCMC. NCMC uses the value as determined by the review in computing the loan-to-value ratio of the related mortgage loan if the appraised value of a mortgaged property, as determined by a review, is (i) more than 10% greater but less than or equal to 25% lower than the value as determined by the appraisal for mortgage loans having a loan-to-value ratio or a combined loan-to-value ratio of up to 90%, and (ii) more than 5% greater but less than or equal to 25% lower than the value as determined by the appraisal for mortgage loans having a loan-to-value ration (sic) or a combined loan-to-value ratio of between 91-95%. For mortgage loans having a loan-to-value ratio or a combined loan-to-value ratio greater than 95%, the appraised value as determined by the review is used in computing the loan-to-value ratio of the related mortgage loan. If the appraised value of a mortgaged property as determined by a review is 25% or more lower than the value as determined by the appraisal, then NCMC obtains a new appraisal and repeats the review process.

Securitized Asset Backed Receivables LLC Trust 2007-BR4 Prospectus Supplement at S-59. *See also* Securitized Asset Backed Receivables LLC Trust 2007-BR4 Free Writing Prospectus, June 11, 2007, at S-59.

291. The Securitized Asset Backed Receivables LLC Trust 2007-BR4 Prospectus Supplement stated:

> The New Century Underwriting Guidelines have the following categories and criteria for grading the potential likelihood that an applicant will satisfy the repayment obligations of a mortgage loan:
>
> "AA" Risk. Under the "AA" risk category, the applicant must have a FICO score of 500, or greater, based on loan-to-value ratio and loan amount. Two or more tradelines (one of which with 24 months history and no late payments) are required for loan-to-value ratios above 90%. The borrower must have no late mortgage payments within the last 12 months on an existing mortgage loan. An existing mortgage loan must be less than 30 days late at the time of funding of the loan. No bankruptcy may have occurred during the preceding year for borrowers with a FICO score of less than 550; provided, however, that a Chapter 7 bankruptcy for a borrower with a FICO score in excess of 550 (or 580 under the stated income documentation program) may have occurred as long as such bankruptcy is discharged at least one day prior to funding of the loan. A maximum loan-to-value ratio of 95% is permitted with respect to borrowers with a FICO score less than or equal to 550 (or 580 with respect to stated income documentation programs) with Chapter 7 bankruptcy, which Chapter 7 bankruptcy is discharged at least one day prior to loan funding. A borrower in Chapter 13 bankruptcy may discharge such bankruptcy with the proceeds of the borrower's loan (any such loan may not exceed a 90% loan-to-value ratio), provided that such borrower has a FICO score of at least 550, or 80% loan-to-value ratio provided that such borrower has a FICO score of less than 550). No notice of default filings or foreclosures (or submission of deeds in lieu of foreclosure) may have occurred during the preceding two years. The mortgaged property must be in at least average condition. A maximum loan-to-value ratio of 95% is permitted for a mortgage loan on an owner occupied single family or two unit property. A maximum loan-to-value ratio of 90% is permitted for a mortgage loan on a non-owner occupied single family or two unit property or a three to four family residential property. The maximum loan-to-value ratio for owner occupied rural, remote or unique properties and non-owner occupied three to four family residential properties or high-rise condominiums is 85%. The maximum loan-to-value ratio for non-owner occupied rural, remote or unique properties is 80%. The maximum combined loan-to-value ratio, including any related subordinate lien, is 100%, for either a refinance loan or a purchase money loan. The maximum debt service-to-income ratio is usually 50% unless the loan-to-value ratio is reduced.

"A+" Risk. Under the "A+" risk category, the applicant must have a FICO score of 500, or greater, based on loan-to-value ratio and loan amount. Two or more tradelines (one of which with 24 months history and no late payments), are required for loan-to-value ratios above 90%. A maximum of one 30 day late payment within the last 12 months is acceptable on an existing mortgage loan. An existing mortgage loan must be less than 60 days late at the time of funding of the loan. No bankruptcy may have occurred during the preceding year for borrowers with FICO scores of less than 550; provided, however, that a Chapter 7 bankruptcy for a borrower with a FICO score in excess of 550 (or 580 under the stated income documentation program) may have occurred as long as such bankruptcy is discharged at least one day prior to funding of the loan. A maximum loan-to-value ratio of 95% is permitted with respect to borrowers with a FICO score less than or equal to 550 (or 580 with respect to stated income documentation programs) with Chapter 7 bankruptcy, which Chapter 7 bankruptcy is discharged at least one day prior to loan funding. A borrower in Chapter 13 bankruptcy may discharge such bankruptcy with the proceeds of the borrower's loan (any such loan may not exceed a 90% loan-to-value ratio), provided that such borrower has a FICO score of at least 550 or 80% loan-to-value ratio provided that such borrower has a FICO score of less than 550). No notice of default filings or foreclosures (or submission of deeds in lieu of foreclosure) may have occurred during the preceding two years. The mortgaged property must be in at least average condition. A maximum loan-to-value ratio of 95% (or 90% for mortgage loans originated under the stated income documentation program) is permitted for a mortgage loan on an owner occupied single family or two-unit property. A maximum loan-to-value ratio of 90% (or 85% for mortgage loans originated under the stated income documentation program) is permitted for a mortgage loan on a non-owner occupied property single family or two unit property or a three to four family residential property. The maximum loan-to-value ratio for owner occupied rural, remote or unique properties and a non-owner occupied three to four family residential property is 85% (or 80% for mortgage loans originated under the stated income documentation program). The maximum loan-to-value ratio for non-owner occupied rural, remote or unique properties is 80% (or 75% for mortgage loans originated under the stated income documentation program). The maximum combined loan-to-value ratio, including any related subordinate lien, is 100%, for either a refinance loan or a purchase money loan. The maximum debt service-to-income ratio is usually 50% unless the loan-to-value ratio is reduced.

"A-" Risk. Under the "A-" risk category, an applicant must have a FICO score of 500, or greater, based on loan-to-value ratio and loan amount. A maximum of three 30 day late payments within the last 12 months is acceptable on an existing mortgage loan. An existing mortgage loan must be less than 60 days late at the time of funding of the loan. No bankruptcy may have occurred during the preceding year for borrowers with FICO scores of less than 550; provided, however, that a Chapter 7 bankruptcy for a borrower with a FICO score in excess of 550 (or 580 under the stated income documentation program) may have

occurred as long as such bankruptcy is discharged at least one day prior to funding of the loan. A maximum loan-to-value ratio of 95% is permitted with respect to borrowers with a FICO score less than or equal to 550 (or 580 with respect to stated income documentation programs) with Chapter 7 bankruptcy, which Chapter 7 bankruptcy is discharged at least one day prior to loan funding. A borrower in Chapter 13 bankruptcy may discharge such bankruptcy with the proceeds of the borrower's loan (any such loan may not exceed a 90% loan-to-value ratio), provided that such borrower has a FICO score of at least 550 or 80% loan-to-value ratio provided that such borrower has a FICO score of less than 550). No notice of default filings or foreclosures (or submission of deeds in lieu of foreclosure) may have occurred during the preceding two years. The mortgaged property must be in at least average condition. A maximum loan-to-value ratio of 95% (or 85% for mortgage loans originated under the stated income documentation program) is permitted for a mortgage loan on an owner occupied single family or two unit property. A maximum loan-to-value ratio of 90% (or 80% for mortgage loans originated under the stated income documentation program) is permitted for a mortgage loan on a non-owner occupied single family or two unit property or three to four family residential property. The maximum loan-to-value ratio for owner occupied rural, remote, or unique properties, and non-owner occupied three to four family residential properties is 85% (or 80% for mortgage loans originated under the stated income documentation program). The maximum loan-to-value ratio for a non-owner occupied rural, remote or unique property is 80% (or 70% for mortgage loans originated under the stated income documentation program). The maximum combined loan-to-value ratio, including any related subordinate lien, is 100%, for a refinance loan and 100%, for a purchase money loan. The maximum debt service-to-income ratio is usually 50% unless the loan-to-value ratio is reduced.

"B" Risk. Under the "B" risk category, an applicant must have a FICO score of 500, or greater, based on loan-to-value ratio and loan amount. Unlimited 30 day late payments and a maximum of one 60 day late payment within the last 12 months is acceptable on an existing mortgage loan. An existing mortgage loan must be less than 90 days late at the time of funding of the loan. No bankruptcy may have occurred during the preceding year for borrowers with a FICO score less than or equal to 550; provided, however, that a Chapter 7 bankruptcy for a borrower with a FICO score in excess of 550 may have occurred as long as such bankruptcy has been discharged at least one day prior to funding of the loan. A borrower in Chapter 13 bankruptcy may discharge such bankruptcy with the proceeds of the borrower's loan (such loan may not exceed an 90% loan-to-value ratio for borrowers with a FICO score of less than 550). No notice of default filings or foreclosures (or submission of deeds in lieu of foreclosure) may have occurred during the preceding 18 months. The mortgaged property must be in at least average condition. A maximum loan-to-value ratio of 90% (or 80% for mortgage loans originated under the stated income documentation program), is permitted for a mortgage loan on an owner occupied singe family or two unit property. A maximum loan-to-value ratio of 85% (or 75% for mortgage loans

originated under the stated income documentation program) is permitted for a mortgage loan on a non-owner occupied single family or two unit property or a three to four family residential property. The maximum loan-to-value ratio for owner occupied rural, remote or unique properties, and a non-owner occupied three to four family property is 80% (or 70% for mortgage loans originated under the stated income documentation program). The maximum loan-to-value ratio for a non-owner occupied rural, remote or unique property is 75% (or 65% for mortgage loans originated under the stated income documentation program). The maximum combined loan-to-value ratio, including any related subordinate lien, is 100%, for a refinance loan and for a purchase money loan. The maximum debt service-to-income ratio is usually 50%, unless the loan-to-value ratio is reduced.

"C" Risk. Under the "C" risk category, an applicant must have a FICO score of 500, or greater, based on loan-to-value ratio and loan amount. Unlimited 30 day and 60 day late payments and a maximum of one 90 day late payment within the last 12 months is acceptable on an existing mortgage loan. An existing mortgage loan must be less than 120 days late at the time of funding of the loan. All bankruptcies must be discharged at least one day prior to funding of the loan; provided, however, that Chapter 13 bankruptcies may be discharged with loan proceeds. No notice of default filings may have occurred during the preceding 12 months. The mortgaged property must be in at least average condition. In most cases, a maximum loan-to-value ratio of 80% (or 75% for mortgage loans originated under the stated income documentation program) for a mortgage loan on an owner occupied single family or two unit property is permitted. A maximum loan-to-value ratio of 75% is permitted for a mortgage loan on a non-owner occupied single family or 2 unit property (refinance only), three to four family residential property (or 70% for mortgage loans originated under the stated income documentation program). The maximum loan-to-value ratio for owner occupied rural, remote or unique properties, and non-owner occupied three to four family residential properties 70% (or 65% for mortgages originated under the stated income documentation program). The maximum loan-to-value ratio for a non-owner occupied rural, remote or unique property (refinance only) is 65% (or 60% for mortgage loans originated under the stated income documentation program). The maximum combined loan-to-value ratio, including any related subordinate lien, is 85% for a refinance loan and for a purchase money loan. The maximum debt service-to-income ratio is usually 50% unless the loan-to-value ratio is reduced.

"C-" Risk. Under the "C-" risk category, an applicant must have a FICO score of 500, or greater. Unlimited 30, 60 and 90 day late payments and a maximum of one 120 day late payment is acceptable on an existing mortgage loan. An existing mortgage loan must be less than 150 days late at the time of funding of the loan. There may be no current notice of default and all bankruptcies must be discharged at least one day prior to funding of the loan; provided, however, that Chapter 13 bankruptcies may be discharged with loan proceeds. The mortgaged property must be in at least average condition. A maximum loan-to-value ratio of 70%

> (55% for mortgage loans originated under the stated income documentation program), is permitted for a mortgage loan on a owner occupied single family or two unit property. A maximum loan-to-value ratio of 65% is permitted for a mortgage loan on a non-owner occupied property single family or two unit property (refinance only), or a three to four family residential property (50% for a mortgage loan on a non-owner occupied property, or a three to four family residential property originated under the stated income documentation program). Rural, remote or unique properties are not allowed. The maximum combined loan-to-value ratio, including any related subordinate lien, is 80% for a refinance loan and 80% for a purchase money loan. The maximum debt service-to-income ratio is usually 55%.

Securitized Asset Backed Receivables LLC Trust 2007-BR4 Prospectus Supplement at S-60-63. *See also* Securitized Asset Backed Receivables LLC Trust 2007-BR4 Free Writing Prospectus, June 11, 2007, at S-60-63.

292. With respect to exceptions, the Securitized Asset Backed Receivables LLC Trust 2007-BR4 Prospectus Supplement stated:

> The mortgage loans will have been originated in accordance with the New Century Underwriting Guidelines. On a case-by-case basis, exceptions to the New Century Underwriting Guidelines are made where compensating factors exist. It is expected that a substantial portion of the mortgage loans in the mortgage pool will represent these exceptions.

Securitized Asset Backed Receivables LLC Trust 2007-BR4 Prospectus Supplement at S-59. *See also* Securitized Asset Backed Receivables LLC Trust 2007-BR4 Free Writing Prospectus, June 11, 2007, at S-58-59.

293. The Securitized Asset Backed Receivables LLC Trust 2007-BR4 Prospectus Supplement continued:

> Exceptions. As described above, the foregoing categories and criteria are guidelines only. On a case by case basis, it may be determined that an applicant warrants a debt service-to-income ratio exception, a pricing exception, a loan-to-value ratio exception, an exception from certain requirements of a particular risk category, etc. An exception may be allowed if the application reflects compensating factors, such as: low loan-to-value ratio; a maximum of one 30 day late payment on all mortgage loans during the last 12 months; and stable employment or ownership of current residence of four or more years. An

> exception may also be allowed if the applicant places a down payment through escrow of at least 20% of the purchase price of the mortgaged property or if the new loan reduces the applicant's monthly aggregate mortgage payment by 25% or more. Accordingly, a borrower may qualify in a more favorable risk category than, in the absence of compensating factors, would satisfy only the criteria of a less favorable risk category. It is expected that a substantial portion of the mortgage loans will represent these kinds of exceptions.

Securitized Asset Backed Receivables LLC Trust 2007-BR4 Prospectus Supplement at S-63. *See also* Securitized Asset Backed Receivables LLC Trust 2007-BR4 Free Writing Prospectus, June 11, 2007, at S-63.

