

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA,  
*et al.*,  
555 4th Street, NW  
Washington, D.C. 20530

Plaintiffs,

v.

SUNTRUST MORTGAGE, INC.  
901 Semmes Ave  
Richmond, Virginia 23224

Defendant.

Civil Action No. 14-1028 (RMC)

**CONSENT JUDGMENT**

WHEREAS, Plaintiffs, the United States of America, the Consumer Financial Protection Bureau (the CFPB or Bureau) and the States of Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Maryland, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oregon, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Washington, West Virginia, Wisconsin, Wyoming, the Commonwealths of Kentucky, Massachusetts, Pennsylvania and Virginia, and the District of Columbia filed their complaint on June 17, 2014, alleging that SunTrust Mortgage, Inc. (“Defendant”) either itself or through its affiliates or subsidiaries violated, among other laws, the Unfair and Deceptive Acts

and Practices laws of the Plaintiff States, the Consumer Financial Protection Act of 2010, the False Claims Act, the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, and the Bankruptcy Code and Federal Rules of Bankruptcy Procedure;

WHEREAS, the parties have agreed to resolve their claims without the need for litigation;

WHEREAS, Defendant, by its attorneys, has consented to entry of this Consent Judgment without trial or adjudication of any issue of fact or law and to waive any appeal if the Consent Judgment is entered as submitted by the parties;

WHEREAS, Defendant, by entering into this Consent Judgment, does not admit any allegations other than those facts of the Complaint deemed necessary to the jurisdiction of this Court and the facts set forth in Attachment A to Exhibit J;

WHEREAS, the intention of the United States, the Bureau, and the States in effecting this settlement is to remediate harms allegedly resulting from the alleged unlawful conduct of the Defendant, either itself or through its affiliates or subsidiaries;

AND WHEREAS, Defendant has agreed to waive service of the complaint and summons and hereby acknowledges the same;

NOW THEREFORE, without trial or adjudication of issues of fact or law, without this Consent Judgment constituting evidence against Defendant except as otherwise noted, and upon consent of Defendant, the Court finds that there is good and sufficient cause to enter this Consent Judgment, and that it is therefore ORDERED, ADJUDGED, AND DECREED:

## I. JURISDICTION

1. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§ 1331, 1345, 1355(a), and 1367, 12 U.S.C. § 5565(a)(1), and under 31 U.S.C. § 3732(a) and (b), and over Defendant. The Complaint states a claim upon which relief may be granted against Defendant. Venue is appropriate in this District pursuant to 28 U.S.C. § 1391(b)(2) and 31 U.S.C. § 3732(a).

## II. SERVICING STANDARDS

2. Defendant shall comply with the Servicing Standards, attached hereto as Exhibit A, in accordance with their terms and Section A of Exhibit E, attached hereto.

## III. FINANCIAL TERMS

3. *Payment Settlement Amounts.* Defendant shall pay or cause to be paid into an interest bearing escrow account to be established for this purpose the sum of fifty million dollars (\$50,000,000), which shall be known as the “Direct Payment Settlement Amount” as specified in Exhibit F, and which shall be distributed in the manner and for the purposes specified in Exhibit B. Defendant shall further pay to the United States Department of Justice the sum of four hundred and eighteen million dollars (\$418,000,000), which shall be known as the “Exhibit J Settlement Amount” as specified in Exhibit J, plus simple interest on the Settlement Amount at a rate of 2.375% per annum accruing from March 5, 2014 through March 15, 2014, for a total of \$418,271,986, as described in Exhibit J. Defendant’s payment of the Direct Payment Settlement Amount shall be made by electronic funds transfer within ten days of receiving notice that the escrow account referenced in this Paragraph 3 is established or within ten days of the Effective Date of this Consent Judgment, whichever is later. Defendant's payment of the Exhibit J

Settlement Amount shall be made by electronic funds transfer, pursuant to written instructions to be provided by the United States Department of Justice, within ten days of receiving the written instructions from the United States Department of Justice. After Defendant has made the required payments, Defendant shall no longer have any property right, title, interest or other legal claim in any funds held in escrow. The interest bearing escrow account established by this Paragraph 3 is intended to be a Qualified Settlement Fund within the meaning of Treasury Regulation Section 1.468B-1 of the U.S. Internal Revenue Code of 1986, as amended. The Monitoring Committee established in Paragraph 8 shall, in its sole discretion, appoint an escrow agent ("Escrow Agent") who shall hold and distribute funds as provided herein. All costs and expenses of the Escrow Agent, including taxes, if any, shall be paid from the funds under its control, including any interest earned on the funds.

