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, Western Corporate Federal Credit Union, and of Southwest Corporate Federal Credit Union,	) Case No. 12-2648 JWL/JPO
Plaintiff,	) **JURY TRIAL DEMANDED**
v.	)
CREDIT SUISSE SECURITIES (USA) LLC, CREDIT SUISSE FIRST BOSTON MORTGAGE SECURITIES CORP., and INDYMAC MBS, INC.,	)
Defendants.	)

COMPLAINT

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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"), Western Corporate Federal Credit Union ("WesCorp") and Southwest Corporate Federal Credit Union ("Southwest") (collectively "the Credit Unions") against Credit Suisse Securities (USA), LLC ("Credit Suisse") as underwriter and seller, and against Credit Suisse First Boston Mortgage Securities Corp. and IndyMac MBS, Inc. (collectively, the "Issuer Defendants"), as issuers, of certain residential mortgage-backed securities ("RMBS") purchased by the Credit Unions, and alleges as follows:

I. NATURE OF THE ACTION

1. This action arises out of the sale of RMBS to the Credit Unions where Credit Suisse acted as underwriter and/or seller of the RMBS.

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

3. The Issuer Defendants issued and Credit Suisse 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 the Credit Unions.

6. The Offering Documents represented that the Originators adhered to the underwriting guidelines 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 mortgages comprised 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 loan.

9. The Credit Unions purchased the RMBS listed in Table 1 (*infra*) through initial offerings directly from Credit Suisse by means of prospectuses or oral communications. Thus, Credit Suisse 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
02150PAC2	Alternative Loan Trust 2007-OA6	-	WesCorp	26-Apr-07	$126,768,750
31659TEJ0	Fieldstone Mortgage Investment Trust, Series 2005-3	-	WesCorp	28-Oct-05	$44,283,000
31659TEK7	Fieldstone Mortgage Investment Trust, Series 2005-3	-	WesCorp	28-Oct-05	$20,369,000
437084QZ2	Home Equity Asset Trust 2005-9	-	WesCorp	27-Oct-05	$9,501,248
43709NAE3	Home Equity Asset Trust 2006-7	Credit Suisse First Boston Mortgage Securities Corp.	U.S. Central	22-Sep-06	$22,000,000
43709QAD8	Home Equity Asset Trust 2006-8	Credit Suisse First Boston Mortgage Securities Corp.	U.S. Central	26-Oct-06	$35,000,000
43709QAE6	Home Equity Asset Trust 2006-8	Credit Suisse First Boston Mortgage Securities Corp.	U.S. Central	26-Oct-06	$53,500,000
43709QAG1	Home Equity Asset Trust 2006-8	Credit Suisse First Boston Mortgage Securities Corp.	U.S. Central	26-Oct-06	$11,000,000

[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
45668NAB3	IndyMac INDX Mortgage Loan Trust 2006-AR41	-	WesCorp	22-Dec-06	$11,111,000
45668NAD9	IndyMac INDX Mortgage Loan Trust 2006-AR41	-	WesCorp	22-Dec-06	$41,390,000
45670AAB7	IndyMac INDX Mortgage Loan Trust 2007-FLX3	-	WesCorp	26-Apr-07	$45,615,000
75115YAB5	RALI Series 2007-QO1 Trust	-	U.S. Central	23-Jan-07	$27,500,000
75115YAC3	RALI Series 2007-QO1 Trust	-	WesCorp	23-Jan-07	$42,500,000
74924XAC9	RASC Series 2007-EMX1 Trust	-	U.S. Central	8-Mar-07	$105,994,000

10. The Credit Unions 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 a material fact required to be stated therein or necessary to make the statements therein not misleading. Credit Suisse was an underwriter for each of the securities listed in Table 2 and is therefore liable under Section 11. Credit Suisse also sold certain of the securities directly to WesCorp as indicated in Table 2 (*infra*). Credit Suisse is therefore liable under the California Corporate Securities Law for any untrue statements made in connection with the sale of those certificates.

Table 2

CUSIP	ISSUING ENTITY	UNDERWRITER/ (SELLER)	DEPOSITOR DEFENDANT	PURCHASER	TRADE DATE	PRICE PAID
225470B28	Adjustable Rate Mortgage Trust 2006-1	Credit Suisse	-	WesCorp	27-Feb-06	$ 15,585,089
00703QBF8	Adjustable Rate Mortgage Trust 2006-3	Credit Suisse	Credit Suisse First Boston Mortgage Securities Corp.	WesCorp	12-Sep-06	$ 26,354,210
00703AAG2	Adjustable Rate Mortgage Trust 2007-2	Credit Suisse	Credit Suisse First Boston Mortgage Securities Corp.	WesCorp	4-Jun-07	$ 35,282,311
45661SAE3	IndyMac INDA Mortgage Loan Trust 2006-AR2	Credit Suisse	IndyMac MBS, Inc.	WesCorp	14-Sep-06	$ 11,735,266
45661FAC5	IndyMac Residential Mortgage-Backed Trust, Series 2006-L2	-	-	Southwest	14-Jun-06	$5,000,000
80556AAD9	Saxon Asset Securities Trust 2006-3: SAST 2006-3	-	-	U.S. Central	28-Sep-06	$25,000,000

11. The RMBS purchased by the Credit Unions suffered a significant drop in market value. The Credit Unions 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 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 through assessments against all federally-insured credit unions in the country. The NCUSIF insures the deposits of account holders in all federal credit unions and the majority of state-chartered credit unions. 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. Southwest was a federally chartered corporate credit union with its offices and principal place of business in Plano, Texas. As a corporate credit union, Southwest provided investment and financial services to other credit unions.

16. The NCUA Board placed U.S. Central and WesCorp into conservatorship on March 20, 2009, pursuant to its authority under the FCU Act, 12 U.S.C. § 1786(h). On September 24, 2010, the NCUA Board placed Southwest into conservatorship pursuant to the FCU Act, 12 U.S.C. § 1786(h). 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. On October 31, 2010, the NCUA Board placed Southwest into involuntary liquidation, appointing itself Liquidating Agent.

17. 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 the Credit Unions and of any member, account holder, officer or director of the Credit Unions, with respect to the Credit Unions 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 the Credit Unions, and succeeds to all rights, titles, powers, and privileges of the Credit Unions, *see* 12 U.S.C. § 1787(b)(2)(A). The NCUA Board may also sue on the Credit Unions' behalf. *See* 12 U.S.C. §§ 1766(b)(3)(A), 1787(b)(2), 1789(a)(2).

18. Prior to being placed into conservatorship and involuntary liquidation, the Credit Unions were among the largest corporate credit unions in the United States.

19. Any recoveries from this legal action will reduce the total losses resulting from the failure of the Credit Unions. Losses from the Credit Unions failure 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 the Credit Unions' failure, 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.

20. Defendant Credit Suisse is a wholly owned subsidiary of Credit Suisse Group AG. Credit Suisse is a Delaware limited liability company headquartered in New York and is a U.S. Securities and Exchange Commission ("SEC") registered broker-dealer. Credit Suisse was an underwriter of all the RMBS that are the subject of this Complaint and that are listed in Tables 1 and 2 (*supra*).

21. Defendant Credit Suisse First Boston Mortgage Securities Corp. is the depositor and issuer of the Adjustable Rate Mortgage Trust 2006-3, Adjustable Rate Mortgage Trust 2007-2, Home Equity Asset Trust 2006-7, and Home Equity Asset Trust 2006-8. Credit Suisse First Boston Mortgage Securities Corp. is a Delaware corporation with its principal place of business in New York.

22. Defendant IndyMac MBS, Inc. is the depositor and issuer of the IndyMac INDA Mortgage Loan Trust 2006-AR2 offering. IndyMac MBS, Inc. is a Delaware corporation with its principal place of business in California.

III. JURISDICTION AND VENUE

23. 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."

24. 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

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

26. 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.

27. 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.

28. 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.

29. 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 mortgages, 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.

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

31. 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").

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

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

34. 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).

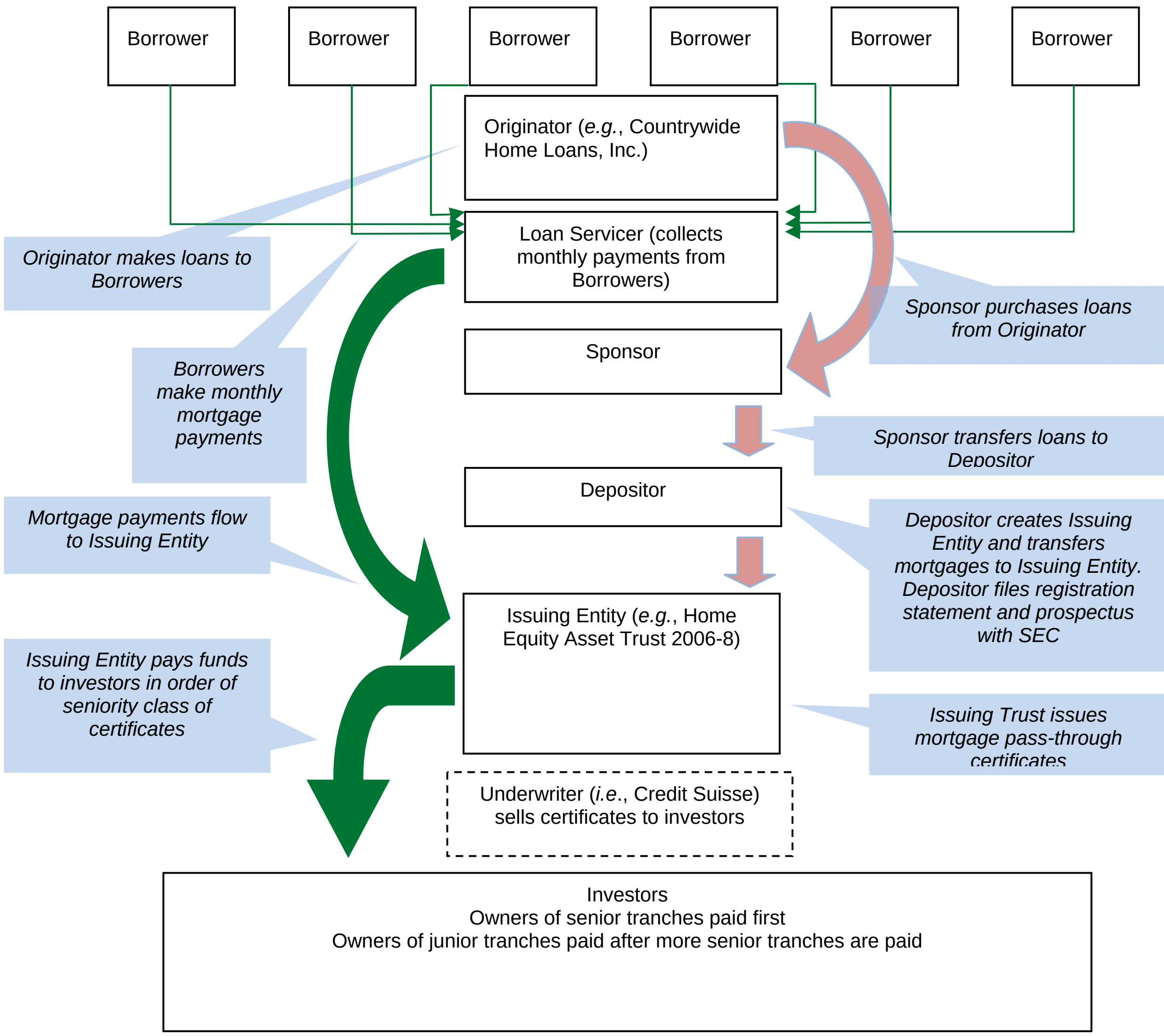
35. The depositor files required documents (such as registration statements and prospectuses) with the SEC so that the certificates can be offered to the public.

36. One or more "underwriters"—like Credit Suisse—then sell the certificates to investors.

37. 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.

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

Figure 1
Illustration of the Securitization Process



39. 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

40. 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.

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

42. 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**	

43. 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.

44. 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 is institutional investors, such as the Credit Unions, 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).

45. 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.

46. 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.

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

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

49. 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.

50. 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. CREDIT UNIONS' PURCHASES

51. The Credit Unions purchased only the highest-rated tranches of RMBS. All but six were rated triple-A at the time of issuance. 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 the Credit Unions' 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
225470B28	Adjustable Rate Mortgage Trust 2006-1	WesCorp	AAA	NR	B 10-6-2008	NR	D 5-25-2010	NR
00703QBF8	Adjustable Rate Mortgage Trust 2006-3	WesCorp	AAA	Aaa	CCC 9-1-2009	Ca 2-4-2009	D 9-24-2010	C 9-16-2010
00703AAG2	Adjustable Rate Mortgage Trust 2007-2	WesCorp	AAA	Aaa	B 10-14-2008	Caa1 9-2-2008	D 10-22-2009	C 9-16-2010
02150PAC2	Alternative Loan Trust 2007-OA6	WesCorp	AAA	Aaa	B- 9-2-2009	Caa1 2-19-2009	CCC 3-10-2010	C 12-9-2010
31659TEJ0	Fieldstone Mortgage Investment Trust, Series 2005-3	WesCorp	AA+	Aa1	CCC 1-26-2009	B2 3-16-2009	CCC 1-26-2009	C 8-6-2010
31659TEK7	Fieldstone Mortgage Investment Trust, Series 2005-3	WesCorp	AA+	Aa2	CCC 1-26-2009	Caa3 3-16-2009	CC 8-4-2009	C 8-6-2010
437084QZ2	Home Equity Asset Trust 2005-9	WesCorp	AA+	Aa2	B- 8-4-2009	Caa2 3-19-2009	CC 8-11-2011	C 5-5-2010
43709NAE3	Home Equity Asset Trust 2006-7	U.S. Central	AAA	Aaa	B 9-2-2008	Caa2 10-28-2008	CCC 10-1-2009	C 3-19-2009
43709QAD8	Home Equity Asset Trust 2006-8	U.S. Central	AAA	Aaa	BB 12-19-2008	Caa1 10-28-2008	CCC 7-18-2011	C 5-5-2010
43709QAE6	Home Equity Asset Trust 2006-8	U.S. Central	AAA	Aaa	B 9-22-2008	Ca 10-28-2008	CC 7-31-2012	C 3-19-2009
43709QAG1	Home Equity Asset Trust 2006-8	U.S. Central	AA+	Aa1	BB 3-27-2008	B1*- 4-21-2008	D 3-23-2010	C 10-28-2008
45661SAE3	IndyMac INDA Mortgage Loan Trust 2006-AR2	WesCorp	AAA	N/A	CCC 7-24-2009	N/A	D 6-23-2010	N/A
45661FAC5	IndyMac Residential Mortgage-Backed Trust Series 2006-L2	Southwest	AAA	Aaa	BB 5-8-2008	B1*- 12-9-2008	CCC 1-13-2010	C 9-30-2009
45668NAB3	IndyMac INDX Mortgage Loan Trust 2006-AR41	WesCorp	AAA	Aaa	CC 6-10-2009	Ca 1-29-2009	D 7-26-2011	C 10-12-2010
45668NAD9	IndyMac INDX Mortgage Loan Trust 2006-AR41	WesCorp	AAA	Aaa	B 10-27-2008	Ba3 8-19-2008	D 3-23-2010	Withdrawn 1-4-2012
45670AAB7	IndyMac INDX Mortgage Loan Trust 2007-FLX3	WesCorp	AAA	Aaa	BB- 8-19-2009	Caa1 2-20-2009	CC 8-11-2011	C 12-1-2010
75115YAB5	RALI Series 2007-QO1 Trust	U.S. Central	AAA	Aaa	CCC 4-14-2009	Ca 2-20-2009	D 8-30-2012	C 12-1-2010
75115YAC3	RALI Series 2007-QO1 Trust	WesCorp	AAA	Aaa	BB 10-20-2008	Ba1 9-3-2008	D 6-23-2010	C 12-1-2010
74924XAC9	RASC Series 2007-EMX1 Trust	U.S. Central	AAA	Aaa	CCC 12-19-2008	B1 8-8-2008	D 1-25-2010	Ca 4-6-2010

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
80556AAD9	Saxon Asset Securities Trust 2006-3: SAST 2006-3	U.S. Central	AAA	Aaa	CCC 8-4-2009	Caa2 3-13-2009	CCC 8-4-2009	Caa3 7-16-2010

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

53. The securities' substantial loss of market value has injured the Credit Unions and the NCUA Board.

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

54. 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.

55. With respect to RMBS collateralized by loans written by originators who 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 twelve 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).

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

57. This conclusion is further corroborated by reports that the Originators who contributed mortgage loans to the RMBS at issue in this Complaint abandoned the underwriting standards described in the 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 Demonstrate Systematic Disregard of Underwriting Standards

58. 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.

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

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

61. The pools of mortgages collateralizing the RMBS experienced delinquency and default rates up to 9.7% within the first three months, up to 19.11% at six months, and up to 37.9% at one year (*see infra* Table 5).

62. As of August 2012, 36.75% of the mortgage collateral across all of the RMBS that the Credit Unions 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).

63. 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 the Credit Unions; 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 the Credit Unions' RMBS Purchases

CUSIP	ISSUING ENTITY	RATE AT CUT-OFF DATE FOR OFFERING	1 MONTH	3 MOS.	6 MOS.	12 MOS.	RECENT
	Adjustable Rate Mortgage Trust 2006-1: Aggregate (P.S. dated February 27, 2006)	Zero. (S-33)	0.00% (Mar., p.13)	0.56% (May, p.15)	1.80% (Aug., p.15)	4.9% (Feb., p.14)	36.02% (Aug. 2012, p.12)
	Adjustable Rate Mortgage Trust 2006-1: Group 1	Zero. (S-33)	0.00% (Mar., p.14)	0.10% (May, p.16)	0.85% (Aug., p.16)	3.40% (Feb., p.15)	28.07% (Aug. 2012, p.14)
225470B28	Adjustable Rate Mortgage Trust 2006-1: Group 2 ***Class 2-A-2 in Group 2. (S-63)**	Zero. (S-33)	0.00% (Mar., p.14)	0.57% (May, p.16)	0.99% (Aug., p.16)	6.32% (Feb., p.15)	38.71% (Aug. 2012, p.14)
	Adjustable Rate Mortgage Trust 2006-1: Group 3	Zero. (S-33)	0.00% (Mar., p.15)	0.22% (May, p.17)	1.75% (Aug., p.17)	2.89% (Feb., p.16)	35.58% (Aug. 2012, p.15)
	Adjustable Rate Mortgage Trust 2006-1: Group 4	Zero. (S-33)	0.00% (Mar., p.15)	0.00% (May, p.17)	1.91% (Aug. , p.17)	1.75% (Feb., p.16)	26.05% (Aug. 2012, p.15)
	Adjustable Rate Mortgage Trust 2006-1: Group 5	Zero. (S-33)	0.00% (Mar., p.16)	0.77% (May, p.18)	0.94% (Aug., p.18)	5.1% (Feb., p.17)	36.11% (Aug. 2012, p.16)
	Adjustable Rate Mortgage Trust 2006-1: Group 6	Zero. (S-33)	0.00% (Mar., p.16)	1.47% (May, p.18)	3.60% (Aug., p.18)	9.5% (Feb., p.17)	46.33% (Aug. 2012, p.13)

CUSIP	ISSUING ENTITY	RATE AT CUT-OFF DATE FOR OFFERING	1 MONTH	3 MOS.	6 MOS.	12 MOS.	RECENT
	Adjustable Rate Mortgage Trust 2006-3: Aggregate (P.S. dated July 28, 2006)	Zero. (S-32)	0.15% (Aug., p.12)	2.07% (Oct., p.12)	4.19% (Jan., p.11)	9.94% (July, p.12)	40.13% (Aug. 2012, p.12)
00703QBF8	Adjustable Rate Mortgage Trust 2006-3: Group 1 ***Class C-M-1 in Groups 1 and 3 (S-11)**	Zero. (S-32)	0.00% (Aug., p.13)	0.00% (Oct., p.13)	0.30% (Jan., p.12)	1.23% (July, p.14)	19.2% (Aug. 2012, p.14)
	Adjustable Rate Mortgage Trust 2006-3: Group 2	Zero. (S-32)	0.00% (Aug., p.13)	0.00% (Oct., p.13)	0.00% (Jan., p.12)	3.60% (July, p.14)	18.18% (Aug. 2012, p.14)
00703QBF8	Adjustable Rate Mortgage Trust 2006-3: Group 3 ***Class C-M-1 in Groups 1 and 3 (S-11)**	Zero. (S-32)	0.00% (Aug., p.14)	0.33% (Oct., p.14)	1.91% (Jan., p.13)	2.78% (July, p.15)	22.45% (Aug. 2012, p.15)
	Adjustable Rate Mortgage Trust 2006-3: Group 4A	Zero. (S-32)	0.26% (Aug., p.14)	2.53% (Oct., p.14)	4.91% (Jan., p.13)	11.16% (July, p.15)	45.94% (Aug. 2012, p.15)
	Adjustable Rate Mortgage Trust 2006-3: Group 4B	Zero. (S-32)	0.00% (Aug., p.15)	2.91% (Oct., p.15)	6.01% (Jan., p.14)	15.20% (July, p.16)	42.27% (Aug. 2012, p.16)
	Adjustable Rate Mortgage Trust 2007-2 (P.S. dated May 30, 2007)	Zero as of the closing date. (S-29)	0.17% (June, p.10)	2.89% (Aug., p.10)	8.56% (Nov., p.10)	20.90% (May, p.10)	29.86% (Aug. 2012, p.10)
	Adjustable Rate Mortgage Trust 2007-2: Group 1	Zero as of the closing date. (S-29)	0.00% (June, p.11)	0.00% (Aug., p.11)	1.46% (Nov., p.11)	2.41% (May, p.11)	19.68% (Aug. 2012, p.11)
00703AAG2	Adjustable Rate Mortgage Trust 2007-2: Group 2 ***Class 2-A-3 in Group 2 (S-12)**	Zero as of the closing date. (S-29)	0.24% (June, p.11)	4.11% (Aug., p.11)	11.66% (Nov., p.11)	29.13% (May, p.11)	33.89% (Aug. 2012, p.11)
02150PAC2	Alternative Loan Trust 2007-OA6 (P.S. dated April 27, 2007)	Zero. (S-30)	1.36% (May, p.8)	3.65% (Jul., p.8)	7.34% (Oct., p.8)	19.36% (Apr., p.8)	54.92% (Aug. 2012, p.13)
	Fieldstone Mortgage Investment Trust, Series 2005-3: Aggregate (P.S. dated November 15, 2005)		0.66% (Dec p.10)	3.19% (Feb p.10)	3.19% (May p.10)	9.39% (Nov p.10)	29.82% (Aug. 2012, p.11)
31659TEJ0 31659TEK7	Fieldstone Mortgage Investment Trust, Series 2005-3: Group 1 ***The Class M1 and M2 notes generally relate to Groups 1 and 2. (S-9)**		0.00% (Dec p.11)	0.79% (Feb p.11)	0.79% (May p.11)	4.37% (Nov p.11)	28.85% (Aug. 2012, p.12)
31659TEJ0 31659TEK7	Fieldstone Mortgage Investment Trust, Series 2005-3: Group 2 ***The Class M1 and M2 notes generally relate to Groups 1 and 2. (S-9)**		0.40% (Dec p.11)	2.72% (Feb p.11)	2.72% (May p.11)	8.20% (Nov p.11)	30.65% (Aug. 2012, p.12)

CUSIP	ISSUING ENTITY	RATE AT CUT-OFF DATE FOR OFFERING	1 MONTH	3 MOS.	6 MOS.	12 MOS.	RECENT
437084QZ2	Home Equity Asset Trust 2005-9: Aggregate (P.S. dated November 29, 2005) ***Class M-2 in Groups 1 and 2. (S-9)**	As of the initial cut-off date, 1.0% of the initial mortgage loans are at least 30 days delinquent but not more than 59 days delinquent and 0.2% of the initial mortgage loans are at least 60 days delinquent but not more than 89 days delinquent. (S-28)	% N/A	% N/A	6.43% (May, p.16)	12.77% (Nov. p.16)	31.89% (Aug. 2012, p.13)
	Home Equity Asset Trust 2005-9: Group 1	As of the initial cut-off date, 1.0% of the initial mortgage loans are at least 30 days delinquent but not more than 59 days delinquent and 0.2% of the initial mortgage loans are at least 60 days delinquent but not more than 89 days delinquent. (S-28)	% N/A	% N/A	6.07% (May, p.16)	12.70% (Nov., p.16)	29.53% (Aug. 2012, p.13)
	Home Equity Asset Trust 2005-9: Group 2	As of the initial cut-off date, 1.0% of the initial mortgage loans are at least 30 days delinquent but not more than 59 days delinquent and 0.2% of the initial mortgage loans are at least 60 days delinquent but not more than 89 days delinquent. (S-28)	% N/A	% N/A	6.62% (May, p.17)	12.80% (Nov., p.17)	33.46% (Aug. 2012, p.14)
	Home Equity Asset Trust 2006-7: Aggregate (P.S. dated September 29, 2006)	As of the initial cut-off date, 0.9% of the initial mortgage loans are at least 30 days delinquent but not more than 59 days delinquent and 0.3% of the initial mortgage loans are at least 60 days delinquent but not more than 89 days delinquent. (S-22)	0.49% (Oct., p.16)	6.44% (Dec., p.16)	12.70% (Mar., p.16)	25.54% (Sep., p.16)	34.28% (Aug. 2012, p.13)
	Home Equity Asset Trust 2006-7: Group 1	As of the initial cut-off date, 0.9% of the initial mortgage loans are at least 30 days delinquent but not more than 59 days delinquent and 0.3% of the initial mortgage loans are at least 60 days delinquent but not more than 89 days delinquent. (S-22)	0.45% (Oct., p.16)	5.58% (Dec., p.16)	10.42% (Mar., p.16)	23.63% (Sep., p.16)	32.75% (Aug. 2012, p.13)
43709NAE3	Home Equity Asset Trust 2006-7: Group 2 ***Class 2A-4 in Group 2. (S-9)**	As of the initial cut-off date, 0.9% of the initial mortgage loans are at least 30 days delinquent but not more than 59 days delinquent and 0.3% of the initial mortgage loans are at least 60 days delinquent but not more than 89 days delinquent. (S-22)	0.51% (Oct., p.17)	6.98% (Dec., p.17)	14.15% (Mar., p.17)	26.71% (Sep., p.17)	35.78% (Aug. 2012, p.14)

CUSIP	ISSUING ENTITY	RATE AT CUT-OFF DATE FOR OFFERING	1 MONTH	3 MOS.	6 MOS.	12 MOS.	RECENT
43709QAG1	Home Equity Asset Trust 2006-8: Aggregate (P.S. dated November 30, 2006) **Class M-1 in groups 1 and 2. (S-10)**	As of the initial cut-off date, 1.5% of the initial mortgage loans are at least 30 days delinquent but not more than 59 days delinquent and 0.5% of the initial mortgage loans are at least 60 days delinquent but not more than 89 days delinquent. (S-21)	1.82% (Dec., p.16)	5.74% (Feb., p.16)	11.51% (May, p.16)	25.27% (Nov., p.16)	36.65% (Aug. 2012, p.13)
	Home Equity Asset Trust 2006-8: Group 1	As of the initial cut-off date, 1.5% of the initial mortgage loans are at least 30 days delinquent but not more than 59 days delinquent and 0.5% of the initial mortgage loans are at least 60 days delinquent but not more than 89 days delinquent. (S-21)	1.46% (Dec., p.16)	5.08% (Feb., p.16)	8.90% (May, p.16)	20.42% (Nov., p.16)	35.58% (Aug. 2012, p.13)
43709QAD8 43709QAE6	Home Equity Asset Trust 2006-8: Group 2 ***Classes 2A-3 and 2A-4 in Group 2. (S-10)**	As of the initial cut-off date, 1.5% of the initial mortgage loans are at least 30 days delinquent but not more than 59 days delinquent and 0.5% of the initial mortgage loans are at least 60 days delinquent but not more than 89 days delinquent. (S-21)	2.07% (Dec., p.17)	6.21% (Feb., p.17)	13.33% (May, p.17)	28.66% (Nov., p.17)	37.79% (Aug. 2012, p.14)
	IndyMac INDA Mortgage Loan Trust 2006-AR2: Aggregate (P.S. dated August 29, 2006)	Zero. (S-27)	0.62% (Sep., p.10)	0.95% (Nov., p.10)	1.12% (Feb., p.10)	2.00% (Aug., p.10)	17.28% (Aug. 2012, p.12)
45661SAE3	IndyMac INDA Mortgage Loan Trust 2006-AR2: Group 1 ***Class 1-C-M in Groups 1 & 2. (S-11)**	Zero. (S-27)	1.00% (Sep., p.11)	1.30% (Nov., p.11)	1.99% (Feb., p.11)	2.71% (Aug., p.11)	13.67% (Aug. 2012, p.17)
45661SAE3	IndyMac INDA Mortgage Loan Trust 2006-AR2: Group 2 ***Class 1-C-M in Groups 1 & 2. (S-11)**	Zero. (S-27)	0.39% (Sep., p.12)	0.74% (Nov., p.12)	1.45% (Feb., p.12)	2.18% (Aug., p.12)	19.3% (Aug. 2012, p.22)
	IndyMac INDA Mortgage Loan Trust 2006-AR2: Group 3	Zero. (S-27)	1.01% (Sep., p.13)	0.88% (Nov., p.13)	0.98% (Feb., p.13)	1.72% (Aug., p.13)	16.13% (Aug. 2012, p.27)
	IndyMac INDA Mortgage Loan Trust 2006-AR2: Group 4	Zero. (S-27)	0.50% (Sep., p.14)	0.97% (Nov., p.14)	0.00% (Feb., p.14)	1.21% (Aug., p.14)	22.39% (Aug. 2012, p.30)
45661FAC5	IndyMac Residential Mortgage-Backed Trust Series 2006-L2 (P.S. dated June 15, 2006)	Zero. ("Risk Factors" section)	1.68% (July, p.10)	3.26% (Sep., p.10)	3.17% (Dec., p.10)	7.13% (May, p.10)	92.7% (Aug. 2012, p.11)

CUSIP	ISSUING ENTITY	RATE AT CUT-OFF DATE FOR OFFERING	1 MONTH	3 MOS.	6 MOS.	12 MOS.	RECENT
45668NAB3 45668NAD9	IndyMac INDX Mortgage Loan Trust 2006-AR41 (P.S. dated December 28, 2006)	Zero. (S-34)	2.93% (Jan., p.10)	9.70% (Mar., p.10)	13.87% (June, p.10)	24.27% (Dec., p.10)	38.99% (Aug. 2012, p.10)
45670AAB7	IndyMac INDX Mortgage Loan Trust 2007-FLX3 (P.S. dated April 27, 2007)	Zero. (S-35)	0.74% (May, p.12)	1.40% (July, p.12)	2.12% (Oct., p.12)	8.06% (Apr., p.12)	30.13% (Aug. 2012, p.12)
75115YAB5 75115YAC3	RALI Series 2007-QO1 Trust (P.S. dated January 29, 2007)	Zero. (S-44)	2.25% (Feb., p.8)	4.27% (Apr., p.8)	4.69% (July, p.8)	13.97% (Jan., p. 8)	34.82% (Aug. 2012, p.8)
	RASC Series 2007-EMX1 Trust (P.S. dated March 8, 2007)	Zero. (S-47 and S-50)	0.00% (Mar., p.7)	6.86% (May, p.7)	14.78% (Aug., p.7)	30.57% (Feb., p.7)	36.4% (Aug. 2012, p.8)
74924XAC9	RASC Series 2007-EMX1 Trust: Group 1 ARM ***Class A-I-3 in Group 1. (S-22)**	Zero. (S-47 and S-50)	0.00% (Mar., p.8)	8.87% (May, p.8)	19.11% (Aug., p.8)	37.90% (Feb., p.8)	44.39% (Aug. 2012, p.9)
74924XAC9	RASC Series 2007-EMX1 Trust: Group 1 Fixed ***Class A-I-3 in Group 1. (S-22)**	Zero. (S-47 and S-50)	0.00% (Mar., p.9)	5.39% (May, p.9)	12.61% (Aug., p.9)	20.93% (Feb., p.9)	22.92% (Aug. 2012, p.9)
	RASC Series 2007-EMX1 Trust: Group 2 ARM	Zero. (S-47 and S-50)	0.00% (Mar., p.10)	6.16% (May, p.10)	13.36% (Aug., p.10)	29.54% (Feb., p.10)	43.34% (Aug. 2012, p.11)
	RASC Series 2007-EMX1 Trust: Group 2 Fixed	Zero. (S-47 and S-50)	0.00% (Mar., p.11)	3.83% (May, p.11)	6.67% (Aug., p.11)	19.95% (Feb., p.11)	21.78% (Aug. 2012, p.12)
80556AAD9	Saxon Asset Securities Trust 2006-3: SAST 2006-3 (P.S. dated October 5, 2006)	1.50% of the mortgage loans were 30 or more days delinquent. (S-48)	0.00% (Oct., p.10)	3.14% (Dec., p.10)	9.44% (Mar., p.10)	21.62% (Sep., p.10)	26.55% (Aug. 2012, p.11)

64. This early spike in delinquencies and defaults, which occurred almost immediately after these RMBS were purchased by the Credit Unions, was later discovered to be indicative of the Originators' systematic disregard of their stated underwriting guidelines.