294. UNTRUE STATEMENTS AND OMITTED INFORMATION: The preceding statements were material at the time they were made, because the quality of the loans in the mortgage pool directly affects the riskiness of the RMBS investment, and the quality of the loans is dependent upon the underwriting process employed. The preceding statements were untrue at the time they were made because, as alleged herein, the Originators did not adhere to the stated underwriting guidelines, did not effectively evaluate the borrowers' ability or likelihood to repay the loans, did not properly evaluate whether the borrower's debt-to-income ratio supported a conclusion that the borrower had the means to meet his/her monthly obligations, and did not ensure that adequate compensating factors justified the granting of exceptions to guidelines. Rather, as alleged herein, the Originators systematically disregarded the stated underwriting guidelines in order to increase the volume of mortgages originated (*see supra* Section VII.D). Further evidence of the fact that the loans in the pools collateralizing the Certificates at issue are the product of a systematic disregard of underwriting guidelines is found in, among other things, the surge in delinquencies and defaults shortly after the offerings (*see supra* Table 5), the rate at which actual gross losses outpaced expected gross losses within the first year after the offerings

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

2. Untrue Statements Concerning Reduced Documentation Programs

295. The Argent Securities Trust 2006-W2 Prospectus Supplement stated:

> Approximately 60.93%, 9.48% and 29.59% of the Mortgage Loans were originated under the Full Documentation, Limited Documentation and Stated Income documentation programs, respectively, each as further described below.
>
> *Full Documentation*. The Full Documentation residential loan program is generally based upon current year to date income documentation as well as the previous year's income documentation (i.e., tax returns and/or W-2 forms and/or written verification of employment) or bank statements for the previous twelve months. The documentation required is specific to the applicant's sources of income. The applicant's employment and/or business licenses are generally verified.
>
> *Limited Documentation.* The Limited Documentation residential loan program is generally based on bank statements from the past six months supported by additional documentation provided by the applicant or current year to date documentation. The applicant's employment and/or business licenses are generally verified.
>
> *Stated Income*. The Stated Income residential loan program requires the applicant's employment and income sources to be stated on the application. The applicant's income as stated must be reasonable for the related occupation in the loan underwriter's discretion. However, the applicant's income as stated on the application is not independently verified.

Argent Securities Trust 2006-W2 Prospectus Supplement at S-30. *See also* Argent Securities Trust 2006-W2 Registration Statement, Dec. 30, 2004, at S-17.

296. The BCAP LLC Trust 2006-AA2 Prospectus Supplement stated:

> IndyMac Bank purchases loans that have been originated under one of seven documentation programs: Full/Alternate, FastForward, Bank Statement, Stated Income, No Ratio, No Income/No Asset and No Doc. In general, documentation types that provide for less than full documentation of employment, income and liquid assets require higher credit quality and have lower loan-to-value ratios and loan amount limits.
>
> Under the Full/Alternate Documentation Program, the prospective borrower's employment, income and assets are verified through written documentation such

> as tax returns, pay stubs or W-2 forms. Generally, a two-year history of employment or continuous source of income is required to demonstrate adequacy and continuance of income. Borrowers applying under the Full/Alternate Documentation Program may, based on certain loan characteristics and higher credit quality, qualify for IndyMac Bank's FastForward program and be entitled to income and asset documentation relief. Borrowers who qualify for FastForward must state their income, provide a signed Internal Revenue Service Form 4506 (authorizing IndyMac Bank to obtain copies of their tax returns), and state their assets. IndyMac Bank does not require any verification of income or assets under this program.
>
> The Bank Statement Documentation Program is similar to the Full/Alternate Documentation Program except that borrowers generally must document income and employment for six months (rather than two, as required by the Full/Alternate Documentation Program). Borrowers under the Bank Statement Documentation Program may use bank statements to verify their income and employment. If applicable, written verification of a borrower's assets is required under this program.
>
> The Stated Income Documentation Program requires prospective borrowers to provide information regarding their assets and income. Information regarding a borrower's assets, if applicable, is verified through written communications. Information regarding income is not verified and employment verification may not be written.
>
> The No Ratio Program requires prospective borrowers to provide information regarding their assets, which is then verified through written communications. The No Ratio Program does not require prospective borrowers to provide information regarding their income, but verification of employment may not be written.
>
> Under the No Income/No Asset Documentation Program and the No Doc Documentation Program, emphasis is placed on the credit score of the prospective borrower and on the value and adequacy of the mortgaged property as collateral, rather than on the income and the assets of the prospective borrower. Prospective borrowers are not required to provide information regarding their assets or income under either program, although under the No Income/No Asset Documentation Program, employment is orally verified.

BCAP LLC Trust 2006-AA2 Prospectus Supplement at S-39-40. *See also* BCAP LLC Trust 2006-AA2 Free Writing Prospectus, Nov. 21, 2006, at S-39-40.

297. The BCAP LLC Trust 2006-AA2 Prospectus Supplement stated:

> In connection with the Standard Underwriting Guidelines, Countrywide Home Loans originates or acquires mortgage loans under the Full Documentation Program, the Alternative Documentation Program, the Reduced Documentation

> Program, the CLUES Plus Documentation Program or the Streamlined Documentation Program.
>
> The Alternative Documentation Program permits a borrower to provide W-2 forms instead of tax returns covering the most recent two years, permits bank statements in lieu of verification of deposits and permits alternative methods of employment verification.
>
> Under the Reduced Documentation Program, some underwriting documentation concerning income, employment and asset verification is waived. Countrywide Home Loans obtains from a prospective borrower either a verification of deposit or bank statements for the two-month period immediately before the date of the mortgage loan application or verbal verification of employment. Since information relating to a prospective borrower's income and employment is not verified, the borrower's debt-to-income ratios are calculated based on the information provided by the borrower in the mortgage loan application. The maximum Loan-to-Value Ratio ranges up to 95%.
>
> The CLUES Plus Documentation Program permits the verification of employment by alternative means, if necessary, including verbal verification of employment or reviewing paycheck stubs covering the pay period immediately prior to the date of the mortgage loan application. To verify the borrower's assets and the sufficiency of the borrower's funds for closing, Countrywide Home Loans obtains deposit or bank account statements from each prospective borrower for the month immediately prior to the date of the mortgage loan application. Under the CLUES Plus Documentation Program, the maximum Loan-to-Value Ratio is 75% and property values may be based on appraisals comprising only interior and exterior inspections. Cash-out refinances and investor properties are not permitted under the CLUES Plus Documentation Program.
>
> 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%.

BCAP LLC Trust 2006-AA2 Prospectus Supplement at S-45-46; BCAP LLC Trust 2007-AA1 Prospectus Supplement at S-51-52. *See also* BCAP LLC Trust 2006-AA2 Free Writing

Prospectus, Nov. 21, 2006, at S-45-46; BCAP LLC Trust 2007-AA1 Free Writing Prospectus, Feb. 22, 2007, at S-51-52.

298. The BCAP LLC Trust 2006-AA2 Prospectus Supplement also represented:

> In connection with the Expanded Underwriting Guidelines, Countrywide Home Loans originates or acquires mortgage loans under the Full Documentation Program, the Alternative Documentation Program, the Reduced Documentation Loan Program, the No Income/No Asset Documentation Program and the Stated Income/Stated Asset Documentation Program. Neither the No Income/No Asset Documentation Program nor the Stated Income/Stated Asset Documentation Program is available under the Standard Underwriting Guidelines.
>
> 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.

BCAP LLC Trust 2006-AA2 Prospectus Supplement at S-47-48; BCAP LLC Trust 2007-AA1 Prospectus Supplement at S-53-54. *See also* BCAP LLC Trust 2006-AA2 Free Writing Prospectus, Nov. 21, 2006, at S-47-48; BCAP LLC Trust 2007-AA1 Free Writing Prospectus, Feb. 22, 2007, at S-53-54.

299. The Fremont Home Loan Trust 2006-D Prospectus Supplement stated:

> There are three documentation types, Full Documentation ("**Full Documentation**"), Easy Documentation ("**Easy Documentation**") and Stated Income ("**Stated Income**"). Fremont's underwriters verify the income of each applicant under various documentation types as follows: under Full Documentation, applicants are generally required to submit verification of stable income for the periods of one to two years preceding the application dependent on credit profile; under Easy Documentation, the borrower is qualified based on verification of adequate cash flow by means of personal or business bank statements; under Stated Income, applicants are qualified based on monthly income as stated on the mortgage application. The income is not verified under the Stated Income program; however, the income stated must be reasonable and customary for the applicant's line of work.

Fremont Home Loan Trust 2006-D Prospectus Supplement at 41; Securities Asset Backed Receivables LLC Trust 2006-FR4 Prospectus Supplement at S-46. *See also* Fremont Home Loan Trust 2006-D Registration Statement, Mar. 17, 2006, at S-38; Securities Asset Backed Receivables LLC Trust 2006-FR4 Free Writing Prospectus, Dec. 5, 2006, at S-46.

300. The Luminent Mortgage Trust 2006-7 Prospectus Supplement stated with respect to Lehman Brothers Bank's documentation programs:

> LBB originates loans with different income and asset "documentation" requirements. The types of income and asset documentation include Full Doc (Alt A), Full Doc (Other than Alt A), Limited, Stated, Stated-Stated, No Ratio, and No

Documentation. Verification of employment, income and assets in a mortgage loan file is dependent on the documentation program.

For "Full Documentation" program loans in Alt A, documentation consistent with Fannie Mae/Freddie Mac guidelines is required, which generally includes verification of current income and employment, a two-year history of previous income and employment (or for self-employed borrowers, two years of income tax returns), verification through deposit verifications of sufficient liquid assets for down payments, closing costs and reserves, and depository account statements or settlement statements documenting the funds received from the sale of the previous home.

"Full Documentation" program loans other than Alt A do not require documentation consistent with Fannie Mae/Freddie Mac guidelines, but generally provide for verification of current income and employment, a 12-24 month history of previous income and employment (or for self-employed borrowers, one or two years of income tax returns, verification through deposit verifications of sufficient liquid assets for down payments, closing costs and reserves, and depository account statements or settlement statements documenting the funds received from the sale of the previous home.

"Limited Documentation" loans generally provide for 6-12 months of income documentation or 6 months of personal or business bank statements.

For "Stated Income" program loans, current employment is verified, a two-year history of previous employment is required, qualifying income is based on the stated amount provided by the prospective borrower, and deposit verifications are made to ensure sufficient liquid assets. Verification of the source of funds (if any) required to be deposited by the applicant into escrow in the case of a purchase money loan is generally required under all program guidelines (except for no documentation program guidelines).

"Stated-Stated" program loans, are based upon Stated Income, as described above, except that there are no deposit verifications made and the asset analysis is based on the stated amount provided by the prospective borrower.

"No Ratio" program loans require verification of current employment, a minimum of two years' history of previous employment and verification of sufficient liquid assets.

Under "No Documentation" program guidelines, no information was obtained regarding the borrowers' income or employment and there was no verification of the borrowers' assets. The no documentation program guidelines require stronger credit profiles than the other loan programs, and have substantially more restrictive requirements for loan amounts, loan-to-value ratios and occupancy.

Luminent Mortgage Trust 2006-7 Prospectus Supplement at S-41.

301. The Luminent Mortgage Trust 2006-7 Prospectus Supplement also described National City's documentation programs:

> Full/Alternative Documentation. Under full documentation, the prospective borrower's employment, income and assets are verified through written and telephonic communications, covering a 2-year period for employment/income and a 2-month period for assets. Typically the following documentation required but not limited to:
>
> - Verbal verification of employment
> - Pay stubs covering the most recent 30 day period showing YTD income
> - Most recent 2 year's 1040s for self-employed borrowers
> - 1 or 2 months bank statements
> - W-2 forms for 24 months
>
> Stated Documentation. Under a stated income documentation program, more emphasis is placed on the value and adequacy of the mortgaged property as collateral, credit history and other assets of the borrower than on a verified income of the borrower. Although the income is not verified, the originators obtain a telephonic verification of the borrower's employment without reference to income. Borrower's assets may or may not be verified.
>
> No Ratio Documentation. Under a stated income documentation program, more emphasis is placed on the value and adequacy of the mortgaged property as collateral, credit history and other assets of the borrower than on a verified income of the borrower.
>
> Under the no ratio documentation program the borrower's income is not stated and no ratios are calculated. Although the income is not stated nor verified, lenders obtain a telephonic verification of the borrower's employment without reference to income.
>
> No Income/No Employment/No Asset Documentation (NO DOC). Under the no income/no employment/no asset documentation program, income, employment and assets are not stated. The underwriting of such mortgage loans is based entirely on the adequacy of the mortgaged property as collateral and on the credit history of the borrower.
>
> No Income/No Asset/Employment Verified (NINA). Under the no income/no asset/employment verified documentation program, the borrower's income and assets are not disclosed. A verbal verification of employment is required. The

> underwriting of such mortgage loans is based entirely on the adequacy of the mortgaged property as collateral and on the credit history of the borrower.

Luminent Mortgage Trust 2006-7 Prospectus Supplement at S-44-45.

302. On GreenPoint's documentation programs, the Luminent Mortgage Trust 2006-7 Prospectus Supplement stated:

> GreenPoint acquires or originates many mortgage loans under "limited documentation" or "no documentation" programs. Under limited documentation programs, more emphasis is placed on the value and adequacy of the mortgaged property as collateral, credit history and other assets of the borrower, than on verified income of the borrower. Mortgage loans underwritten under this type of program are generally limited to borrowers with credit histories that demonstrate an established ability to repay indebtedness in a timely fashion, and certain credit underwriting documentation concerning income or income verification and/or employment verification is waived. Mortgage loans originated and acquired with limited documentation programs include cash-out refinance loans, super-jumbo mortgage loans and mortgage loans secured by investor-owned properties. Permitted maximum loan-to-value ratios (including secondary financing) under limited documentation programs are generally more restrictive than mortgage loans originated with full documentation requirements. Under no documentation programs, income ratios for the prospective borrower are not calculated. Emphasis is placed on the value and adequacy of the mortgaged property as collateral and the credit history of the prospective borrower, rather than on verified income and assets of the borrower. Documentation concerning income, employment verification and asset verification is not required and income ratios are not calculated. Mortgage loans underwritten under no documentation programs are generally limited to borrowers with favorable credit histories and who satisfy other standards for limited documentation programs.

Luminent Mortgage Trust 2006-7 Prospectus Supplement at S-47.

303. The RASC Series 2006-KS9 Trust Prospectus Supplement stated:

> Some of the mortgage loans have been originated under "stated income" programs (also referred to in this prospectus supplement as "reduced documentation" programs) that require less documentation and verification than do traditional "full documentation" programs. Under a "stated income" program, some borrowers with acceptable payment histories will not be required to provide any information regarding income and no other investigation regarding the borrower's income will be undertaken.