4. *Payments to Foreclosed Borrowers.* In accordance with written instructions from the State members of the Monitoring Committee, for the purposes set forth in Exhibit C, the Escrow Agent shall transfer from the escrow account to the Administrator appointed under Exhibit C forty million dollars (\$40,000,000) (the "Borrower Payment Amount") to enable the Administrator to provide cash payments to borrowers whose homes were finally sold or taken in foreclosure by Defendant between and including January 1, 2008 and December 31, 2013; who submit claims allegedly arising from the Covered Conduct (as that term is defined in Exhibit G hereto); and who otherwise meet criteria set forth by the State members of the Monitoring Committee; and to pay the reasonable costs and expenses of a Settlement Administrator, including taxes and fees for tax counsel, if any. Defendant shall also pay or cause to be paid any additional amounts necessary to pay claims, if any, of borrowers whose data is provided to the Settlement Administrator by Defendant after Defendant warrants that the data is complete and

accurate pursuant to Paragraph 3 of Exhibit C. The Borrower Payment Amount and any other funds provided to the Administrator for these purposes shall be administered in accordance with the terms set forth in Exhibit C.

5. *Consumer Relief.* Defendant itself and through its affiliates and subsidiaries, shall provide five hundred million dollars (\$500,000,000) of relief to consumers who meet the eligibility criteria in the forms and amounts described in Paragraphs 1-9 of Exhibit D, as amended by Exhibit I, to remediate harms allegedly caused by the alleged unlawful conduct of Defendant. Defendant shall receive credit towards such obligation as described in Exhibit D as amended by Exhibit I.

#### **IV. ENFORCEMENT**

6. The Servicing Standards and Consumer Relief Requirements, attached as Exhibits A and D, are incorporated herein as the judgment of this Court and shall be enforced in accordance with the authorities provided in the Enforcement Terms, attached hereto as Exhibit E.

7. The Parties agree that Joseph A. Smith, Jr. shall be the Monitor and shall have the authorities and perform the duties described in the Enforcement Terms, attached hereto as Exhibit E.

8. The Parties agree that the Monitoring Committee established pursuant to certain Consent Judgments entered in *United States, et al. v. Bank of America Corp., et al.*, No. 12-civ-00361-RMC (April 4, 2012) (Docket Nos. 10-14) and referenced specifically in paragraph 8 of those Consent Judgments, shall be designated as the committee responsible for performing the role of the Administration and Monitoring Committee, as described in the Enforcement Terms. References to the "Monitoring Committee" in this Consent Judgment and related documents shall be understood to refer to the same Monitoring Committee as that established in the *Bank of*

*America Corp.* case referenced in the preceding sentence, with the addition of a CFPB Member, and the Monitoring Committee shall serve as the representative of the participating state and federal agencies in the administration of all aspects of this Consent Judgment and the monitoring of compliance with it by the Defendant.

## V. RELEASES

9. The United States, the Bureau, and Defendant have agreed, in consideration for the terms provided herein, for the release of certain claims, and remedies, as provided in the Federal Release, attached hereto as Exhibit F and in the Origination Release, attached hereto as Exhibit J. The United States, the Bureau, and Defendant have also agreed that certain claims and remedies are not released, as provided in Paragraph 11 of Exhibit F and as provided in paragraph 3 of Exhibit J. The releases contained in Exhibit F and Exhibit J shall become effective on the dates and pursuant to the terms provided in those documents.

10. The Department of Housing and Urban Development and Defendant have agreed, in consideration for the terms provided herein, for the release of certain claims, and remedies, as provided in the Administrative Release, attached hereto as Exhibit K. The release contained in Exhibit K shall become effective on the date and pursuant to the terms provided in that document.

11. The State Parties and Defendant have agreed, in consideration for the terms provided herein, for the release of certain claims and remedies, as provided in the State Release, attached hereto as Exhibit G. The State Parties and Defendant have also agreed that certain claims and remedies are not released, as provided in Part IV of Exhibit G. The releases contained in Exhibit G shall become effective upon payment of the Direct Payment Settlement Amount by Defendant.

## VII. OTHER TERMS

12. In the event that the Defendant (a) does not complete certain consumer relief activities as set forth in Exhibit D, as amended by Exhibit I (“Consumer Relief Requirements”), and (b) does not make the Consumer Relief Payments (as that term is defined in Exhibit F (Federal Release)) and fails to cure such non-payment within thirty days of written notice by the party, the United States, the Bureau, and any State Party may withdraw from the Consent Judgment and declare it null and void with respect to the withdrawing party. Nothing in this paragraph shall be interpreted to affect the releases in Exhibit J, or the release of civil and administrative claims, remedies, and penalties based on Covered Origination Conduct in Exhibit K.