65. 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 the systematic failure of the Originators to apply the underwriting guidelines described in the Offering Documents.

66. A November 2008 Federal Reserve Board study attributed the rise in defaults, in part, to "[d]eteriorating lending standards" and posits 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* at 15-16 (Fed. Reserve Bd. Fin. & Econ. Discussion Series, Paper No. 2008-59).

67. 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.

68. 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.

69. 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.

70. 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.

71. 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
Accredited Home Lenders, Inc.	100	100	100
Countrywide Home Loans, Inc.	98.5	96.5	98.4
Credit Suisse Financial Corporation	48.4	74.8	91.4
Decision One Mortgage Company LLC	97.5	88.2	97.3
Encore Credit Corp.	79.5	100	-
Homecomings Financial, LLC	97.4	97.9	99.9
IndyMac Bank, F.S.B.	81.1	87.7	82.8
LIME Financial Services, Ltd.	65.6	88.0	99.3
Mortgage Lenders Network USA, Inc.	87.8	-	-
OwnIt Mortgage Solutions, Inc.	100	-	-
People's Choice Home Loan, Inc.	83.4	87.8	-
Saxon Funding Management, Inc.	94.8	91.0	98.4

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

72. The actual gross losses to the mortgage pools underlying the RMBS the Credit Unions 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.

73. 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."

74. 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."

75. "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.

76. 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.

77. 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.

78. 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.

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

80. 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[2]. Figure 2 illustrates the actual gross loss (again, actual defaults) the pools backing the RMBS purchased by the Credit Unions 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.

81. 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%.

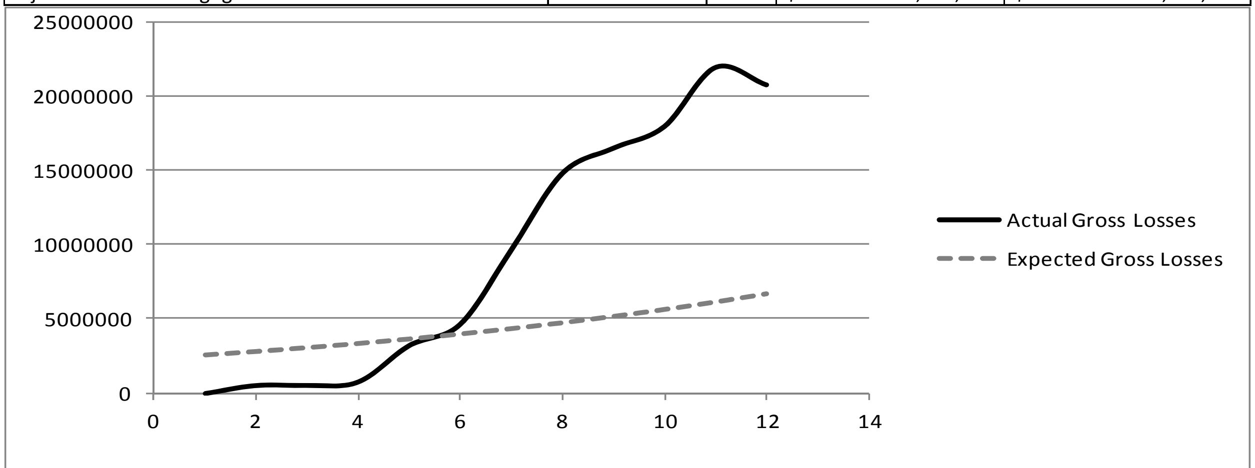
82. As the graphs show, the actual gross losses (the solid lines) far exceeded the expected gross losses (the dotted lines) for the period analyzed. That means that the actual balance of defaulted loans in the first twelve months following issuance far exceeded the expected balance of defaulted loans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

[2] Data for the *RASC Series 2007-EMX1 Trust* offering was not available.

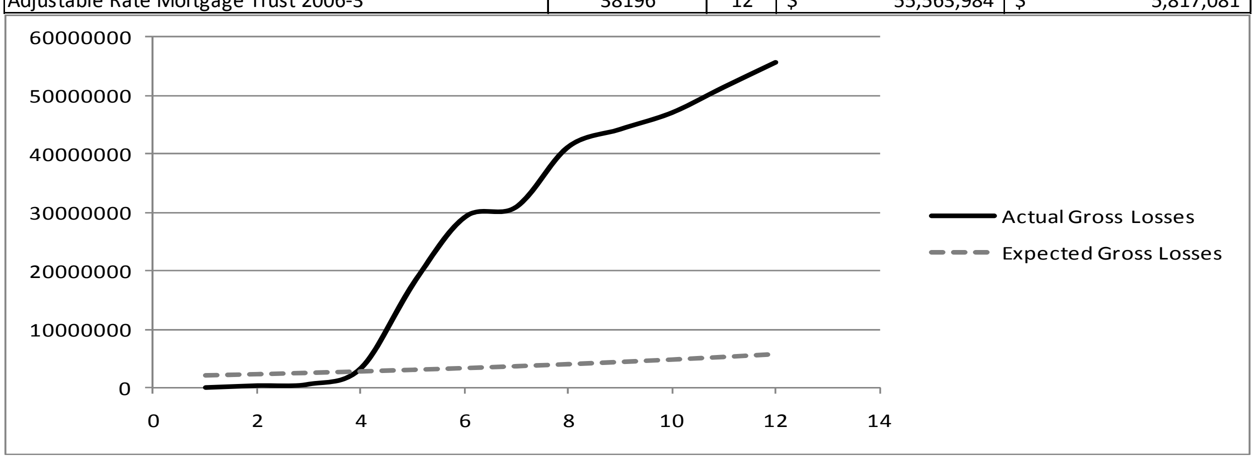
Figure 2

Illustration of Expected Gross Losses v. Actual Gross Losses for the Credit Unions' RMBS Purchases

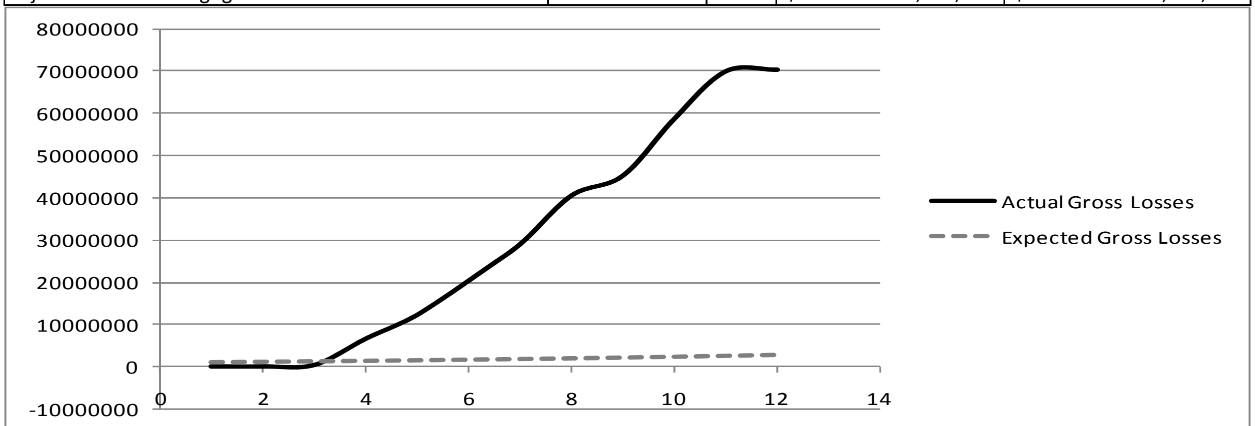
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Adjustable Rate Mortgage Trust 2006-1	36825	1	$ -	$ 2,542,603
Adjustable Rate Mortgage Trust 2006-1	36825	2	$ 541,600	$ 2,777,158
Adjustable Rate Mortgage Trust 2006-1	36825	3	$ 541,600	$ 3,032,859
Adjustable Rate Mortgage Trust 2006-1	36825	4	$ 781,600	$ 3,311,518
Adjustable Rate Mortgage Trust 2006-1	36825	5	$ 3,224,380	$ 3,615,083
Adjustable Rate Mortgage Trust 2006-1	36825	6	$ 4,664,380	$ 3,945,648
Adjustable Rate Mortgage Trust 2006-1	36825	7	$ 9,656,331	$ 4,305,457
Adjustable Rate Mortgage Trust 2006-1	36825	8	$ 14,783,286	$ 4,696,909
Adjustable Rate Mortgage Trust 2006-1	36825	9	$ 16,469,003	$ 5,122,566
Adjustable Rate Mortgage Trust 2006-1	36825	10	$ 17,925,184	$ 5,585,157
Adjustable Rate Mortgage Trust 2006-1	36825	11	$ 21,883,907	$ 6,087,578
Adjustable Rate Mortgage Trust 2006-1	36825	12	$ 20,720,785	$ 6,632,895



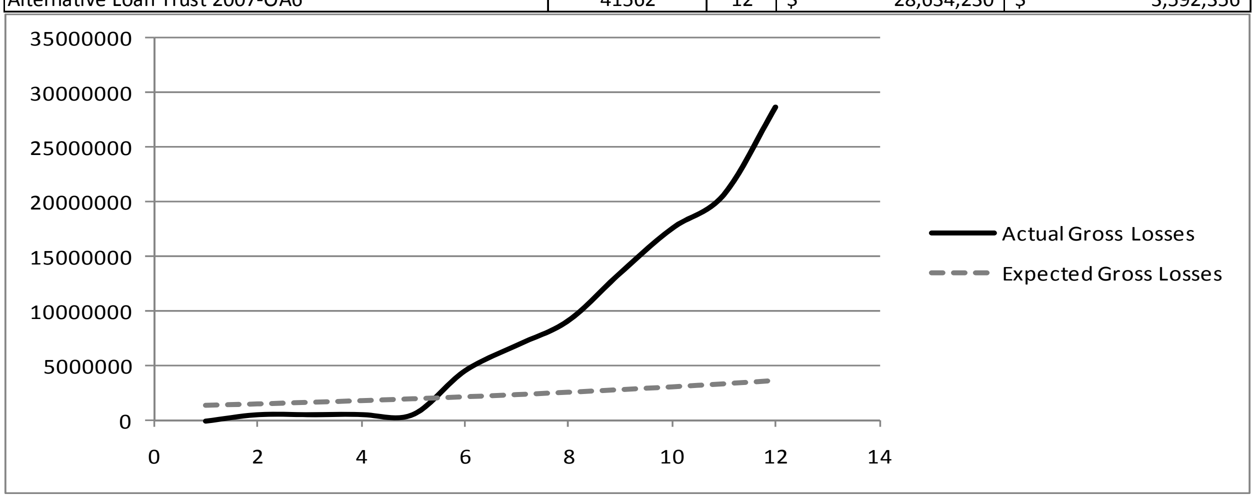
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Adjustable Rate Mortgage Trust 2006-3	38196	1	$ -	$ 2,229,875
Adjustable Rate Mortgage Trust 2006-3	38196	2	$ 326,812	$ 2,435,581
Adjustable Rate Mortgage Trust 2006-3	38196	3	$ 580,950	$ 2,659,833
Adjustable Rate Mortgage Trust 2006-3	38196	4	$ 3,340,414	$ 2,904,218
Adjustable Rate Mortgage Trust 2006-3	38196	5	$ 17,622,495	$ 3,170,446
Adjustable Rate Mortgage Trust 2006-3	38196	6	$ 29,114,455	$ 3,460,353
Adjustable Rate Mortgage Trust 2006-3	38196	7	$ 30,891,037	$ 3,775,907
Adjustable Rate Mortgage Trust 2006-3	38196	8	$ 41,128,769	$ 4,119,212
Adjustable Rate Mortgage Trust 2006-3	38196	9	$ 44,130,379	$ 4,492,516
Adjustable Rate Mortgage Trust 2006-3	38196	10	$ 46,968,061	$ 4,898,210
Adjustable Rate Mortgage Trust 2006-3	38196	11	$ 51,324,023	$ 5,338,836
Adjustable Rate Mortgage Trust 2006-3	38196	12	$ 55,563,984	$ 5,817,081



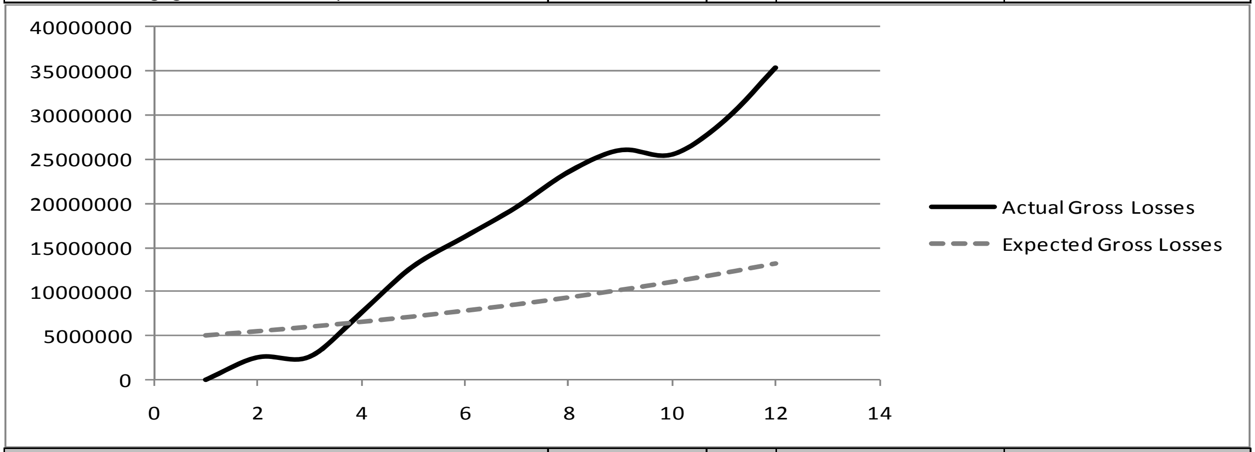
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Adjustable Rate Mortgage Trust 2007-2	41125	1	$ -	$ 1,112,920
Adjustable Rate Mortgage Trust 2007-2	41125	2	$ -	$ 1,215,587
Adjustable Rate Mortgage Trust 2007-2	41125	3	$ 351,943	$ 1,327,509
Adjustable Rate Mortgage Trust 2007-2	41125	4	$ 6,557,194	$ 1,449,480
Adjustable Rate Mortgage Trust 2007-2	41125	5	$ 12,212,953	$ 1,582,354
Adjustable Rate Mortgage Trust 2007-2	41125	6	$ 20,391,397	$ 1,727,045
Adjustable Rate Mortgage Trust 2007-2	41125	7	$ 29,003,016	$ 1,884,536
Adjustable Rate Mortgage Trust 2007-2	41125	8	$ 40,564,162	$ 2,055,878
Adjustable Rate Mortgage Trust 2007-2	41125	9	$ 45,290,591	$ 2,242,192
Adjustable Rate Mortgage Trust 2007-2	41125	10	$ 58,813,473	$ 2,444,672
Adjustable Rate Mortgage Trust 2007-2	41125	11	$ 70,086,742	$ 2,664,586
Adjustable Rate Mortgage Trust 2007-2	41125	12	$ 70,459,085	$ 2,903,276



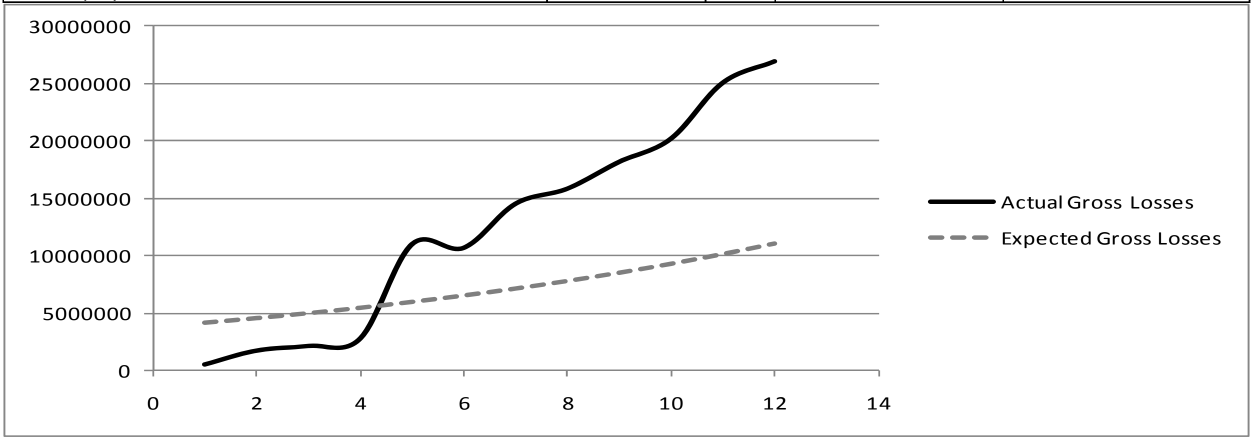
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Alternative Loan Trust 2007-OA6	41562	1	$ -	$ 1,377,066
Alternative Loan Trust 2007-OA6	41562	2	$ 589,107	$ 1,504,101
Alternative Loan Trust 2007-OA6	41562	3	$ 591,634	$ 1,642,588
Alternative Loan Trust 2007-OA6	41562	4	$ 594,180	$ 1,793,508
Alternative Loan Trust 2007-OA6	41562	5	$ 596,745	$ 1,957,918
Alternative Loan Trust 2007-OA6	41562	6	$ 4,576,641	$ 2,136,951
Alternative Loan Trust 2007-OA6	41562	7	$ 6,911,799	$ 2,331,822
Alternative Loan Trust 2007-OA6	41562	8	$ 9,162,066	$ 2,543,832
Alternative Loan Trust 2007-OA6	41562	9	$ 13,498,018	$ 2,774,367
Alternative Loan Trust 2007-OA6	41562	10	$ 17,565,230	$ 3,024,905
Alternative Loan Trust 2007-OA6	41562	11	$ 20,633,153	$ 3,297,014
Alternative Loan Trust 2007-OA6	41562	12	$ 28,634,230	$ 3,592,356



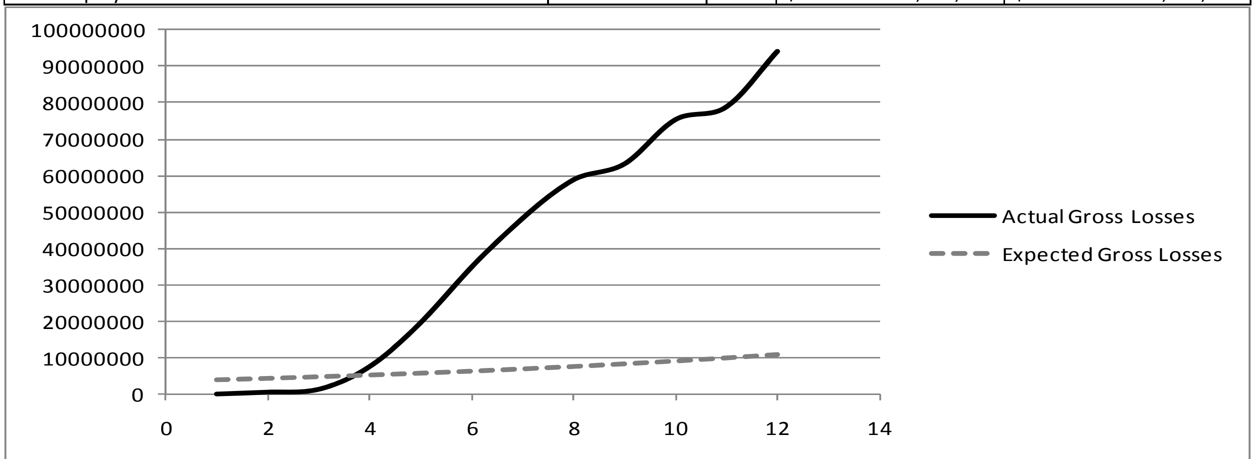
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Fieldstone Mortgage Investment Corp. 2005-3	36089	1	$ -	$ 5,040,006
Fieldstone Mortgage Investment Corp. 2005-3	36089	2	$ 2,538,750	$ 5,504,947
Fieldstone Mortgage Investment Corp. 2005-3	36089	3	$ 2,597,515	$ 6,011,803
Fieldstone Mortgage Investment Corp. 2005-3	36089	4	$ 7,579,363	$ 6,564,167
Fieldstone Mortgage Investment Corp. 2005-3	36089	5	$ 12,822,718	$ 7,165,901
Fieldstone Mortgage Investment Corp. 2005-3	36089	6	$ 16,180,190	$ 7,821,155
Fieldstone Mortgage Investment Corp. 2005-3	36089	7	$ 19,550,818	$ 8,534,375
Fieldstone Mortgage Investment Corp. 2005-3	36089	8	$ 23,514,217	$ 9,310,320
Fieldstone Mortgage Investment Corp. 2005-3	36089	9	$ 25,992,397	$ 10,154,068
Fieldstone Mortgage Investment Corp. 2005-3	36089	10	$ 25,501,336	$ 11,071,027
Fieldstone Mortgage Investment Corp. 2005-3	36089	11	$ 29,262,969	$ 12,066,937
Fieldstone Mortgage Investment Corp. 2005-3	36089	12	$ 35,334,427	$ 13,147,876



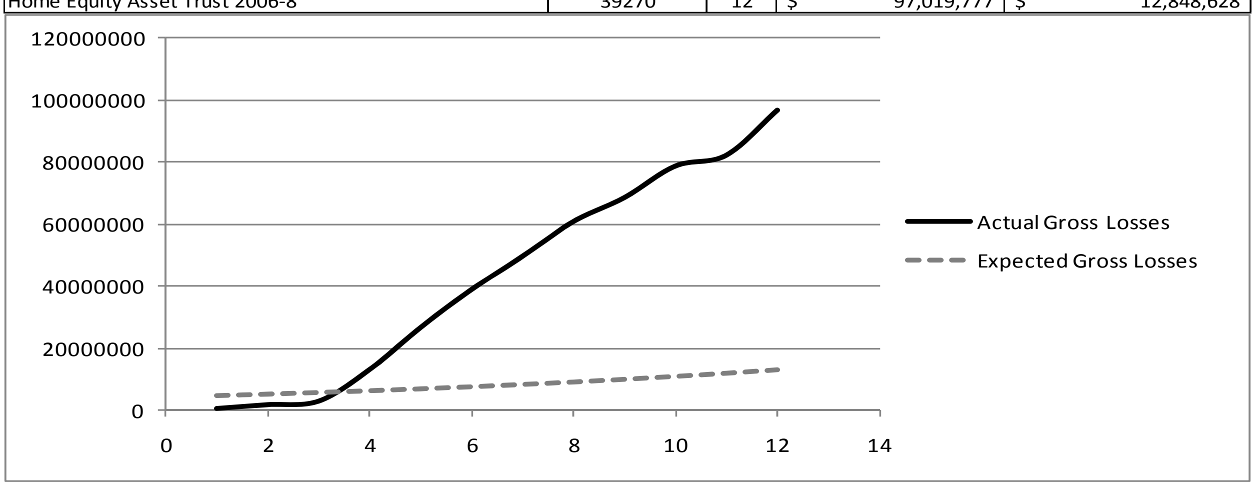
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Home Equity Asset Trust 2005-9	35755	1	$ 490,831	$ 4,246,848
Home Equity Asset Trust 2005-9	35755	2	$ 1,698,728	$ 4,638,621
Home Equity Asset Trust 2005-9	35755	3	$ 2,101,005	$ 5,065,712
Home Equity Asset Trust 2005-9	35755	4	$ 2,741,025	$ 5,531,149
Home Equity Asset Trust 2005-9	35755	5	$ 10,959,558	$ 6,038,187
Home Equity Asset Trust 2005-9	35755	6	$ 10,651,858	$ 6,590,322
Home Equity Asset Trust 2005-9	35755	7	$ 14,489,521	$ 7,191,301
Home Equity Asset Trust 2005-9	35755	8	$ 15,796,812	$ 7,845,134
Home Equity Asset Trust 2005-9	35755	9	$ 18,130,425	$ 8,556,099
Home Equity Asset Trust 2005-9	35755	10	$ 20,144,953	$ 9,328,754
Home Equity Asset Trust 2005-9	35755	11	$ 25,017,989	$ 10,167,936
Home Equity Asset Trust 2005-9	35755	12	$ 26,885,474	$ 11,078,765



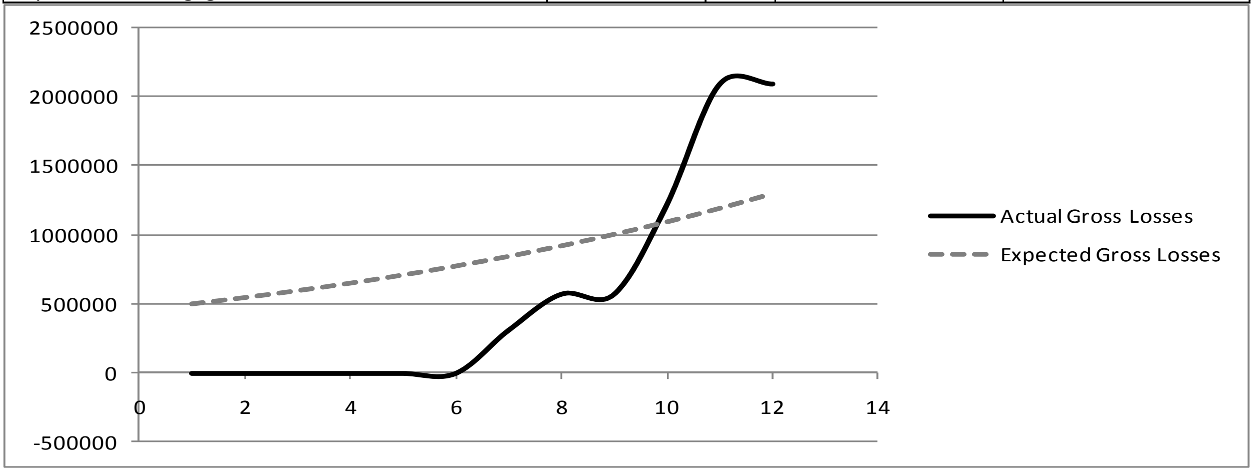
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Home Equity Asset Trust 2006-7	38813	1	$ 56,354	$ 4,144,833
Home Equity Asset Trust 2006-7	38813	2	$ 582,491	$ 4,527,194
Home Equity Asset Trust 2006-7	38813	3	$ 1,359,836	$ 4,944,026
Home Equity Asset Trust 2006-7	38813	4	$ 7,577,352	$ 5,398,282
Home Equity Asset Trust 2006-7	38813	5	$ 19,650,833	$ 5,893,140
Home Equity Asset Trust 2006-7	38813	6	$ 34,900,153	$ 6,432,012
Home Equity Asset Trust 2006-7	38813	7	$ 48,291,670	$ 7,018,555
Home Equity Asset Trust 2006-7	38813	8	$ 58,901,665	$ 7,656,681
Home Equity Asset Trust 2006-7	38813	9	$ 63,262,574	$ 8,350,569
Home Equity Asset Trust 2006-7	38813	10	$ 75,428,424	$ 9,104,663
Home Equity Asset Trust 2006-7	38813	11	$ 78,925,729	$ 9,923,686
Home Equity Asset Trust 2006-7	38813	12	$ 94,177,350	$ 10,812,636