RASC Series 2006-KS9 Trust Prospectus Supplement at S-57. *See also* RASC Series 2006-KS9 Trust Amended Registration Statement, Mar. 30, 2006, at S-50.

304. The Securitized Asset Backed Receivables LLC Trust 2006-WM2 Prospectus Supplement stated:

> In the case of mortgage loans originated under the Full Documentation category, the Underwriting Guidelines require documentation of income (which may consist of (1) a verification of employment form covering a specified time period which varies with LTV, (2) two most recent pay stubs and two years of tax returns or W-2s, (3) verification of deposits and/or (4) bank statements) and telephonic verification. Under the Full-Alternative Documentation category, only 24 months of bank statements are required (depending upon the LTV) and telephonic verification of employment, under the Limited Documentation category only 12 months of bank statements (or a W-2 for the most current year and a current pay stub) are required, and under the Lite Documentation category only six months of bank statements (or a current pay stub covering the six month period) are required. For mortgage loans originated under the Stated Income/Verified Assets (Streamlined) Documentation category, WMC requires verification of funds equal to two months of principal, interest, taxes and insurance, sourced and seasoned for at least sixty days. In the case of mortgage loans originated under the Stated Income Documentation and Stated Income/Verified Assets (Streamlined) Documentation categories, the Underwriting Guidelines require (1) that income be stated on the application, accompanied by proof of self-employment in the case of self-employed individuals, (2) that a WMC pre-funding auditor conduct telephonic verification of employment, or in the case of self-employed individuals, telephonic verification of business line and (3) that stated income be consistent with type of work listed on the application.

Securitized Asset Backed Receivables LLC Trust 2006-WM2 Prospectus Supplement at S-46-47; Securitized Asset Backed Receivables LLC Trust 2006-WM3 Prospectus Supplement at S-44. *See also* Securitized Asset Backed Receivables LLC Trust 2006-WM2 Free Writing Prospectus, Oct. 12, 2006, at S-47-48; Securitized Asset Backed Receivables LLC Trust 2006-WM3 Free Writing Prospectus, Nov. 20, 2006, at S-44.

305. The Securitized Asset Backed Receivables LLC Trust 2007-BR4 Prospectus Supplement stated:

> The New Century Underwriting Guidelines require that the income of each applicant for a mortgage loan under the full documentation program be verified. The specific income documentation required for NCMC's various programs is as follows: under the full documentation program, applicants usually are required to submit one written form of verification of stable income for at least 12 months

> from the applicant's employer for salaried employees and 24 months for self-employed applicants; under the limited documentation program, applicants usually are required to submit verification of stable income for at least 6 months, such as 6 consecutive months of complete personal checking account bank statements, and under the stated income documentation program, an applicant may be qualified based upon monthly income as stated on the mortgage loan application if the applicant meets certain criteria. All the foregoing programs require that, with respect to salaried employees, there be a telephone verification of the applicant's employment. Verification of the source of funds, if any, that are required to be deposited by the applicant into escrow in the case of a purchase money loan is required.

Securitized Asset Backed Receivables LLC Trust 2007-BR4 Prospectus Supplement at S-60. *See also* Securitized Asset Backed Receivables LLC Trust 2007-BR4 Free Writing Prospectus, June 11, 2007, at S-60.

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

3. Untrue Statements Concerning Loan-to-Value Ratios

307. The Argent Securities Trust 2006-W2 Prospectus Supplement stated:

> The maximum allowable loan-to-value ratio varies based upon the income documentation, property type, creditworthiness, debt service-to-income ratio of the applicant and the overall risks associated with the loan decision.

Argent Securities Trust 2006-W2 Prospectus Supplement, Feb. 15, 2006, at S-30. *See also* Argent Securities Trust 2006-W2 Registration Statement, Dec. 30, 2004, at S-17.

308. The BCAP LLC Trust 2006-AA2 Prospectus Supplement stated with respect to IndyMac's maximum LTV ratios:

> Maximum loan-to-value and combined loan-to-value ratios and loan amounts are established according to the occupancy type, loan purpose, property type, FICO Credit Score, number of previous late mortgage payments, and the age of any bankruptcy or foreclosure actions.

BCAP LLC Trust 2006-AA2 Prospectus Supplement at S-40. *See also* BCAP LLC Trust 2006-AA2 Free Writing Prospectus, Nov. 21, 2006, at S-40.

309. The BCAP LLC Trust 2006-AA2 Prospectus Supplement stated:

> Countrywide Home Loan's Standard 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 75% for mortgage loans with original principal balances of up to $1,000,000, up to 65% for mortgage loans with original principal balances of up to $1,500,000, and up to 60% for mortgage loans with original principal balances of up to $2,000,000.
>
> For cash-out refinance mortgage loans, Countrywide Home Loan's Standard Underwriting Guidelines for mortgage loans with non-conforming original principal balances generally allow Loan-to-Value Ratios at origination of up to 75% and original principal balances ranging up to $650,000. The maximum "cash-out" amount permitted is $200,000 and is based in part on the original Loan-to-Value Ratio of the related mortgage loan. As used in this prospectus supplement, a refinance mortgage loan is classified as a cash-out refinance mortgage loan by Countrywide Home Loans if the borrower retains an amount greater than the lesser of 2% of the entire amount of the proceeds from the refinancing of the existing loan or $2,000.

> Countrywide Home Loan's Standard Underwriting Guidelines for conforming balance mortgage loans generally allow Loan-to-Value Ratios at origination on owner occupied properties of up to 95% on 1 unit properties with principal balances up to $417,000 ($625,500 in Alaska and Hawaii) and 2 unit properties with principal balances up to $533,850 ($800,775 in Alaska and Hawaii) and up to 80% on 3 unit properties with principal balances of up to $645,300 ($967,950 in Alaska and Hawaii) and 4 unit properties with principal balances of up to $801,950 ($1,202,925 in Alaska and Hawaii). On second homes, Countrywide Home Loan's Standard Underwriting Guidelines for conforming balance mortgage loans generally allow Loan-to-Value Ratios at origination of up to 95% on 1 unit properties with principal balances up to $417,000 ($625,500 in Alaska and Hawaii). Countrywide Home Loan's Standard Underwriting Guidelines for conforming balance mortgage loans generally allow Loan-to-Value Ratios at origination on investment properties of up to 90% on 1 unit properties with principal balances up to $417,000 ($625,500 in Alaska and Hawaii) and 2 unit properties with principal balances up to $533,850 ($800,775 in Alaska and Hawaii) and up to 75% on 3 unit properties with principal balances of up to $645,300 ($967,950 in Alaska and Hawaii) and 4 unit properties with principal balances of up to $801,950 ($1,202,925 in Alaska and Hawaii).

BCAP LLC Trust 2006-AA2 Prospectus Supplement at S-45; BCAP LLC Trust 2007-AA1 Prospectus Supplement at S-51. *See also* BCAP LLC Trust 2006-AA2 Free Writing Prospectus, Nov. 21, 2006, at S-45; BCAP LLC Trust 2007-AA1 Free Writing Prospectus, Feb. 22, 2007, at S-51.

310. The BCAP LLC Trust 2006-AA2 Prospectus Supplement continued:

> Countrywide Home Loan's 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 Loan's 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.
>
> For cash-out refinance mortgage loans, Countrywide Home Loan's Expanded Underwriting Guidelines for mortgage loans with non-conforming original principal balances generally allow Loan-to-Value Ratios at origination of up to

> 90% and original principal balances ranging up to $1,500,000. The maximum "cash-out" amount permitted is $400,000 and is based in part on the original Loan-to-Value Ratio of the related mortgage loan.
>
> Countrywide Home Loan's Expanded Underwriting Guidelines for conforming balance mortgage loans generally allow Loan-to-Value Ratios at origination on owner occupied properties of up to 100% on 1 unit properties with principal balances up to $417,000 ($625,500 in Alaska and Hawaii) and 2 unit properties with principal balances up to $533,850 ($800,775 in Alaska and Hawaii) and up to 85% on 3 unit properties with principal balances of up to $645,300 ($967,950 in Alaska and Hawaii) and 4 unit properties with principal balances of up to $801,950 ($1,202,925 in Alaska and Hawaii). On second homes, Countrywide Home Loan's Expanded Underwriting Guidelines for conforming balance mortgage loans generally allow Loan-to-Value Ratios at origination of up to 95% on 1 unit properties with principal balances up to $417,000 ($625,500 in Alaska and Hawaii). Countrywide Home Loan's Expanded Underwriting Guidelines for conforming balance mortgage loans generally allow Loan-to-Value Ratios at origination on investment properties of up to 90% on 1 unit properties with principal balances up to $417,000 ($625,500 in Alaska and Hawaii) and 2 unit properties with principal balances up to $533,850 ($800,775 in Alaska and Hawaii) and up to 85% on 3 unit properties with principal balances of up to $645,300 ($967,950 in Alaska and Hawaii) and 4 unit properties with principal balances of up to $801,950 ($1,202,925 in Alaska and Hawaii).

BCAP LLC Trust 2006-AA2 Prospectus Supplement at S-46-47; BCAP LLC Trust 2007-AA1 Prospectus Supplement at S-52-53. *See also* BCAP LLC Trust 2006-AA2 Free Writing Prospectus, Nov. 21, 2006, at S-46-47; BCAP LLC Trust 2007-AA1 Free Writing Prospectus, Feb. 22, 2007, at S-52-53.

311. The Fremont Home Loan Trust 2006-D Prospectus Supplement represented:

> In addition, the various risk categories generally have the following criteria for borrower eligibility:
>
> "A+." Under the "A+" category, an applicant must have no 30-day late mortgage payments within the last 12 months and it must be at least 24 months since discharge of any Chapter 7 or Chapter 13 bankruptcy and/or foreclosure. The maximum loan-to-value ratio is 100% with a minimum Credit Score of 600. The maximum permitted loan-to-value ratio is reduced for: reduced income documentation, non-owner occupied properties, properties with 3-4 units, properties with rural characteristics or credit scores below 600.
>
> "A." Under the "A" category, an applicant must have not more than one 30-day late mortgage payment within the last 12 months and it must be at least 24 months

> since discharge of any Chapter 7 or Chapter 13 bankruptcy and/or foreclosure. The maximum loan-to-value ratio is 100% with a minimum Credit Score of 600. The maximum permitted loan-to-value ratio is reduced for: reduced income documentation, non-owner occupied properties, properties with 3-4 units, properties with rural characteristics or credit scores below 600.
>
> "A-." Under the "A-" category, an applicant must have not more than three 30-day late mortgage payments within the last 12 months and it must be at least 24 months since discharge of any Chapter 7 or Chapter 13 bankruptcy and/or foreclosure. The maximum loan-to-value ratio is 90% with a minimum Credit Score of 550. The maximum permitted loan-to-value ratio is reduced for: reduced income documentation, non-owner occupied properties, properties with 3-4 units, properties with rural characteristics or credit scores below 550.
>
> "B." Under the "B" category, an applicant must have not more than one 60-day late mortgage payment within the last 12 months and it must be at least 18 months since discharge of any Chapter 7 or Chapter 13 bankruptcy and/or foreclosure. The maximum loan-to-value ratio is 90% with a Credit Score of 550. The maximum permitted loan-to-value ratio is reduced for: reduced income documentation, non-owner occupied properties, properties with 3-4 units, properties with rural characteristics or credit scores under 550.
>
> "C." Under the "C" category, an applicant must not be more than 90 days delinquent with respect to its current mortgage payment and it must be at least 12 months since discharge of any Chapter 7 or Chapter 13 bankruptcy and/or foreclosure. The maximum permitted loan-to-value ratio is 85% with a minimum Credit Score of 580. The maximum permitted loan-to-value ratio is reduced for: reduced income documentation, non-owner occupied properties, properties with 3-4 units, or properties with rural characteristics.
>
> "C-." Under the "C-" category, an applicant must not be more than 150 days delinquent with respect to its current mortgage payment and it must not be subject of a Chapter 7 or Chapter 13 bankruptcy and/or foreclosure. The maximum permitted loan-to-value ratio is 70% with a minimum Credit Score of 500. The maximum permitted loan-to-value ratio is reduced for: reduced income documentation, non-owner occupied properties, properties with 3-4 units, or properties with rural characteristics.
>
> "D." Under the "D" category, an applicant must not be more than 180 days delinquent with respect to its current mortgage payment. Any Chapter 7 or Chapter 13 bankruptcy proceedings and/or foreclosure actions must be paid in connection with closing. The maximum permitted loan-to-value ratio is 65% with a minimum Credit Score of 500. The maximum permitted loan-to-value ratio is reduced to 60% if the property is currently subject to foreclosure proceedings.

Fremont Home Loan Trust 2006-D Prospectus Supplement at 43-44. *See also* Securities Asset Backed Receivables LLC Trust 2006-FR4 Prospectus Supplement at S-48-49; Fremont Home

Loan Trust 2006-D Registration Statement, Mar. 17, 2006, at S-38; Securities Asset Backed Receivables LLC Trust 2006-FR4 Free Writing Prospectus, Dec. 5, 2006, at S-48-49.

312. With respect to National City's maximum LTV ratios, the Luminent Mortgage Trust 2006-7 Prospectus Supplement stated:

> The following underwriting guidelines apply to substantially all of the mortgage loans [originated by National City]. With respect to fully documented, non-conforming purchase money or rate/term refinance loans secured by primary residences, loan- to-value ratios at origination of up to 95% for mortgage loans with original principal balances of up to $500,000 are generally allowed. In certain circumstances, 100% loan-to-value ratios are allowed for principal balances not to exceed $500,000 adhering to stricter underwriting standards.
>
> Mortgage loans with principal balances up to $1,000,000 are allowed if the loan is secured by the borrower's primary residence. The loan-to- value ratio generally may not exceed 80%. Mortgage loans with principal balances exceeding $1,000,000 ("super jumbos") are allowed if the loan is secured by the borrower's primary residence. The loan-to- value ratio for super jumbos generally may not exceed 75%.
>
> For cash out refinance loans, the maximum loan-to- value ratio generally is 95% and the maximum "cash out" amount permitted is based in part on the original loan-to-value of the related mortgage loan and FICO score. Generally, for loan-to-values 50% or below there are no restrictions on cash out amounts. Less than fully-documented loans generally have lower loan-to-value and/or loan amount limits.
>
> For each mortgage loan with a loan-to-value ratio at origination exceeding 80%, a primary mortgage insurance policy insuring a portion of the balance of the mortgage loan at least equal to the product of the original principal balance of the mortgage loan is generally required. No such primary mortgage insurance policy will be required with respect to any such mortgage loan after the date on which the related loan-to-value ratio decreases to 80% or less or, based upon new appraisal, the principal balance of such mortgage loan represents 80% or less of the new appraised value. All of the insurers that have issued primary mortgage insurance policies with respect to the Mortgage Loans meet Fannie Mae's or Freddie Mac's standard or are acceptable to the Rating Agencies.