13. This Court retains jurisdiction for the duration of this Consent Judgment to enforce its terms. The parties may jointly seek to modify the terms of this Consent Judgment, subject to the approval of this Court. This Consent Judgment may be modified only by order of this Court.

14. The Effective Date of this Consent Judgment shall be the date on which the Consent Judgment has been entered by the Court and has become final and non-appealable. An order entering the Consent Judgment shall be deemed final and non-appealable for this purpose if there is no party with a right to appeal the order on the day it is entered.

15. This Consent Judgment shall remain in full force and effect for three and one-half years from the date it is entered (“the Term”), at which time the Defendant’s obligations under the Consent Judgment shall expire, except that, pursuant to Exhibit E, Defendant shall submit a final Quarterly Report for the last quarter or portion thereof falling within the Term and cooperate with the Monitor's review of said report, which shall be concluded no later than six

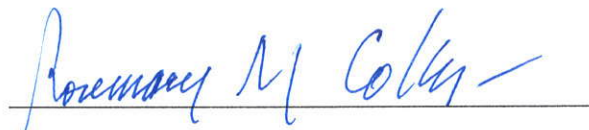
months after the end of the Term. The duration of the Servicer's obligations under the Servicing Standards set forth in Exhibit A shall be reduced to a period of three years from the date of the entry of the Consent Judgment, if at the end of the third year, the Monitor's two servicing standard compliance reports immediately prior to that date reflect that the Servicer had no Potential Violations during those reporting periods, or any Corrective Action Plans that the Monitor had not yet certified as completed. Defendant shall have no further obligations under this Consent Judgment six months after the expiration of the Term, but the Court shall retain jurisdiction for purposes of enforcing or remedying any outstanding violations that are identified in the final Monitor Report and that have occurred but not been cured during the Term.

16. Except as otherwise agreed in Exhibit B, each party to this litigation will bear its own costs and attorneys' fees associated with this litigation.

17. Nothing in this Consent Judgment shall relieve Defendant of their obligation to comply with applicable state and federal law.

18. The sum and substance of the parties' agreement and of this Consent Judgment are reflected herein and in the Exhibits attached hereto. In the event of a conflict between the terms of the Exhibits and paragraphs 1-18 of this summary document, the terms of the Exhibits shall govern.

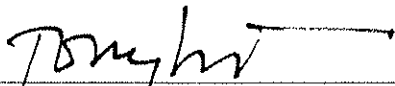
SO ORDERED this 30 day of September, 2014



UNITED STATES DISTRICT JUDGE



For the United States:

A handwritten signature in black ink, appearing to read "Tony West", with a horizontal line extending to the right from the end of the signature.

TONY WEST

Associate Attorney General  
U.S. Department of Justice  
950 Pennsylvania Ave., N.W.  
Washington, DC 20530  
Tel.: 202-514-9500  
Fax: 202-514-0238

For the Department of Housing and Urban Development:

A handwritten signature in cursive script that reads "Damon Y. Smith". The signature is written in black ink and is positioned above a horizontal line.

DAMON Y. SMITH

Acting General Counsel

U.S. Department of Housing and Urban Development

451 7<sup>th</sup> Street, S.W.

Washington, DC 20410

Tel.: 202-402-5099


Fax: 202-708-3389

For the Consumer Financial Protection Bureau:

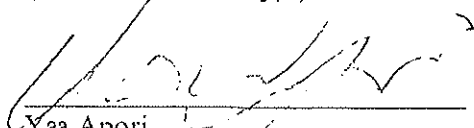


.....  
LUCY E. MORRIS  
Deputy Enforcement Director  
CARA PETERSEN  
Assistant Litigation Deputy  
RACHEL RODMAN  
Enforcement Attorney  
Consumer Financial Protection Bureau  
1700 G Street, NW  
Washington, DC 20552  
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For the Executive Office for U.S. Trustees

  
\_\_\_\_\_  
RAMONA D. ELLIOTT  
General Counsel  
441 G St., N.W., Suite 6150  
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For the Federal Trade Commission  
(as to Exhibit F only):

A handwritten signature in black ink, appearing to read 'Yaa Apori', is written over a horizontal line.