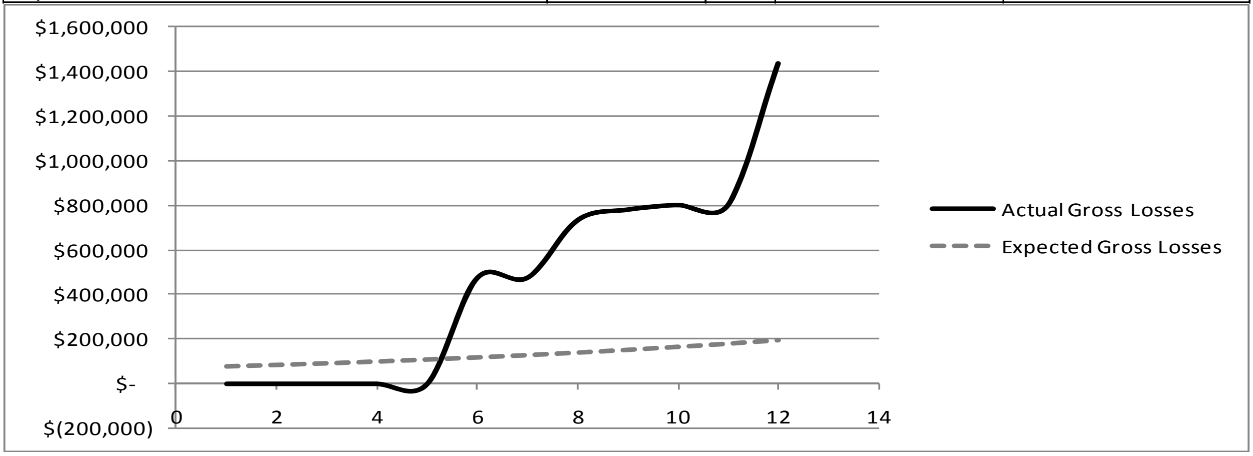
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Home Equity Asset Trust 2006-8	39270	1	$ 417,268	$ 4,925,294
Home Equity Asset Trust 2006-8	39270	2	$ 1,653,052	$ 5,379,653
Home Equity Asset Trust 2006-8	39270	3	$ 2,810,670	$ 5,874,973
Home Equity Asset Trust 2006-8	39270	4	$ 13,029,492	$ 6,414,765
Home Equity Asset Trust 2006-8	39270	5	$ 26,654,678	$ 7,002,804
Home Equity Asset Trust 2006-8	39270	6	$ 38,969,171	$ 7,643,143
Home Equity Asset Trust 2006-8	39270	7	$ 49,639,707	$ 8,340,131
Home Equity Asset Trust 2006-8	39270	8	$ 60,983,372	$ 9,098,415
Home Equity Asset Trust 2006-8	39270	9	$ 68,720,031	$ 9,922,960
Home Equity Asset Trust 2006-8	39270	10	$ 78,932,405	$ 10,819,048
Home Equity Asset Trust 2006-8	39270	11	$ 82,450,667	$ 11,792,291
Home Equity Asset Trust 2006-8	39270	12	$ 97,019,777	$ 12,848,628



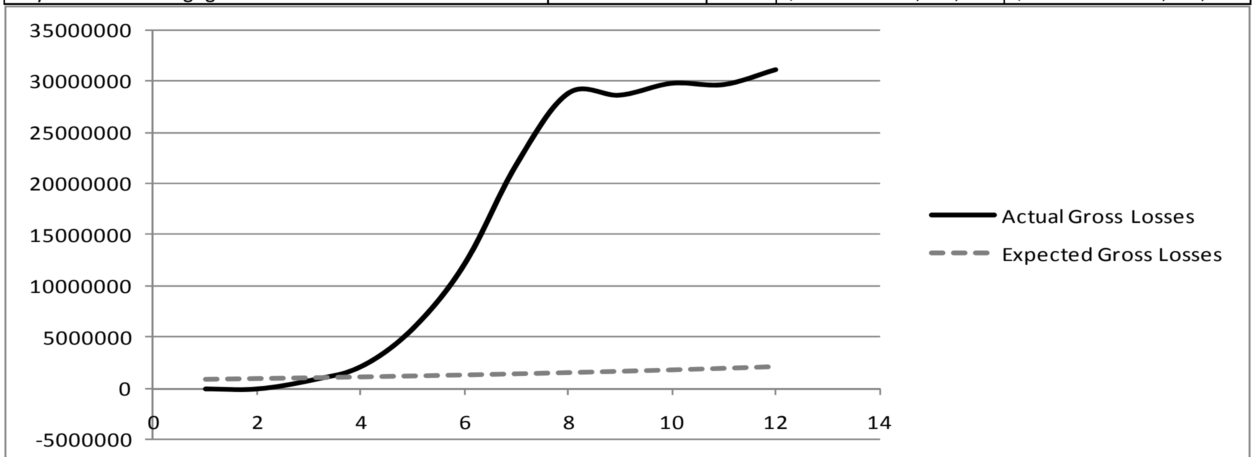
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
IndyMac INDA Mortgage Loan Trust 2006-AR2	39240	1	$ -	$ 497,766
IndyMac INDA Mortgage Loan Trust 2006-AR2	39240	2	$ -	$ 543,685
IndyMac INDA Mortgage Loan Trust 2006-AR2	39240	3	$ -	$ 593,744
IndyMac INDA Mortgage Loan Trust 2006-AR2	39240	4	$ -	$ 648,297
IndyMac INDA Mortgage Loan Trust 2006-AR2	39240	5	$ -	$ 707,726
IndyMac INDA Mortgage Loan Trust 2006-AR2	39240	6	$ -	$ 772,441
IndyMac INDA Mortgage Loan Trust 2006-AR2	39240	7	$ 312,000	$ 842,881
IndyMac INDA Mortgage Loan Trust 2006-AR2	39240	8	$ 573,000	$ 919,516
IndyMac INDA Mortgage Loan Trust 2006-AR2	39240	9	$ 573,000	$ 1,002,847
IndyMac INDA Mortgage Loan Trust 2006-AR2	39240	10	$ 1,223,000	$ 1,093,408
IndyMac INDA Mortgage Loan Trust 2006-AR2	39240	11	$ 2,093,000	$ 1,191,768
IndyMac INDA Mortgage Loan Trust 2006-AR2	39240	12	$ 2,093,000	$ 1,298,524



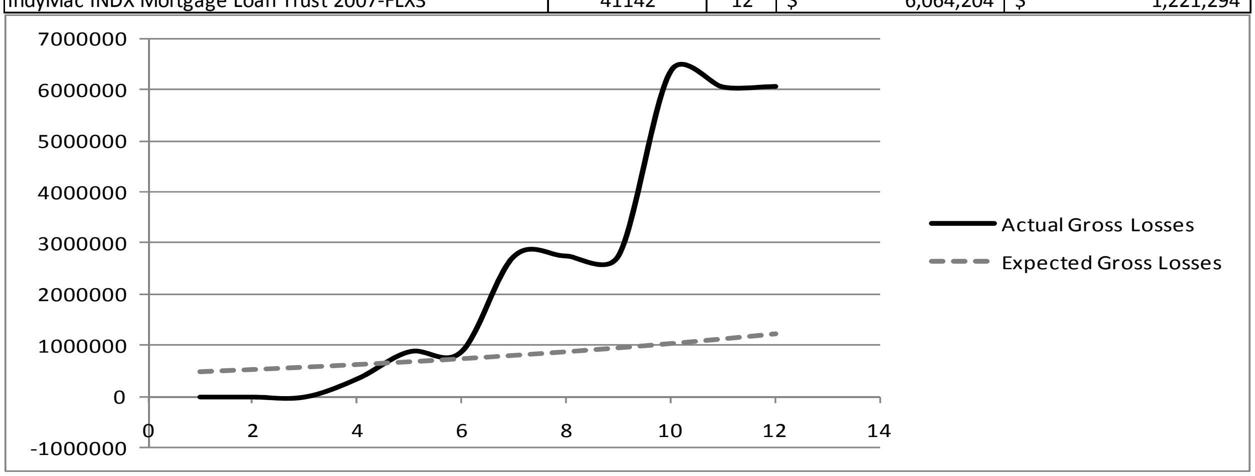
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
IndyMac Residential Asset-Backed Trust 2006-L2	38519	1	$ -	$ 75,923
IndyMac Residential Asset-Backed Trust 2006-L2	38519	2	$ -	$ 82,927
IndyMac Residential Asset-Backed Trust 2006-L2	38519	3	$ -	$ 90,563
IndyMac Residential Asset-Backed Trust 2006-L2	38519	4	$ -	$ 98,884
IndyMac Residential Asset-Backed Trust 2006-L2	38519	5	$ -	$ 107,948
IndyMac Residential Asset-Backed Trust 2006-L2	38519	6	$ 475,776	$ 117,819
IndyMac Residential Asset-Backed Trust 2006-L2	38519	7	$ 475,780	$ 128,563
IndyMac Residential Asset-Backed Trust 2006-L2	38519	8	$ 734,195	$ 140,252
IndyMac Residential Asset-Backed Trust 2006-L2	38519	9	$ 781,329	$ 152,963
IndyMac Residential Asset-Backed Trust 2006-L2	38519	10	$ 802,209	$ 166,776
IndyMac Residential Asset-Backed Trust 2006-L2	38519	11	$ 801,921	$ 181,778
IndyMac Residential Asset-Backed Trust 2006-L2	38519	12	$ 1,436,575	$ 198,062



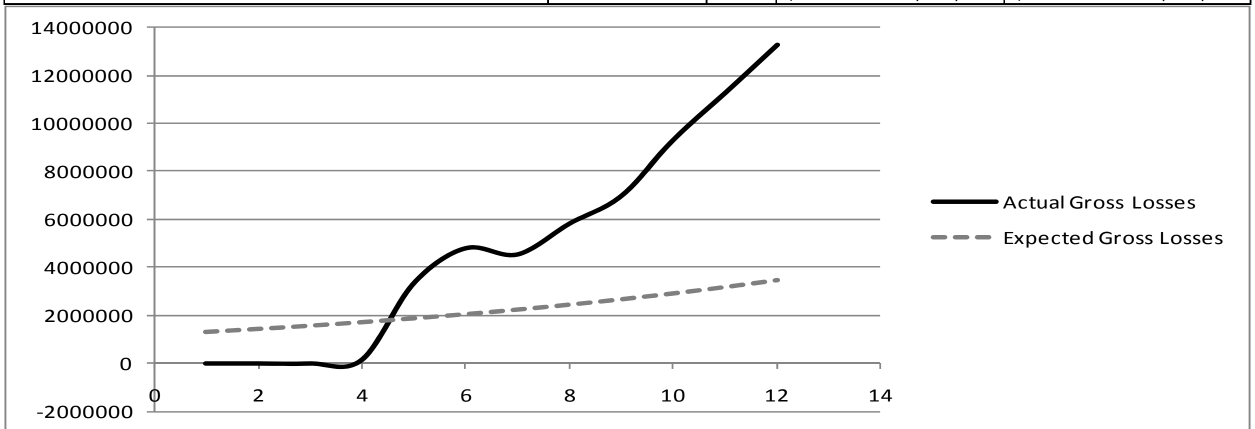
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
IndyMac INDX Mortgage Loan Trust 2006-AR41	40684	1	$ -	$ 823,908
IndyMac INDX Mortgage Loan Trust 2006-AR41	40684	2	$ -	$ 899,913
IndyMac INDX Mortgage Loan Trust 2006-AR41	40684	3	$ 814,650	$ 982,771
IndyMac INDX Mortgage Loan Trust 2006-AR41	40684	4	$ 2,179,014	$ 1,073,068
IndyMac INDX Mortgage Loan Trust 2006-AR41	40684	5	$ 5,883,279	$ 1,171,436
IndyMac INDX Mortgage Loan Trust 2006-AR41	40684	6	$ 12,189,149	$ 1,278,552
IndyMac INDX Mortgage Loan Trust 2006-AR41	40684	7	$ 21,887,330	$ 1,395,145
IndyMac INDX Mortgage Loan Trust 2006-AR41	40684	8	$ 28,821,661	$ 1,521,991
IndyMac INDX Mortgage Loan Trust 2006-AR41	40684	9	$ 28,632,213	$ 1,659,922
IndyMac INDX Mortgage Loan Trust 2006-AR41	40684	10	$ 29,788,685	$ 1,809,820
IndyMac INDX Mortgage Loan Trust 2006-AR41	40684	11	$ 29,662,587	$ 1,972,625
IndyMac INDX Mortgage Loan Trust 2006-AR41	40684	12	$ 31,115,621	$ 2,149,330



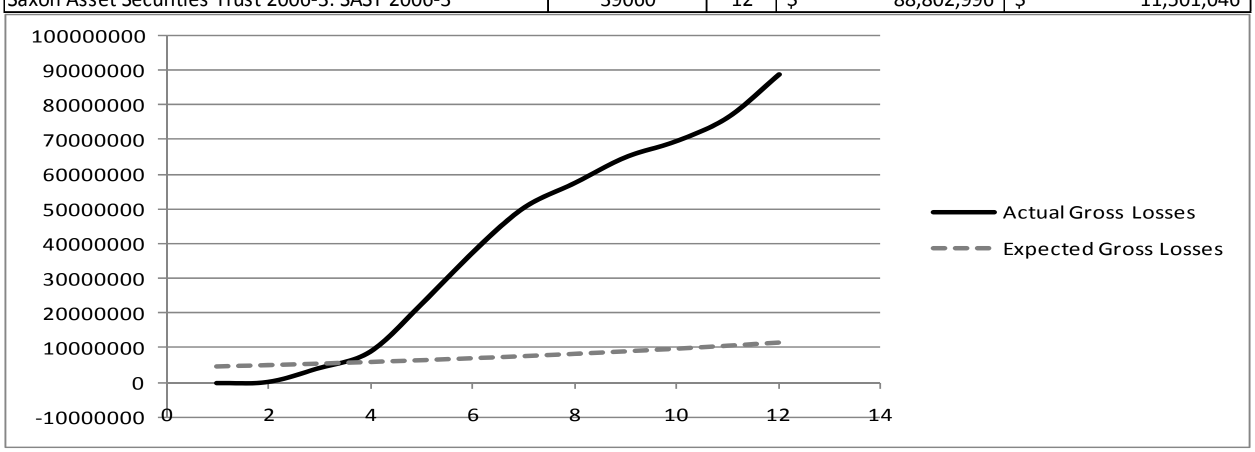
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
IndyMac INDX Mortgage Loan Trust 2007-FLX3	41142	1	$ -	$ 468,162
IndyMac INDX Mortgage Loan Trust 2007-FLX3	41142	2	$ -	$ 511,350
IndyMac INDX Mortgage Loan Trust 2007-FLX3	41142	3	$ -	$ 558,431
IndyMac INDX Mortgage Loan Trust 2007-FLX3	41142	4	$ 353,754	$ 609,740
IndyMac INDX Mortgage Loan Trust 2007-FLX3	41142	5	$ 885,930	$ 665,634
IndyMac INDX Mortgage Loan Trust 2007-FLX3	41142	6	$ 888,046	$ 726,500
IndyMac INDX Mortgage Loan Trust 2007-FLX3	41142	7	$ 2,748,151	$ 792,750
IndyMac INDX Mortgage Loan Trust 2007-FLX3	41142	8	$ 2,754,139	$ 864,827
IndyMac INDX Mortgage Loan Trust 2007-FLX3	41142	9	$ 2,760,162	$ 943,202
IndyMac INDX Mortgage Loan Trust 2007-FLX3	41142	10	$ 6,367,571	$ 1,028,378
IndyMac INDX Mortgage Loan Trust 2007-FLX3	41142	11	$ 6,051,065	$ 1,120,887
IndyMac INDX Mortgage Loan Trust 2007-FLX3	41142	12	$ 6,064,204	$ 1,221,294



Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
RALI Series 2007-QO1 Trust	40400	1	$ -	$ 1,314,985
RALI Series 2007-QO1 Trust	40400	2	$ -	$ 1,436,293
RALI Series 2007-QO1 Trust	40400	3	$ -	$ 1,568,537
RALI Series 2007-QO1 Trust	40400	4	$ 146,112	$ 1,712,654
RALI Series 2007-QO1 Trust	40400	5	$ 3,337,707	$ 1,869,652
RALI Series 2007-QO1 Trust	40400	6	$ 4,805,226	$ 2,040,614
RALI Series 2007-QO1 Trust	40400	7	$ 4,547,358	$ 2,226,700
RALI Series 2007-QO1 Trust	40400	8	$ 5,830,994	$ 2,429,151
RALI Series 2007-QO1 Trust	40400	9	$ 6,986,692	$ 2,649,293
RALI Series 2007-QO1 Trust	40400	10	$ 9,327,957	$ 2,888,536
RALI Series 2007-QO1 Trust	40400	11	$ 11,284,968	$ 3,148,379
RALI Series 2007-QO1 Trust	40400	12	$ 13,284,075	$ 3,430,406



Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Saxon Asset Securities Trust 2006-3: SAST 2006-3	39060	1	$ -	$ 4,408,723
Saxon Asset Securities Trust 2006-3: SAST 2006-3	39060	2	$ 327,276	$ 4,815,428
Saxon Asset Securities Trust 2006-3: SAST 2006-3	39060	3	$ 4,305,699	$ 5,258,798
Saxon Asset Securities Trust 2006-3: SAST 2006-3	39060	4	$ 9,014,672	$ 5,741,976
Saxon Asset Securities Trust 2006-3: SAST 2006-3	39060	5	$ 22,639,805	$ 6,268,340
Saxon Asset Securities Trust 2006-3: SAST 2006-3	39060	6	$ 37,466,366	$ 6,841,520
Saxon Asset Securities Trust 2006-3: SAST 2006-3	39060	7	$ 50,358,141	$ 7,465,407
Saxon Asset Securities Trust 2006-3: SAST 2006-3	39060	8	$ 57,544,690	$ 8,144,161
Saxon Asset Securities Trust 2006-3: SAST 2006-3	39060	9	$ 65,001,402	$ 8,882,226
Saxon Asset Securities Trust 2006-3: SAST 2006-3	39060	10	$ 69,665,443	$ 9,684,331
Saxon Asset Securities Trust 2006-3: SAST 2006-3	39060	11	$ 76,468,069	$ 10,555,499
Saxon Asset Securities Trust 2006-3: SAST 2006-3	39060	12	$ 88,802,996	$ 11,501,046



83. As indicated in Figure 2 (*supra*), actual gross losses spiked almost immediately after issuance of the RMBS. For example, in the Home Equity Asset Trust 2006-8 offering (shown in Figure 2, *supra*), actual losses at month 12 exceeded $97 million, or nearly 8 times the expected losses of approximately $12.8 million (*see supra* Figure 2).

84. 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.

85. 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 the Credit Unions' 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

86. Virtually all of the RMBS the Credit Unions purchased were rated triple-A at issuance.

87. Moody's and S&P have since downgraded the RMBS the Credit Unions purchased to well below investment grade (*see supra* Table 4).

88. 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 certificates purchased in the Home Equity Asset Trust 2006-8 (CUSIP 43709QAG1, *see supra* Table 1) and the Adjustable Rate Mortgage Trust 2007-2 (CUSIP 00703AAG2, *see supra* Table 2) offerings have defaulted, meaning the certificates have 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.

89. 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

90. 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

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

92. 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.

93. 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).

94. 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").

95. 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.

96. 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*.

97. 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.

98. 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.

99. 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).

100. 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.

101. 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.

Id. at 187.

102. The lack of disclosure regarding the true underwriting practices of the Originators

in the Offering Documents at issue in this Complaint put the Credit Unions at a severe disadvantage.

103. 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).

104. 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.*

105. 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.

106. 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. Countrywide's Systematic Disregard of Underwriting Standards

107. Countrywide Home Loans, Inc. ("Countrywide") was one of the largest originators of residential mortgages in the United States during the period at issue in this Complaint. Countrywide originated or contributed a critical portion of the loans in the mortgage pools underlying the Adjustable Rate Mortgage Trust 2006-1, Adjustable Rate Mortgage Trust 2006-3, Adjustable Rate Mortgage Trust 2007-2 and the Alternative Loan Trust 2007-OA6 offerings.

108. 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).

109. 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.

110. 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."

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.

111. 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.

112. 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).

113. 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).

114. 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.

115. 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.

116. 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).

117. 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).

118. 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.

119. 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*.

120. 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).

121. 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.

122. 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).

123. 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).

124. 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).

125. 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).

126. 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.

127. 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.

128. 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.*

129. 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.

130. 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.

131. 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.

3. Decision One's Systematic Disregard of Underwriting Standards

132. Decision One Mortgage Co., LLC ("Decision One") was a major lender specializing in "mortgage loans that are commonly referred to as Alt-A lending options, and non-conforming or sub-prime loans." In 2006, Decision One ranked as the 14th largest subprime lender in the nation. Decision One contributed a critical number of mortgage loans to the Home Equity Asset Trust 2006-8 offering.

133. A complaint filed by Allstate Insurance Company contains allegations based on confidential witness statements in which former Decision One employees "described Decision One's lax attitude towards its own origination and underwriting standards and explained that Decision One had been approving loans that should have never been issued." *Allstate Ins. Co. v. Morgan Stanley*, Case No. 651840/2011, 2011 WL 2634724, ¶ 95 (N.Y. Sup. filed July 5, 2011).

134. According to testimony and documents submitted to the FCIC by a Clayton executive, during 2006 and the first half of 2007, Clayton reviewed 911,039 loans issued by originators, including Decision One, for securitization. Clayton determined that 28%, or 255,802, of the mortgages they reviewed did not satisfy applicable underwriting guidelines. *See* Testimony of Vicki Beal, Clayton Holdings, before the FCIC on July 22, 2010, and supporting documents.

135. Decision One's reckless lending practices earned it a spot on the OCC's 2009 "Worst Ten in the Worst Ten" list.

4. Homecomings Financial, LLC's Systematic Disregard of Underwriting Standards

136. Homecomings Financial, LLC ("Homecomings") was a major originator of residential mortgage loans during the time period at issue. Homecomings was a wholly-owned subsidiary of Residential Funding Corporation and contributed a critical number of mortgage loans to the RALI Series 2007-QO1 Trust offering.

137. The Federal Trade Commission 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, to Andrew Sandler, Skadden, Arps (counsel for Homecomings) (Jan. 22, 2009).

138. In March 2009, the Portland Tribune reported that Homecomings lending practices allowed for the origination of shaky loans that precipitated 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 TRIB., Mar. 5, 2009. *available at* http://www.portlandtribune.com/news/story.php?story_id=123620453702532400.

139. 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.

140. 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.

141. 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.

142. 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.

143. 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.

5. IndyMac's Systematic Disregard of Underwriting Standards

144. IndyMac contributed all or a substantial portion of the loans underlying the IndyMac INDA Mortgage Loan Trust 2006-AR2, IndyMac INDX Mortgage Loan Trust 2006-AR41, IndyMac INDX Mortgage Loan Trust 2007-FLX3 and the IndyMac Residential Mortgage-Backed Trust Series 2006-L2 offerings.

145. 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.

146. 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.

147. 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*.

148. 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.

149. 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.

150. 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.

151. 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*.

152. 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 reviewed 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.

Id. at 1.

153. 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.

154. 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*.

155. 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.

156. 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.

157. 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).

158. 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.

159. 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.

160. 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.

161. 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.

162. 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 court in that case denied a motion to dismiss.

163. 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.

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

164. 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 contributed a substantial portion of the loans underlying the Home Equity Asset Trust 2006-7 and Home Equity Asset Trust 2006-8 offerings.

165. 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. 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." Floyd Norris, *Color-Blind Merrill in a Sea of Red Flags*, N.Y. Times, May 16, 2008. The lion's share of the problem with that securitization was because of rapid default rates on OwnIt loans. *See id.*

166. In a class action lawsuit filed by Public Employees' Retirement System of Mississippi, OwnIt is listed as an originator that did not adhere to its stated underwriting guidelines in the offering documents. *See* Am. Class Action Compl., *Public Employees' Ret. Sys. of Mississippi, et al., v. Merrill Lynch & Co., Inc., et al*. No. 08-CV-10841 (S.D.N.Y. filed July 6, 2010).

167. 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. The Office of the Comptroller General in 2008 identified the ten originators with the worst record of having loans go into foreclosure in the ten metropolitan areas most severely affected by foreclosures. Based on figures updated in 2010, OwnIt ranked among only 21 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, DC (Apr. 8, 2010), available at http://www.occ.treas.gov/ftp/release/2010-39d.pdf.

7. People's Choice Home Loans' Systematic Disregard of Underwriting Standards

168. 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 or contributed a critical portion of loans in the mortgage pool underlying the Saxon Asset Securities Trust 2006-3: SAST 2006-3 offering.

169. 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.

170. 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."

Hansen, *'If You Had a Pulse, We Gave You a Loan,'* NBC Dateline.

VIII. THE OFFERING DOCUMENTS CONTAINED UNTRUE STATEMENTS OF MATERIAL FACT

171. 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.

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

172. 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.

173. For first liens, the LTV ratio is the ratio of a 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%.

174. 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.

175. The NCUA Board commissioned a forensic review that calculated LTV ratios for those loans that could be identified in the pools backing most of the RMBS at issue in this Complaint as indicated below. 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.

176. 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.

177. 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 18.07% 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
Adjustable Rate Mortgage Trust 2006-1 (Group 2)	74.25%	84.87%	14.3%
Adjustable Rate Mortgage Trust 2006-3 (Groups 1 and 3)	66.04%	77.14%	16.81%
Adjustable Rate Mortgage Trust 2007-2 (Group 2)	78.95%	92.71%	17.43%
Alternative Loan Trust 2007-OA6 (All Groups)	74.56%	93.08%	24.84%
IndyMac INDA Mortgage Loan Trust 2006-AR2 (Groups 1 and 2)	69.59%	81.02%	16.42%
IndyMac INDX Mortgage Loan Trust 2006-AR41 (All Groups)	77.78%	88.97%	14.39%
IndyMac INDX Mortgage Loan Trust 2007-FLX3 (All Groups)	70.93%	85.84%	21.02%
RALI Series 2007-QO1 Trust (All Groups)	74.34%	90.80%	22.14%
Saxon Asset Securities Trust 2006-3: SAST 2006-3 (All Groups)	77.32%	89.13%	15.27%

178. Some of the Offering Documents also 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.

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

180. The forensic review shows that on average, the actual weighted average CLTV ratio was 20.98% 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
Alternative Loan Trust 2007-OA6 (All Groups)	79.25%	101.62%	28.23%
Fieldstone Mortgage Investment Trust, Series 2005-3 (All Groups)	92.35%	102.41%	10.89%
Saxon Asset Securities Trust 2006-3: SAST 2006-3 (All Groups)	79.92%	98.96%	23.82%

181. 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.

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

183. The forensic review found that on average, the actual weighted average mixed LTV ratio was 11.57% 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
Fieldstone Mortgage Investment Trust, Series 2005-3 (All Groups)	82.4%	90.05%	9.28%
Home Equity Asset Trust 2005-9 (Group 1)	78.9%	85.99%	8.99%
Home Equity Asset Trust 2005-9 (Group 2)	80.4%	88.53%	10.11%
Home Equity Asset Trust 2006-7 (Group 2)	79.7%	90.38%	13.4%
Home Equity Asset Trust 2006-8 (Group 1)	80.7%	90.36%	11.97%
Home Equity Asset Trust 2006-8 (Group 2)	80.1%	90.30%	12.73%
RASC Series 2007-EMX1 Trust (Group 1)	84.1%	96.3%	14.51%

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

184. 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.

185. Representations regarding owner-occupancy status were material to the Credit Unions, because RMBS collateralized by loans with high owner-occupancy rates make safer investments than RMBS backed by second homes or investment properties. Homeowners 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.

186. The forensic review commissioned by the NCUA used borrower- and property-specific public records to test loan-level occupancy data for those loans that could be identified in the pools backing most of the RMBS at issue in this Complaint as indicated below.

187. 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.

188. 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.

189. 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.

190. 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.

191. 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.

192. 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.

193. The results of the forensic review of actual owner-occupancy rates are set forth in the chart 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 12.84% to 19.74%, with an average overstatement of 15.72%.

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
Adjustable Rate Mortgage Trust 2006-1 (Group 2)	87.5%	75.71%	15.57%
Adjustable Rate Mortgage Trust 2006-3 (Groups 1 and 3)	85.1%	72.35%	17.62%
Adjustable Rate Mortgage Trust 2007-2 (Group 2)	70.98%	59.59%	19.11%
Alternative Loan Trust 2007-OA6 (All Groups)	75.74%	63.65%	18.99%
Fieldstone Mortgage Investment Trust, Series 2005-3 (All Groups)	97.23%	85.28%	14.01%
Home Equity Asset Trust 2005-9 (Group 1)	89.94%	79.56%	13.05%
Home Equity Asset Trust 2005-9 (Group 2)	94.15%	82.22%	14.51%
Home Equity Asset Trust 2006-7 (Group 2)	96.49%	83.77%	15.18%
Home Equity Asset Trust 2006-8 (Group 1)	94.75%	83.51%	13.46%
Home Equity Asset Trust 2006-8 (Group 2)	96.6%	83.87%	15.18%
IndyMac INDA Mortgage Loan Trust 2006-AR2 (Groups 1 and 2)	85.07%	72.9%	16.69%
IndyMac INDX Mortgage Loan Trust 2006-AR41 (All Groups)	81.63%	72.34%	12.84%
IndyMac INDX Mortgage Loan Trust 2007-FLX3 (All Groups)	92.73%	79.94%	16%
RALI Series 2007-QO1 Trust (All Groups)	80.73%	67.42%	19.74%
RASC Series 2007-EMX1 Trust (Group 1)	90.69%	78.45%	15.6%
Saxon Asset Securities Trust 2006-3: SAST 2006-3 (All Groups)	94.65%	83.02%	14.01%

C. Other Untrue Statements in the Offering Documents

194. 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.

195. 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.

Originators Supplying Loans for Each RMBS at Issue

CUSIP(S)	ISSUING ENTITY	TRANCHE	ORIGINATOR(S)
225470B28	Adjustable Rate Mortgage Trust 2006-1	2-A-2	Countrywide (48.63%)
00703QBF8	Adjustable Rate Mortgage Trust 2006-3	C-M-1	Countrywide DLJ Mortgage Capital, Inc. Credit Suisse Financial Corp.
00703AAG2	Adjustable Rate Mortgage Trust 2007-2	2-A-3	DLJ Mortgage Capital, Inc. (42.88% Group 2) Credit Suisse Financial Corp. (21.62% Group 2) Countrywide (15.86% Group 2)
02150PAC2	Alternative Loan Trust 2007-OA6	A-2	Countrywide (100%)
31659TEJ0 31659TEK7	Fieldstone Mortgage Investment Trust, Series 2005-3	M1 M2	Fieldstone Mortgage Company (100%)

CUSIP(S)	ISSUING ENTITY	TRANCHE	ORIGINATOR(S)
437084QZ2	Home Equity Asset Trust 2005-9	M2	DLJ Mortgage Capital, Inc. is identified as the "Seller" in the Home Equity Asset Trust 2005-9 offering. The Prospectus Supplement further states "[t]he mortgage loans have been purchased by the seller from various banks, savings and loan associations, mortgage bankers (which may or may not be affiliated with the seller) and other mortgage loan originators…" No specific originators are identified.
43709NAE3	Home Equity Asset Trust 2006-7	2-A-4	Encore Credit Corp. (24.1%) OwnIt (24.0%) Lime Financial Services, LTD. (20.4%) Accredited Home Lenders, Inc. (11.4%)
43709QAD8 43709QAE6 43709QAG1	Home Equity Asset Trust 2006-8	2-A-3 2-A-4 M-1	OwnIt (23.7%) Encore Credit Corp. (19.9%) Lime Financial Services, LTD. (14.1%) Decision One Mortgage Company, LLC (12.2%) Accredited Home Lenders, Inc. (10.8%)
45661SAE3	IndyMac INDA Mortgage Loan Trust 2006-AR2	1-C-M	IndyMac Bank (100%)
45668NAB3 45668NAD9	IndyMac INDX Mortgage Loan Trust 2006-AR41	A-2 A-4	IndyMac Bank (100%)
45670AAB7	IndyMac INDX Mortgage Loan Trust 2007-FLX3	A-2	IndyMac Bank (100%)
45661FAC5	IndyMac Residential Mortgage-Backed Trust, Series 2006-L2	A-3	IndyMac Bank (100%)
75115YAB5 75115YAC3	RALI Series 2007-QO1 Trust	A-2 A-3	Homecomings Financial, LLC (37.1%)
74924XAC9	RASC Series 2007-EMX1 Trust	A-I-3	Mortgage Lenders Network USA, Inc. (100%)
80556AAD9	Saxon Asset Securities Trust 2006-3: SAST 2006-3	A-4	Saxon Funding Management, Inc. People's Choice Home Loan, Inc.