Luminent Mortgage Trust 2006-7 Prospectus Supplement at S-43-44.

313. The RASC Series 2006-KS9 Trust Prospectus Supplement stated:

> CREDIT GRADE CATEGORY A4: Under Credit Grade Category A4, no 30-day, 60-day or 90-day late payments are acceptable within the last 12 months on

an existing mortgage loan. The prospective mortgagor must have a mortgage payment history of 12 months or greater. Rental payment history is not allowed in Credit Grade Category A4. Generally, a maximum LTV ratio of 95% is permitted for a mortgage loan on a single family owner-occupied property or 95% for a mortgage loan originated under a stated income documentation program. Generally, a maximum LTV ratio of 85% is permitted for a mortgage loan on a non-owner-occupied property or 80% for mortgage loans originated under a stated income documentation program. In all cases the maximum LTV allowed within a Credit Grade is dependent on the mortgagor's credit score. The mortgagor's debt service-to-income ratio is 50% or less which, in the case of adjustable-rate mortgage loans, will be based on the initial rate on the mortgage loan plus 2% per annum unless the initial rate would not be subject to change for an extended period.

CREDIT GRADE CATEGORY A5: Under Credit Grade Category A5, the prospective mortgager does not have any prior mortgage history, or a mortgage history of less than 12 months, and no 30-day, 60-day or 90-day late payments are acceptable within the mortgagors last 12 months of rental housing payment history. Generally, a maximum LTV ratio of 95% is permitted for a mortgage loan on a single family owner-occupied property or 95% for a mortgage loan originated under a stated income documentation program. Generally, a maximum LTV ratio of 85% is permitted for a mortgage loan on a non-owner-occupied property or 80% for mortgage loans originated under a stated income documentation program. In all cases the maximum LTV allowed within a Credit Grade is dependent on the mortgagor's credit score. The mortgagor's debt service-to-income ratio will generally be 50% or less which, in the case of adjustable-rate mortgage loans, will be based on the initial rate on the mortgage loan plus 2% per annum unless the initial rate would not be subject to change for an extended period.

CREDIT GRADE CATEGORY AX: Under Credit Grade Category Ax, a maximum of one 30-day late payment, and no 60-day or 90-day late payments, within the last 12 months is acceptable on an existing mortgage loan or prior housing rental history. Generally, a maximum LTV ratio of 95% is permitted for a mortgage loan on a single family owner occupied property or 95% for a mortgage loan originated under a stated income documentation program. Generally, a maximum LTV ratio of 85% is permitted for a mortgage loan on a non-owner-occupied property or 80% under the stated income documentation program. In all cases the maximum LTV allowed within a Credit Grade is dependent on the mortgagor's credit score. The mortgagor's debt service-to-income ratio is 50% or less which, in the case of adjustable rate mortgage loans, will be based on the initial rate on the mortgage loan plus 2% per annum unless the initial rate would not be subject to change for an extended period.

CREDIT GRADE CATEGORY AM: Under Credit Grade Category Am, multiple 30-day late payments, including rolling 30-day late payments are allowed, and no 60-day or 90-day late payments, within the last 12 months are acceptable on an

> existing mortgage loan or prior housing rental history. Generally, a maximum LTV ratio of 90% is permitted for a mortgage loan on an owner-occupied property or 85% for mortgage loans originated under a stated income documentation program. Generally, a maximum LTV ratio of 85% is permitted for a mortgage loan on a non-owner-occupied property or 75% for mortgage loans originated under a stated income documentation program. In all cases the maximum LTV allowed within a Credit Grade is dependent on the mortgagor's credit score. The debt service-to-income ratio is 50% or less which, in the case of adjustable-rate mortgage loans, will be based on an initial rate on the mortgage loan plus 2% per annum unless the initial rate would not be subject to change for an extended period.
>
> CREDIT GRADE CATEGORY B: Under Credit Grade Category B, the prospective mortgagor may have minor repayment delinquencies related to installment or revolving debt. Multiple 30-day late payments, including rolling 30-day late payments are allowed, one 60-day (non-rolling), and no 90-day late payments, within the last 12 months are acceptable on an existing mortgage loan or prior housing rental history. Generally, a maximum LTV ratio of 85% is permitted for a mortgage loan on an owner-occupied property or 75% under a stated income documentation program. Generally, a maximum LTV ratio of 75% is permitted for a mortgage loan on a non-owner-occupied property or 65% for mortgage loans originated under a stated income documentation program. In all cases the maximum LTV allowed within a Credit Grade is dependent on the mortgagor's credit score. The debt service-to-income ratio is 50% or less which, in the case of adjustable-rate mortgage loans, will be based on the initial rate on the mortgage loan plus 2% per annum unless the initial rate would not be subject to change for an extended period.
>
> CREDIT GRADE CATEGORY C: Under Credit Grade Category C, multiple 30-day and 60-day late payments, including rolling late payments are allowed, and one 90-day late payment (non-rolling late), within the last 12 months are acceptable on an existing mortgage loan or prior housing rental history. Generally, a maximum LTV ratio of 70% is permitted for mortgage loans on an owner-occupied property or 65% for mortgage loans originated under a stated income documentation program. In all cases the maximum LTV allowed within a Credit Grade is dependent on the mortgagor's credit score. The debt service-to-income ratio is 50% or less which, in the case of adjustable-rate mortgage loans, will be based on the initial rate on the mortgage loan plus 2% per annum unless the initial rate would not be subject to change for an extended period.

RASC Series 2006-KS9 Trust Prospectus Supplement at S-58-60.

314. The Securitized Asset Backed Receivables LLC Trust 2006-WM2 Prospectus Supplement stated:

> The Underwriting Guidelines permit mortgage loans with LTVs and CLTVs (in the case of mortgaged properties which secure more than one mortgage loan) of up to 100% (which is subject to reduction depending upon credit-grade, loan amount and property type). In general, loans with greater documentation standards are eligible for higher LTV and CLTV limits across all risk categories. Under the Underwriting Guidelines, cash out on refinance mortgage loans is generally available, but the amount is restricted for C grade loans and stated income interest only loans.

Securitized Asset Backed Receivables LLC Trust 2006-WM2 Prospectus Supplement at S-46; Securitized Asset Backed Receivables LLC Trust 2006-WM3 Prospectus Supplement at S-43-44. *See also* Securitized Asset Backed Receivables LLC Trust 2006-WM2 Free Writing Prospectus, Oct. 12, 2006, at S-47; Securitized Asset Backed Receivables LLC Trust 2006-WM3 Free Writing Prospectus, Nov. 20, 2006, at S-43-44.

315. The Securitized Asset Backed Receivables LLC Trust 2007-BR4 Prospectus Supplement stated:

> The New Century Underwriting Guidelines generally permit loans on one- to four-family residential properties to have a loan-to-value ratio at origination of up to 95% with respect to first liens loans. The maximum loan-to-value ratio depends on, among other things, the purpose of the mortgage loan, a borrower's credit history, home ownership history, mortgage payment history or rental payment history, repayment ability and debt service-to-income ratio, as well as the type and use of the property. With respect to mortgage loans secured by mortgaged properties acquired by a borrower under a "lease option purchase," the loan-to-value ratio of the related mortgage loan is based on the appraised value at the time of origination of the mortgage loan.

Securitized Asset Backed Receivables LLC Trust 2007-BR4 Prospectus Supplement at S-60. *See also* Securitized Asset Backed Receivables LLC Trust 2007-BR4 Free Writing Prospectus, June 11, 2007, at S-59.

316. UNTRUE STATEMENTS AND OMITTED INFORMATION: The preceding statements were material at the time they were made because the riskiness of the RMBS investment is directly dependent on the quality of the underwriting process and adequate

assessment and limits on loan-to-value ratios (in addition to accurate appraisals) is key to that process. The preceding statements were untrue at the time they were made because the Originators did not adhere to the maximum loan-to-value ratios as represented in the Offering Documents, encouraged inflated appraisals and frequently granted loans with high loan-to-value ratios with no meaningful assessment of the borrower's ability to repay the loan based on the borrower's credit profile (*see supra* Section VII.D). Further evidence of the fact that the loans in the pools collateralizing the certificates at issue are the product of a systematic disregard of underwriting guidelines is found in, among other things, the surge in delinquencies and defaults shortly after the offerings (*see supra* Table 5), the huge discrepancy between expected and actual gross losses (*see supra* Figure 2), the collapse of the credit ratings (*see supra* Table 4), and the fact that the Originators were engaged in high OTD lending (*see supra* Table 6).

IX. THE CLAIMS ARE TIMELY

317. For actions brought by the NCUA Board as Liquidating Agent, the FCU Act extends the statute of limitations for at least three years from the date of the appointment of the NCUA Board as Conservator or Liquidating Agent. *See* 12 U.S.C. § 1787(b)(14)(B)(i).

318. The NCUA Board placed U.S. Central and WesCorp under conservatorship and appointed itself as conservator on March 20, 2009. On October 1, 2010, the NCUA Board placed U.S. Central and WesCorp into liquidation and appointed itself Liquidating Agent.

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

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

15 U.S.C. § 77m.

320. Actions brought under Section 17-12a509 of the Kansas Blue Sky law must be brought within "within the earlier of two years after discovery of the facts constituting the violation or five years after the violation." Kan. Stat. Ann. § 17-12a509(j).

321. Actions brought under Section 25501 of the California Corporate Securities Law must be brought within "five years after the act or transaction constituting the violation or the expiration of two years after the discovery by the plaintiff of the facts constituting the violation, whichever shall first expire." Cal. Corp. Code § 25506(b).

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

323. The FSOC explained that the origination and securitization process contains inherent "information asymmetries" that put investors at a disadvantage regarding critical information concerning the quality and performance of RMBS. The FSOC Risk Retention Report described the information disadvantage for investors of RMBS:

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

FSOC Risk Retention Report at 9 (footnote omitted).

324. Accordingly, U.S. Central and WesCorp did not discover and could not have discovered the material untrue statements and/or misleading omissions in the Offering Documents more than one year prior to March 20, 2009, the date on which the NCUA Board placed U.S. Central and WesCorp into conservatorship. A reasonably diligent investor would not have known even to begin investigating misrepresentations in the Offering Documents until at least the date the certificates were downgraded to a credit rating below investment grade. *See supra* Table 4.

325. With respect to those RMBS purchases for which the NCUA Board asserts claims under Section 11 of the Securities Act (Counts One through Five), the earliest date they were bona fide offered to the public was October 19, 2006, or not more than three years prior to March 20, 2009. Accordingly, the NCUA Board's Section 11 claims are not time-barred.

326. With respect to those RMBS purchases for which the NCUA Board asserts claims under Section 12(a)(2) of the Securities Act (Counts Six and Seven), the earliest sale was October 13, 2006, or not more than three years prior to March 20, 2009. Accordingly, the NCUA Board's Section 12(a)(2) claims are not time-barred.

327. With respect to those RMBS purchases for which the NCUA Board asserts claims under state law (Counts Eight and Nine), the earliest purchase date/offering date with respect to those claims was February 15, 2006, or not more than five years prior to March 20, 2009. Accordingly, the NCUA Board's state law claims are not time-barred.

X. CLAIMS FOR RELIEF

COUNT ONE
Section 11 of the Securities Act
(BCAP LLC Trust 2006-AA2, BCAP LLC Trust 2007-AA1)

328. The NCUA Board realleges paragraphs 1 through 327 of this Complaint, as though fully set forth here, except those paragraphs specific to Issuer Defendants other than BCAP LLC, or specific to offerings other than the BCAP LLC Trust 2006-AA2 and BCAP LLC Trust 2007-AA1 offerings.

329. The NCUA Board brings this cause of action pursuant to Section 11 of the Securities Act, with respect to WesCorp's purchases of the BCAP LLC Trust 2006-AA2 and BCAP LLC Trust 2007-AA1 certificates against Defendant Barclays, as the underwriter, and against Defendant BCAP LLC, as the issuer.

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

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

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

333. WesCorp purchased the certificates pursuant to and traceable to the defective registration statement, as alleged above.

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

335. Barclays' and BCAP LLC's conduct as alleged above violated Section 11.

336. WesCorp and the NCUA Board sustained damages as a result of Defendant Barclays' and Defendant BCAP LLC's violations of Section 11.

WHEREFORE, the NCUA Board requests the Court to enter judgment in its favor against Defendant Barclays and Defendant BCAP LLC, jointly and severally, awarding all damages, in an amount to be proven at trial, costs, and such other relief as the Court deems appropriate and just.

COUNT TWO
Section 11 of the Securities Act
(RASC Series 2006-KS9)

337. The NCUA Board realleges paragraphs 1 through 327 of this Complaint, as though fully set forth here, except those paragraphs specific to offerings other than the RASC Series 2006-KS9 offering.

338. The NCUA Board brings this cause of action pursuant to Section 11 of the Securities Act, with respect to U.S. Central's purchases of the RASC Series 2006-KS9 certificates against Defendant Barclays, as the underwriter.

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

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

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

342. U.S. Central purchased the certificates pursuant to and traceable to the defective registration statement, as alleged above.

343. At the time U.S. Central purchased the certificates, it did not know of the untrue statements and omissions contained in the registration statement.

344. Barclays' conduct as alleged above violated Section 11.

345. U.S. Central and the NCUA Board sustained damages as a result of Defendant Barclays' violations of Section 11.

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

COUNT THREE
Section 11 of the Securities Act
(Securitized Asset Backed Receivables LLC Trust 2006-FR4, Securitized Asset Backed Receivables LLC Trust 2006-WM2, Securitized Asset Backed Receivables LLC Trust 2006-WM3, Securitized Asset Backed Receivables LLC Trust 2007-BR4)

346. The NCUA Board realleges paragraphs 1 through 327 of this Complaint, as though fully set forth here, except those paragraphs specific to Issuer Defendants other than Securitized Asset Backed Receivables LLC, or specific to offerings other than the Securitized Asset Backed Receivables LLC Trust 2006-FR4, Securitized Asset Backed Receivables LLC Trust 2006-WM2, Securitized Asset Backed Receivables LLC Trust 2006-WM3 and the Securitized Asset Backed Receivables LLC Trust 2007-BR4 offerings.