196. 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

197. The Adjustable Rate Mortgage Trust 2007-2 Prospectus Supplement stated:

> The mortgage loans were originated or acquired generally in accordance with the underwriting guidelines described in this prospectus supplement.

Adjustable Rate Mortgage Trust 2007-2 Prospectus Supplement at S-16. *See also* Home Equity Asset Trust 2005-9 Prospectus Supplement at S-40-41; Adjustable Rate Mortgage Trust 2006-1 Prospectus, Dec. 22, 2005, at S-7; Adjustable Rate Mortgage Trust 2006-3 Prospectus, June 28, 2006, at S-7.

198. The Adjustable Rate Mortgage Trust 2006-3 Prospectus Supplement described DLJ's and Credit Suisse Financial Corporation's underwriting standards as follows:

> The underwriting standards applicable to the mortgage loans typically differ from, and are, with respect to a substantial number of mortgage loans, generally less stringent than, the underwriting standards established by Fannie Mae or Freddie Mac primarily with respect to original principal balances, loan to value ratios, borrower income, required documentation, interest rates, borrower occupancy of the mortgaged property and/or property types. To the extent the programs reflect underwriting standards different from those of Fannie Mae and Freddie Mac, the performance of the mortgage loans thereunder may reflect higher delinquency rates and/or credit losses. In addition, certain exceptions to the underwriting standards described herein are made in the event that compensating factors are demonstrated by a prospective borrower. Neither the depositor nor any affiliate, including the sponsor, has re underwritten any mortgage loan.
>
> Generally, each mortgagor will 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, other than with respect to "no income/asset" documentation, the mortgagor will have furnished information with respect to its assets, liabilities and income (except as described below) and credit history, employment history and personal information, and furnished an authorization to apply for a credit report which summarizes the mortgagor's credit history with local merchants and lenders and any record of bankruptcy. 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 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. With respect to mortgaged property consisting of vacation or second homes, no income derived from the property generally will have been considered for underwriting purposes.
>
> Based on the data provided in the application and certain verification (if required), a determination is made by the original lender that the mortgagor's monthly income (if required to be stated) will be sufficient to enable the mortgagor to meet its monthly obligations on the mortgage loan and other expenses related to the property such as property taxes, utility costs, standard hazard insurance and other

> fixed obligations other than housing expenses. Generally, 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 equal no more than a specified percentage of the prospective mortgagor's gross income. The percentage applied varies on a case by case basis depending on a number of underwriting criteria, including the LTV ratio of the mortgage loan. The sponsor may also consider the amount of liquid assets available to the mortgagor after origination.

Adjustable Rate Mortgage Trust 2006-3 Prospectus Supplement at S-46; S-47-48. *See also* Home Equity Asset Trust 2005-9 Prospectus Supplement at S-40-41; Adjustable Rate Mortgage Trust 2007-2 Prospectus Supplement at S-40-41.

199. The Adjustable Rate Mortgage Trust 2006-3 Prospectus Supplement provided the following description of Countrywide's underwriting guidelines:

> As part of its evaluation of potential borrowers, Countrywide Home Loans generally requires a description of income. If required by its underwriting guidelines, Countrywide Home Loans obtains employment verification providing current and historical income information and/or a telephonic employment confirmation. Such employment verification may be obtained, either through analysis of the prospective borrower's recent pay stub and/or W-2 forms for the most recent two years, relevant portions of the most recent two years' tax returns, or from the prospective borrower's employer, wherein the employer reports the 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.
>
> In assessing a prospective borrower's creditworthiness, Countrywide Home Loans may use FICO 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 250 to approximately 900, with higher scores indicating an individual with a more favorable credit history compared to an individual with a lower score. Under Countrywide Home Loans' underwriting guidelines, borrowers possessing higher FICO Credit Scores, which indicate a more favorable credit history and who give Countrywide Home Loans the right to obtain the tax returns they filed for the preceding two years, may be eligible for Countrywide Home Loans' processing program (the "Preferred Processing Program").

> Periodically the data used by Countrywide Home Loans to complete the underwriting analysis may be obtained by a third party, particularly for mortgage loans originated through a loan correspondent or mortgage broker. In those instances, the initial determination as to whether a mortgage loan complies with Countrywide Home Loans' underwriting guidelines may be made by an independent company hired to perform underwriting services on behalf of Countrywide Home Loans, the loan correspondent or mortgage broker. In addition, Countrywide Home Loans may acquire mortgage loans from approved correspondent lenders under a program pursuant to which Countrywide Home Loans delegates to the correspondent the obligation to underwrite the mortgage loans to Countrywide Home Loans' standards. Under these circumstances, the underwriting of a mortgage loan may not have been reviewed by Countrywide Home Loans before acquisition of the mortgage loan and the correspondent represents that Countrywide Home Loans' underwriting standards have been met. After purchasing mortgage loans under those circumstances, Countrywide Home Loans conducts a quality control review of a sample of the mortgage loans. The number of loans reviewed in the quality control process varies based on a variety of factors, including Countrywide Home Loans' prior experience with the correspondent lender and the results of the quality control review process itself.
>
> Countrywide Home Loans' 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.

Adjustable Rate Mortgage Trust 2006-3 Prospectus Supplement at S-38-39; Adjustable Rate Mortgage Trust 2006-1 Prospectus Supplement at S-39; Alternative Loan Trust 2007-OA6 Prospectus Supplement at S-34-35. *See also* Alternative Loan Trust 2007-OA6 Registration Statement, Feb. 28, 2007, at S-39-40.

200. The Adjustable Rate Mortgage Trust 2006-3 Prospectus Supplement continued:

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

Adjustable Rate Mortgage Trust 2006-3 Prospectus Supplement at S-39; Adjustable Rate Mortgage Trust 2006-1 Prospectus Supplement at S-40; Alternative Loan Trust 2007-OA6

Prospectus Supplement at S-35. *See also* Alternative Loan Trust 2007-OA6 Registration Statement, Feb. 28, 2007, at S-40.

201. The Adjustable Rate Mortgage Trust 2006-3 Prospectus Supplement continued:

> For all mortgage loans originated or acquired by Countrywide Home Loans, Countrywide Home Loans obtains a credit report relating to the applicant from a credit reporting company. The credit report typically contains information relating to such matters as credit history with local and national merchants and lenders, installment debt payments and any record of defaults, bankruptcy, dispossession, suits or judgments. All adverse information in the credit report is required to be explained by the prospective borrower to the satisfaction of the lending officer.
>
> Except with respect to the mortgage loans originated pursuant to its Streamlined Documentation Program, whose values were confirmed with a Fannie Mae proprietary automated valuation model, Countrywide Home Loans obtains appraisals from independent appraisers or appraisal services for properties that are to secure mortgage loans. The appraisers inspect and appraise the proposed mortgaged property and verify that the property is in acceptable condition. Following each appraisal, the appraiser prepares a report which includes a market data analysis based on recent sales of comparable homes in the area and, when deemed appropriate, a replacement cost analysis based on the current cost of constructing a similar home. All appraisals are required to conform to Fannie Mae or Freddie Mac appraisal standards then in effect.

Adjustable Rate Mortgage Trust 2006-3 Prospectus Supplement at S-40. *See also*, Adjustable Rate Mortgage Trust 2006-1 Prospectus Supplement at S-40; Alternative Loan Trust 2007-OA6 Prospectus Supplement at S-35. *See also* Alternative Loan Trust 2007-OA6 Registration Statement, Feb. 28, 2007, at S-41.

202. The Fieldstone Mortgage Investment Trust, Series 2005-3 Prospectus Supplement stated:

> The Mortgage Loans were originated by Fieldstone Mortgage Company ("FMC"), a nationwide mortgage banking company and wholly-owned subsidiary of Fieldstone Investment Corporation, or by other mortgage lenders generally in accordance with underwriting guidelines established and maintained by FMC (the "Fieldstone Underwriting Guidelines").
>
> General
>
> FMC originates, finances, sells, securitizes and services both "conforming" loans (i.e., loans that are insured by the FHA or partially guaranteed by VA, or which

> qualify for sale to Fannie Mae or Freddie Mac) and "non-conforming" loans (i.e., loans that are not insured or guaranteed by FHA or VA and do not qualify for sale to Fannie Mae or Freddie Mac) secured by single-family, two- to four-family, condominium units, units of planned unit developments, townhomes and modular homes. FMC originates mortgage loans directly and acquires loans from mortgage lenders and brokers. FMC originates loans primarily in the wholesale market, through mortgage brokers, but also originates loans directly with customers through its retail branch network. In addition, FMC acquires mortgage loans from correspondent lenders. The mortgage loans have been underwritten and originated using procedures intended to comply with all applicable federal and state laws and regulations. FMC focuses on providing the best loan available for a given borrower's needs and credit history. FMC's non-conforming borrowers generally have good credit backgrounds, but tend to have higher loan-to-value ratios, or LTVs, less income documentation, and/or higher debt-to-income ratios than conforming borrowers.
>
> . . . .
>
> The Mortgage Loans included in the Trust are non-conforming loans. A non-conforming loan generally does not meet the eligibility requirements of Fannie Mae or Freddie Mac because the borrower's cash flow, credit history and/or collateral value do not meet the specific standards of the conforming loan market.

Fieldstone Mortgage Investment Trust, Series 2005-3 Prospectus Supplement at S-36; Fieldstone Mortgage Investment Trust, Series 2005-3 Registration Statement, June 17, 2005, at S-32.

203. The Fieldstone Mortgage Investment Trust, Series 2005-3 Prospectus Supplement continued:

> The Fieldstone Underwriting Guidelines
>
> FMC generally underwrites its non-conforming loans to meet the specific guidelines of one of FMC's loan programs. The Fieldstone Underwriting Guidelines generally are designed to evaluate a prospective borrower's credit history and ability to repay the loan, as well as the value and adequacy of the related mortgaged property as collateral. . . .The Fieldstone Underwriting Guidelines are modified and revised continually based on changes in residential mortgage underwriting and lending practices and requirements of secondary mortgage markets. In addition, the Fieldstone Underwriting Guidelines allow for certain flexibility, and exceptions to the underwriting guidelines are permitted in certain circumstances.

Fieldstone Mortgage Investment Trust, Series 2005-3 Prospectus Supplement at S-36; Fieldstone Mortgage Investment Trust, Series 2005-3 Registration Statement, June 17, 2005, at S-32.

204. The Fieldstone Mortgage Investment Trust, Series 2005-3 Prospectus Supplement represented:

> All of FMC's non-conforming loans are underwritten by FMC's on-staff underwriting personnel, and FMC does not delegate underwriting authority to any broker or third party. FMC's underwriting process considers a combination of factors in deciding whether to approve a loan, including the borrower's income documentation, LTV, mortgage and consumer credit payment history, property type and credit score. The mortgage loan underwriting process relies upon an underwriter's analysis of the prospective borrower's ability to repay the loan according to its terms, the risk that the prospective borrower will not repay, the fees and rates charged, the value of the related mortgaged property as collateral, the benefit the loan is providing to the prospective borrower and the loan amounts relative to the risk. FMC's policy is to analyze the overall situation of the prospective borrower and to take into account compensating factors that may be used to offset certain areas of weakness. These compensating factors include credit scores, proposed reductions in the borrower's debt service expense, borrower assets, employment stability, number of years in residence and net disposable income. FMC's underwriting process and the Fieldstone Underwriting Guidelines require a thorough application review and documentation designed to maximize the value of the mortgage loans.
>
> The Fieldstone Underwriting Guidelines include a review of the income of each applicant. FMC personnel review the loan applicant's source of income, calculate the amount of income from sources indicated on the loan application or similar documentation and calculate debt-to-income ratios to determine the applicant's ability to repay the loan. Also, FMC generally classifies its non-conforming loans into credit grade categories, based on an assessment of borrower repayment credit risk. FMC's credit grade classification considers several factors, including the applicant's mortgage payment history, consumer credit history, credit score, bankruptcy history and debt-to-income ratio. Certain loan characteristics, including LTV and documentation type, also factor into FMC's credit grading.
>
> FMC requires a full appraisal of each property to be pledged as collateral in connection with the origination of each loan. Appraisals generally conform to the Uniform Standards of Professional Appraisal Practice and must be on forms acceptable to Freddie Mac and Fannie Mae. Appraisals are performed by licensed, third-party, fee-based appraisers and include inspection of the exterior and interior of the subject property and review and evaluation of neighborhood conditions, site and zoning status and the condition and value of improvements. FMC's appraisal review process requires that each appraisal be validated (except in limited circumstances) by either a non-affiliated appraisal review firm or by one of FMC's qualified underwriters using additional data to evaluate the appraisal. In most cases, FMC utilizes automated value measures to validate appraisals. FMC generally requires that an appraisal be no more than 180 days old on the day the loan is funded.

Fieldstone Mortgage Investment Trust, Series 2005-3 Prospectus Supplement at S-37; Fieldstone Mortgage Investment Trust, Series 2005-3 Registration Statement, June 17, 2005, at S-33.

205. The Fieldstone Mortgage Investment Trust, Series 2005-3 Prospectus Supplement stated:

> FMC emphasizes quality control prior to origination. FMC's quality control department also reviews and re-underwrites, on a post-funding basis, approximately 10% of all mortgage loans that FMC originates. FMC generally selects loans for post-funding re-underwriting on a random basis, (though FMC may make select targeted samples of loans from time to time) and reports its findings to management and underwriting department managers on a regular basis. Underwriting changes and corrective actions may be implemented from time to time as a result of analysis of the quality control data, performance trends and servicing issues.

Fieldstone Mortgage Investment Trust, Series 2005-3 Prospectus Supplement at S-38; Fieldstone Mortgage Investment Trust, Series 2005-3 Registration Statement, June 17, 2005, at S-34.

206. The Home Equity Asset Trust 2005-9 Prospectus Supplement represented:

> Under the underwriting standards, various risk categories are used to grade the likelihood that the mortgagor will satisfy the repayment conditions of the mortgage loan. These categories generally establish the maximum permitted loan-to-value ratio and loan amount, given the occupancy status of the mortgaged property and the mortgagor's credit history and debt-to-income ratio. In general, higher credit risk mortgage loans are graded in categories that permit higher debt-to-income ratios and more (or more recent) major derogatory credit items such as outstanding judgments or prior bankruptcies; however, the underwriting standards establish lower maximum loan-to-value ratios and lower maximum loan amounts for loans graded in such categories. A substantial portion of the mortgage loans were classified in relatively low (i.e., relatively higher risk) credit categories. The incidence of delinquency, default and bankruptcy with respect to such mortgage loans is expected to be greater than if such mortgage loans had been classified in relatively higher categories.

Home Equity Asset Trust 2005-9 Prospectus Supplement at S-41.

207. The Home Equity Asset Trust 2006-7 Prospectus Supplement stated:

> The mortgage loans originated or acquired by Encore Credit Corp. ("Encore") were originated generally in accordance with the underwriting standards described below under "Encore Credit Corp., as Originator." The mortgage loans originated or acquired by OwnIt Mortgage Solutions, Inc. ("OwnIt") were

> originated generally in accordance with the underwriting standards described below under "OwnIt Mortgage Solutions, Inc., as Originator." The mortgage loans originated or acquired by Lime Financial Services Ltd. ("Lime") were originated generally in accordance with the underwriting standards described below under "Lime Financial Services Ltd., as Originator." The remainder of the mortgage loans included in the trust were originated or acquired by various originators in accordance with such originators' underwriting standards generally comparable to the general underwriting standards described below under "General Underwriting Standards." Such general underwriting standards differ among the originators in various areas. The following is a general summary of the general underwriting standards believed by the depositor to be generally applied, with some variation, by each originator, other than Encore, OwnIt and Lime, and a general summary of the underwriting standards generally applied by Encore, OwnIt and Lime, respectively. The following does not purport to be a complete description of the underwriting standards of the originators.

Home Equity Asset Trust 2006-7 Prospectus Supplement at S-36; *see also* Home Equity Asset Trust 2006-8 Prospectus Supplement at S-36.

208. The Home Equity Asset Trust 2006-7 Prospectus Supplement stated:

> The General Underwriting Guidelines are a summary of the underwriting guidelines used by originators, other than Encore, OwnIt and Lime. All of the mortgage loans are "conventional mortgage loans" (i.e., loans which are not insured by the Federal Housing Authority or partially guaranteed by the Veterans Administration). The underwriting standards applicable to the mortgage loans typically differ from, and, with respect to a substantial number of mortgage loans, are generally less stringent than, the underwriting standards established by Fannie Mae or Freddie Mac primarily with respect to original principal balances, loan-to-value ratios, mortgagor income, mortgagor credit history, mortgagor employment history, required documentation, interest rates, mortgagor occupancy of the mortgaged property and/or property types. To the extent the programs reflect underwriting standards different from those of Fannie Mae and Freddie Mac, the performance of the mortgage loans there under may reflect relatively higher delinquency rates and/or credit losses. In addition, certain exceptions to the underwriting standards described herein may be made in the event that compensating factors are demonstrated by a prospective mortgagor. In general, neither the seller nor the depositor has re-underwritten any mortgage loan.
>
> . . . .
>
> Based on the data provided in the application and certain verifications (if required), a determination will have been made by the original lender that the mortgagor's monthly income (if required to be stated) should be sufficient to enable the mortgagor to meet its monthly obligations on the mortgage loan and other expenses related to the mortgaged property (such as property taxes, standard hazard insurance and other fixed obligations other than housing expenses).

> Generally, scheduled payments on a mortgage loan during the first year of its term plus taxes and insurance and other fixed obligations equal no more than a specified percentage of the prospective mortgagor's gross income. The percentage applied varies on a case by case basis depending on a number of underwriting criteria, including the loan-to-value ratio of the mortgage loan. The originator may also have considered the amount of liquid assets available to the mortgagor after origination.
>
> . . . .
>
> Under the underwriting standards, various risk categories are used to grade the likelihood that the mortgagor will satisfy the repayment conditions of the mortgage loan. These categories generally establish the maximum permitted loan-to-value ratio and loan amount, given the occupancy status of the mortgaged property and the mortgagor's credit history and debt-to-income ratio. In general, higher credit risk mortgage loans are graded in categories that permit higher debt-to-income ratios and more (or more recent) major derogatory credit items such as outstanding judgments or prior bankruptcies; however, the underwriting standards establish lower maximum loan-to-value ratios and lower maximum loan amounts for loans graded in such categories. A substantial portion of the mortgage loans were classified in relatively low (i.e., relatively higher risk) credit categories. The incidence of delinquency, default and bankruptcy with respect to such mortgage loans is expected to be greater than if such mortgage loans had been classified in relatively higher categories.

Home Equity Asset Trust 2006-7 Prospectus Supplement at S-36-37; *see also* Home Equity Asset Trust 2006-8 Prospectus Supplement at S-36-37.

209. With respect to Encore's underwriting guidelines, the Home Equity Asset Trust 2006-7 Prospectus Supplement stated:

> Underwriting Guidelines.
>
> Encore underwrites each mortgage loan that it originates in accordance with its internal underwriting guidelines. Encore has developed internal underwriting processes and criteria that it believes generate quality loans and give it the ability to approve and fund loans quickly. Encore's internal underwriting guidelines are designed to help it evaluate a borrower's credit history, capacity, willingness and ability to repay the loan, and the value and adequacy of the collateral. Encore reviews the borrower's credit history from Experian Information Solutions, Inc., Trans Union Corp. and Equifax, Inc. In addition, Encore reviews credit scores derived from the borrower's credit history by one or more nationally recognized credit scoring models.
>
> Underwriting Personnel.

> All of Encore's loans are underwritten by its on-site underwriting personnel. Encore does not delegate underwriting authority to any broker or third party. Encore adheres to strict internal standards with respect to who has the authority to approve a loan. In the event that an underwriting exception is required for approval, only specifically designated personnel, dictated by the exception needed, are authorized to make such exceptions. Encore regularly trains its operation managers, who supervise their underwriters, on emerging trends in production. Encore believes that these managers and underwriters are highly qualified and experienced and are familiar with their underwriting guidelines. Encore believes that its regionalized underwriting process provides it with the ability to fund loans faster than many of its competitors, and that the experience of its operations managers, its information systems and its rigorous quality control process ensure the continued quality of its loans.
>
> Underwriting Guidelines.
>
> Encore's internal underwriting guidelines are established by its credit committee. Encore's credit committee meets regularly with its production and operations managers to review proposed changes to the underwriting guidelines. If an individual loan application does not meet Encore's formal written underwriting guidelines, but the underwriter is confident both that the borrower has the ability and willingness to pay and that the property provides adequate collateral for the borrower's obligations, Encore's underwriters can make underwriting exceptions up to certain limits within their formal exception policies and approval authorities. All of Encore's loan programs have tiered exception levels whereby approval of certain exceptions, such as LTV ratio exceptions, loan amount exceptions, and debt-to-income exceptions, are escalated to higher loan approval authority levels.
>
> Encore's guidelines are primarily intended to (1) determine that the borrower has the ability to repay the mortgage loan in accordance with its terms and (2) determine that the related mortgaged property will provide sufficient value to recover the investment if the borrower defaults. The underwriting of a mortgage loan to be originated or purchased by Encore generally includes a review of the completed loan package, which includes the loan application, a current appraisal, a preliminary title report and a credit report. All loan applications and all closed loans offered to Encore for purchase must be approved by Encore in accordance with its underwriting criteria. Encore regularly reviews its underwriting guidelines and makes changes when appropriate to respond to market conditions, the performance of loans representing a particular loan product and changes in laws or regulations.

Home Equity Asset Trust 2006-7 Prospectus Supplement at S-38-39.

210. The Home Equity Asset Trust 2006-7 Prospectus Supplement stated:

> Encore's quality control program is intended to monitor loan production with the overall goal of improving the quality of loan production generated by its retail

loan operation and independent mortgage broker channel. Through systematically monitoring loan production, the quality control department can identify and communicate to management existing or potential underwriting and loan packaging problems or other areas of concern. The quality control file review ensures compliance with Encore's underwriting guidelines and federal and state regulations. This is accomplished by focusing on:

- the accuracy of all credit and legal information;
- a collateral analysis, which may include a desk or field re-appraisal of the property and review of the original appraisal;
- employment and/or income verification; and
- legal document review to ensure that the necessary documents are in place.

Home Equity Asset Trust 2006-7 Prospectus Supplement at S-40.

211. The Home Equity Asset Trust 2006-7 Prospectus Supplement stated:

Encore has established loan programs and risk categories, which identify the types of loans that they originate. A majority of Encore's loan originations are underwritten using the "Credit Score Advantage" program. This program makes loans available to a broad group of borrowers who fit a more traditional non-conforming profile. However, there are borrowers who request LTV ratios higher than those stated for this program, larger loan amounts or more unusual financing options. Rather than attempt to incorporate all of these specialized requests into one loan program, Encore has established separate loan programs to accommodate borrowers who would otherwise require individual exceptions to a single, broader loan program. Encore established these programs to allow its underwriting personnel to process loan applications from borrowers who fit a particular program's criteria quickly and efficiently. The criteria for each of these programs are guidelines only. All of Encore's loan programs have tiered exception levels whereby approval of an exception is escalated to a higher loan approval authority. Although Encore generally does not make adjustments to the credit category of any applicant, Encore may determine on a case-by-case basis that an applicant warrants a LTV ratio exception, a loan amount exception, a debt-to-income exception or another exception. Encore may allow such an exception if the application reflects certain compensating factors, such as a lower than the maximum LTV ratio for the specific loan program, a maximum of one 30-day late payment on all mortgage loans during the last 12 months, job and income stability or a meaningful amount of liquid assets. Encore may also grant an exception if the applicant provides a down payment of at least 20% of the purchase price of the underlying property or if the new mortgage loan significantly reduces the applicant's aggregate monthly debt service payments. Encore expects that a

> substantial number of the mortgage loans they originate will represent such underwriting exceptions.

Home Equity Asset Trust 2006-7 Prospectus Supplement at S-40.

212. With respect to OwnIt's underwriting guidelines, the Home Equity Asset Trust 2006-7 Prospectus Supplement stated:

> The Underwriting Guidelines and Credit Matrices of the RightLoan are designed to be used as a guide in determining the credit worthiness of the borrower and his/her ability to repay. The guidelines, a reasonable loan amount and the RightLoan itself offer a solution that also facilitates making logical exceptions to those guides. Exceptions to the guidelines will be made if the loan meets the primary criteria of the RightLoan and offers supported compensating factors when a deviation occurs. In all cases, the exception(s) and compensating factor(s) are clearly documented in the file and require branch manager approval and a second signature from the corporate underwriter.
>
> Using the three components, capacity, credit and collateral, the underwriter analyzes the loan profile. Capacity, which is the borrower's ability to repay, is determined by cash flow. It must be clearly shown that the borrower has a proven, historical cash flow, which will support the requested loan amount. This approach anticipates that the loan is going to be repaid from the borrower's recurring cash inflows, not from the sale of the collateral. Job stability and length of time in current residence are also strong factors in determining a borrower's capacity. Continuity of employment is a strong factor in establishing the income used as a basis for repayment. Credit is the borrower's willingness to repay his or her debts according to the contractual agreements. The most valuable resource in determining the borrower's ability to repay is the credit report. OwnIt underwriters will use the credit report and credit explanation letter when supplied in determining willingness. OwnIt uses the credit score as a primary factor in determining the borrower's willingness to repay his or her debts. Collateral is defined as the asset pledged by the borrower to the lender. Collateral is a secondary source of repayment; cash flow is the primary source of repayment. OwnIt will evaluate the property by reviewing uniform residential real estate appraisal reports, along with other data sources, to determine whether the collateral is sufficient to secure the mortgage.
>
> The underwriter's objective is to analyze an application individually with the understanding that no single characteristic will approve or deny a loan. The underwriter must utilize the credit report, loan application, asset verifications, appraisal and all other supporting documents in determining credit worthiness and risk. Credit risk can be defined as, but is not restricted to, limited liquid assets or reserves, and derogatory credit history. The overall situation and profile of a borrower, including compensating factors, which may offset negative

> characteristics, must be taken into consideration in determining if the borrower is creditworthy. Credit worthiness is determined by the borrower's ability and willingness to repay his or her contractual debt and the value of the property securing the loan. A sufficient property value gives OwnIt the ability to recover its investment if the loan defaults.

Home Equity Asset Trust 2006-7 Prospectus Supplement at S-43; Home Equity Asset Trust 2006-8 Prospectus Supplement at S-38.

213. Concerning LIME's underwriting standards, the Home Equity Asset Trust 2006-7 Prospectus Supplement stated:

> Underwriting Standards
>
> The mortgage loans have been originated to the internal guidelines of LIME as described in this section. The following is a summary of the underwriting standards generally applied by LIME and does not purport to be a complete description of the underwriting standards or the underwriting guidelines of LIME. LIME's underwriting standards and underwriting guidelines generally are intended to evaluate the prospective borrower's credit standing and repayment ability and the value and adequacy of the mortgaged property as collateral. All mortgage loans are manually underwritten, in which case an underwriter reviews a loan application and supporting documentation, if required, and a credit report of the borrower, and based on that review determines whether to originate a loan in the amount and with the terms stated in the loan application.

Home Equity Asset Trust 2006-7 Prospectus Supplement at S-45.

214. With respect to exceptions to LIME's underwriting standards, the Home Equity Asset Trust 2006-7 Prospectus Supplement represented:

> Exceptions to Program Parameters
>
> Exceptions to the underwriting standards described above may be made on a case-by-case basis if compensating factors are present. In those cases, the basis for the exception is documented. Compensating factors may include, but are not limited to, low loan-to-value ratio, low debt-to-income ratio, good, deep credit history, the availability of other liquid assets, stable employment and time in residence at the prospective borrower's current address. Exceptions to credit score and loan to values are not allowed.

Home Equity Asset Trust 2006-7 Prospectus Supplement at S-46.

215. The IndyMac INDX Loan Trust 2007-FLX3 Prospectus Supplement stated:

> Mortgage loans that are acquired by IndyMac Bank are underwritten by IndyMac Bank according to IndyMac Bank's underwriting guidelines. . . or pursuant to an exception to those guidelines based on IndyMac Bank's procedures for approving such exceptions.
>
> IndyMac Bank has two principal underwriting methods designed to be responsive to the needs of its mortgage loan customers: traditional underwriting and e-MITS (Electronic Mortgage Information and Transaction System) 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.

IndyMac Bank INDX Mortgage Loan Trust 2007-FLX3 Prospectus Supplement at S-48; IndyMac INDA Mortgage Loan Trust 2006-AR2 Prospectus Supplement at S-83; IndyMac INDX Mortgage Loan Trust 2006-AR41 Prospectus Supplement at S-46. *See also* IndyMac INDX Mortgage Loan Trust 2006-AR41 Registration Statement, Feb. 24, 2006, at S-28; IndyMac INDX Mortgage Loan Trust 2007-FLX3 Registration Statement, Feb. 24, 2006, at S-28.

216. The IndyMac INDX Loan Trust 2007-FLX3 Prospectus Supplement stated:

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

IndyMac Bank INDX Mortgage Loan Trust 2007-FLX3 Prospectus Supplement at S-49-50; IndyMac INDA Mortgage Loan Trust 2006-AR2 Prospectus Supplement at S-85; IndyMac INDX Mortgage Loan Trust 2006-AR41 Prospectus Supplement at S-48. *See also* IndyMac

INDX Mortgage Loan Trust 2006-AR41 Registration Statement, Feb. 24, 2006, at S-30; IndyMac INDX Mortgage Loan Trust 2007-FLX3 Registration Statement, Feb. 24, 2006, at S-30.

217. The IndyMac INDX Loan Trust 2007-FLX3 Prospectus stated:

> In general, where a loan is subject to full underwriting review, a prospective borrower applying for a mortgage loan is required to fill out a detailed application designed to provide to the underwriting officer pertinent credit information. As part of the description of the borrower's financial condition, the borrower generally is required to provide a current list of assets and liabilities and a statement of income and expenses, as well as an authorization to apply for a credit report which summarizes the borrower's credit history with local merchants and lenders and any record of bankruptcy.

IndyMac Bank INDX Mortgage Loan Trust 2007-FLX3 Prospectus, Feb. 27, 2007, at 35; IndyMac INDA Mortgage Loan Trust 2006-AR2 Prospectus, June 14, 2006, at 35; IndyMac INDX Mortgage Loan Trust 2006-AR41 Prospectus, Oct. 26, 2006, at 35; IndyMac Residential Mortgage-Backed Trust, Series 2006-L2 Prospectus, June 14, 2006 , at the "Mortgage Loan Program" section. *See also* IndyMac INDX Mortgage Loan Trust 2006-AR41 Registration Statement, Feb. 24, 2006, at 36; IndyMac INDX Mortgage Loan Trust 2007-FLX3 Registration Statement, Feb. 24, 2006, at 36.

218. The IndyMac Bank INDX Mortgage Loan Trust 2007-FLX3 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.

IndyMac Bank INDX Mortgage Loan Trust 2007-FLX3 Prospectus Supplement at S-50; IndyMac INDA Mortgage Loan Trust 2006-AR2 Prospectus Supplement at S-85; IndyMac INDX Mortgage Loan Trust 2006-AR41 Prospectus Supplement at S-48. *See also* IndyMac

INDX Mortgage Loan Trust 2006-AR41 Registration Statement, Feb. 24, 2006, at S-31; IndyMac INDX Mortgage Loan Trust 2007-FLX3 Registration Statement, Feb. 24, 2006, at S-31.

219. The IndyMac Residential Mortgage-Backed Trust 2006-L2 Prospectus Supplement stated:

> Most of the mortgage loans were originated in accordance with IndyMac Bank's underwriting standards described below. Mortgage loans not originated under these underwriting standards as, for instance, mortgage loans acquired through bulk purchases, were originated in accordance with underwriting standards approved by IndyMac Bank at the time of acquisition and generally comparable to IndyMac Bank's underwriting standards.

IndyMac Residential Mortgage-Backed Trust 2006-L2 Prospectus Supplement at S-25.

220. The IndyMac Residential Mortgage-Backed Trust 2006-L2 Prospectus Supplement continued:

> IndyMac Bank's underwriting guidelines (the "***Underwriting Guidelines***") are primarily intended to assess (i) the value of the mortgaged property and to evaluate the adequacy of such property as collateral for the residential lot loan and (ii) the creditworthiness of the related mortgagor.

IndyMac Residential Mortgage-Backed Trust 2006-L2 Prospectus Supplement at S-25.

221. With respect to exceptions, the IndyMac Residential Mortgage-Backed Trust 2008-L2 Prospectus Supplement stated:

> The foregoing 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 mortgage loan-to-value exception or an exception from certain FICO score requirements (collectively called an "upgrade" or an "exception"). An exception may generally be allowed if the application reflects certain compensating factors, among others: a low Loan-to-Value Ratio, a stable employment history, ownership of current residence of five or more years, cash reserves, or credit history. Accordingly, certain borrowers may qualify for a residential lot loan that, in the absence of such compensating factors, would not satisfy the criteria of the Underwriting Guidelines.

IndyMac Residential Mortgage-Backed Trust 2006-L2 Prospectus Supplement at S-27.

222. The RALI Series 2007-QO1 Trust Prospectus Supplement stated:

> All of the mortgage loans in the mortgage pool were originated in accordance with the underwriting criteria of Residential Funding described under "--The Program" in this prospectus supplement. Residential Funding will review each mortgage loan for compliance with its underwriting standards prior to purchase as described under "The Trusts--Underwriting Policies--Automated Underwriting" in the prospectus.

RALI Series 2007-QO1 Trust Prospectus Supplement at S-49. *See also* RALI Series 2007-QO1 Trust Registration Statement, Jan. 23, 2006, at S-44.

223. The RALI Series 2007-QO1 Trust Prospectus Supplement stated:

> In accordance with the Seller Guide, the Expanded Criteria Program Seller is required to review 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 is required to furnish information, which may have been supplied solely in the application, regarding its assets, liabilities, income (except as described below), credit history and employment history, and to furnish an authorization to apply for a credit report which summarizes the borrower's credit history with local merchants and lenders and any record of bankruptcy. The mortgagor may also be required to authorize verifications of deposits at financial institutions where the mortgagor had demand or savings accounts. In the case of non-owner occupied properties, income derived from the mortgaged property may be considered for underwriting purposes. For mortgaged property consisting of a vacation or second home, generally no income derived from the property is considered for underwriting purposes.
>
> Based on the data provided in the application and certain verifications, if required, a determination is made by the original lender that the mortgagor's monthly income, if required to be stated, will 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. Generally, 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, must equal no more than specified percentages of the prospective mortgagor's gross income. The originator may also consider the amount of liquid assets available to the mortgagor after origination.

RALI Series 2007-QO1 Trust Prospectus Supplement at S-47. *See also* RALI Series 2007-QO1 Trust Registration Statement, Jan. 23, 2006, at S-43.

224. The RALI Series 2007-QO1 Trust Prospectus Supplement stated:

> Prior to assigning the mortgage loans to the depositor, Residential Funding will have reviewed the underwriting information provided by the mortgage collateral sellers for the mortgage loans and, in those cases, determined that the mortgage loans were generally originated in accordance with or in a manner generally consistent with the underwriting standards described in the Seller Guide. With regard to a material portion of these mortgage loans, this review of underwriting information by Residential Funding was performed using an automated underwriting system. Any determination described above using an automated underwriting system will only be based on the information entered into the system and the information the system is programmed to review.

RALI Series 2007-QO1 Trust Prospectus Supplement at S-48. *See also* RALI Series 2007-QO1 Trust Registration Statement, Jan. 23, 2006, at S-44.

225. The RALI Series 2007-QO1 Trust Prospectus Supplement stated:

> The applicable underwriting standards include a set of specific criteria by which the underwriting evaluation is made. However, the application of the underwriting standards does not imply that each specific criterion was satisfied individually. Rather, a mortgage loan will be considered to be originated in accordance with the underwriting standards described above if, based on an overall qualitative evaluation, the loan is in substantial compliance with the underwriting standards. For example, a mortgage loan may be considered to comply with the underwriting standards described above, even if one or more specific criteria included in the underwriting standards were not satisfied, if other factors positively compensated for the criteria that were not satisfied.

RALI Series 2007-QO1 Trust Prospectus Supplement at S-49. *See also* RALI Series 2007-QO1 Trust Registration Statement, Jan. 23, 2006, at S-44.

226. The RASC Series 2007-EMX1 Trust Prospectus Supplement stated:

> The mortgage loans were originated in accordance with the underwriting standards of Residential Funding Company, LLC, as described under "--Underwriting Standards" above.

RASC Series 2007-EMX1 Trust Prospectus Supplement at S-61.

227. The RASC Series 2007-EMX1 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 2007-EMX1 Trust Prospectus Supplement at S-56.

228. The RASC Series 2007-EMX1 Trust Prospectus Supplement stated:

> 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 2007-EMX1 Trust Prospectus Supplement at S-56-57.

229. The RASC Series 2007-EMX1 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 2007-EMX1 Trust Prospectus Supplement at S-57-58.

230. The SAST 2006-3 Prospectus Supplement stated:

> The Saxon Mortgage underwriting guidelines provide for an analysis of the overall situation of the borrower and take into account compensating factors which may be used to offset certain areas of weakness. Specific compensating factors include:
>
> - loan-to-value ratio;
> - mortgage payment history;
> - disposable income;
> - employment stability; and
> - number of years at residence.

SAST 2006-3 Prospectus Supplement at S-37; *see also* SAST 2006-3 Registration Statement, Feb. 9, 2006, at "The Mortgage Loan Pool" section.

231. The SAST 2006-3 Prospectus Supplement stated:

> Saxon Mortgage underwrites each loan individually. The underwriting decision is based on the risk profile of the loan, even in instances where a group of mortgage loans is purchased in bulk. In some of these bulk purchases, contract underwriters

may be engaged to underwrite individual mortgage loans under the direct supervision of the senior underwriting staff of Saxon Mortgage.

SAST 2006-3 Prospectus Supplement at S-37; *see also* SAST 2006-3 Registration Statement, Feb. 9, 2006, at "The Mortgage Loan Pool" section.

232. The SAST 2006-3 Prospectus Supplement stated:

> Saxon Mortgage customarily employs underwriting guidelines to aid in assessing:
>
> - the borrower's ability and willingness to repay a loan according to its terms; and
> - whether the value of the property securing the loan will allow the lender to recover its investment if a loan default occurs

SAST 2006-3 Prospectus Supplement at S-37-38; *see also* SAST 2006-3 Registration Statement, Feb. 9, 2006, at "The Mortgage Loan Pool" section.

233. The SAST 2006-3 Prospectus Supplement stated:

> Saxon Mortgage may, from time to time, apply underwriting criteria that are either more stringent or more flexible than the general guidelines of the underwriting programs outlined below depending on the economic conditions of a particular market.

SAST 2006-3 Prospectus Supplement at S-38; *see also* SAST 2006-3 Registration Statement, Feb. 9, 2006, at "The Mortgage Loan Pool" section.

234. The SAST 2006-3 Prospectus Supplement stated:

> The general underwriting guidelines used by originators other than Saxon Mortgage are generally intended to evaluate the credit risk of mortgage loans made to borrowers with imperfect credit histories, ranging from minor delinquencies to bankruptcy, or borrowers with relatively high ratio of monthly mortgage payments to income or relatively high ratios of total monthly credit payments to income. In addition, such guidelines also evaluate the value and adequacy of the mortgaged property as collateral. On a case by case basis, such third party originators may determine that, based upon compensating factors, a prospective mortgagor to strictly qualifying under the applicable underwriting guidelines warrants an underwriting exception. Compensating factors may include, but are not limited to, relatively low ratio, relatively low debt-to-income ratio, good credit history, stable employment, financial reserves, and time in residence at the applicant's current address. A portion of the mortgage loans may represent such underwriting exceptions.

SAST 2006-3 Prospectus Supplement at S-42.

235. 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

236. Concerning Countrywide's documentation programs, the Adjustable Rate Mortgage Trust 2006-3 Prospectus Supplement stated:

> A prospective borrower may be eligible for a loan approval process that limits or eliminates Countrywide Home Loans' standard disclosure or verification requirements or both. Countrywide Home Loans offers the following documentation programs as alternatives to its Full Documentation Program: an

> Alternative Documentation Loan Program (the "Alternative Documentation Program"), a Reduced Documentation Loan Program (the "Reduced Documentation Program"), a CLUES Plus Documentation Loan Program (the "CLUES Plus Documentation Program"), a No Income/No Asset Documentation Loan Program (the "No Income/No Asset Documentation Program"), a Stated Income/Stated Asset Documentation Loan Program (the "Stated Income/Stated Asset Documentation Program") and a Streamlined Documentation Loan Program (the "Streamlined Documentation Program").

Adjustable Rate Mortgage Trust 2006-3 Prospectus Supplement at S-40; Adjustable Rate Mortgage Trust 2006-1 Prospectus Supplement at S-40; Alternative Loan Trust 2007-OA6 Prospectus Supplement at S-35.

237. The Adjustable Rate Mortgage Trust 2006-3 Prospectus Supplement continued:

> 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%.

Adjustable Rate Mortgage Trust 2006-3 Prospectus Supplement at S-41; *see also* Adjustable Rate Mortgage Trust 2006-1 Prospectus Supplement at S-41-42; Adjustable Rate Mortgage Trust 2006-1 Prospectus Supplement at S-36-37. *See also* Alternative Loan Trust 2007-OA6 Registration Statement, Feb. 28, 2007, at S-42.

238. The Adjustable Rate Mortgage Trust 2006-3 Prospectus Supplement also stated:

> 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.

Adjustable Rate Mortgage Trust 2006-3 Prospectus Supplement at S-42-43; *see also* Adjustable Rate Mortgage Trust 2006-1 Prospectus Supplement at S-43; Adjustable Rate Mortgage Trust 2006-1 Prospectus Supplement at S-38.

239. With respect to DLJ's and Credit Suisse Financial Corporation's documentation programs, the Adjustable Rate Mortgage Trust 2006-3 Prospectus Supplement stated:

> The mortgage loans have been originated under "full documentation" or "alternative documentation," "reduced documentation," "stated income/stated assets" or "no income/no asset" programs. The "alternative documentation," "reduced documentation," "stated income/stated assets" and "no income/no asset" programs generally require either alternative or less documentation and verification than do full documentation programs which generally require standard Fannie Mae/Freddie Mac approved forms for verification of income/employment, assets and certain payment histories. Generally, an "alternative" documentation program requires information regarding the mortgagor's income (i.e., W-2 forms, tax returns and/or pay stubs) and assets (i.e.,

> bank statements) as does a "full documentation" loan, however, alternative forms of standard verifications are used. Generally, under both "full documentation" and "alternative documentation" programs at least one year of income documentation is provided. Generally, under a "reduced documentation" program, either no verification of a mortgagor's stated income is undertaken by the originator or no verification of a mortgagor's assets is undertaken by the originator. Reduced documentation loans may also include loans having only one year of income verification and loans to mortgagors with acceptable payment histories and credit scores but no information or verification of the mortgagor's income. Under a "stated income/stated assets" program, no verification of either a mortgagor's income or a mortgagor's assets is undertaken by the originator although both income and assets are stated on the loan application and a "reasonableness test" is applied. Generally, under a "no income/no asset" program, the mortgagor is not required to state his or her income or assets and therefore, no verification of such mortgagor's income or assets is undertaken by the originator. The underwriting for mortgage loans originated under the "no income/no asset" program may be based primarily or entirely on the estimated value of the mortgaged property and the LTV ratio at origination as well as on the payment history and credit score.

Adjustable Rate Mortgage Trust 2006-3 Prospectus Supplement at S-46-47; S-48; *see also* Adjustable Rate Mortgage Trust 2006-1 Prospectus Supplement at S-38; Adjustable Rate Mortgage Trust 2007-2 Prospectus Supplement at S-34; Home Equity Asset Trust 2005-9 Prospectus Supplement at S-41.

240. The Fieldstone Mortgage Investment Trust, Series 2005-3 Prospectus Supplement stated:

> Mortgage loans originated pursuant to stated income documentation programs may have a greater risk of default.
>
> Approximately 51.52% of the statistical mortgage loans in the mortgage pool, and approximately 38.80% and 58.57% of the group 1 and group 2 statistical mortgage loans, respectively (in each case, based on the aggregate scheduled principal balance of the related loan group as of the cut-off date), were originated pursuant to stated income documentation programs. Unlike full documentation programs, borrowers' income is not subject to verification under stated income programs. Therefore, stated income documentation mortgage loans may involve a greater risk of default than full documentation mortgage loans with income verification.

Fieldstone Mortgage Investment Trust, Series 2005-3 Prospectus Supplement at S-21; *see also* Fieldstone Mortgage Investment Trust, Series 2005-3 Registration Statement, June 17, 2005, at S-19.

241. With respect to documentation programs, the Fieldstone Mortgage Investment Trust, Series 2005-3 Prospectus Supplement stated:

> The Mortgage Loans generally have been underwritten under one of the following documentation programs:
>
> - Full Documentation - income verification based on current pay stubs and W-2s for wage earners or two years' tax returns for self-employed borrowers
> - 24 Months of Bank Statements - allowed for all types of employment, this program uses an average of deposits for the most recent 24 months
> - 12 Months of Bank Statements - allowed for self-employed borrowers only, this program requires 12 months of bank statements to verify income
> - Limited Documentation - generally available for borrowers with higher credit scores, this program requires a year-to-date pay stub, most recent 1099 or six months of bank statements depending on whether the borrower is a wage earner, a contractor or self-employed, respectively
> - Stated Documentation - this program requires wage earners to verify two years' employment in the same profession and self-employed borrowers to provide evidence that the business has been owned and operated for at least two years.
>
> Each of these documentation programs includes a thorough credit underwriting. Exceptions to documentation requirements and other modifications may be granted on a case-by-case basis for certain prospective borrowers and for certain loan programs.

Fieldstone Mortgage Investment Trust, Series 2005-3 Prospectus Supplement at S-37-38; Fieldstone Mortgage Investment Trust, Series 2005-3 Registration Statement, June 17, 2005, at 51.

242. The Home Equity Asset Trust 2006-7 Prospectus Supplement represented as to Encore's documentation programs:

> Encore's mortgage programs include several levels of documentation used to verify the borrower's income.
>
> - Full income documentation. Encore's highest level of income documentation generally requires a stable, two-year history of income. A wage-earner may document income by any of the following: a verification of employment or a current pay stub reflecting year to date income and the borrower's most recent Wage and Tax Statement, or W-2; the borrower's two most recent IRS Form 1040s; or for higher credit score borrowers, the borrower's personal bank statements for the previous one or two years showing average monthly deposits sufficient to support the qualifying income. A self-employed borrower may document income with either the two most recent federal tax returns or bank statements for the previous one or two years depending on the borrower's credit score.
>
> - Limited income documentation. This documentation level generally requires a twelve-month history of stable income, together with personal bank statements for the previous twelve months to support the borrower's qualifying income.
>
> - Stated income documentation. The borrower's income used to qualify for the loan is taken from the borrower's signed application and compared to the borrower's line of work or profession for reasonableness. Self-employed borrowers typically must provide satisfactory evidence of existence of the business and demonstrate a two-year history of employment in the same profession. A verification of employment and position is done for each stated income loan.

Home Equity Asset Trust 2006-7 Prospectus Supplement at S-39.

243. The Home Equity Asset Trust 2006-7 Prospectus Supplement stated:

> Several aspects are considered in determining the borrower's capacity or ability to repay the loan. The key factors are employment documentation, history and amount of income used to derive the debt to income ratios. OwnIt offers three income documentation options: Full documentation includes traditional employment verification such as pay stubs, W2s or/and tax returns. A copy of the borrower's personal or business bank statements for the most recent 12 month period also constitutes full income documentation. Limited Income Verification (LIV) represents an average of 6 months bank statements. No Income Verification (NIV) uses the income stated by the borrower on the 1003 loan application to qualify. Satisfactory employment history is established with 2 years at the same job or similar, related field. Verbal employment verification is performed prior to funding for all documentation types and good probability of continuance is required. The actual method of calculating and documenting employment history and income depends on the borrower's credit score and LTV. Higher LTVs and lower credit scores require a longer period in which income

> must be verified. Base debt to income ratios are set at 45% or 50% depending on credit score, LTV, documentation type and if the borrower is a first time home buyer. In some cases the maximum debt ratio may increase to 55% based on meeting a minimum disposable income requirement.

Home Equity Asset Trust 2006-7 Prospectus Supplement at S-43-44; *see also* Home Equity Asset Trust 2006-8 Prospectus Supplement at S-38.

244. With respect to the various documentation levels required by LIME, the Home Equity Asset Trust 2006-7 Prospectus Supplement stated:

> Documentation Programs
> Each mortgage loan has been underwritten under one of the following documentation programs. Under a full or bank statement documentation program, the income as stated in the prospective borrower's loan application is verified through receipt of the borrower's most recent pay stub and receipt of the borrower's most recent W-2 form (or forms) reflecting a minimum of 12 months of income, 12 or 24 months of personal or business bank statements or, in the case of self-employed borrowers or borrowers who derive a substantial portion of their income from commissions, receipt of two years of personal (and, if applicable, business) tax returns. For self-employed borrowers, profit and loss statements may also be required. In addition, the borrower's employment is verified with the employer by telephone.

Home Equity Asset Trust 2006-7 Prospectus Supplement at S-46.

245. The IndyMac Bank INDX Mortgage Loan Trust 2007-FLX3 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.

IndyMac Bank INDX Mortgage Loan Trust 2007-FLX3 Prospectus Supplement at S-48; *see also* IndyMac INDA Mortgage Loan Trust 2006-AR2 Prospectus Supplement at S-84; IndyMac INDX Mortgage Loan Trust 2006-AR41 Prospectus Supplement at S-47; IndyMac INDX Mortgage Loan Trust 2006-AR41 Registration Statement, Feb. 24, 2006, at S-29; IndyMac

INDX Mortgage Loan Trust 2007-FLX3 Registration Statement, Feb. 24, 2006, at S-29.

246. The IndyMac Bank INDX Mortgage Loan Trust 2007-FLX3 Prospectus Supplement elaborated:

> 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 one year (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.

IndyMac Bank INDX Mortgage Loan Trust 2007-FLX3 Prospectus Supplement at S-49; *see also* IndyMac INDA Mortgage Loan Trust 2006-AR2 Prospectus Supplement at S-84; IndyMac INDX Mortgage Loan Trust 2006-AR41 Prospectus Supplement at S-47; IndyMac INDX Mortgage Loan Trust 2006-AR41 Registration Statement, Feb. 24, 2006, at S-29-30; IndyMac INDX Mortgage Loan Trust 2007-FLX3 Registration Statement, Feb. 24, 2006, at S-29-30.

247. The IndyMac Residential Mortgage-Backed Trust 2006-L2 Prospectus Supplement stated:

> Regardless of the mortgage loan program, each applicant completes an application that includes information with respect to the applicant's assets, liabilities, income, credit history, employment history and personal information. The Underwriting Guidelines require a credit report on each applicant from a credit reporting company. The report typically contains information relating to such matters as credit history with local and national merchants and lenders, installment debt payments and any record of late payments, defaults, bankruptcies, repossessions, judgments or tax liens.
>
> The mortgage loan application also verifies the borrower's identity as required of financial institutions under the USA Patriot Act. Residential lot loans are not available to nonpermanent resident aliens and foreign nationals.
>
> <u>Full/Alternate Documentation Program</u>. Under the Full/Alternate Documentation Program, the prospective borrower's employment, income and assets are verified through written or telephonic communications. All residential lot loans may be submitted under the Full/Alternate Documentation Program. The Full/Alternate Documentation Program also provides for alternative methods of employment verification generally using W-2 forms or pay stubs.
>
> <u>Stated Income Program</u>. Under the Stated Income Program, which covers both the "Reduced Documentation Program" and the "No Ratio Program," more emphasis is placed on the prospective borrower's credit score and on the value and adequacy of the mortgaged property as collateral and other assets of the prospective borrower than on income underwriting. The Reduced Income Documentation Program requires prospective borrowers to provide information regarding their assets and income. Information regarding assets is verified through written communications. Information regarding income is not verified. 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. Employment is orally verified under both programs.

IndyMac Residential Mortgage-Backed Trust 2006-L2 Prospectus Supplement at S-25-26.

248. The RALI Series 2007-QO1 Trust Prospectus Supplement stated:

> Certain of the mortgage loans have been originated under "reduced documentation" or "no stated income" programs, which require less documentation and verification than do traditional "full documentation" programs. Generally, under a "reduced documentation" program, no verification of a mortgagor's stated income is undertaken by the originator. Under a "no stated income" program, certain 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. Under a "no income/no asset" program, no verification of a mortgagor's income or assets is undertaken by the originator. The underwriting for those mortgage loans may be based primarily or entirely on an appraisal of the mortgaged property and the LTV ratio at origination.

RALI Series 2007-QO1 Trust Prospectus Supplement at S-48. *See also* RALI Series 2007-QO1 Trust Registration Statement, Jan. 23, 2006, at S-43.

249. The RASC Series 2007-EMX1 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 2007-EMX1 Trust Prospectus Supplement at S-57.

250. The SAST 2006-3 Prospectus Supplement states:

> Substantially all of the mortgage loans were originated consistent with and generally conform to "Full Documentation," Limited Documentation," or "Stated Documentation" residential loan programs. Under each of such programs, the related originator generally reviews the applicant's source of income, calculates the amount of income from sources indicated on the loan application or similar documentation, 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 type and use of the property being financed.

SAST 2006-3 Prospectus Supplement at S-44.

251. 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

252. With respect to Countrywide's maximum loan-to-value ratios, the Adjustable Rate Mortgage Trust 2006-3 Prospectus Supplement stated:

> Countrywide Home Loans' 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 Loans' 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 Loans' 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 Loans' 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 Loans' 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).

Adjustable Rate Mortgage Trust 2006-3 Prospectus Supplement at S-40-41.

253. The Adjustable Rate Mortgage Trust 2006-3 Prospectus Supplement continued:

> Mortgage loans which are underwritten pursuant to the Expanded Underwriting Guidelines may have higher Loan-to-Value Ratios, higher loan amounts and different documentation requirements than those associated with the Standard Underwriting Guidelines. The Expanded Underwriting Guidelines also permit higher debt-to-income ratios than mortgage loans underwritten pursuant to the Standard Underwriting Guidelines.
>
> Countrywide Home Loans' Expanded Underwriting Guidelines for mortgage loans with non-conforming original principal balances generally allow Loan-to-Value Ratios at origination of up to 95% for purchase money or rate and term refinance mortgage loans with original principal balances of up to $400,000, up to 90% for mortgage loans with original principal balances of up to $650,000, up to 80% for mortgage loans with original principal balances of up to $1,000,000, up to 75% for mortgage loans with original principal balances of up to $1,500,000 and up to 70% for mortgage loans with original principal balances of up to $3,000,000. Under certain circumstances, however, Countrywide Home Loans' Expanded Underwriting Guidelines allow for Loan-to-Value Ratios of up to 100%

for purchase money mortgage loans with original principal balances of up to $375,000.

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

Adjustable Rate Mortgage Trust 2006-3 Prospectus Supplement at S-41-42.

254. Home Equity Asset Trust 2006-7 Prospectus Supplement stated:

Under their internal underwriting guidelines, Encore has established several different credit categories within each loan program, and Encore assigns a credit category to each applicant based on the applicant's credit history. These credit categories establish the maximum permitted LTV ratio, the maximum loan amount and the allowed use of loan proceeds given the applicant's mortgage payment history, consumer credit history, liens/charge-offs/bankruptcy history, debt-to-income ratio, use of proceeds, documentation type and other factors.

Home Equity Asset Trust 2006-7 Prospectus Supplement at S-41.

255. The IndyMac INDX Loan Trust 2007-FLX3 Prospectus Supplement stated:

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

IndyMac Bank INDX Mortgage Loan Trust 2007-FLX3 Prospectus Supplement at S-49; IndyMac INDA Mortgage Loan Trust 2006-AR2 Prospectus Supplement at S-84; IndyMac INDX Mortgage Loan Trust 2006-AR41 Prospectus Supplement at S-47. *See also* IndyMac INDX Mortgage Loan Trust 2006-AR41 Registration Statement, Feb. 24, 2006, at S-30; IndyMac INDX Mortgage Loan Trust 2007-FLX3 Registration Statement, Feb. 24, 2006, at S-30.

256. The IndyMac Residential Mortgage-Backed Trust 2006-L2 Prospectus Supplement stated:

> The Underwriting Guidelines permit the mortgage loans to have Loan-to-Value Ratios at origination of up to 90% for the Full/Alternate Documentation program and 85% for the Stated Income Documentation programs, depending on, among other things, the mortgage loan amount and credit score. The Loan-to-Value of each residential lot loan is based on the lesser of the valuation set forth in the original appraisal and the purchase price. There can be no assurance that the value of a mortgaged property estimated in any appraisal or review is equal to the actual value of such mortgaged property at the time of such appraisal or review. Furthermore, there can be no assurance that the actual value of a mortgaged property has not declined subsequent to the time of such appraisal or review.

IndyMac Residential Mortgage-Backed Trust 2006-L2 Prospectus Supplement at S-26.

257. 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 ASSERTED CLAIMS ARE TIMELY

258. 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).

259. The NCUA Board placed U.S. Central and WesCorp into conservatorship and appointed itself as conservator on March 20, 2009. On September 24, 2010, the NCUA Board placed Southwest into conservatorship and appointed itself conservator. On October 1, 2010, the NCUA Board placed U.S. Central and WesCorp into liquidation and appointed itself as Liquidating Agent. On October 31, 2010, the NCUA Board placed Southwest into liquidation and appointed itself Liquidating Agent.

260. 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.

261. 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).

262. 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).

263. 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.

264. 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).

265. 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. Likewise, Southwest could not have discovered the untrue statements and/or misleading omissions in the Offering Documents more than one year prior to September 24, 2010, the date on which the NCUA Board placed Southwest 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.

266. In addition, the Credit Unions and/or the NCUA Board as their Liquidating Agent are or were members of putative classes in the cases listed in Table 7 (*infra*). Therefore, the NCUA Board's claims are subject to legal tolling of the statute of limitations and statute of repose under the doctrine announced in *American Pipe & Construction Co. v. Utah*, 414 U.S. 538 (1974) ("American Pipe") and its progeny.

Table 7
Purchases Subject to Tolling Under American Pipe

CUSIP	ISSUING ENTITY	PURCHASER	TRADE DATE	AMERICAN PIPE TOLLING COMMENCEMENT DATE
02150PAC2	Alternative Loan Trust 2007-OA6	WesCorp	26-Apr-07	*Luther v. Countrywide*, No. BC380698 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 14, 2007** Removed to No. 12-5125 (C.D.C.A) *Washington v. Countrywide*, No. BC392571 (Cal. Super. Ct. L.A. County) Complaint **Filed: June 12, 2008** consolidated into *Luther v. Countrywide*, No. BC380698 (Cal. Super. Ct. L.A. County - Removed to No. 12-5125 (C.D.C.A)) *Maine v. Countrywide*, No. 10-302 (C.D.C.A.) Complaint **Filed: January 14, 2010** *Western Conference of Teamsters v. Countrywide*, No. BC449726 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 17, 2010** Removed to 12-5122 (C.D.C.A.)
45661SAE3	IndyMac INDA Mortgage Loan Trust 2006-AR2	WesCorp	14-Sep-06	*IBEW Local 103 v. IndyMac*, No. BC405843 (Cal. Super. Ct. L.A. County) Complaint **Filed: January 20, 2009** Removed to No. 09-1520 (C.D.C.A.) *Police and Fire Retirement System of Detroit v. IndyMac*, No. 09-4583 (S.D.N.Y.) Complaint **Filed: May 14, 2009** *Wyoming State Treasurer v. Olinski*, No. 09-5933 (S.D.N.Y) Complaint **Filed: June 29, 2009** Consolidated into *Police and Fire Retirement System of Detroit v. IndyMac*, No. 09-4583 (S.D.N.Y.)