347. The NCUA Board brings this cause of action pursuant to Section 11 of the Securities Act, with respect to U.S. Central's purchases of the Securitized Asset Backed Receivables LLC Trust 2006-FR4, Securitized Asset Backed Receivables LLC Trust 2006-WM2, Securitized Asset Backed Receivables LLC Trust 2006-WM3 and the Securitized Asset

Backed Receivables LLC Trust 2007-BR4 certificates against Defendant Barclays, as the underwriter, and against Defendant Securitized Asset Backed Receivables LLC, as the issuer.

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

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

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

351. U.S. Central purchased the certificates pursuant to and traceable to the defective registration statement, as alleged above.

352. At the time U.S. Central purchased the certificates, it did not know of the untrue statements and omissions contained in the registration statement.

353. Barclays' and Securitized Asset Backed Receivables LLC's conduct as alleged above violated Section 11.

354. U.S. Central and the NCUA Board sustained damages as a result of Defendant Barclays' and Defendant Securitized Asset Backed Receivables LLC's violations of Section 11.

WHEREFORE, the NCUA Board requests the Court to enter judgment in its favor against Defendant Barclays and Defendant Securitized Asset Backed Receivables LLC, jointly and severally, awarding all damages, in an amount to be proven at trial, costs, and such other relief as the Court deems appropriate and just.

COUNT FOUR
Section 11 of the Securities Act
(Fremont Home Loan Trust 2006-D)

355. The NCUA Board realleges paragraphs 1 through 327 of this Complaint, as though fully set forth here, except those paragraphs specific to offerings other than the Fremont Home Loan Trust 2006-D offering.

356. The NCUA Board brings this cause of action pursuant to Section 11 of the Securities Act, with respect to U.S. Central's purchases of the Fremont Home Loan Trust 2006-D certificates against Defendant Barclays, as the underwriter.

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

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

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

360. U.S. Central purchased the certificates pursuant to and traceable to the defective registration statement, as alleged above.

361. At the time U.S. Central purchased the certificates, it did not know of the untrue statements and omissions contained in the registration statement.

362. Barclays' conduct as alleged above violated Section 11.

363. U.S. Central and the NCUA Board sustained damages as a result of Defendant Barclays' violations of Section 11.

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

COUNT FIVE
Section 11 of the Securities Act
(Luminent Mortgage Trust 2006-7)

364. The NCUA Board realleges paragraphs 1 through 327 of this Complaint, as though fully set forth here, except those paragraphs specific to offerings other than the Luminent Mortgage Trust 2006-7 offering.

365. The NCUA Board brings this cause of action pursuant to Section 11 of the Securities Act, with respect to WesCorp's purchases of the Luminent Mortgage Trust 2006-7 certificates against Defendant Barclays, as the underwriter.

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

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

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

369. WesCorp purchased the certificates pursuant to and traceable to the defective registration statement, as alleged above.

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

371. Barclays' conduct as alleged above violated Section 11.

372. WesCorp and the NCUA Board sustained damages as a result of Defendant Barclays' violation of Section 11.

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

COUNT SIX
Section 12(a)(2) of the Securities Act
(BCAP LLC Trust 2006-AA2, BCAP LLC Trust 2007-AA1)

373. The NCUA Board realleges paragraphs 1 through 327 of this Complaint, as though fully set forth here, except those paragraphs specific to offerings other than BCAP LLC Trust 2006-AA2 and BCAP LLC Trust 2007-AA1 offerings.

374. The NCUA Board brings this cause of action pursuant to Section 12(a)(2) of the Securities Act, with respect to WesCorp's purchases of the BCAP LLC Trust 2006-AA2 and BCAP LLC Trust 2007-AA1 certificates against Defendant Barclays, as the underwriter and seller of those certificates.

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

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

377. Defendant Barclays offered to sell and sold the securities, for its own financial gain, to WesCorp by means of the prospectus and/or prospectus supplements, as alleged above, and/or oral communications related to the prospectuses and/or prospectus supplements.

378. The prospectuses and/or prospectus supplements contained untrue statements and omitted facts that were necessary to make the statements made not misleading, as alleged above.

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

380. WesCorp purchased the certificates on the initial offering pursuant to the prospectus and/or prospectus supplements.

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

382. Defendant Barclays' conduct as alleged above violated Section 12(a)(2).

383. WesCorp and the NCUA Board sustained damages as a result of Defendant Barclays' violation of Section 12(a)(2).

384. Under Section 12(a)(2), the NCUA Board is entitled to rescind and recover the consideration WesCorp paid for the certificates, minus principal and interest received.

WHEREFORE, the NCUA Board requests the Court to enter judgment in its favor against Defendant Barclays, awarding a rescissory measure of damages, or in the alternative compensatory damages, in an amount to be proven at trial; costs, and such other relief as the Court deems appropriate and just.

COUNT SEVEN
Section 12(a)(2) of the Securities Act
(RASC Series 2006-KS9 Trust, Securitized Asset Backed Receivables LLC Trust 2006-FR4, Securitized Asset Backed Receivables LLC Trust 2006-WM2, Securitized Asset Backed Receivables LLC Trust 2006-WM3, Securitized Asset Backed Receivables LLC Trust 2007-BR4)

385. The NCUA Board realleges paragraphs 1 through 327 of this Complaint, as though fully set forth here, except those paragraphs specific to offerings other than the RASC

Series 2006-KS9 Trust, Securitized Asset Backed Receivables LLC Trust 2006-FR4, Securitized Asset Backed Receivables LLC Trust 2006-WM2, Securitized Asset Backed Receivables LLC Trust 2006-WM3 and Securitized Asset Backed Receivables LLC Trust 2007-BR4 offerings.

386. The NCUA Board brings this cause of action pursuant to Section 12(a)(2) of the Securities Act, with respect to U.S. Central's purchases of the RASC Series 2006-KS9 Trust, Securitized Asset Backed Receivables LLC Trust 2006-FR4, Securitized Asset Backed Receivables LLC Trust 2006-WM2, Securitized Asset Backed Receivables LLC Trust 2006-WM3 and Securitized Asset Backed Receivables LLC Trust 2007-BR4 certificates against Defendant Barclays, as the underwriter and seller of those certificates.

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

388. Defendant Barclays offered to sell and sold the securities to U.S. Central through one or more instrumentalities of interstate commerce (i.e., telephone, faxes, mails, e-mail or other means of electronic communication).

389. Defendant Barclays offered to sell and sold the securities, for its own financial gain, to U.S. Central by means of the prospectus and/or prospectus supplements, as alleged above, and/or oral communications related to the prospectuses and/or prospectus supplements.

390. The prospectuses and/or prospectus supplements contained untrue statements and omitted facts that were necessary to make the statements made not misleading, as alleged above.

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

392. U.S. Central purchased the certificates on the initial offering pursuant to the prospectus and/or prospectus supplements.

393. At the time U.S. Central purchased the certificates, it did not know of the untrue statements and omissions contained in the prospectuses and/or prospectus supplements.

394. Defendant Barclays's conduct as alleged above violated Section 12(a)(2).

395. U.S. Central and the NCUA Board sustained damages as a result of Defendant Barclays' violations of Section 12(a)(2).

396. Under Section 12(a)(2), the NCUA Board is entitled to rescind and recover the consideration U.S. Central paid for the certificates, minus principal and interest received.

WHEREFORE, the NCUA Board requests the Court to enter judgment in its favor against Defendant Barclays, awarding a rescissory measure of damages, or in the alternative compensatory damages, in an amount to be proven at trial; costs, and such other relief as the Court deems appropriate and just.

COUNT EIGHT
Violation of the Kansas Blue Sky Law
Kan. Stat. Ann. § 17-12a509
(Argent Securities Inc., Asset-Backed Pass-Through Certificates, Series 2006-W2, RASC Series 2006-KS9 Trust, Securitized Asset Backed Receivables LLC Trust 2006-FR4, Securitized Asset Backed Receivables LLC Trust 2006-WM2, Securitized Asset Backed Receivables LLC Trust 2006-WM3, Securitized Asset Backed Receivables LLC Trust 2007-BR4)

397. The NCUA Board realleges paragraphs 1 through 327 of this Complaint, as though fully set forth here, except those paragraphs specific to offerings other than the Argent Securities Inc., Asset-Backed Pass-Through Certificates, Series 2006-W2, RASC Series 2006-KS9 Trust, Securitized Asset Backed Receivables LLC Trust 2006-FR4, Securitized Asset

Backed Receivables LLC Trust 2006-WM2, Securitized Asset Backed Receivables LLC Trust 2006-WM3 and the Securitized Asset Backed Receivables LLC Trust 2007-BR4 offerings.

398. The NCUA Board brings this cause of action pursuant to Section 17-12a509 of the Kansas Blue Sky law, with respect to U.S. Central's purchases of the Argent Securities Inc., Asset-Backed Pass-Through Certificates, Series 2006-W2, RASC Series 2006-KS9 Trust, Securitized Asset Backed Receivables LLC Trust 2006-WM2, Securitized Asset Backed Receivables LLC Trust 2006-WM3, Securitized Asset Backed Receivables LLC Trust 2007-BR4 certificates against Defendant Barclays, as the seller of those certificates.

399. Defendant Barclays offered to sell and sold the certificates to U.S. Central by means of written and/or oral communications which included untrue statements of material fact and/or omissions of material facts that were necessary to make the statements made not misleading, as alleged above.

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

401. Defendant Barclays sold the certificates to U.S. Central in Kansas.

402. U.S. Central did not know of these untruths and omissions.

403. If U.S. Central had known about these untruths and omissions, it would not have purchased the securities from Defendant Barclays.

404. Defendant Barclays' sales of the certificates violated Kan. Stat. Ann. § 17-12a509(b).

405. U.S. Central and the NCUA Board sustained damages as a result of Defendant Barclays' violations of Kan. Stat. Ann. § 17-12a509(b).

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

COUNT NINE
Violation of the California Corporate Securities Law
Cal. Corp. Code §§ 25401 and 25501
(BCAP LLC Trust 2006-AA2, BCAP LLC Trust 2007-AA1)

406. The NCUA Board realleges paragraphs 1 through 327 of this Complaint, as though fully set forth here, except those paragraphs specific to offerings other than the BCAP LLC Trust 2006-AA2 and BCAP LLC Trust 2007-AA1 offerings.

407. The NCUA Board brings this cause of action pursuant to Sections 25401 and 25501 of the California Corporate Securities Law, with respect to WesCorp's purchases of the BCAP LLC Trust 2006-AA2 and BCAP LLC Trust 2007-AA1 certificates against Defendant Barclays, as the seller of those certificates.

408. Defendant Barclays offered to sell and sold the certificates to WesCorp by means of written and/or oral communications which included untrue statements of material fact and/or omissions of material facts that were necessary to make the statements made not misleading, as alleged above.

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

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

411. Defendant Barclays sold the certificates to WesCorp in California.

412. Defendant Barclays' sales of the certificates violated Cal. Corp. Code § 25401.

413. WesCorp and the NCUA Board sustained damages as a result of Defendant Barclays' violations of Cal. Corp. Code § 25401.

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

Jury Demand and Designation of Place of Trial

Plaintiff hereby demands a trial by jury of all issues properly triable. Pursuant to Local Rule 40.2(a), Plaintiff hereby designates Kansas City, Kansas as the place of trial of this action.

Dated: September 25, 2012

NATIONAL CREDIT UNION
ADMINISTRATION BOARD,
as Liquidating Agent of U.S. Central Federal
Credit Union and of Western Corporate
Federal Credit Union

By: /s/ Norman E. Siegel

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APPENDIX A

Table 1

CUSIP	ISSUING ENTITY	DEPOSITOR DEFENDANT	PURCHASER	TRADE DATE	PRICE PAID
040104RW3	Argent Securities Inc., Asset-Backed Pass-Through Certificates, Series 2006-W2	-	U.S. Central	15-Feb-06	$14,000,000
05530MAB5	BCAP LLC Trust 2006-AA2	BCAP LLC	WesCorp	29-Nov-06	$38,002,000
05530PAD4	BCAP LLC Trust 2007-AA1	BCAP LLC	WesCorp	27-Feb-07	$29,678,000
75406YAF4	RASC Series 2006-KS9 Trust	-	U.S. Central	25-Oct-06	$12,515,000
81377GAC3	Securitized Asset Backed Receivables LLC Trust 2006-FR4	Securitized Asset Backed Receivables LLC	U.S. Central	7-Dec-06	$24,002,000
81376GAB6	Securitized Asset Backed Receivables LLC Trust 2006-WM2	Securitized Asset Backed Receivables LLC	U.S. Central	13-Oct-06	$200,000,000
81377EAB0	Securitized Asset Backed Receivables LLC Trust 2006-WM3	Securitized Asset Backed Receivables LLC	U.S. Central	21-Nov-06	$100,000,000
81377EAD6	Securitized Asset Backed Receivables LLC Trust 2006-WM3	Securitized Asset Backed Receivables LLC	U.S. Central	21-Nov-06	$20,000,000
81378EAB9	Securitized Asset Backed Receivables LLC Trust 2007-BR4	Securitized Asset Backed Receivables LLC	U.S. Central	12-Jun-07	$40,000,000

Table 2

CUSIP	ISSUING ENTITY	DEPOSITOR DEFENDANT	PURCHASER	TRADE DATE	PRICE PAID
35729VAE7	Fremont Home Loan Trust 2006-D	-	U.S. Central	25-Oct-06	$18,000,000
35729VAF4	Fremont Home Loan Trust 2006-D	-	U.S. Central	25-Oct-06	$32,000,000
55028BAB3	Luminent Mortgage Trust 2006-7	-	WesCorp	18-Jan-07	$27,270,844