CUSIP	ISSUING ENTITY	PURCHASER	TRADE DATE	AMERICAN PIPE TOLLING COMMENCEMENT DATE
45668NAB3	IndyMac INDX Mortgage Loan Trust 2006-AR41	WesCorp	22-Dec-06	*IBEW Local 103 v. IndyMac*, No. BC405843 (Cal. Super. Ct. L.A. County) Complaint **Filed: January 20, 2009** Removed to No. 09-1520 (C.D.C.A.) *Police and Fire Retirement System of Detroit v. IndyMac*, No. 09-4583 (S.D.N.Y.) Complaint **Filed: May 14, 2009**
45668NAD9	IndyMac INDX Mortgage Loan Trust 2006-AR41	WesCorp	22-Dec-06	*IBEW Local 103 v. IndyMac*, No. BC405843 (Cal. Super. Ct. L.A. County) Complaint **Filed: January 20, 2009** Removed to No. 09-1520 (C.D.C.A.) *Police and Fire Retirement System of Detroit v. IndyMac*, No. 09-4583 (S.D.N.Y.) Complaint **Filed: May 14, 2009**
45670AAB7	IndyMac INDX Mortgage Loan Trust 2007-FLX3	WesCorp	26-Apr-07	*IBEW Local 103 v. IndyMac*, No. BC405843 (Cal. Super. Ct. L.A. County) Complaint **Filed: January 20, 2009** Removed to No. 09-1520 (C.D.C.A.) *Police and Fire Retirement System of Detroit v. IndyMac*, No. 09-4583 (S.D.N.Y.) Complaint **Filed: May 14, 2009**
45661FAC5	IndyMac Residential Mortgage-Backed Trust, Series 2006-L2	Southwest	14-Jun-06	*IBEW Local 103 v. IndyMac*, No. BC405843 (Cal. Super. Ct. L.A. County) Complaint **Filed: January 20, 2009** Removed to No. 09-1520 (C.D.C.A.) *Wyoming State Treasurer v. Olinski*, No. 09-5933 (S.D.N.Y) Complaint **Filed: June 29, 2009** Consolidated into *Police and Fire Retirement System of Detroit v. IndyMac*, No. 09-4583 (S.D.N.Y.)
75115YAB5	RALI Series 2007-QO1 Trust	U.S. Central	23-Jan-07	*New Jersey Carpenters v. RALI*, No. 08-602727 (New York State Sup. Ct.) Complaint **Filed: September 22, 2008** Removed to No. 08-8781 (S.D.N.Y.)

CUSIP	ISSUING ENTITY	PURCHASER	TRADE DATE	AMERICAN PIPE TOLLING COMMENCEMENT DATE
75115YAC3	RALI Series 2007-QO1 Trust	WesCorp	23-Jan-07	*New Jersey Carpenters v. RALI*, No. 08-602727 (New York State Sup. Ct.) Complaint **Filed: September 22, 2008** Removed to No. 08-8781 (S.D.N.Y.)

267. With respect to those RMBS purchases for which the NCUA Board asserts claims under Section 11 of the Securities Act (Counts 1 through 9), the earliest date they were bona fide offered to the public was June 14, 2006, or not more than three years prior to March 20, 2009. Accordingly, the NCUA Board's Section 11 claims are not time-barred.

268. With respect to those RMBS purchases for which the NCUA Board asserts claims under Section 12(a)(2) of the Securities Act (Counts 10 and 11), the earliest sale was September 22, 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.

269. With respect to those RMBS purchases for which the NCUA Board asserts claims under state law (Counts 12 and 13), the earliest purchase date/offering date with respect to those claims was October 27, 2005, 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 of 1933
(Adjustable Rate Mortgage Trust 2006-3, Adjustable Rate Mortgage Trust 2007-2)

270. The NCUA Board realleges paragraphs 1 through 269 of this Complaint, as though fully set forth here, except those paragraphs specific to the Issuer Defendants other than Credit Suisse First Boston Mortgage Securities Corp. or specific to offerings other than the Adjustable Rate Mortgage Trust 2006-3 and Adjustable Rate Mortgage Trust 2007-2 offerings.

271. The NCUA Board brings this cause of action pursuant to Section 11 of the Securities Act, with respect to WesCorp's purchases of the Adjustable Rate Mortgage Trust 2006-3 and Adjustable Rate Mortgage Trust 2007-2 certificates against Defendant Credit Suisse, as the underwriter, and against Credit Suisse First Boston Mortgage Securities Corp., as the issuer.

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

273. 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.

274. 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.

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

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

277. Credit Suisse's and Credit Suisse First Boston Mortgage Securities Corp.'s conduct as alleged above violated Section 11.

278. WesCorp and the NCUA Board sustained damages as a result of Credit Suisse's and Credit Suisse First Boston Mortgage Securities Corp.'s violations of Section 11.

279. WHEREFORE, the NCUA Board requests the Court to enter judgment in its favor against Defendant Credit Suisse and Defendant Credit Suisse First Boston Mortgage

Securities Corp., 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 of 1933
(Alternative Loan Trust 2007-OA6)

280. The NCUA Board realleges paragraphs 1 through 269 of this Complaint, as though fully set forth here, except those paragraphs specific to offerings other than the Alternative Loan Trust 2007-OA6 offering.

281. The NCUA Board brings this cause of action pursuant to Section 11 of the Securities Act, with respect to WesCorp's purchases of the Alternative Loan Trust 2007-OA6 certificates against Defendant Credit Suisse, as the underwriter.

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

283. 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.

284. 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.

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

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

287. Credit Suisse's conduct as alleged above violated Section 11.

288. WesCorp and the NCUA Board sustained damages as a result of Credit Suisse's violations of Section 11.

289. WHEREFORE, the NCUA Board requests the Court to enter judgment in its favor against Defendant Credit Suisse, 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 of 1933 (Home Equity Asset Trust 2006-7, Home Equity Asset Trust 2006-8)

290. The NCUA Board realleges paragraphs 1 through 269 of this Complaint, as though fully set forth here, except those paragraphs specific to the Issuer Defendants other than Credit Suisse First Boston Mortgage Securities Corp., or specific to offerings other than the Home Equity Asset Trust 2006-7 and Home Equity Asset Trust 2006-8 offerings.

291. 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 Home Equity Asset Trust 2006-7 and Home Equity Asset Trust 2006-8 certificates against Defendant Credit Suisse, as the underwriter, and against Defendant Credit Suisse First Boston Mortgage Securities Corp., as the issuer.

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

293. 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.

294. 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.

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

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

297. Credit Suisse's and Credit Suisse First Boston Mortgage Securities Corp.'s conduct as alleged above violated Section 11.

298. U.S. Central and the NCUA Board sustained damages as a result of Credit Suisse's and Credit Suisse First Boston Mortgage Securities Corp.'s violations of Section 11.

299. WHEREFORE, the NCUA Board requests the Court to enter judgment in its favor against Defendant Credit Suisse and Defendant Credit Suisse First Boston Mortgage Securities Corp., 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 of 1933
(IndyMac INDA Mortgage Loan Trust 2006-AR2)

300. The NCUA Board realleges paragraphs 1 through 269 of this Complaint, as though fully set forth here, except those paragraphs specific to the Issuer Defendants other than IndyMac MBS, Inc., or specific to offerings other than the IndyMac INDA Mortgage Loan Trust 2006-AR2.

301. The NCUA Board brings this cause of action pursuant to Section 11 of the Securities Act, with respect to WesCorp's purchase of the IndyMac INDA Mortgage Loan Trust

2006-AR2 against Defendant Credit Suisse, as the underwriter, and against Defendant IndyMac MBS, Inc., as the issuer.

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

303. 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.

304. 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.

305. WesCorp purchased the certificate pursuant to and traceable to a defective registration statement, as alleged above.

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

307. Credit Suisse's and IndyMac MBS, Inc.'s conduct as alleged above violated Section 11.

308. WesCorp and the NCUA Board sustained damages as a result of Credit Suisse's and IndyMac MBS, Inc.'s violations of Section 11.

309. WHEREFORE, the NCUA Board requests the Court to enter judgment in its favor against Defendant Credit Suisse and Defendant IndyMac MBS, Inc., 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.

<u>COUNT FIVE</u>
Section 11 of the Securities Act of 1933
(IndyMac INDX Mortgage Loan Trust 2006-AR41,
IndyMac INDX Mortgage Loan Trust 2007-FLX3)

310. The NCUA Board realleges paragraphs 1 through 269 of this Complaint, as though fully set forth here, except those paragraphs specific to offerings other than the IndyMac INDX Mortgage Loan Trust 2006-AR41 and IndyMac INDX Mortgage Loan Trust 2007-FLX3 offerings.

311. The NCUA Board brings this cause of action pursuant to Section 11 of the Securities Act, with respect to WesCorp's purchases of the IndyMac INDX Mortgage Loan Trust 2006-AR41 and IndyMac INDX Mortgage Loan Trust 2007-FLX3 certificates against Defendant Credit Suisse, as the underwriter.

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

313. 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.

314. 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.

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

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

317. Credit Suisse's conduct as alleged above violated Section 11.

318. WesCorp and the NCUA Board sustained damages as a result of Credit Suisse's violations of Section 11.

319. WHEREFORE, the NCUA Board requests the Court to enter judgment in its favor against Defendant Credit Suisse, 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 11 of the Securities Act of 1933
(IndyMac Residential Mortgage-Backed Trust 2006-L2)

320. The NCUA Board realleges paragraphs 1 through 269 of this Complaint, as though fully set forth here, except those paragraphs specific to offerings other than IndyMac Residential Mortgage-Backed Trust 2006-L2 offering.

321. The NCUA Board brings this cause of action pursuant to Section 11 of the Securities Act, with respect to Southwest's purchases of the IndyMac Residential Mortgage-Backed Trust 2006-L2 certificates against Defendant Credit Suisse, as the underwriter.

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

323. 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.

324. 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.

325. Southwest purchased the certificates pursuant to and traceable to a defective registration statement, as alleged above.

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

327. Credit Suisse's conduct as alleged above violated Section 11.

328. Southwest and the NCUA Board sustained damages as a result of Credit Suisse's violations of Section 11.

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

COUNT SEVEN
Section 11 of the Securities Act of 1933
(RALI Series 2007-QO1 Trust)

330. The NCUA Board realleges paragraphs 1 through 269 of this Complaint, as though fully set forth here, except those paragraphs specific to offerings other than the RALI Series 2007-QO1 Trust offering.

331. The NCUA Board brings this cause of action pursuant to Section 11 of the Securities Act, with respect to the U.S. Central's and WesCorp's purchases of the RALI Series 2007-QO1 Trust certificates against Defendant Credit Suisse, as the underwriter.

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

333. 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.

334. 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.

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

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

337. Credit Suisse's conduct as alleged above violated Section 11.

338. U.S. Central, WesCorp and the NCUA Board sustained damages as a result of Credit Suisse's violations of Section 11.

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

COUNT EIGHT
Section 11 of the Securities Act of 1933
(RASC Series 2007-EMX1 Trust)

340. The NCUA Board realleges paragraphs 1 through 269 of this Complaint, as though fully set forth here, except those paragraphs specific to offerings other than the RASC Series 2007-EMX1 Trust offering.

341. The NCUA Board brings this cause of action pursuant to Section 11 of the Securities Act, with respect to the U.S. Central's purchase of the RASC Series 2007-EMX1 Trust certificate against Defendant Credit Suisse, as the underwriter.

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

343. 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.

344. 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.

345. U.S. Central purchased the certificate pursuant to and traceable to a defective registration statement, as alleged above.

346. At the time U.S. Central purchased the certificate, they did not know of the untrue statements and omissions contained in the registration statement.

347. Credit Suisse's conduct as alleged above violated Section 11.

348. U.S. Central and the NCUA Board sustained damages as a result of Credit Suisse's violations of Section 11.

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

COUNT NINE
Section 11 of the Securities Act of 1933
(Saxon Asset Securities Trust 2006-3: SAST 2006-3)

350. The NCUA Board realleges paragraphs 1 through 269 of this Complaint, as though fully set forth here, except those paragraphs specific to offerings other than the Saxon Asset Securities Trust 2006-3: SAST 2006-3 offering.

351. 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 Saxon Asset Securities Trust 2006-3: SAST 2006-3 certificates against Defendant Credit Suisse, as the underwriter.

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

353. 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.

354. 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.

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

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

357. Credit Suisse's conduct as alleged above violated Section 11.

358. U.S. Central and the NCUA Board sustained damages as a result of Credit Suisse's violations of Section 11.

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

COUNT TEN
Section 12(a)(2) of the Securities Act of 1933
(Alternative Loan Trust 2007-OA6, IndyMac INDX Mortgage Loan Trust 2006-AR41, IndyMac INDX Mortgage Loan Trust 2007-FLX3, RALI Series 2007-QO1 Trust)

360. The NCUA Board realleges paragraphs 1 through 269 of this Complaint, as though fully set forth here, except those paragraphs specific to offerings other than the Alternative Loan Trust 2007-OA6, IndyMac INDX Mortgage Loan Trust 2006-AR41, IndyMac INDX Mortgage Loan Trust 2007-FLX3 and RALI Series 2007-QO1 offerings.

361. 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 Alternative Loan Trust 2007-OA6, IndyMac INDX Mortgage Loan Trust 2006-AR41, IndyMac INDX Mortgage Loan Trust 2007-FLX3 and RALI Series 2007-QO1 certificates against Defendant Credit Suisse as the underwriter and seller of those certificates.

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

363. Defendant Credit Suisse offered to sell and sold the securities to WesCorp through one or more instrumentalities of interstate commerce (i.e., telephone, faxes, mails, email or other means of electronic communication).

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

365. 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.

366. 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.

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

368. 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.

369. Defendant Credit Suisse's conduct as alleged above violated Section 12(a)(2).

370. WesCorp and the NCUA Board sustained damages as a result of Defendant Credit Suisse's violation of Section 12(a)(2).

371. 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.

372. WHEREFORE, the NCUA Board requests the Court to enter judgment in its favor against Defendant Credit Suisse, 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 ELEVEN
Section 12(a)(2) of the Securities Act of 1933
(Home Equity Asset Trust 2006-7, Home Equity Asset Trust 2006-8, RALI Series 2007-QO1 Trust, RASC Series 2007-EMX1 Trust)

373. The NCUA Board realleges paragraphs 1 through 269 of this Complaint, as though fully set forth here, except those paragraphs specific to offerings other than the Home Equity Asset Trust 2006-7, Home Equity Asset Trust 2006-8, RALI Series 2007-QO1 and the RASC Series 2007-EMX1 Trust offerings.

374. 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 Home Equity Asset Trust 2006-7, Home Equity Asset Trust 2006-8, RALI Series 2007-QO1 and RASC Series 2007-EMX1 Trust certificates against Defendant Credit Suisse 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 Credit Suisse offered to sell and sold the securities to U.S. Central through one or more instrumentalities of interstate commerce (i.e., telephone, faxes, mails, email or other means of electronic communication).

377. Defendant Credit Suisse offered to sell and sold the securities, for its own financial gain, to U.S. Central by means of the prospectuses 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. U.S. Central purchased the certificates on the initial offering pursuant to the prospectuses and/or prospectus supplements.

381. 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.

382. Defendant Credit Suisse's conduct as alleged above violated Section 12(a)(2).

383. U.S. Central and the NCUA Board sustained damages as a result of Defendant Credit Suisse's violation of Section 12(a)(2).

384. 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.

385. WHEREFORE, the NCUA Board requests the Court to enter judgment in its favor against Defendant Credit Suisse, 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 TWELVE
Violation of the California Corporate Securities Law of 1968
Cal. Corp. Code §§ 25401 and 25501
(Adjustable Rate Mortgage Trust 2006-1, Adjustable Rate Mortgage Trust 2006-3, Adjustable Rate Mortgage Trust 2007-2, Alternative Loan Trust 2007-OA6, Fieldstone Mortgage Investment Trust, Series 2005-3, Home Equity Asset Trust 2005-9, IndyMac INDA Mortgage Loan Trust 2006-AR2, IndyMac INDX Mortgage Loan Trust 2006-AR41, IndyMac INDX Mortgage Loan Trust 2007-FLX3, RALI Series 2007-QO1 Trust)

386. The NCUA Board realleges paragraphs 1 through 269 of this Complaint, as though fully set forth here, except those paragraphs specific to offerings other than the Adjustable Rate Mortgage Trust 2006-1, Adjustable Rate Mortgage Trust 2006-3, Adjustable Rate Mortgage Trust 2007-2, Alternative Loan Trust 2007-OA6, Fieldstone Mortgage Investment Trust, Series 2005-3, Home Equity Asset Trust 2005-9, IndyMac INDA Mortgage Loan Trust 2006-AR2, IndyMac INDX Mortgage Loan Trust 2006-AR41, IndyMac INDX Mortgage Loan Trust 2007-FLX3, and RALI Series 2007-QO1 offerings.

387. 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 Adjustable Rate Mortgage Trust 2006-1, Adjustable Rate Mortgage Trust 2006-3, Adjustable Rate Mortgage Trust 2007-2, Alternative Loan Trust 2007-OA6, Fieldstone Mortgage Investment Trust, Series 2005-3, Home Equity Asset Trust 2005-9, IndyMac INDA Mortgage Loan Trust 2006-AR2, IndyMac INDX Mortgage Loan Trust 2006-AR41, IndyMac INDX Mortgage Loan Trust 2007-FLX3 and the RALI Series 2007-QO1 certificates against Defendant Credit Suisse as the seller of those certificates.

388. Defendant Credit Suisse offered to sell and sold the securities 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.

389. 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.

390. At the time WesCorp purchased the certificates, it did not know of these untruths or omissions.

391. Defendant Credit Suisse sold the certificates to WesCorp in California.

392. Defendant Credit Suisse's sales of the certificates violated Cal. Corp. Code § 25401.

393. WesCorp and the NCUA Board sustained damages as a result of Defendant Credit Suisse's violations of Cal. Corp. Code § 25401, and WesCorp and the NCUA Board are entitled to the remedies provided by Cal. Corp. Code § 25501.

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

COUNT THIRTEEN
Violation of the Kansas Blue Sky Law
Kan. Stat. Ann. § 17-12a509
(Home Equity Asset Trust 2006-7, Home Equity Asset Trust 2006-8, RALI Series 2007-QO1 Trust, RASC Series 2007-EMX1 Trust)

395. The NCUA Board realleges paragraphs 1 through 269 of this Complaint, as though fully set forth here, except those paragraphs specific to offerings other than the, Home Equity Asset Trust 2006-7, Home Equity Asset Trust 2006-8, RALI Series 2007-QO1 and the RASC Series 2007-EMX1 Trust offerings.

396. 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 Home Equity Asset

Trust 2006-7, Home Equity Asset Trust 2006-8, RALI Series 2007-QO1 and RASC Series 2007-EMX1 Trust certificates against Defendant Credit Suisse as the seller of those certificates.

397. Defendant Credit Suisse offered to sell and sold the securities 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.

398. 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.

399. Defendant Credit Suisse sold the certificates to U.S. Central in Kansas.

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

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

402. Defendant Credit Suisse's sales of the certificates violated Kan. Stat. Ann. § 17-12a509(b).

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

404. WHEREFORE, the NCUA Board requests the Court to enter judgment in its favor against Defendant Credit Suisse, 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: October 4, 2012

NATIONAL CREDIT UNION ADMINISTRATION BOARD,
as Liquidating Agent of U.S. Central Federal Credit Union, Western Corporate Federal Credit Union and Southwest 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
02150PAC2	Alternative Loan Trust 2007-OA6	-	WesCorp	26-Apr-07	$126,768,750
31659TEJ0	Fieldstone Mortgage Investment Trust, Series 2005-3	-	WesCorp	28-Oct-05	$44,283,000
31659TEK7	Fieldstone Mortgage Investment Trust, Series 2005-3	-	WesCorp	28-Oct-05	$20,369,000
437084QZ2	Home Equity Asset Trust 2005-9	-	WesCorp	27-Oct-05	$9,501,248
43709NAE3	Home Equity Asset Trust 2006-7	Credit Suisse First Boston Mortgage Securities Corp.	U.S. Central	22-Sep-06	$22,000,000
43709QAD8	Home Equity Asset Trust 2006-8	Credit Suisse First Boston Mortgage Securities Corp.	U.S. Central	26-Oct-06	$35,000,000
43709QAE6	Home Equity Asset Trust 2006-8	Credit Suisse First Boston Mortgage Securities Corp.	U.S. Central	26-Oct-06	$53,500,000
43709QAG1	Home Equity Asset Trust 2006-8	Credit Suisse First Boston Mortgage Securities Corp.	U.S. Central	26-Oct-06	$11,000,000
45668NAB3	IndyMac INDX Mortgage Loan Trust 2006-AR41	-	WesCorp	22-Dec-06	$11,111,000

CUSIP	ISSUING ENTITY	DEPOSITOR DEFENDANT	PURCHASER	TRADE DATE	PRICE PAID
45668NAD9	IndyMac INDX Mortgage Loan Trust 2006-AR41	-	WesCorp	22-Dec-06	$41,390,000
45670AAB7	IndyMac INDX Mortgage Loan Trust 2007-FLX3	-	WesCorp	26-Apr-07	$45,615,000
75115YAB5	RALI Series 2007-QO1 Trust	-	U.S. Central	23-Jan-07	$27,500,000
75115YAC3	RALI Series 2007-QO1 Trust	-	WesCorp	23-Jan-07	$42,500,000
74924XAC9	RASC Series 2007-EMX1 Trust	-	U.S. Central	8-Mar-07	$105,994,000

Table 2

CUSIP	ISSUING ENTITY	UNDERWRITER/ (SELLER)	DEPOSITOR DEFENDANT	PURCHASER	TRADE DATE	PRICE PAID
225470B28	Adjustable Rate Mortgage Trust 2006-1	Credit Suisse	-	WesCorp	27-Feb-06	$ 15,585,089
00703QBF8	Adjustable Rate Mortgage Trust 2006-3	Credit Suisse	Credit Suisse First Boston Mortgage Securities Corp.	WesCorp	12-Sep-06	$ 26,354,210
00703AAG2	Adjustable Rate Mortgage Trust 2007-2	Credit Suisse	Credit Suisse First Boston Mortgage Securities Corp.	WesCorp	4-Jun-07	$ 35,282,311
45661SAE3	IndyMac INDA Mortgage Loan Trust 2006-AR2	Credit Suisse	IndyMac MBS, Inc.	WesCorp	14-Sep-06	$ 11,735,266
45661FAC5	IndyMac Residential Mortgage-Backed Trust, Series 2006-L2	-	-	Southwest	14-Jun-06	$5,000,000
80556AAD9	Saxon Asset Securities Trust 2006-3: SAST 2006-3	-	-	U.S. Central	28-Sep-06	$25,000,000

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 the Credit Unions' 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
225470B28	Adjustable Rate Mortgage Trust 2006-1	WesCorp	AAA	NR	B 10-6-2008	NR	D 5-25-2010	NR
00703QBF8	Adjustable Rate Mortgage Trust 2006-3	WesCorp	AAA	Aaa	CCC 9-1-2009	Ca 2-4-2009	D 9-24-2010	C 9-16-2010
00703AAG2	Adjustable Rate Mortgage Trust 2007-2	WesCorp	AAA	Aaa	B 10-14-2008	Caa1 9-2-2008	D 10-22-2009	C 9-16-2010
02150PAC2	Alternative Loan Trust 2007-OA6	WesCorp	AAA	Aaa	B- 9-2-2009	Caa1 2-19-2009	CCC 3-10-2010	C 12-9-2010
31659TEJ0	Fieldstone Mortgage Investment Trust, Series 2005-3	WesCorp	AA+	Aa1	CCC 1-26-2009	B2 3-16-2009	CCC 1-26-2009	C 8-6-2010

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
31659TEK7	Fieldstone Mortgage Investment Trust, Series 2005-3	WesCorp	AA+	Aa2	CCC 1-26-2009	Caa3 3-16-2009	CC 8-4-2009	C 8-6-2010
437084QZ2	Home Equity Asset Trust 2005-9	WesCorp	AA+	Aa2	B- 8-4-2009	Caa2 3-19-2009	CC 8-11-2011	C 5-5-2010
43709NAE3	Home Equity Asset Trust 2006-7	U.S. Central	AAA	Aaa	B 9-2-2008	Caa2 10-28-2008	CCC 10-1-2009	C 3-19-2009
43709QAD8	Home Equity Asset Trust 2006-8	U.S. Central	AAA	Aaa	BB 12-19-2008	Caa1 10-28-2008	CCC 7-18-2011	C 5-5-2010
43709QAE6	Home Equity Asset Trust 2006-8	U.S. Central	AAA	Aaa	B 9-22-2008	Ca 10-28-2008	CC 7-31-2012	C 3-19-2009
43709QAG1	Home Equity Asset Trust 2006-8	U.S. Central	AA+	Aa1	BB 3-27-2008	B1*- 4-21-2008	D 3-23-2010	C 10-28-2008
45661SAE3	IndyMac INDA Mortgage Loan Trust 2006-AR2	WesCorp	AAA	N/A	CCC 7-24-2009	N/A	D 6-23-2010	N/A
45661FAC5	IndyMac Residential Mortgage-Backed Trust Series 2006-L2	Southwest	AAA	Aaa	BB 5-8-2008	B1*- 12-9-2008	CCC 1-13-2010	C 9-30-2009
45668NAB3	IndyMac INDX Mortgage Loan Trust 2006-AR41	WesCorp	AAA	Aaa	CC 6-10-2009	Ca 1-29-2009	D 7-26-2011	C 10-12-2010
45668NAD9	IndyMac INDX Mortgage Loan Trust 2006-AR41	WesCorp	AAA	Aaa	B 10-27-2008	Ba3 8-19-2008	D 3-23-2010	Withdrawn 1-4-2012
45670AAB7	IndyMac INDX Mortgage Loan Trust 2007-FLX3	WesCorp	AAA	Aaa	BB- 8-19-2009	Caa1 2-20-2009	CC 8-11-2011	C 12-1-2010
75115YAB5	RALI Series 2007-QO1 Trust	U.S. Central	AAA	Aaa	CCC 4-14-2009	Ca 2-20-2009	D 8-30-2012	C 12-1-2010
75115YAC3	RALI Series 2007-QO1 Trust	WesCorp	AAA	Aaa	BB 10-20-2008	Ba1 9-3-2008	D 6-23-2010	C 12-1-2010
74924XAC9	RASC Series 2007-EMX1 Trust	U.S. Central	AAA	Aaa	CCC 12-19-2008	B1 8-8-2008	D 1-25-2010	Ca 4-6-2010
80556AAD9	Saxon Asset Securities Trust 2006-3: SAST 2006-3	U.S. Central	AAA	Aaa	CCC 8-4-2009	Caa2 3-13-2009	CCC 8-4-2009	Caa3 7-16-2010

Table 5
Delinquency and Default Rates for the Credit Unions' RMBS Purchases

CUSIP	ISSUING ENTITY	RATE AT CUT-OFF DATE FOR OFFERING	1 MONTH	3 MOS.	6 MOS.	12 MOS.	RECENT
	Adjustable Rate Mortgage Trust 2006-1: Aggregate (P.S. dated February 27, 2006)	Zero. (S-33)	0.00% (Mar., p.13)	0.56% (May, p.15)	1.80% (Aug., p.15)	4.9% (Feb., p.14)	36.02% (Aug. 2012, p.12)
	Adjustable Rate Mortgage Trust 2006-1: Group 1	Zero. (S-33)	0.00% (Mar., p.14)	0.10% (May, p.16)	0.85% (Aug., p.16)	3.40% (Feb., p.15)	28.07% (Aug. 2012, p.14)
225470B28	Adjustable Rate Mortgage Trust 2006-1: Group 2 ***Class 2-A-2 in Group 2. (S-63)**	Zero. (S-33)	0.00% (Mar., p.14)	0.57% (May, p.16)	0.99% (Aug., p.16)	6.32% (Feb., p.15)	38.71% (Aug. 2012, p.14)
	Adjustable Rate Mortgage Trust 2006-1: Group 3	Zero. (S-33)	0.00% (Mar., p.15)	0.22% (May, p.17)	1.75% (Aug., p.17)	2.89% (Feb., p.16)	35.58% (Aug. 2012, p.15)
	Adjustable Rate Mortgage Trust 2006-1: Group 4	Zero. (S-33)	0.00% (Mar., p.15)	0.00% (May, p.17)	1.91% (Aug. , p.17)	1.75% (Feb., p.16)	26.05% (Aug. 2012, p.15)
	Adjustable Rate Mortgage Trust 2006-1: Group 5	Zero. (S-33)	0.00% (Mar., p.16)	0.77% (May, p.18)	0.94% (Aug., p.18)	5.1% (Feb., p.17)	36.11% (Aug. 2012, p.16)
	Adjustable Rate Mortgage Trust 2006-1: Group 6	Zero. (S-33)	0.00% (Mar., p.16)	1.47% (May, p.18)	3.60% (Aug., p.18)	9.5% (Feb., p.17)	46.33% (Aug. 2012, p.13)
	Adjustable Rate Mortgage Trust 2006-3: Aggregate (P.S. dated July 28, 2006)	Zero. (S-32)	0.15% (Aug., p.12)	2.07% (Oct., p.12)	4.19% (Jan., p.11)	9.94% (July, p.12)	40.13% (Aug. 2012, p.12)
00703QBF8	Adjustable Rate Mortgage Trust 2006-3: Group 1 ***Class C-M-1 in Groups 1 and 3 (S-11)**	Zero. (S-32)	0.00% (Aug., p.13)	0.00% (Oct., p.13)	0.30% (Jan., p.12)	1.23% (July, p.14)	19.2% (Aug. 2012, p.14)
	Adjustable Rate Mortgage Trust 2006-3: Group 2	Zero. (S-32)	0.00% (Aug., p.13)	0.00% (Oct., p.13)	0.00% (Jan., p.12)	3.60% (July, p.14)	18.18% (Aug. 2012, p.14)
00703QBF8	Adjustable Rate Mortgage Trust 2006-3: Group 3 ***Class C-M-1 in Groups 1 and 3 (S-11)**	Zero. (S-32)	0.00% (Aug., p.14)	0.33% (Oct., p.14)	1.91% (Jan., p.13)	2.78% (July, p.15)	22.45% (Aug. 2012, p.15)
	Adjustable Rate Mortgage Trust 2006-3: Group 4A	Zero. (S-32)	0.26% (Aug., p.14)	2.53% (Oct., p.14)	4.91% (Jan., p.13)	11.16% (July, p.15)	45.94% (Aug. 2012, p.15)
	Adjustable Rate Mortgage Trust 2006-3: Group 4B	Zero. (S-32)	0.00% (Aug., p.15)	2.91% (Oct., p.15)	6.01% (Jan., p.14)	15.20% (July, p.16)	42.27% (Aug. 2012, p.16)
	Adjustable Rate Mortgage Trust 2007-2 (P.S. dated May 30, 2007)	Zero as of the closing date. (S-29)	0.17% (June, p.10)	2.89% (Aug., p.10)	8.56% (Nov., p.10)	20.90% (May, p.10)	29.86% (Aug. 2012, p.10)