Table 3
Credit Ratings System

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

Table 4
Credit Ratings for U.S. Central's and WesCorp's RMBS Purchases

CUSIP	ISSUING ENTITY	PURCHASER	ORIGINAL RATING S&P	ORIGINAL RATING MOODY'S	First Downgrade Below Investment Grade S&P	First Downgrade Below Investment Grade MOODY'S	RECENT RATING S&P	RECENT RATING MOODY'S
040104RW3	Argent Securities Inc., Asset-Backed Pass-Through Certificates, Series 2006-W2	U.S. Central	AAA	Aaa	CCC 8-4-2009	Caa2 3-24-2009	CCC 8-4-2009	Ca 4-12-2010
05530MAB5	BCAP LLC Trust 2006-AA2	WesCorp	AAA	Aaa	B 10-27-2008	B3 8-14-2008	D 5-25-2010	withdrawn 1-5-2012
05530PAD4	BCAP LLC Trust 2007-AA1	WesCorp	AAA	Aaa	B 3-19-2009	Ba2 8-14-2008	D 3-22-2012	C 11-11-2010
35729VAE7	Fremont Home Loan Trust 2006-D	U.S. Central	AAA	Aaa	CCC 8-4-2009	Ba2 10-16-2008	CCC 8-4-2009	Ca 4-29-2010
35729VAF4	Fremont Home Loan Trust 2006-D	U.S. Central	AA+	Aa1	B 9-2-2008	Caa2 10-16-2008	D 2-25-2011	C 3-17-2009
55028BAB3	Luminent Mortgage Trust 2006-7	WesCorp	AAA	NR	CCC 8-19-2009	NR	D 3-23-2010	NR
75406YAF4	RASC Series 2006-KS9 Trust	U.S. Central	AA+	Aa1	BB 3-17-2008	Caa3 10-17-2008	D 6-21-2011	C 3-20-2009
81377GAC3	Securitized Asset Backed Receivables LLC Trust 2006-FR4	U.S. Central	AAA	Aaa	BB 4-4-2008	B1 4-21-2008	D 5-23-2011	Ca 3-20-2009
81376GAB6	Securitized Asset Backed Receivables LLC Trust 2006-WM2	U.S. Central	AAA	Aaa	BB 4-4-2008	B2 11-21-2008	CCC 5-4-2009	Ca 7-8-2010
81377EAB0	Securitized Asset Backed Receivables LLC Trust 2006-WM3	U.S. Central	AAA	Aaa	BB 4-3-2008	Caa2 10-22-2008	D 5-23-2011	Ca 3-20-2009
81377EAD6	Securitized Asset Backed Receivables LLC Trust 2006-WM3	U.S. Central	AA+	Aa1	B 4-3-2008	B2*- 4-21-2008	D 6-25-2009	withdrawn 1-11-2012
81378EAB9	Securitized Asset Backed Receivables LLC Trust 2007-BR4	U.S. Central	AAA	Aaa	B- 8-4-2009	B3 10-22-2008	D 5-23-2011	Ca 7-8-2010

Table 5
Delinquency and Default Rates for U.S. Central's and WesCorp's RMBS Purchases

CUSIP	ISSUING ENTITY	RATE AT CUT-OFF DATE FOR OFFERING	1 MO.	3 MOS.	6 MOS.	12 MOS.	RECENT
	Argent Securities Inc., Asset-Backed Pass-Through Certificates, Series 2006-W2: Aggregate (P.S. dated February 15, 2006)	Zero. (S-13)	0% (Mar., p.10)	2.47% (May, p.10)	7.72% (Aug., p.10)	17.57% (Feb., p.10)	42.27% (July 2012, p.10)
	Argent Securities Inc., Asset-Backed Pass-Through Certificates, Series 2006-W2: Group 1	Zero. (S-13)	0% (Mar., p.11)	2.1% (May, p.11)	6.66% (Aug., p.11)	15.35% (Feb., p.11)	37.87% (July 2012, p.21)
040104RW3	Argent Securities Inc., Asset-Backed Pass-Through Certificates, Series 2006-W2: Group 2 ***Class A-2C in Group 2. (S-6)**	Zero. (S-13)	0% (Mar., p.12)	2.98% (May, p.12)	9.16% (Aug., p.12)	20.48% (Feb., p.12)	50.07% (July 2012, p.27)
05530MAB5	BCAP LLC Trust 2006-AA2 (P.S. dated November 29, 2006)	Zero. (S-32)	4.10% (Dec., p.9)	3.07% (Feb., p.9)	4.72% (May, p.9)	13.14% (Nov., p.9)	34.04% (July 2012, p.9)
	BCAP LLC Trust 2007-AA1: Aggregate (P.S. dated February 26, 2007)	Zero. (S-40)	2.7% (Mar., p.13)	3.6% (May, p.13)	5.47% (Aug., p.13)	13.5% (Feb., p.13)	40.15% (July 2012, p.13)
05530PAD4	BCAP LLC Trust 2007-AA1: Group 1 * Class I-A-4 in Group 1. (S-24)	Zero. (S-40)	2.75% (Mar., p.14)	4.5% (May, p.14)	5.85% (Aug., p.14)	14.04% (Feb., p.15)	49.27% (July 2012, p.18)
	BCAP LLC Trust 2007-AA1: Group 2	Zero. (S-40)	2.65% (Mar., p.15)	2.46% (May, p.15)	4.99% (Aug., p.15)	12.85% (Feb., p.17)	29.28% (July 2012, p.24)
35729VAF4	Fremont Home Loan Trust 2006-D: Aggregate (P.S. dated November 1, 2006) *Class M1 in all Loan Groups. (3)	Zero. (19)	.79% (Dec., p.10)	5.21% (Feb., p.10)	12.45% (May, p.10)	26.17% (Nov., p.10)	43.74% (July 2012, p.9)
	Fremont Home Loan Trust 2006-D: Group 1	Zero. (19)	1% (Dec., p.12)	4.42% (Feb., p.12)	10.19% (May, p.12)	24.12% (Nov., p.12)	46.58% (July 2012, p.10)
35729VAE7	Fremont Home Loan Trust 2006-D: Group 2 *The Class 2-A-4 in Group 2. (3)	Zero. (19)	.52% (Dec., p.12)	1.59% (Feb., p.12)	4.03% (May, p.12)	9.84% (Nov., p.12)	31.52% (July 2012, p.10)

CUSIP	ISSUING ENTITY	RATE AT CUT-OFF DATE FOR OFFERING	1 MO.	3 MOS.	6 MOS.	12 MOS.	RECENT
	Fremont Home Loan Trust 2006-D: Group 3	Zero. (19)	.78% (Dec., p.13)	7.23% (Feb., p.13)	17.55% (May, p.13)	35.42% (Nov., p.13)	51.65% (July 2012, p.11)
	Fremont Home Loan Trust 2006-D: Group 4	Zero. (19)	.51% (Dec., p.13)	4.86% (Feb., p.13)	11.47% (May, p.13)	19.17% (Nov., p.13)	31.52% (July 2012, p.11)
	Luminent Mortgage Trust 2006-7 (P.S. dated December 22, 2006)		2.49% (Jan., p.11)	1.53% (Mar., p.11)	1.81% (June, p.11)	9.40% (Dec., p.11)	40.62% (July 2012, p.11)
55028BAB3	Luminent Mortgage Trust 2006-7: Group 1 ***Class I-A-2 in Group 1. (S-3)**		1.77% (Jan., p.13)	2.94% (Mar., p.13)	3.14% (June, p.13)	11.01% (Dec., p.13)	36.59% (July 2012, p.12)
	Luminent Mortgage Trust 2006-7: Group 2		2.86% (Jan., p.13)	0.88% (Mar., p.13)	1.20% (June, p. 13)	8.63% (Dec., p.13)	42.19% (July 2012, p.12)
75406YAF4	RASC Series 2006-KS9 Trust: Aggregate (P.S. dated October 26, 2006) *Class- M-1S in Sequential Class M Certificates. (S-64)	Zero. (S-53)	0.00% (Nov., p.9)	5.90% (Jan., p.9)	11.11% (Apr., p.9)	23.74% (Oct., p.9)	37.01% (July 2012, p.9)
	RASC Series 2006-KS9 Trust: Group 1: Arm	Zero. (S-47)	0.00% (Nov., p.10)	7.08% (Jan., p.10)	13.21% (Apr., p.10)	28.14% (Oct., p.10)	42.27% (July 2012, p.10)
	RASC Series 2006-KS9 Trust: Group 1: Fixed	Zero. (S-47)	0.00% (Nov., p.11)	2.50% (Jan., p.11)	6.11% (Apr., p.11)	12.11% (Oct., p.11)	27.45% (July 2012, p.11)
	RASC Series 2006-KS9 Trust: Group 2: Arm	Zero. (S-50)	0.00% (Nov., p.12)	7.24% (Jan., p.12)	11.33% (Apr., p.12)	26.01% (Oct., p.12)	39.76% (July 2012, p.12)
	RASC Series 2006-KS9 Trust: Group 2: Fixed	Zero. (S-50)	0.00% (Nov., p.13)	2.05% (Jan., p.13)	5.16% (Apr., p.13)	13.08% (Oct., p.13)	27.14%% (July 2012, p.13)
	Securitized Asset Backed Receivables LLC Trust 2006-FR4: Aggregate (P.S. dated December 11, 2006)	2.99% of mortgage loans 30 to 59 days delinquent. (S-9)	5% (Dec., p.10)	12.61% (Feb., p.11)	19.10% (May, p.10)	35.79% (Nov., p.10)	42.15% (July 2012, p.11)
	Securitized Asset Backed Receivables LLC Trust 2006-FR4: Group 1	2.99% of mortgage loans 30 to 59 days delinquent. (S-9)	3.2% (Dec., p.11)	7.60% (Feb., p.12)	12.90% (May, p.11)	28.45% (Nov., p.11)	43.80% (July 2012, p.16)

CUSIP	ISSUING ENTITY	RATE AT CUT-OFF DATE FOR OFFERING	1 MO.	3 MOS.	6 MOS.	12 MOS.	RECENT
81377GAC3	Securitized Asset Backed Receivables LLC Trust 2006-FR4: Group 2 * Class A-2C in Group 2. (S-11)	2.99% of mortgage loans 30 to 59 days delinquent. (S-9)	5.57% (Dec., p.12)	14.23% (Feb., p.13)	21.10% (May, p.12)	38.14% (Nov., p.12)	41.55% (July 2012, p.22)
81376GAB6	Securitized Asset Backed Receivables LLC Trust 2006-WM2 (P.S. dated October 19, 2006)	.23% of mortgage loans 30 to 59 days delinquent. (S-9)	3.26% (Nov., p.11)	8.86% (Jan., p.10)	14.41% (Apr., p.10)	28.75% (Oct., p.9)	36.53% (July 2012, p.9)
	Securitized Asset Backed Receivables LLC Trust 2006-WM2: Group 1	.23% of mortgage loans 30 to 59 days delinquent. (S-9)	N/A	N/A	N/A	N/A	36.75% (July 2012, p.10)
	Securitized Asset Backed Receivables LLC Trust 2006-WM2: Group 2	.23% of mortgage loans 30 to 59 days delinquent. (S-9)	N/A	N/A	N/A	N/A	36.45% (July 2012, p.10)
81377EAB0 81377EAD6	Securitized Asset Backed Receivables LLC Trust 2006-WM3 (P.S. dated November 29,2006)	.33% of mortgage loans 30 to 59 days delinquent. (S-9)	3.82% (Dec., p.11)	10.26% (Feb., p.11)	15.69% (May, p.10)	30.53% (Nov., p.10)	37.87% (July 2012, p.11)
	Securitized Asset Backed Receivables LLC Trust 2007-BR4: Aggregate (P.S. dated June 13, 2007) *Class A-2B in Group 2. (S-10)	.55% of mortgage loans 30 to 59 days delinquent. (S-9)	3.35% (Jun., p.10)	9.55% (Aug., p.10)	18.91% (Nov., p.10)	33.37% (May, p.10)	34.04% (July 2012, p.11)
	Securitized Asset Backed Receivables LLC Trust 2007-BR4: Group 1	.55% of mortgage loans 30 to 59 days delinquent. (S-9)	2.91% (Jun., p.11)	7.23% (Aug., p.11)	15.24% (Nov., p.11)	29.77% (May, p.13)	35.98% (July 2012, p.16)
81378EAB9	Securitized Asset Backed Receivables LLC Trust 2007-BR4: Group 2 *Class A-2B in Group 2. (S-10)	.55% of mortgage loans 30 to 59 days delinquent. (S-9)	3.42% (Jun., p.12)	9.91% (Aug., p.12)	19.48% (Nov., p.12)	33.92% (May, p.15)	33.71% (July 2012, p.22)

Table 6
Originator "Originate-to-Distribute" Percentages

Originator	OTD % 2005	OTD% 2006	OTD % 2007
Aegis Mortgage Corporation	100	100	-
Argent Mortgage Company, LLC	80.1	87.4	89.4
Countrywide Home Loans, Inc.	98.5	96.5	98.4
Fremont Investment & Loan	91.2	85.2	94.0
GreenPoint Mortgage Funding, Inc.	89.0	87.1	95.6
Home123 Corporation	94.3	44.3	-
Homecomings Financial, LLC	97.4	97.9	99.9
IndyMac Bank, F.S.B.	81.1	87.7	82.8
Lehman Brothers Bank	87.9	81.5	36.8
New Century Mortgage Corporation	92.4	84.2	-
OwnIt Mortgage Solutions, Inc.	100	-	-
People's Choice Home Loan, Inc.	83.4	87.8	-
WMC Mortgage Corp.	100	100	100