CUSIP	ISSUING ENTITY	RATE AT CUT-OFF DATE FOR OFFERING	1 MONTH	3 MOS.	6 MOS.	12 MOS.	RECENT
	Adjustable Rate Mortgage Trust 2007-2: Group 1	Zero as of the closing date. (S-29)	0.00% (June, p.11)	0.00% (Aug., p.11)	1.46% (Nov., p.11)	2.41% (May, p.11)	19.68% (Aug. 2012, p.11)
00703AAG2	Adjustable Rate Mortgage Trust 2007-2: Group 2 ***Class 2-A-3 in Group 2 (S-12)**	Zero as of the closing date. (S-29)	0.24% (June, p.11)	4.11% (Aug., p.11)	11.66% (Nov., p.11)	29.13% (May, p.11)	33.89% (Aug. 2012, p.11)
02150PAC2	Alternative Loan Trust 2007-OA6 (P.S. dated April 27, 2007)	Zero. (S-30)	1.36% (May, p.8)	3.65% (Jul., p.8)	7.34% (Oct., p.8)	19.36% (Apr., p.8)	54.92% (Aug. 2012, p.13)
	Fieldstone Mortgage Investment Trust, Series 2005-3: Aggregate (P.S. dated November 15, 2005)		0.66% (Dec p.10)	3.19% (Feb p.10)	3.19% (May p.10)	9.39% (Nov p.10)	29.82% (Aug. 2012, p.11)
31659TEJ0 31659TEK7	Fieldstone Mortgage Investment Trust, Series 2005-3: Group 1 ***The Class M1 and M2 notes generally relate to Groups 1 and 2. (S-9)**		0.00% (Dec p.11)	0.79% (Feb p.11)	0.79% (May p.11)	4.37% (Nov p.11)	28.85% (Aug. 2012, p.12)
31659TEJ0 31659TEK7	Fieldstone Mortgage Investment Trust, Series 2005-3: Group 2 ***The Class M1 and M2 notes generally relate to Groups 1 and 2. (S-9)**		0.40% (Dec p.11)	2.72% (Feb p.11)	2.72% (May p.11)	8.20% (Nov p.11)	30.65% (Aug. 2012, p.12)
437084QZ2	Home Equity Asset Trust 2005-9: Aggregate (P.S. dated November 29, 2005) ***Class M-2 in Groups 1 and 2. (S-9)**	As of the initial cut-off date, 1.0% of the initial mortgage loans are at least 30 days delinquent but not more than 59 days delinquent and 0.2% of the initial mortgage loans are at least 60 days delinquent but not more than 89 days delinquent. (S-28)	% N/A	% N/A	6.43% (May, p.16)	12.77% (Nov. p.16)	31.89% (Aug. 2012, p.13)
	Home Equity Asset Trust 2005-9: Group 1	As of the initial cut-off date, 1.0% of the initial mortgage loans are at least 30 days delinquent but not more than 59 days delinquent and 0.2% of the initial mortgage loans are at least 60 days delinquent but not more than 89 days delinquent. (S-28)	% N/A	% N/A	6.07% (May, p.16)	12.70% (Nov., p.16)	29.53% (Aug. 2012, p.13)

CUSIP	ISSUING ENTITY	RATE AT CUT-OFF DATE FOR OFFERING	1 MONTH	3 MOS.	6 MOS.	12 MOS.	RECENT
	Home Equity Asset Trust 2005-9: Group 2	As of the initial cut-off date, 1.0% of the initial mortgage loans are at least 30 days delinquent but not more than 59 days delinquent and 0.2% of the initial mortgage loans are at least 60 days delinquent but not more than 89 days delinquent. (S-28)	% N/A	% N/A	6.62% (May, p.17)	12.80% (Nov., p.17)	33.46% (Aug. 2012, p.14)
	Home Equity Asset Trust 2006-7: Aggregate (P.S. dated September 29, 2006)	As of the initial cut-off date, 0.9% of the initial mortgage loans are at least 30 days delinquent but not more than 59 days delinquent and 0.3% of the initial mortgage loans are at least 60 days delinquent but not more than 89 days delinquent. (S-22)	0.49% (Oct., p.16)	6.44% (Dec., p.16)	12.70% (Mar., p.16)	25.54% (Sep., p.16)	34.28% (Aug. 2012, p.13)
	Home Equity Asset Trust 2006-7: Group 1	As of the initial cut-off date, 0.9% of the initial mortgage loans are at least 30 days delinquent but not more than 59 days delinquent and 0.3% of the initial mortgage loans are at least 60 days delinquent but not more than 89 days delinquent. (S-22)	0.45% (Oct., p.16)	5.58% (Dec., p.16)	10.42% (Mar., p.16)	23.63% (Sep., p.16)	32.75% (Aug. 2012, p.13)
43709NAE3	Home Equity Asset Trust 2006-7: Group 2 ***Class 2A-4 in Group 2. (S-9)**	As of the initial cut-off date, 0.9% of the initial mortgage loans are at least 30 days delinquent but not more than 59 days delinquent and 0.3% of the initial mortgage loans are at least 60 days delinquent but not more than 89 days delinquent. (S-22)	0.51% (Oct., p.17)	6.98% (Dec., p.17)	14.15% (Mar., p.17)	26.71% (Sep., p.17)	35.78% (Aug. 2012, p.14)
43709QAG1	Home Equity Asset Trust 2006-8: Aggregate (P.S. dated November 30, 2006) **Class M-1 in groups 1 and 2. (S-10)**	As of the initial cut-off date, 1.5% of the initial mortgage loans are at least 30 days delinquent but not more than 59 days delinquent and 0.5% of the initial mortgage loans are at least 60 days delinquent but not more than 89 days delinquent. (S-21)	1.82% (Dec., p.16)	5.74% (Feb., p.16)	11.51% (May, p.16)	25.27% (Nov., p.16)	36.65% (Aug. 2012, p.13)

CUSIP	ISSUING ENTITY	RATE AT CUT-OFF DATE FOR OFFERING	1 MONTH	3 MOS.	6 MOS.	12 MOS.	RECENT
	Home Equity Asset Trust 2006-8: Group 1	As of the initial cut-off date, 1.5% of the initial mortgage loans are at least 30 days delinquent but not more than 59 days delinquent and 0.5% of the initial mortgage loans are at least 60 days delinquent but not more than 89 days delinquent. (S-21)	1.46% (Dec., p.16)	5.08% (Feb., p.16)	8.90% (May, p.16)	20.42% (Nov., p.16)	35.58% (Aug. 2012, p.13)
43709QAD8 43709QAE6	Home Equity Asset Trust 2006-8: Group 2 ***Classes 2A-3 and 2A-4 in Group 2. (S-10)**	As of the initial cut-off date, 1.5% of the initial mortgage loans are at least 30 days delinquent but not more than 59 days delinquent and 0.5% of the initial mortgage loans are at least 60 days delinquent but not more than 89 days delinquent. (S-21)	2.07% (Dec., p.17)	6.21% (Feb., p.17)	13.33% (May, p.17)	28.66% (Nov., p.17)	37.79% (Aug. 2012, p.14)
	IndyMac INDA Mortgage Loan Trust 2006-AR2: Aggregate (P.S. dated August 29, 2006)	Zero. (S-27)	0.62% (Sep., p.10)	0.95% (Nov., p.10)	1.12% (Feb., p.10)	2.00% (Aug., p.10)	17.28% (Aug. 2012, p.12)
45661SAE3	IndyMac INDA Mortgage Loan Trust 2006-AR2: Group 1 ***Class 1-C-M in Groups 1 & 2. (S-11)**	Zero. (S-27)	1.00% (Sep., p.11)	1.30% (Nov., p.11)	1.99% (Feb., p.11)	2.71% (Aug., p.11)	13.67% (Aug. 2012, p.17)
45661SAE3	IndyMac INDA Mortgage Loan Trust 2006-AR2: Group 2 ***Class 1-C-M in Groups 1 & 2. (S-11)**	Zero. (S-27)	0.39% (Sep., p.12)	0.74% (Nov., p.12)	1.45% (Feb., p.12)	2.18% (Aug., p.12)	19.3% (Aug. 2012, p.22)
	IndyMac INDA Mortgage Loan Trust 2006-AR2: Group 3	Zero. (S-27)	1.01% (Sep., p.13)	0.88% (Nov., p.13)	0.98% (Feb., p.13)	1.72% (Aug., p.13)	16.13% (Aug. 2012, p.27)
	IndyMac INDA Mortgage Loan Trust 2006-AR2: Group 4	Zero. (S-27)	0.50% (Sep., p.14)	0.97% (Nov., p.14)	0.00% (Feb., p.14)	1.21% (Aug., p.14)	22.39% (Aug. 2012, p.30)
45661FAC5	IndyMac Residential Mortgage-Backed Trust Series 2006-L2 (P.S. dated June 15, 2006)	Zero. ("Risk Factors" section)	1.68% (July, p.10)	3.26% (Sep., p.10)	3.17% (Dec., p.10)	7.13% (May, p.10)	92.7% (Aug. 2012, p.11)
45668NAB3 45668NAD9	IndyMac INDX Mortgage Loan Trust 2006-AR41 (P.S. dated December 28, 2006)	Zero. (S-34)	2.93% (Jan., p.10)	9.70% (Mar., p.10)	13.87% (June, p.10)	24.27% (Dec., p.10)	38.99% (Aug. 2012, p.10)
45670AAB7	IndyMac INDX Mortgage Loan Trust 2007-FLX3 (P.S. dated April 27, 2007)	Zero. (S-35)	0.74% (May, p.12)	1.40% (July, p.12)	2.12% (Oct., p.12)	8.06% (Apr., p.12)	30.13% (Aug. 2012, p.12)
75115YAB5 75115YAC3	RALI Series 2007-QO1 Trust (P.S. dated January 29, 2007)	Zero. (S-44)	2.25% (Feb., p.8)	4.27% (Apr., p.8)	4.69% (July, p.8)	13.97% (Jan., p. 8)	34.82% (Aug. 2012, p.8)

CUSIP	ISSUING ENTITY	RATE AT CUT-OFF DATE FOR OFFERING	1 MONTH	3 MOS.	6 MOS.	12 MOS.	RECENT
	RASC Series 2007-EMX1 Trust (P.S. dated March 8, 2007)	Zero. (S-47 and S-50)	0.00% (Mar., p.7)	6.86% (May, p.7)	14.78% (Aug., p.7)	30.57% (Feb., p.7)	36.4% (Aug. 2012, p.8)
74924XAC9	RASC Series 2007-EMX1 Trust: Group 1 ARM ***Class A-I-3 in Group 1. (S-22)**	Zero. (S-47 and S-50)	0.00% (Mar., p.8)	8.87% (May, p.8)	19.11% (Aug., p.8)	37.90% (Feb., p.8)	44.39% (Aug. 2012, p.9)
74924XAC9	RASC Series 2007-EMX1 Trust: Group 1 Fixed ***Class A-I-3 in Group 1. (S-22)**	Zero. (S-47 and S-50)	0.00% (Mar., p.9)	5.39% (May, p.9)	12.61% (Aug., p.9)	20.93% (Feb., p.9)	22.92% (Aug. 2012, p.9)
	RASC Series 2007-EMX1 Trust: Group 2 ARM	Zero. (S-47 and S-50)	0.00% (Mar., p.10)	6.16% (May, p.10)	13.36% (Aug., p.10)	29.54% (Feb., p.10)	43.34% (Aug. 2012, p.11)
	RASC Series 2007-EMX1 Trust: Group 2 Fixed	Zero. (S-47 and S-50)	0.00% (Mar., p.11)	3.83% (May, p.11)	6.67% (Aug., p.11)	19.95% (Feb., p.11)	21.78% (Aug. 2012, p.12)
80556AAD9	Saxon Asset Securities Trust 2006-3: SAST 2006-3 (P.S. dated October 5, 2006)	1.50% of the mortgage loans were 30 or more days delinquent. (S-48)	0.00% (Oct., p.10)	3.14% (Dec., p.10)	9.44% (Mar., p.10)	21.62% (Sep., p.10)	26.55% (Aug. 2012, p.11)

Table 6
Originator "Originate-to-Distribute" Percentages

Originator	OTD % 2005	OTD% 2006	OTD % 2007
Accredited Home Lenders, Inc.	100	100	100
Countrywide Home Loans, Inc.	98.5	96.5	98.4
Credit Suisse Financial Corporation	48.4	74.8	91.4
Decision One Mortgage Company LLC	97.5	88.2	97.3
Encore Credit Corp.	79.5	100	-
Homecomings Financial, LLC	97.4	97.9	99.9
IndyMac Bank, F.S.B.	81.1	87.7	82.8
LIME Financial Services, Ltd.	65.6	88.0	99.3
Mortgage Lenders Network USA, Inc.	87.8	-	-
OwnIt Mortgage Solutions, Inc.	100	-	-
People's Choice Home Loan, Inc.	83.4	87.8	-
Saxon Funding Management, Inc.	94.8	91.0	98.4

Table 7
Purchases Subject to Tolling Under American Pipe

CUSIP	ISSUING ENTITY	PURCHASER	TRADE DATE	AMERICAN PIPE TOLLING COMMENCEMENT DATE
02150PAC2	Alternative Loan Trust 2007-OA6	WesCorp	26-Apr-07	*Luther v. Countrywide*, No. BC380698 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 14, 2007** Removed to No. 12-5125 (C.D.C.A) *Washington v. Countrywide*, No. BC392571 (Cal. Super. Ct. L.A. County) Complaint **Filed: June 12, 2008** consolidated into *Luther v. Countrywide*, No. BC380698 (Cal. Super. Ct. L.A. County - Removed to No. 12-5125 (C.D.C.A)) *Maine v. Countrywide*, No. 10-302 (C.D.C.A.) Complaint **Filed: January 14, 2010** *Western Conference of Teamsters v. Countrywide*, No. BC449726 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 17, 2010** Removed to 12-5122 (C.D.C.A.)
45661SAE3	IndyMac INDA Mortgage Loan Trust 2006-AR2	WesCorp	14-Sep-06	*IBEW Local 103 v. IndyMac*, No. BC405843 (Cal. Super. Ct. L.A. County) Complaint **Filed: January 20, 2009** Removed to No. 09-1520 (C.D.C.A.) *Police and Fire Retirement System of Detroit v. IndyMac*, No. 09-4583 (S.D.N.Y.) Complaint **Filed: May 14, 2009** *Wyoming State Treasurer v. Olinski*, No. 09-5933 (S.D.N.Y) Complaint **Filed: June 29, 2009** Consolidated into *Police and Fire Retirement System of Detroit v. IndyMac*, No. 09-4583 (S.D.N.Y.)

CUSIP	ISSUING ENTITY	PURCHASER	TRADE DATE	AMERICAN PIPE TOLLING COMMENCEMENT DATE
45668NAB3	IndyMac INDX Mortgage Loan Trust 2006-AR41	WesCorp	22-Dec-06	*IBEW Local 103 v. IndyMac*, No. BC405843 (Cal. Super. Ct. L.A. County) Complaint **Filed: January 20, 2009** Removed to No. 09-1520 (C.D.C.A.) *Police and Fire Retirement System of Detroit v. IndyMac*, No. 09-4583 (S.D.N.Y.) Complaint **Filed: May 14, 2009**
45668NAD9	IndyMac INDX Mortgage Loan Trust 2006-AR41	WesCorp	22-Dec-06	*IBEW Local 103 v. IndyMac*, No. BC405843 (Cal. Super. Ct. L.A. County) Complaint **Filed: January 20, 2009** Removed to No. 09-1520 (C.D.C.A.) *Police and Fire Retirement System of Detroit v. IndyMac*, No. 09-4583 (S.D.N.Y.) Complaint **Filed: May 14, 2009**
45670AAB7	IndyMac INDX Mortgage Loan Trust 2007-FLX3	WesCorp	26-Apr-07	*IBEW Local 103 v. IndyMac*, No. BC405843 (Cal. Super. Ct. L.A. County) Complaint **Filed: January 20, 2009** Removed to No. 09-1520 (C.D.C.A.) *Police and Fire Retirement System of Detroit v. IndyMac*, No. 09-4583 (S.D.N.Y.) Complaint **Filed: May 14, 2009**
45661FAC5	IndyMac Residential Mortgage-Backed Trust, Series 2006-L2	Southwest	14-Jun-06	*IBEW Local 103 v. IndyMac*, No. BC405843 (Cal. Super. Ct. L.A. County) Complaint **Filed: January 20, 2009** Removed to No. 09-1520 (C.D.C.A.) *Wyoming State Treasurer v. Olinski*, No. 09-5933 (S.D.N.Y) Complaint **Filed: June 29, 2009** Consolidated into *Police and Fire Retirement System of Detroit v. IndyMac*, No. 09-4583 (S.D.N.Y.)
75115YAB5	RALI Series 2007-QO1 Trust	U.S. Central	23-Jan-07	*New Jersey Carpenters v. RALI*, No. 08-602727 (New York State Sup. Ct.) Complaint **Filed: September 22, 2008** Removed to No. 08-8781 (S.D.N.Y.)

CUSIP	ISSUING ENTITY	PURCHASER	TRADE DATE	AMERICAN PIPE TOLLING COMMENCEMENT DATE
75115YAC3	RALI Series 2007-QO1 Trust	WesCorp	23-Jan-07	*New Jersey Carpenters v. RALI*, No. 08-602727 (New York State Sup. Ct.) Complaint **Filed: September 22, 2008** Removed to No. 08-8781 (S.D.N.Y.)

APPENDIX B

Figure 1
Illustration of the Securitization Process

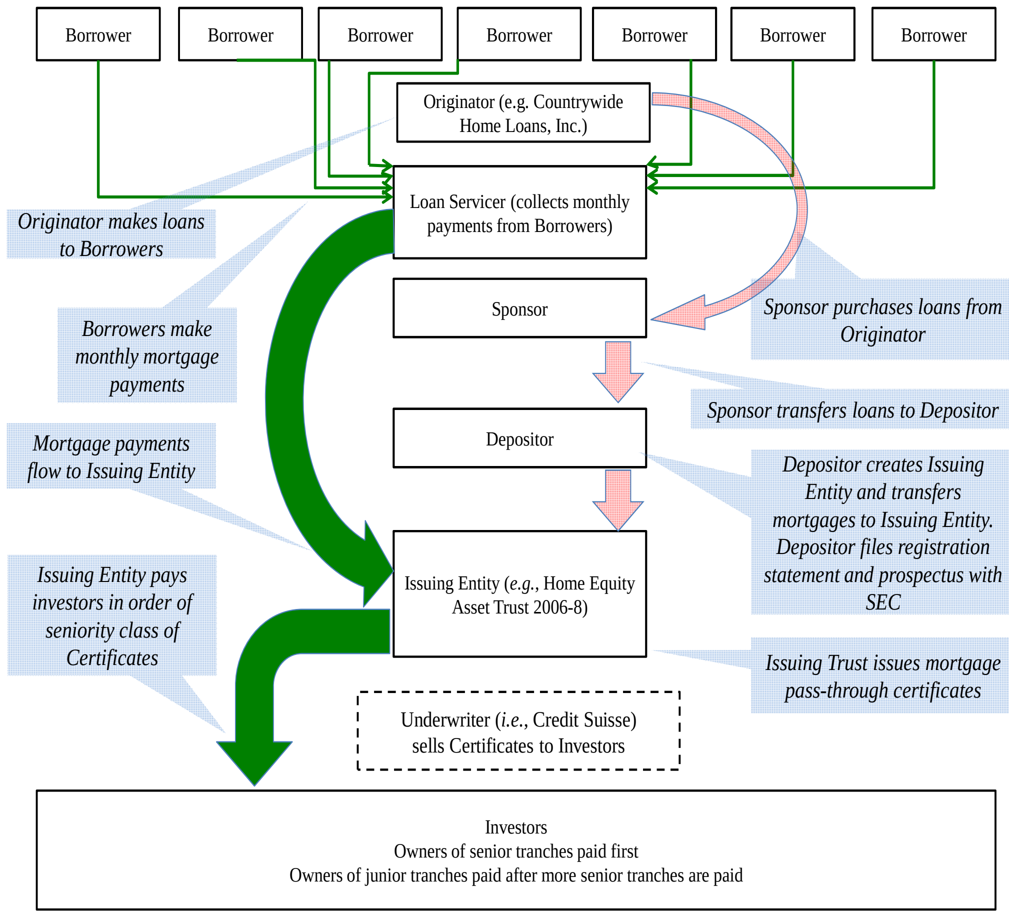
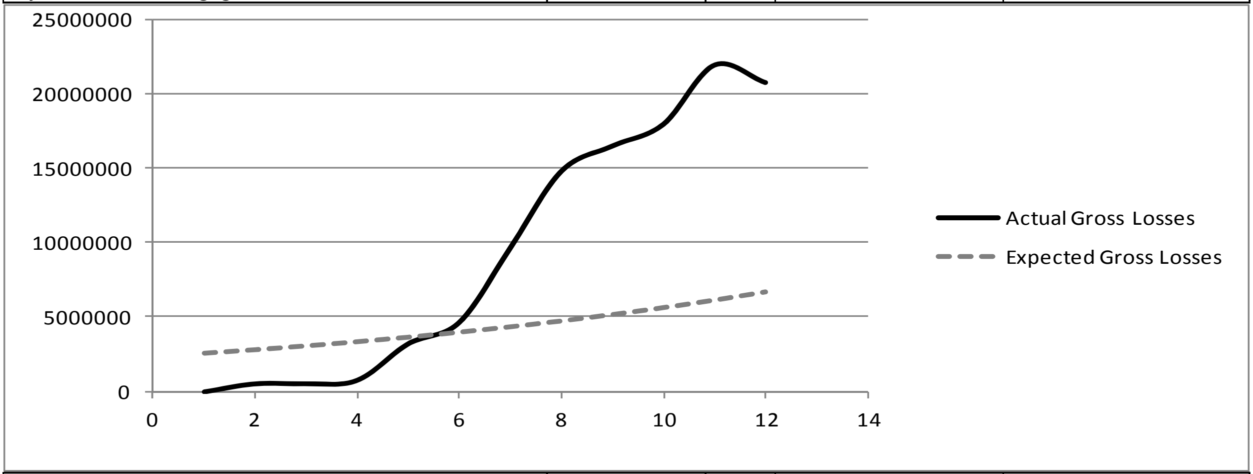
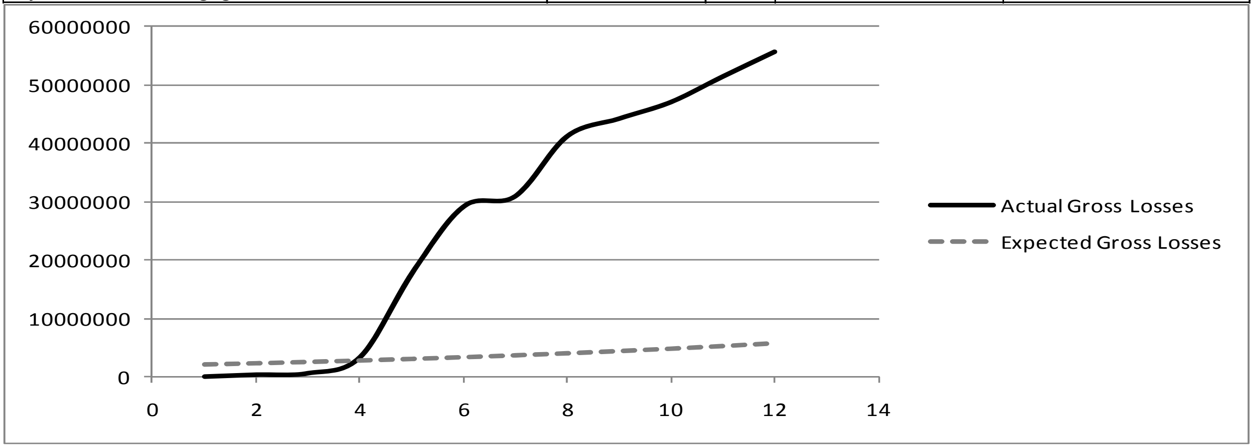


Figure 2
Illustration of Expected Gross Losses v. Actual Gross Losses
for the Credit Unions' RMBS Purchases

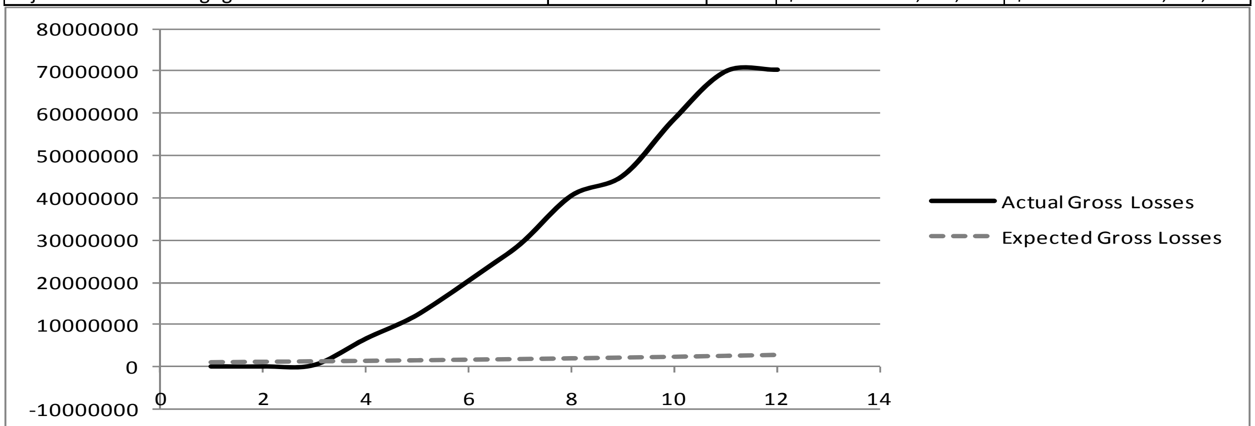
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Adjustable Rate Mortgage Trust 2006-1	36825	1	$ -	$ 2,542,603
Adjustable Rate Mortgage Trust 2006-1	36825	2	$ 541,600	$ 2,777,158
Adjustable Rate Mortgage Trust 2006-1	36825	3	$ 541,600	$ 3,032,859
Adjustable Rate Mortgage Trust 2006-1	36825	4	$ 781,600	$ 3,311,518
Adjustable Rate Mortgage Trust 2006-1	36825	5	$ 3,224,380	$ 3,615,083
Adjustable Rate Mortgage Trust 2006-1	36825	6	$ 4,664,380	$ 3,945,648
Adjustable Rate Mortgage Trust 2006-1	36825	7	$ 9,656,331	$ 4,305,457
Adjustable Rate Mortgage Trust 2006-1	36825	8	$ 14,783,286	$ 4,696,909
Adjustable Rate Mortgage Trust 2006-1	36825	9	$ 16,469,003	$ 5,122,566
Adjustable Rate Mortgage Trust 2006-1	36825	10	$ 17,925,184	$ 5,585,157
Adjustable Rate Mortgage Trust 2006-1	36825	11	$ 21,883,907	$ 6,087,578
Adjustable Rate Mortgage Trust 2006-1	36825	12	$ 20,720,785	$ 6,632,895



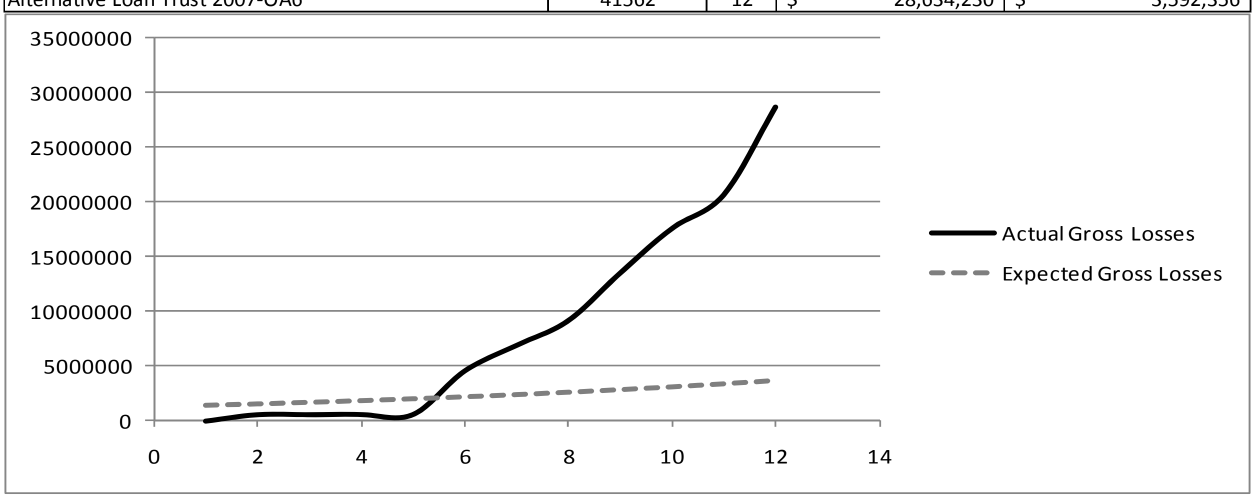
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Adjustable Rate Mortgage Trust 2006-3	38196	1	$ -	$ 2,229,875
Adjustable Rate Mortgage Trust 2006-3	38196	2	$ 326,812	$ 2,435,581
Adjustable Rate Mortgage Trust 2006-3	38196	3	$ 580,950	$ 2,659,833
Adjustable Rate Mortgage Trust 2006-3	38196	4	$ 3,340,414	$ 2,904,218
Adjustable Rate Mortgage Trust 2006-3	38196	5	$ 17,622,495	$ 3,170,446
Adjustable Rate Mortgage Trust 2006-3	38196	6	$ 29,114,455	$ 3,460,353
Adjustable Rate Mortgage Trust 2006-3	38196	7	$ 30,891,037	$ 3,775,907
Adjustable Rate Mortgage Trust 2006-3	38196	8	$ 41,128,769	$ 4,119,212
Adjustable Rate Mortgage Trust 2006-3	38196	9	$ 44,130,379	$ 4,492,516
Adjustable Rate Mortgage Trust 2006-3	38196	10	$ 46,968,061	$ 4,898,210
Adjustable Rate Mortgage Trust 2006-3	38196	11	$ 51,324,023	$ 5,338,836
Adjustable Rate Mortgage Trust 2006-3	38196	12	$ 55,563,984	$ 5,817,081