APPENDIX B

Figure 1
Illustration of the Securitization Process

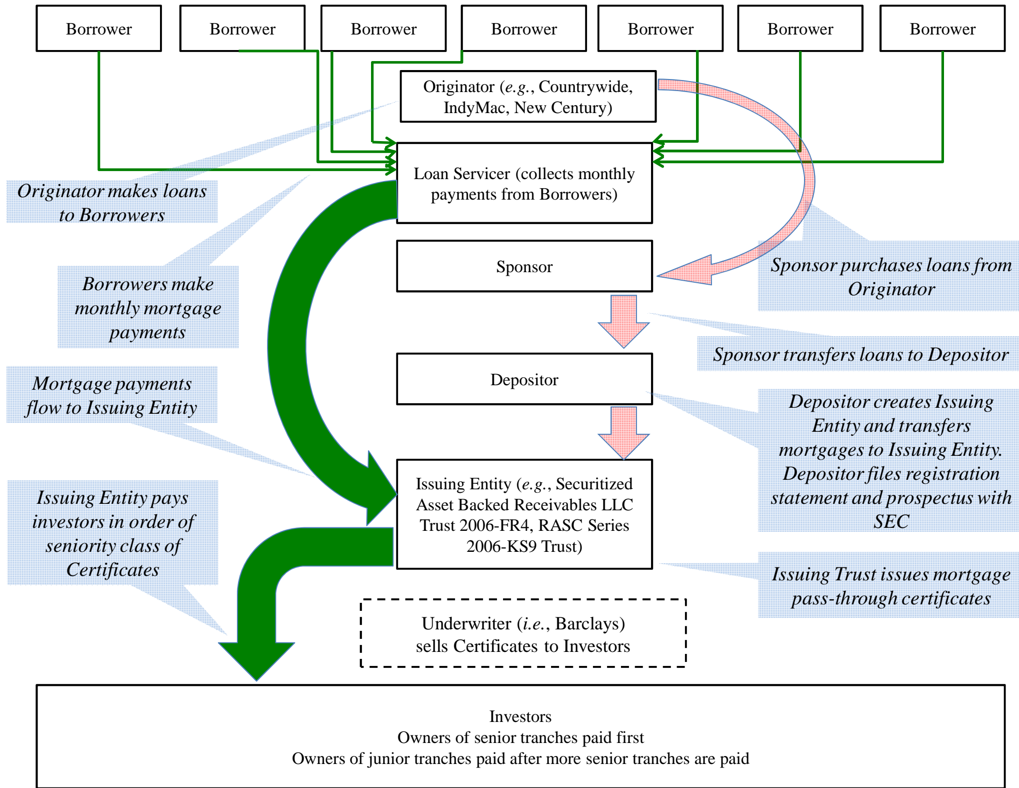
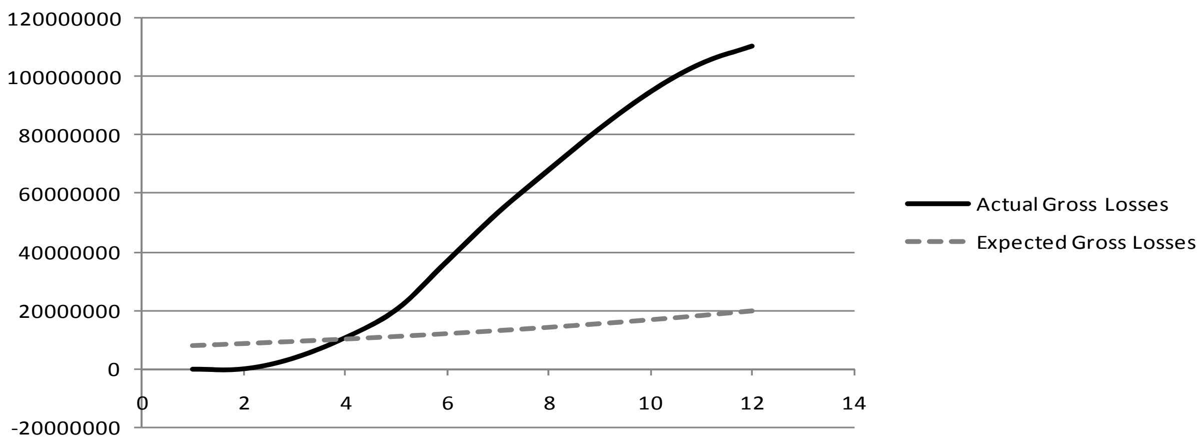
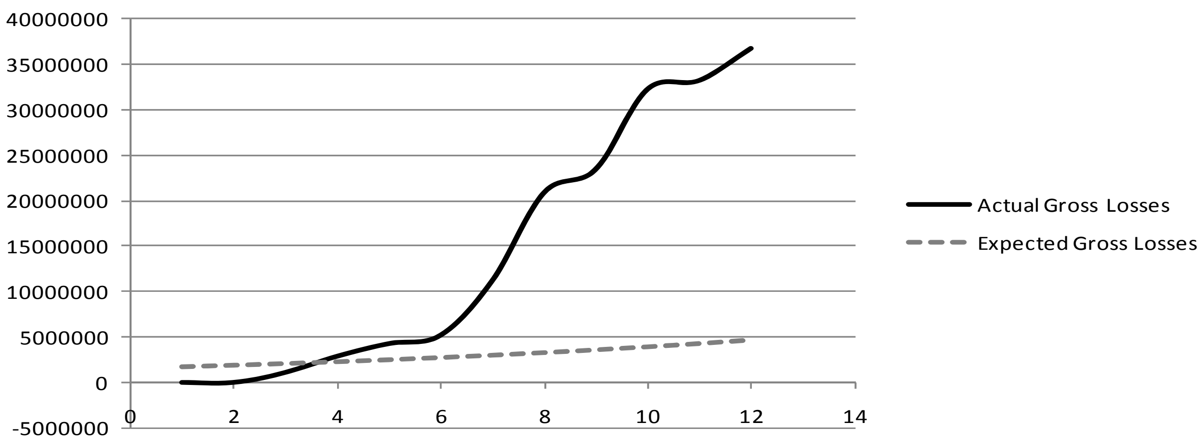


Figure 2
Illustration of Expected Gross Losses v. Actual Gross Losses for U.S. Central's and WesCorp's RMBS Purchases

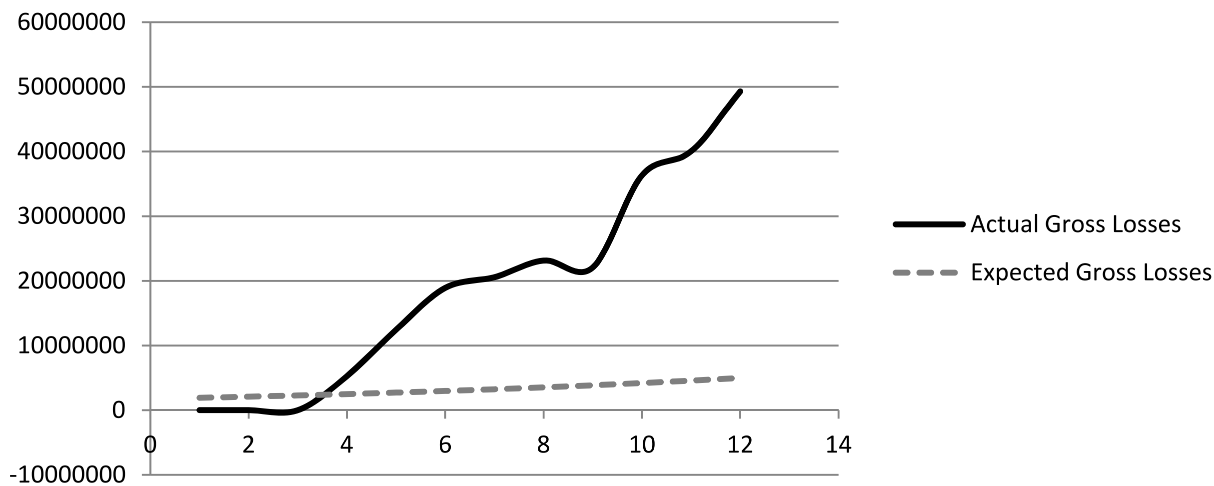
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Argent Securities Trust 2006-W2	36890	1	$ -	$ 7,642,233
Argent Securities Trust 2006-W2	36890	2	$ 90,658	$ 8,347,230
Argent Securities Trust 2006-W2	36890	3	$ 3,846,762	$ 9,115,784
Argent Securities Trust 2006-W2	36890	4	$ 10,795,824	$ 9,953,341
Argent Securities Trust 2006-W2	36890	5	$ 20,230,622	$ 10,865,759
Argent Securities Trust 2006-W2	36890	6	$ 36,746,851	$ 11,859,330
Argent Securities Trust 2006-W2	36890	7	$ 53,338,839	$ 12,940,796
Argent Securities Trust 2006-W2	36890	8	$ 67,914,639	$ 14,117,373
Argent Securities Trust 2006-W2	36890	9	$ 82,027,163	$ 15,396,760
Argent Securities Trust 2006-W2	36890	10	$ 94,578,602	$ 16,787,158
Argent Securities Trust 2006-W2	36890	11	$ 104,270,525	$ 18,297,271
Argent Securities Trust 2006-W2	36890	12	$ 110,193,229	$ 19,936,315



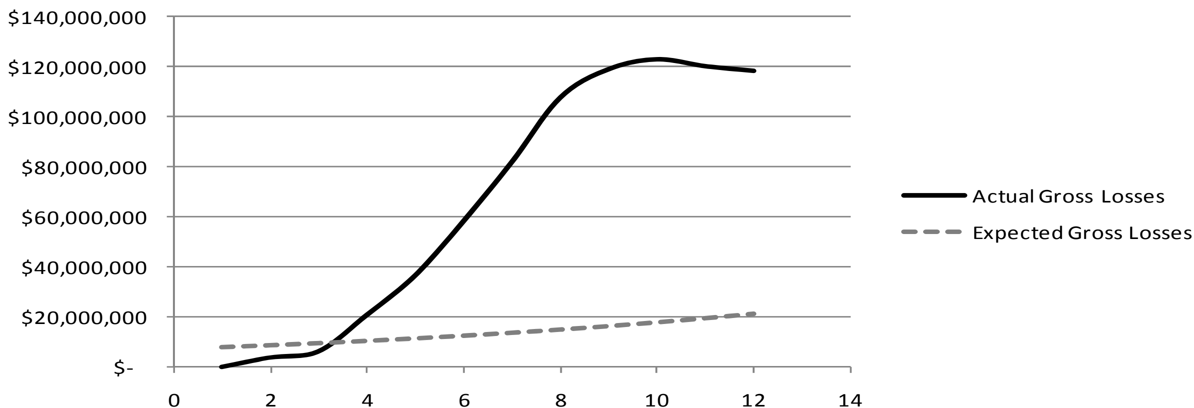
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
BCAP, LLC 2006-AA2	41160	1	$ -	$ 1,777,978
BCAP, LLC 2006-AA2	41160	2	$ -	$ 1,941,996
BCAP, LLC 2006-AA2	41160	3	$ 1,104,000	$ 2,120,802
BCAP, LLC 2006-AA2	41160	4	$ 2,895,980	$ 2,315,661
BCAP, LLC 2006-AA2	41160	5	$ 4,286,943	$ 2,527,936
BCAP, LLC 2006-AA2	41160	6	$ 5,203,741	$ 2,759,092
BCAP, LLC 2006-AA2	41160	7	$ 11,229,339	$ 3,010,697
BCAP, LLC 2006-AA2	41160	8	$ 20,931,470	$ 3,284,429
BCAP, LLC 2006-AA2	41160	9	$ 23,496,991	$ 3,582,081
BCAP, LLC 2006-AA2	41160	10	$ 32,336,294	$ 3,905,559
BCAP, LLC 2006-AA2	41160	11	$ 33,299,575	$ 4,256,889
BCAP, LLC 2006-AA2	41160	12	$ 36,833,330	$ 4,638,215



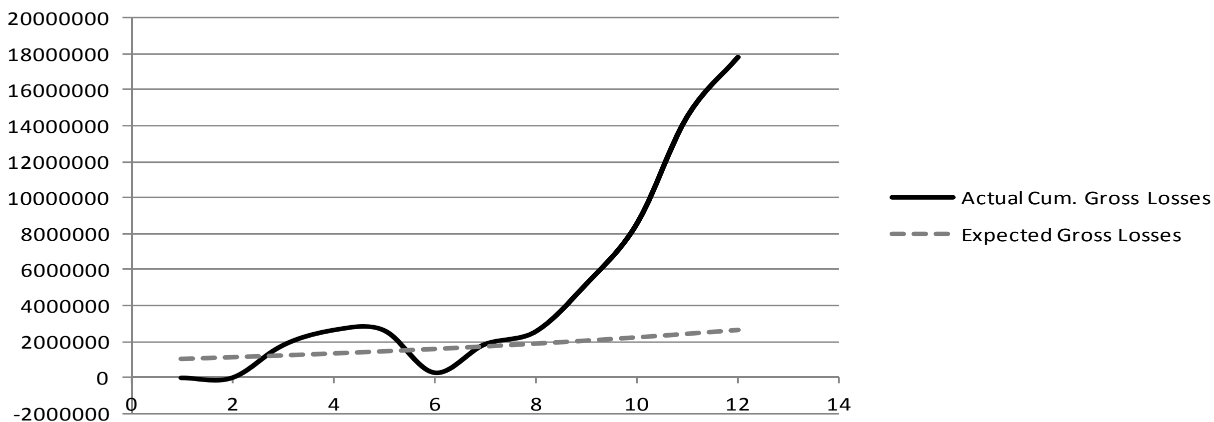
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
BCAP LLC Trust 2007-AA1	40920	1	$ -	$ 1,917,143
BCAP LLC Trust 2007-AA1	40920	2	$ -	$ 2,094,000
BCAP LLC Trust 2007-AA1	40920	3	$ -	$ 2,286,800
BCAP LLC Trust 2007-AA1	40920	4	$ 5,283,437	$ 2,496,911
BCAP LLC Trust 2007-AA1	40920	5	$ 12,456,212	$ 2,725,802
BCAP LLC Trust 2007-AA1	40920	6	$ 18,921,827	$ 2,975,050
BCAP LLC Trust 2007-AA1	40920	7	$ 20,569,097	$ 3,246,349
BCAP LLC Trust 2007-AA1	40920	8	$ 23,148,525	$ 3,541,507
BCAP LLC Trust 2007-AA1	40920	9	$ 22,072,675	$ 3,862,456
BCAP LLC Trust 2007-AA1	40920	10	$ 36,299,348	$ 4,211,253
BCAP LLC Trust 2007-AA1	40920	11	$ 40,018,106	$ 4,590,083
BCAP LLC Trust 2007-AA1	40920	12	$ 49,300,426	$ 5,001,256



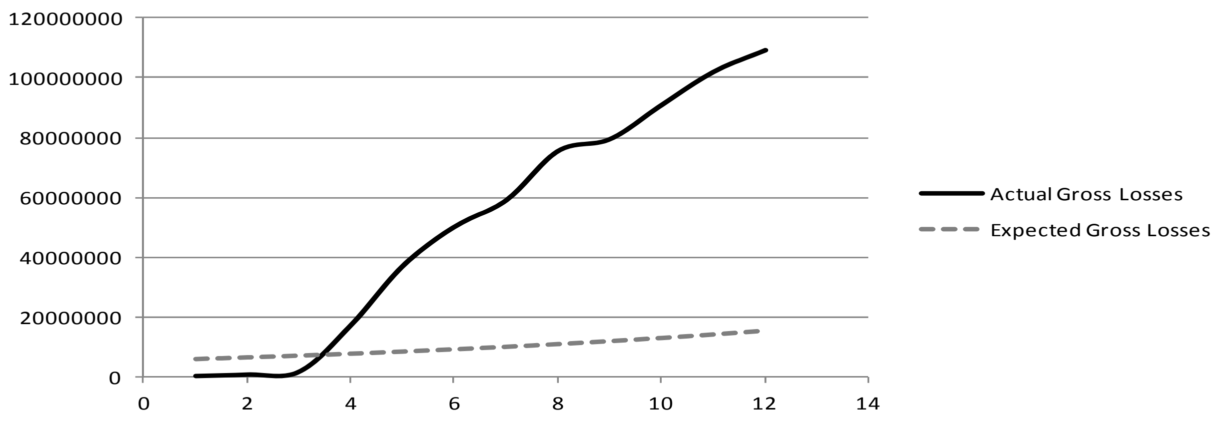
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Fremont Home Loan Trust 2006-D	39741	1	$ -	$ 8,287,486
Fremont Home Loan Trust 2006-D	39741	2	$ 3,753,135	$ 9,052,007
Fremont Home Loan Trust 2006-D	39741	3	$ 6,212,973	$ 9,885,452
Fremont Home Loan Trust 2006-D	39741	4	$ 20,765,954	$ 10,793,726
Fremont Home Loan Trust 2006-D	39741	5	$ 36,520,130	$ 11,783,182
Fremont Home Loan Trust 2006-D	39741	6	$ 58,203,553	$ 12,860,642
Fremont Home Loan Trust 2006-D	39741	7	$ 81,810,437	$ 14,033,419
Fremont Home Loan Trust 2006-D	39741	8	$ 107,497,063	$ 15,309,337
Fremont Home Loan Trust 2006-D	39741	9	$ 118,828,404	$ 16,696,747
Fremont Home Loan Trust 2006-D	39741	10	$ 122,788,975	$ 18,204,539
Fremont Home Loan Trust 2006-D	39741	11	$ 120,044,997	$ 19,842,154
Fremont Home Loan Trust 2006-D	39741	12	$ 118,165,126	$ 21,619,586