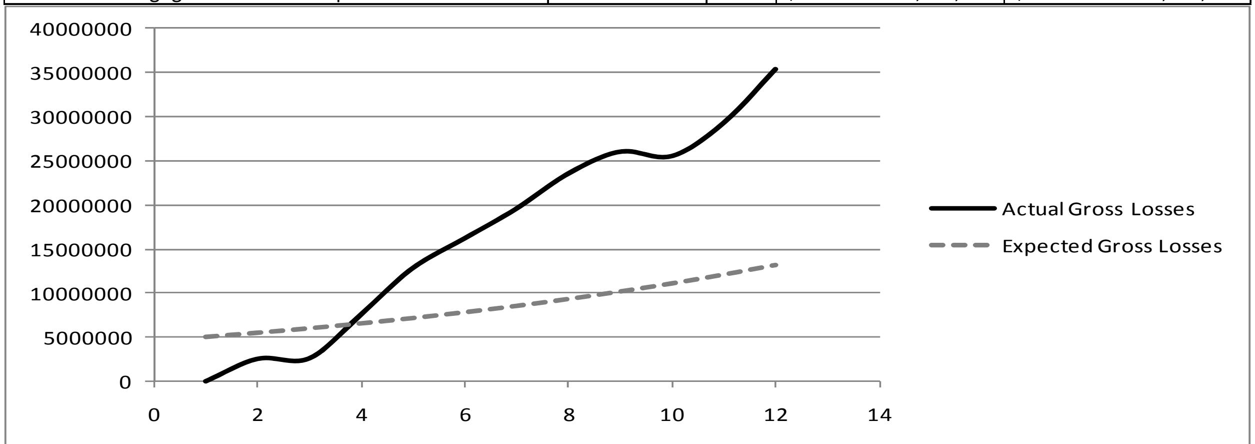
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Adjustable Rate Mortgage Trust 2007-2	41125	1	$ -	$ 1,112,920
Adjustable Rate Mortgage Trust 2007-2	41125	2	$ -	$ 1,215,587
Adjustable Rate Mortgage Trust 2007-2	41125	3	$ 351,943	$ 1,327,509
Adjustable Rate Mortgage Trust 2007-2	41125	4	$ 6,557,194	$ 1,449,480
Adjustable Rate Mortgage Trust 2007-2	41125	5	$ 12,212,953	$ 1,582,354
Adjustable Rate Mortgage Trust 2007-2	41125	6	$ 20,391,397	$ 1,727,045
Adjustable Rate Mortgage Trust 2007-2	41125	7	$ 29,003,016	$ 1,884,536
Adjustable Rate Mortgage Trust 2007-2	41125	8	$ 40,564,162	$ 2,055,878
Adjustable Rate Mortgage Trust 2007-2	41125	9	$ 45,290,591	$ 2,242,192
Adjustable Rate Mortgage Trust 2007-2	41125	10	$ 58,813,473	$ 2,444,672
Adjustable Rate Mortgage Trust 2007-2	41125	11	$ 70,086,742	$ 2,664,586
Adjustable Rate Mortgage Trust 2007-2	41125	12	$ 70,459,085	$ 2,903,276



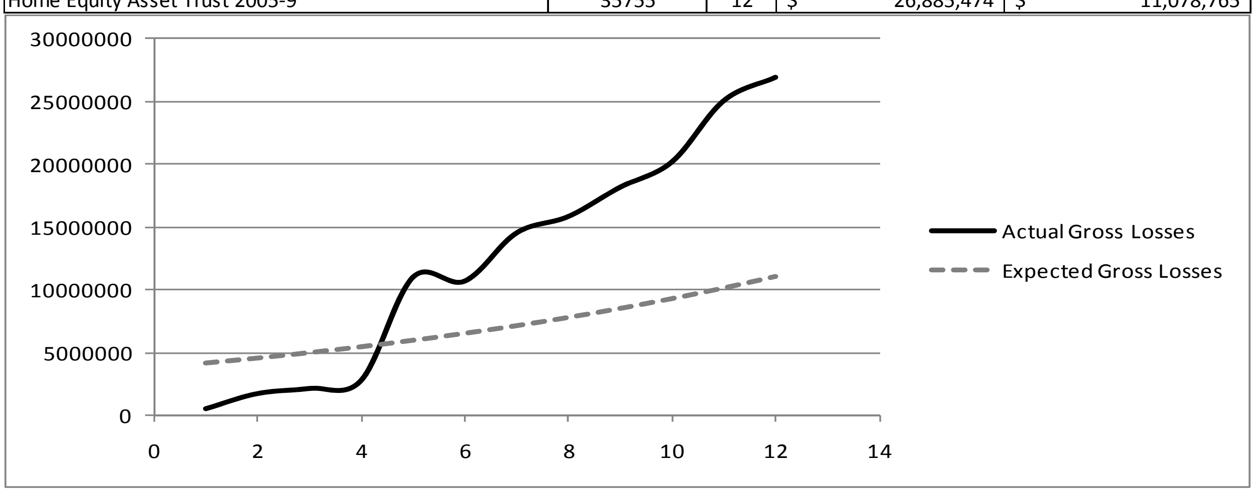
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Alternative Loan Trust 2007-OA6	41562	1	$ -	$ 1,377,066
Alternative Loan Trust 2007-OA6	41562	2	$ 589,107	$ 1,504,101
Alternative Loan Trust 2007-OA6	41562	3	$ 591,634	$ 1,642,588
Alternative Loan Trust 2007-OA6	41562	4	$ 594,180	$ 1,793,508
Alternative Loan Trust 2007-OA6	41562	5	$ 596,745	$ 1,957,918
Alternative Loan Trust 2007-OA6	41562	6	$ 4,576,641	$ 2,136,951
Alternative Loan Trust 2007-OA6	41562	7	$ 6,911,799	$ 2,331,822
Alternative Loan Trust 2007-OA6	41562	8	$ 9,162,066	$ 2,543,832
Alternative Loan Trust 2007-OA6	41562	9	$ 13,498,018	$ 2,774,367
Alternative Loan Trust 2007-OA6	41562	10	$ 17,565,230	$ 3,024,905
Alternative Loan Trust 2007-OA6	41562	11	$ 20,633,153	$ 3,297,014
Alternative Loan Trust 2007-OA6	41562	12	$ 28,634,230	$ 3,592,356



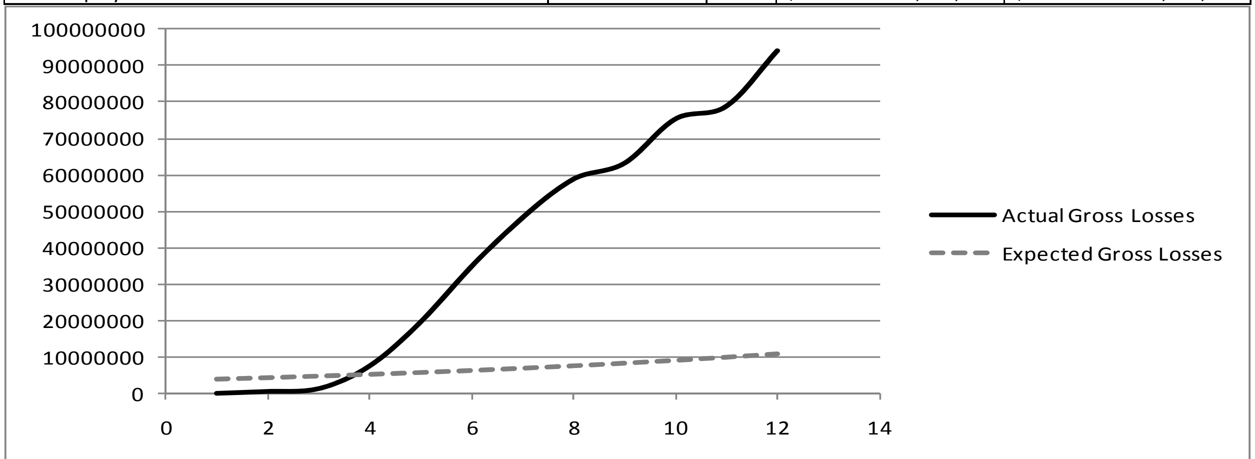
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Fieldstone Mortgage Investment Corp. 2005-3	36089	1	$ -	$ 5,040,006
Fieldstone Mortgage Investment Corp. 2005-3	36089	2	$ 2,538,750	$ 5,504,947
Fieldstone Mortgage Investment Corp. 2005-3	36089	3	$ 2,597,515	$ 6,011,803
Fieldstone Mortgage Investment Corp. 2005-3	36089	4	$ 7,579,363	$ 6,564,167
Fieldstone Mortgage Investment Corp. 2005-3	36089	5	$ 12,822,718	$ 7,165,901
Fieldstone Mortgage Investment Corp. 2005-3	36089	6	$ 16,180,190	$ 7,821,155
Fieldstone Mortgage Investment Corp. 2005-3	36089	7	$ 19,550,818	$ 8,534,375
Fieldstone Mortgage Investment Corp. 2005-3	36089	8	$ 23,514,217	$ 9,310,320
Fieldstone Mortgage Investment Corp. 2005-3	36089	9	$ 25,992,397	$ 10,154,068
Fieldstone Mortgage Investment Corp. 2005-3	36089	10	$ 25,501,336	$ 11,071,027
Fieldstone Mortgage Investment Corp. 2005-3	36089	11	$ 29,262,969	$ 12,066,937
Fieldstone Mortgage Investment Corp. 2005-3	36089	12	$ 35,334,427	$ 13,147,876



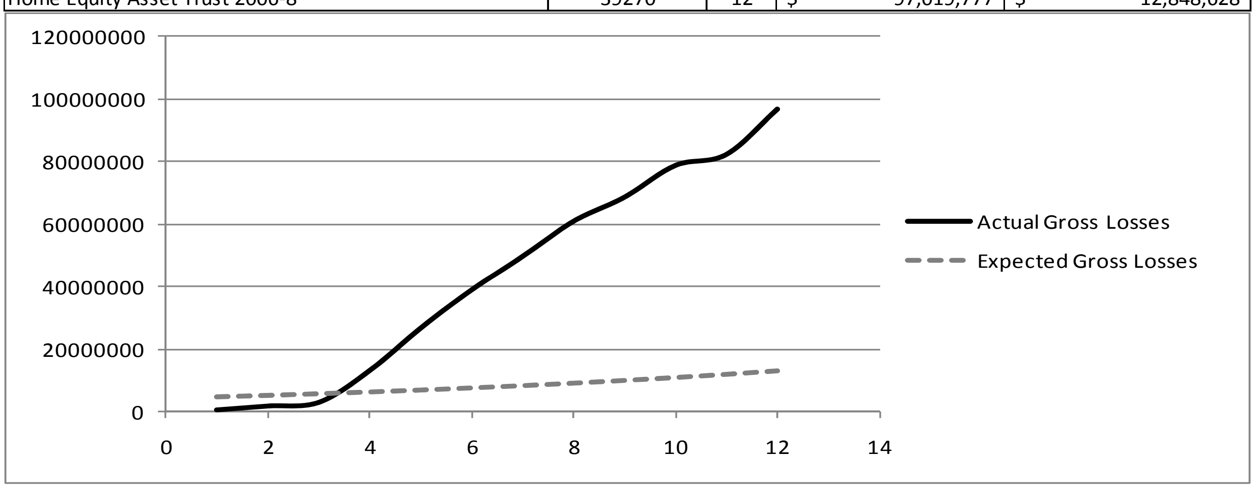
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Home Equity Asset Trust 2005-9	35755	1	$ 490,831	$ 4,246,848
Home Equity Asset Trust 2005-9	35755	2	$ 1,698,728	$ 4,638,621
Home Equity Asset Trust 2005-9	35755	3	$ 2,101,005	$ 5,065,712
Home Equity Asset Trust 2005-9	35755	4	$ 2,741,025	$ 5,531,149
Home Equity Asset Trust 2005-9	35755	5	$ 10,959,558	$ 6,038,187
Home Equity Asset Trust 2005-9	35755	6	$ 10,651,858	$ 6,590,322
Home Equity Asset Trust 2005-9	35755	7	$ 14,489,521	$ 7,191,301
Home Equity Asset Trust 2005-9	35755	8	$ 15,796,812	$ 7,845,134
Home Equity Asset Trust 2005-9	35755	9	$ 18,130,425	$ 8,556,099
Home Equity Asset Trust 2005-9	35755	10	$ 20,144,953	$ 9,328,754
Home Equity Asset Trust 2005-9	35755	11	$ 25,017,989	$ 10,167,936
Home Equity Asset Trust 2005-9	35755	12	$ 26,885,474	$ 11,078,765



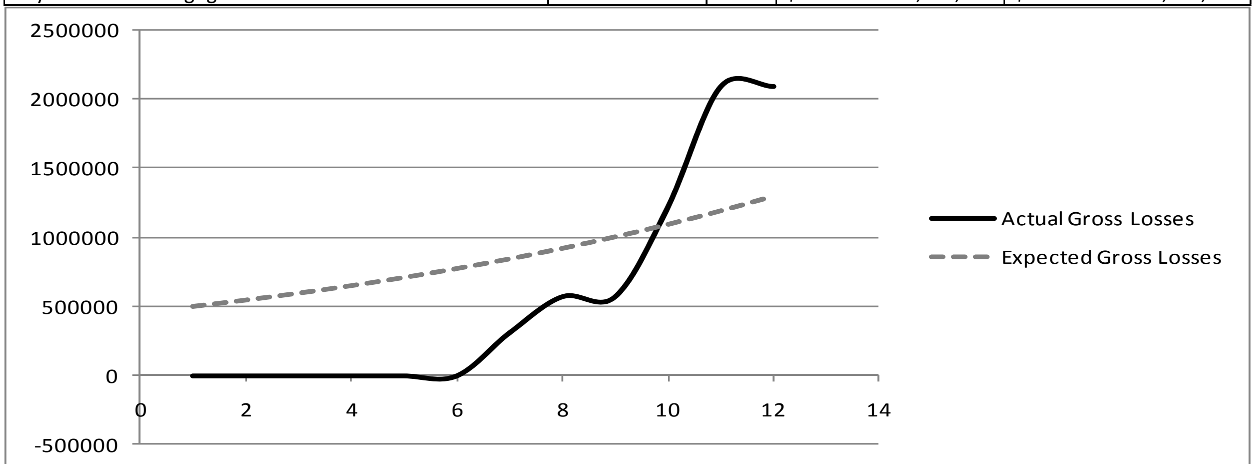
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Home Equity Asset Trust 2006-7	38813	1	$ 56,354	$ 4,144,833
Home Equity Asset Trust 2006-7	38813	2	$ 582,491	$ 4,527,194
Home Equity Asset Trust 2006-7	38813	3	$ 1,359,836	$ 4,944,026
Home Equity Asset Trust 2006-7	38813	4	$ 7,577,352	$ 5,398,282
Home Equity Asset Trust 2006-7	38813	5	$ 19,650,833	$ 5,893,140
Home Equity Asset Trust 2006-7	38813	6	$ 34,900,153	$ 6,432,012
Home Equity Asset Trust 2006-7	38813	7	$ 48,291,670	$ 7,018,555
Home Equity Asset Trust 2006-7	38813	8	$ 58,901,665	$ 7,656,681
Home Equity Asset Trust 2006-7	38813	9	$ 63,262,574	$ 8,350,569
Home Equity Asset Trust 2006-7	38813	10	$ 75,428,424	$ 9,104,663
Home Equity Asset Trust 2006-7	38813	11	$ 78,925,729	$ 9,923,686
Home Equity Asset Trust 2006-7	38813	12	$ 94,177,350	$ 10,812,636



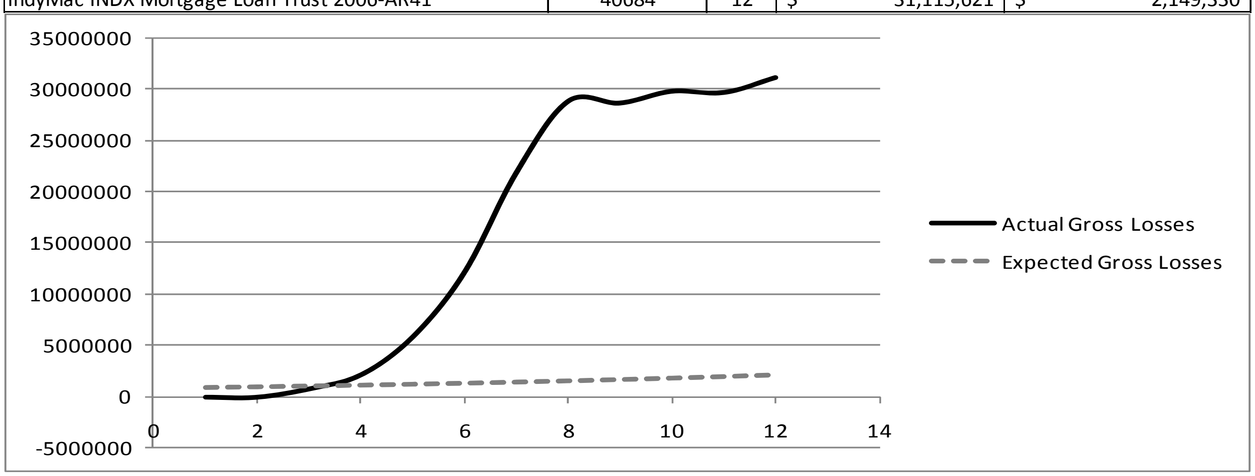
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Home Equity Asset Trust 2006-8	39270	1	$ 417,268	$ 4,925,294
Home Equity Asset Trust 2006-8	39270	2	$ 1,653,052	$ 5,379,653
Home Equity Asset Trust 2006-8	39270	3	$ 2,810,670	$ 5,874,973
Home Equity Asset Trust 2006-8	39270	4	$ 13,029,492	$ 6,414,765
Home Equity Asset Trust 2006-8	39270	5	$ 26,654,678	$ 7,002,804
Home Equity Asset Trust 2006-8	39270	6	$ 38,969,171	$ 7,643,143
Home Equity Asset Trust 2006-8	39270	7	$ 49,639,707	$ 8,340,131
Home Equity Asset Trust 2006-8	39270	8	$ 60,983,372	$ 9,098,415
Home Equity Asset Trust 2006-8	39270	9	$ 68,720,031	$ 9,922,960
Home Equity Asset Trust 2006-8	39270	10	$ 78,932,405	$ 10,819,048
Home Equity Asset Trust 2006-8	39270	11	$ 82,450,667	$ 11,792,291
Home Equity Asset Trust 2006-8	39270	12	$ 97,019,777	$ 12,848,628



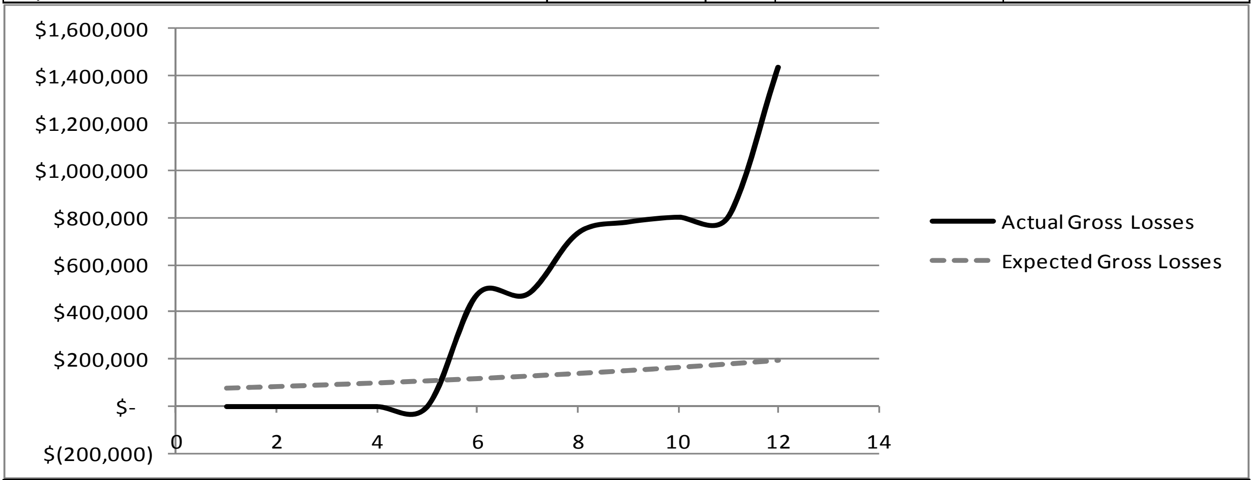
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
IndyMac INDA Mortgage Loan Trust 2006-AR2	39240	1	$ -	$ 497,766
IndyMac INDA Mortgage Loan Trust 2006-AR2	39240	2	$ -	$ 543,685
IndyMac INDA Mortgage Loan Trust 2006-AR2	39240	3	$ -	$ 593,744
IndyMac INDA Mortgage Loan Trust 2006-AR2	39240	4	$ -	$ 648,297
IndyMac INDA Mortgage Loan Trust 2006-AR2	39240	5	$ -	$ 707,726
IndyMac INDA Mortgage Loan Trust 2006-AR2	39240	6	$ -	$ 772,441
IndyMac INDA Mortgage Loan Trust 2006-AR2	39240	7	$ 312,000	$ 842,881
IndyMac INDA Mortgage Loan Trust 2006-AR2	39240	8	$ 573,000	$ 919,516
IndyMac INDA Mortgage Loan Trust 2006-AR2	39240	9	$ 573,000	$ 1,002,847
IndyMac INDA Mortgage Loan Trust 2006-AR2	39240	10	$ 1,223,000	$ 1,093,408
IndyMac INDA Mortgage Loan Trust 2006-AR2	39240	11	$ 2,093,000	$ 1,191,768
IndyMac INDA Mortgage Loan Trust 2006-AR2	39240	12	$ 2,093,000	$ 1,298,524



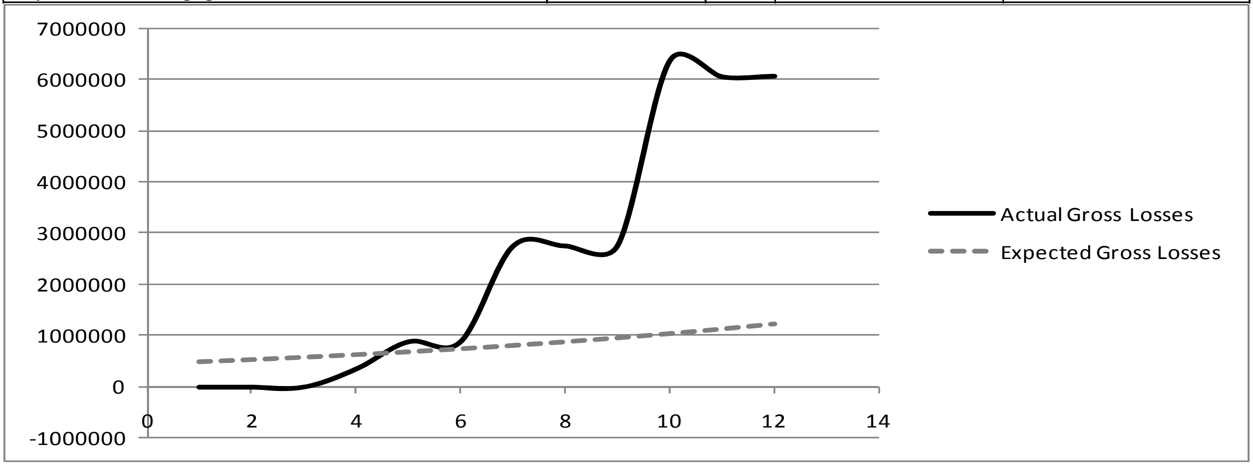
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
IndyMac INDX Mortgage Loan Trust 2006-AR41	40684	1	$ -	$ 823,908
IndyMac INDX Mortgage Loan Trust 2006-AR41	40684	2	$ -	$ 899,913
IndyMac INDX Mortgage Loan Trust 2006-AR41	40684	3	$ 814,650	$ 982,771
IndyMac INDX Mortgage Loan Trust 2006-AR41	40684	4	$ 2,179,014	$ 1,073,068
IndyMac INDX Mortgage Loan Trust 2006-AR41	40684	5	$ 5,883,279	$ 1,171,436
IndyMac INDX Mortgage Loan Trust 2006-AR41	40684	6	$ 12,189,149	$ 1,278,552
IndyMac INDX Mortgage Loan Trust 2006-AR41	40684	7	$ 21,887,330	$ 1,395,145
IndyMac INDX Mortgage Loan Trust 2006-AR41	40684	8	$ 28,821,661	$ 1,521,991
IndyMac INDX Mortgage Loan Trust 2006-AR41	40684	9	$ 28,632,213	$ 1,659,922
IndyMac INDX Mortgage Loan Trust 2006-AR41	40684	10	$ 29,788,685	$ 1,809,820
IndyMac INDX Mortgage Loan Trust 2006-AR41	40684	11	$ 29,662,587	$ 1,972,625
IndyMac INDX Mortgage Loan Trust 2006-AR41	40684	12	$ 31,115,621	$ 2,149,330



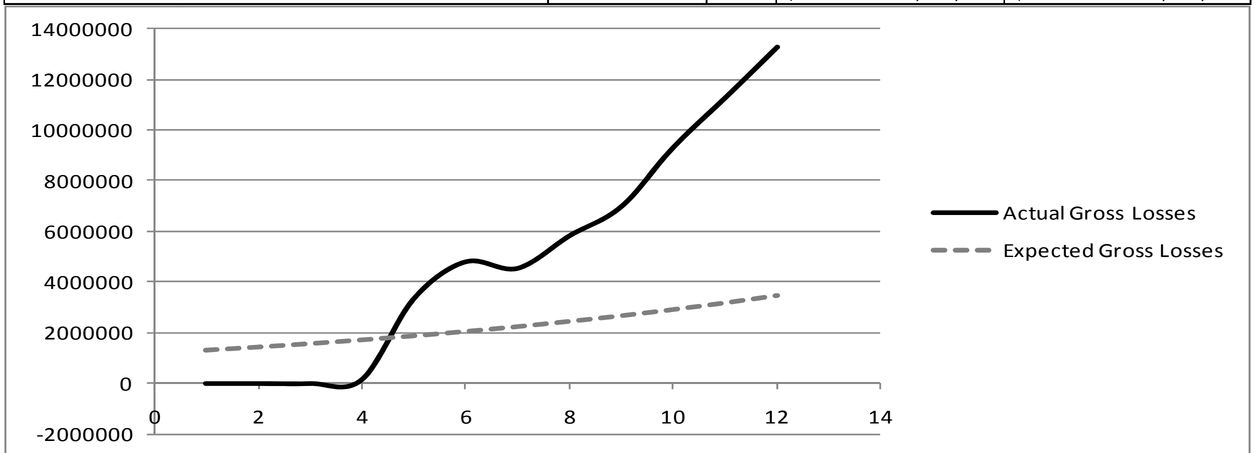
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
IndyMac Residential Asset-Backed Trust 2006-L2	38519	1	$ -	$ 75,923
IndyMac Residential Asset-Backed Trust 2006-L2	38519	2	$ -	$ 82,927
IndyMac Residential Asset-Backed Trust 2006-L2	38519	3	$ -	$ 90,563
IndyMac Residential Asset-Backed Trust 2006-L2	38519	4	$ -	$ 98,884
IndyMac Residential Asset-Backed Trust 2006-L2	38519	5	$ -	$ 107,948
IndyMac Residential Asset-Backed Trust 2006-L2	38519	6	$ 475,776	$ 117,819
IndyMac Residential Asset-Backed Trust 2006-L2	38519	7	$ 475,780	$ 128,563
IndyMac Residential Asset-Backed Trust 2006-L2	38519	8	$ 734,195	$ 140,252
IndyMac Residential Asset-Backed Trust 2006-L2	38519	9	$ 781,329	$ 152,963
IndyMac Residential Asset-Backed Trust 2006-L2	38519	10	$ 802,209	$ 166,776
IndyMac Residential Asset-Backed Trust 2006-L2	38519	11	$ 801,921	$ 181,778
IndyMac Residential Asset-Backed Trust 2006-L2	38519	12	$ 1,436,575	$ 198,062



Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
IndyMac INDX Mortgage Loan Trust 2007-FLX3	41142	1	$ -	$ 468,162
IndyMac INDX Mortgage Loan Trust 2007-FLX3	41142	2	$ -	$ 511,350
IndyMac INDX Mortgage Loan Trust 2007-FLX3	41142	3	$ -	$ 558,431
IndyMac INDX Mortgage Loan Trust 2007-FLX3	41142	4	$ 353,754	$ 609,740
IndyMac INDX Mortgage Loan Trust 2007-FLX3	41142	5	$ 885,930	$ 665,634
IndyMac INDX Mortgage Loan Trust 2007-FLX3	41142	6	$ 888,046	$ 726,500
IndyMac INDX Mortgage Loan Trust 2007-FLX3	41142	7	$ 2,748,151	$ 792,750
IndyMac INDX Mortgage Loan Trust 2007-FLX3	41142	8	$ 2,754,139	$ 864,827
IndyMac INDX Mortgage Loan Trust 2007-FLX3	41142	9	$ 2,760,162	$ 943,202
IndyMac INDX Mortgage Loan Trust 2007-FLX3	41142	10	$ 6,367,571	$ 1,028,378
IndyMac INDX Mortgage Loan Trust 2007-FLX3	41142	11	$ 6,051,065	$ 1,120,887
IndyMac INDX Mortgage Loan Trust 2007-FLX3	41142	12	$ 6,064,204	$ 1,221,294



Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
RALI Series 2007-QO1 Trust	40400	1	$ -	$ 1,314,985
RALI Series 2007-QO1 Trust	40400	2	$ -	$ 1,436,293
RALI Series 2007-QO1 Trust	40400	3	$ -	$ 1,568,537
RALI Series 2007-QO1 Trust	40400	4	$ 146,112	$ 1,712,654
RALI Series 2007-QO1 Trust	40400	5	$ 3,337,707	$ 1,869,652
RALI Series 2007-QO1 Trust	40400	6	$ 4,805,226	$ 2,040,614
RALI Series 2007-QO1 Trust	40400	7	$ 4,547,358	$ 2,226,700
RALI Series 2007-QO1 Trust	40400	8	$ 5,830,994	$ 2,429,151
RALI Series 2007-QO1 Trust	40400	9	$ 6,986,692	$ 2,649,293
RALI Series 2007-QO1 Trust	40400	10	$ 9,327,957	$ 2,888,536
RALI Series 2007-QO1 Trust	40400	11	$ 11,284,968	$ 3,148,379
RALI Series 2007-QO1 Trust	40400	12	$ 13,284,075	$ 3,430,406



Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Saxon Asset Securities Trust 2006-3: SAST 2006-3	39060	1	$ -	$ 4,408,723
Saxon Asset Securities Trust 2006-3: SAST 2006-3	39060	2	$ 327,276	$ 4,815,428
Saxon Asset Securities Trust 2006-3: SAST 2006-3	39060	3	$ 4,305,699	$ 5,258,798
Saxon Asset Securities Trust 2006-3: SAST 2006-3	39060	4	$ 9,014,672	$ 5,741,976
Saxon Asset Securities Trust 2006-3: SAST 2006-3	39060	5	$ 22,639,805	$ 6,268,340
Saxon Asset Securities Trust 2006-3: SAST 2006-3	39060	6	$ 37,466,366	$ 6,841,520
Saxon Asset Securities Trust 2006-3: SAST 2006-3	39060	7	$ 50,358,141	$ 7,465,407
Saxon Asset Securities Trust 2006-3: SAST 2006-3	39060	8	$ 57,544,690	$ 8,144,161
Saxon Asset Securities Trust 2006-3: SAST 2006-3	39060	9	$ 65,001,402	$ 8,882,226
Saxon Asset Securities Trust 2006-3: SAST 2006-3	39060	10	$ 69,665,443	$ 9,684,331
Saxon Asset Securities Trust 2006-3: SAST 2006-3	39060	11	$ 76,468,069	$ 10,555,499
Saxon Asset Securities Trust 2006-3: SAST 2006-3	39060	12	$ 88,802,996	$ 11,501,046