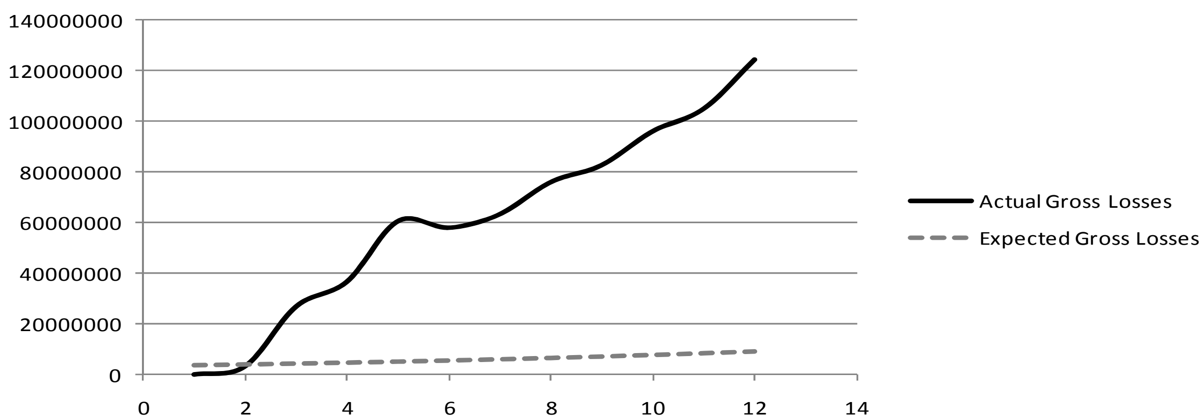
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Luminent Mortgage Loan Trust 2006-7	39950	1	$ -	$ 1,017,653
Luminent Mortgage Loan Trust 2006-7	39950	2	$ -	$ 1,111,532
Luminent Mortgage Loan Trust 2006-7	39950	3	$ 1,797,650	$ 1,213,874
Luminent Mortgage Loan Trust 2006-7	39950	4	$ 2,644,450	$ 1,325,404
Luminent Mortgage Loan Trust 2006-7	39950	5	$ 2,644,450	$ 1,446,903
Luminent Mortgage Loan Trust 2006-7	39950	6	$ 287,988	$ 1,579,209
Luminent Mortgage Loan Trust 2006-7	39950	7	$ 1,863,750	$ 1,723,219
Luminent Mortgage Loan Trust 2006-7	39950	8	$ 2,563,695	$ 1,879,894
Luminent Mortgage Loan Trust 2006-7	39950	9	$ 5,196,874	$ 2,050,259
Luminent Mortgage Loan Trust 2006-7	39950	10	$ 8,540,143	$ 2,235,407
Luminent Mortgage Loan Trust 2006-7	39950	11	$ 14,504,349	$ 2,436,496
Luminent Mortgage Loan Trust 2006-7	39950	12	$ 17,793,779	$ 2,654,754



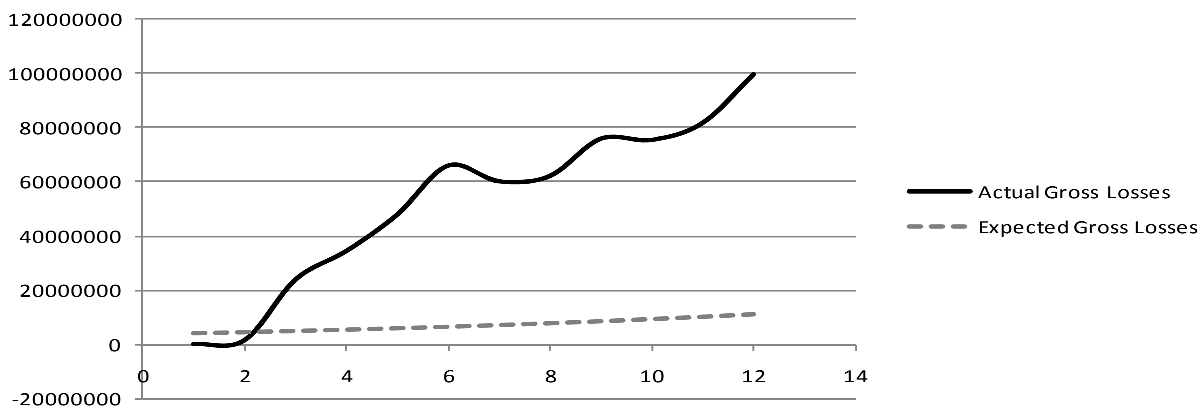
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
RASC Series 2006-KS9 Trust	39677	1	$ 500,187	$ 5,886,653
RASC Series 2006-KS9 Trust	39677	2	$ 948,163	$ 6,429,697
RASC Series 2006-KS9 Trust	39677	3	$ 1,953,677	$ 7,021,698
RASC Series 2006-KS9 Trust	39677	4	$ 17,528,610	$ 7,666,851
RASC Series 2006-KS9 Trust	39677	5	$ 37,197,835	$ 8,369,667
RASC Series 2006-KS9 Trust	39677	6	$ 50,239,854	$ 9,134,994
RASC Series 2006-KS9 Trust	39677	7	$ 59,078,469	$ 9,968,025
RASC Series 2006-KS9 Trust	39677	8	$ 75,438,849	$ 10,874,317
RASC Series 2006-KS9 Trust	39677	9	$ 79,361,613	$ 11,859,803
RASC Series 2006-KS9 Trust	39677	10	$ 90,777,459	$ 12,930,797
RASC Series 2006-KS9 Trust	39677	11	$ 101,780,983	$ 14,094,005
RASC Series 2006-KS9 Trust	39677	12	$ 108,972,314	$ 15,356,527



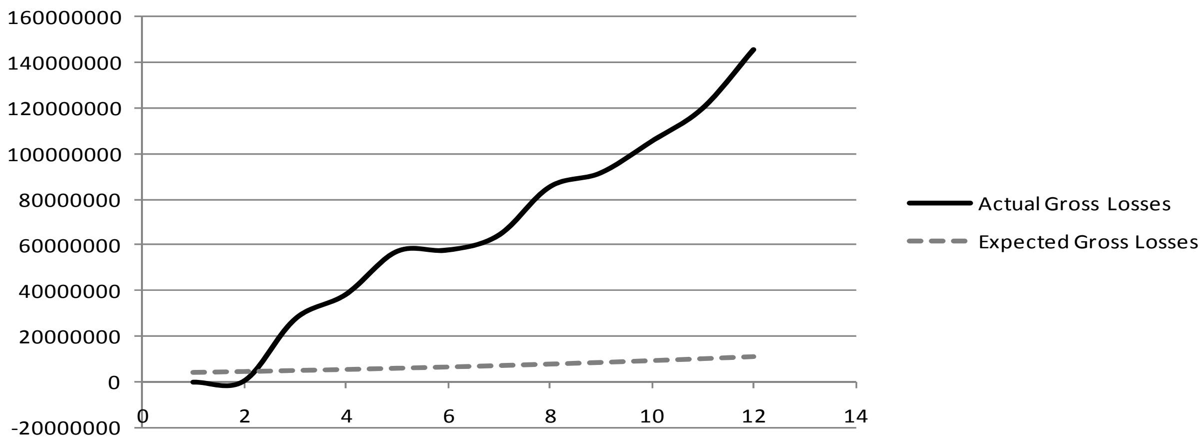
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Securitized Asset Backed Receivables LLC Trust 2006-FR4	40582	1	$ -	$ 3,621,805
Securitized Asset Backed Receivables LLC Trust 2006-FR4	40582	2	$ 3,279,186	$ 3,955,917
Securitized Asset Backed Receivables LLC Trust 2006-FR4	40582	3	$ 26,894,432	$ 4,320,149
Securitized Asset Backed Receivables LLC Trust 2006-FR4	40582	4	$ 36,751,715	$ 4,717,084
Securitized Asset Backed Receivables LLC Trust 2006-FR4	40582	5	$ 60,701,998	$ 5,149,497
Securitized Asset Backed Receivables LLC Trust 2006-FR4	40582	6	$ 58,099,814	$ 5,620,370
Securitized Asset Backed Receivables LLC Trust 2006-FR4	40582	7	$ 63,461,039	$ 6,132,898
Securitized Asset Backed Receivables LLC Trust 2006-FR4	40582	8	$ 76,148,806	$ 6,690,501
Securitized Asset Backed Receivables LLC Trust 2006-FR4	40582	9	$ 82,861,563	$ 7,296,828
Securitized Asset Backed Receivables LLC Trust 2006-FR4	40582	10	$ 96,256,376	$ 7,955,765
Securitized Asset Backed Receivables LLC Trust 2006-FR4	40582	11	$ 105,121,894	$ 8,671,437
Securitized Asset Backed Receivables LLC Trust 2006-FR4	40582	12	$ 124,615,059	$ 9,448,212



Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Securitized Asset Backed Receivables LLC Trust 2006-WM2	39375	1	$ -	$ 4,206,770
Securitized Asset Backed Receivables LLC Trust 2006-WM2	39375	2	$ 1,472,265	$ 4,594,845
Securitized Asset Backed Receivables LLC Trust 2006-WM2	39375	3	$ 23,869,115	$ 5,017,906
Securitized Asset Backed Receivables LLC Trust 2006-WM2	39375	4	$ 34,484,260	$ 5,478,950
Securitized Asset Backed Receivables LLC Trust 2006-WM2	39375	5	$ 47,939,614	$ 5,981,203
Securitized Asset Backed Receivables LLC Trust 2006-WM2	39375	6	$ 66,120,394	$ 6,528,127
Securitized Asset Backed Receivables LLC Trust 2006-WM2	39375	7	$ 60,313,685	$ 7,123,435
Securitized Asset Backed Receivables LLC Trust 2006-WM2	39375	8	$ 62,286,828	$ 7,771,097
Securitized Asset Backed Receivables LLC Trust 2006-WM2	39375	9	$ 76,064,340	$ 8,475,353
Securitized Asset Backed Receivables LLC Trust 2006-WM2	39375	10	$ 75,653,277	$ 9,240,716
Securitized Asset Backed Receivables LLC Trust 2006-WM2	39375	11	$ 81,899,334	$ 10,071,978
Securitized Asset Backed Receivables LLC Trust 2006-WM2	39375	12	$ 99,915,045	$ 10,974,212



Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Securitized Asset Backed Receivables LLC Trust 2006-WM3	40362	1	$ -	$ 4,111,142
Securitized Asset Backed Receivables LLC Trust 2006-WM3	40362	2	$ 545,631	$ 4,490,395
Securitized Asset Backed Receivables LLC Trust 2006-WM3	40362	3	$ 27,622,540	$ 4,903,839
Securitized Asset Backed Receivables LLC Trust 2006-WM3	40362	4	$ 38,406,808	$ 5,354,403
Securitized Asset Backed Receivables LLC Trust 2006-WM3	40362	5	$ 57,196,374	$ 5,845,239
Securitized Asset Backed Receivables LLC Trust 2006-WM3	40362	6	$ 57,761,237	$ 6,379,731
Securitized Asset Backed Receivables LLC Trust 2006-WM3	40362	7	$ 64,299,327	$ 6,961,506
Securitized Asset Backed Receivables LLC Trust 2006-WM3	40362	8	$ 85,445,549	$ 7,594,446
Securitized Asset Backed Receivables LLC Trust 2006-WM3	40362	9	$ 91,535,194	$ 8,282,693
Securitized Asset Backed Receivables LLC Trust 2006-WM3	40362	10	$ 105,339,051	$ 9,030,658
Securitized Asset Backed Receivables LLC Trust 2006-WM3	40362	11	$ 119,796,917	$ 9,843,023
Securitized Asset Backed Receivables LLC Trust 2006-WM3	40362	12	$ 145,478,072	$ 10,724,748



Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Securitized Asset Backed Receivables LLC Trust 2007-BR4	41355	1	$ 34,292	$ 5,785,223
Securitized Asset Backed Receivables LLC Trust 2007-BR4	41355	2	$ 68,586,197	$ 6,318,910
Securitized Asset Backed Receivables LLC Trust 2007-BR4	41355	3	$ 15,907,771	$ 6,900,711
Securitized Asset Backed Receivables LLC Trust 2007-BR4	41355	4	$ 29,318,819	$ 7,534,747
Securitized Asset Backed Receivables LLC Trust 2007-BR4	41355	5	$ 41,228,630	$ 8,225,454
Securitized Asset Backed Receivables LLC Trust 2007-BR4	41355	6	$ 66,710,406	$ 8,977,593
Securitized Asset Backed Receivables LLC Trust 2007-BR4	41355	7	$ 86,974,989	$ 9,796,271
Securitized Asset Backed Receivables LLC Trust 2007-BR4	41355	8	$ 102,746,325	$ 10,686,947
Securitized Asset Backed Receivables LLC Trust 2007-BR4	41355	9	$ 121,505,612	$ 11,655,453
Securitized Asset Backed Receivables LLC Trust 2007-BR4	41355	10	$ 150,441,981	$ 12,707,993
Securitized Asset Backed Receivables LLC Trust 2007-BR4	41355	11	$ 144,512,249	$ 13,851,159
Securitized Asset Backed Receivables LLC Trust 2007-BR4	41355	12	$ 164,325,484	$ 15,091,926