Yaa Apori

Attorney

Federal Trade Commission

600 Pennsylvania Ave., NW

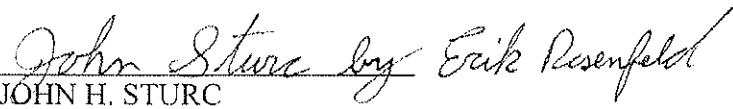
CC-10232

Washington, DC 20058

Tel: 202-326-3796

Fax: 202-326-3768

For the Department of the Treasury:

  
JOHN H. STURC

Chief Counsel  
Office of Financial Stability  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, N.W.  
Washington, D.C. 20020  
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For the State of Alaska:

A handwritten signature in black ink, appearing to read 'Cynthia C. Drinkwater', written over a horizontal line.

CYNTHIA C. DRINKWATER

Assistant Attorney General

Alaska Attorney General's Office

1031 W. 4<sup>th</sup> Avenue, Ste. 200

Anchorage, AK 99501

Tel.: 907-269-5200

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For the State of Alabama:



---

NOEL S. BARNES  
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Office of the Alabama Attorney General  
501 Washington Avenue  
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For the State of Arkansas:

A handwritten signature in black ink, appearing to read "J. B. Depriest", written over a horizontal line.

JAMES B. DEPRIEST

Ark. Bar No. 80038

Deputy Attorney General

Office of the Attorney General

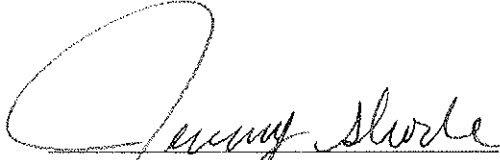
323 Center Street, Suite 200

Little Rock, Arkansas 72201

Tel.: 501-682-5028

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For the State of Arizona:

A handwritten signature in cursive script, appearing to read "Jeremy Shorbe", written over a horizontal line.

THOMAS C. HORNE

Arizona Attorney General

by Jeremy T. Shorbe

Assistant Attorney General

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For the State of California:

KAMALA D. HARRIS  
Attorney General



---

TINA CHAROENPONG  
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For the State of Colorado, *ex. rel.*

JOHN W. SUTHERS, Attorney General:

A handwritten signature in cursive script, appearing to read "Jennifer Miner Dethmers".

JENNIFER MINER DETHMERS

Assistant Attorney General

Consumer Protection Section

Colorado Attorney General's Office

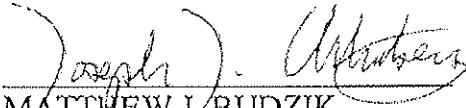
1300 Broadway, 7<sup>th</sup> Floor

Denver, Colorado 80203

Tel.: 720-508-6228

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For the State of Connecticut:

A handwritten signature in cursive script, appearing to read "Joseph J. Chambers", is written over a horizontal line.

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JOSEPH J. CHAMBERS

Assistant Attorneys General

Office of the Connecticut Attorney General

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Fax: 860-808-5385

For the District of Columbia:

IRVIN B. NATHAN  
Attorney General for the District of Columbia

ELLEN A. EFROS  
Deputy Attorney General  
Public Interest Division



BENNETT RUSHKOFF (D.C. Bar #386925)

Chief, Public Advocacy Section

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For the State of Delaware:


A handwritten signature in black ink, appearing to read "Matt Lintner", is written over a horizontal line.

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Delaware Department of Justice  
820 N. French Street, 5<sup>th</sup> Floor  
Wilmington, DE 19801  
Tel.: 302-577-8935  
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For the State of Florida:

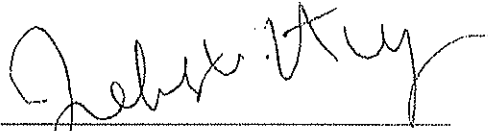
PAMELA JO BONDI  
Attorney General

PATRICIA A. CONNERS  
Associate Deputy Attorney General

  
VICTORIA A. BUTLER  
Assistant Attorney General  
Bureau Chief, Consumer Protection Division  
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Tampa, FL 33607  
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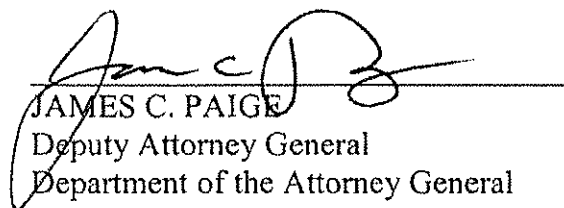
For the State of Georgia:

A handwritten signature in black ink, appearing to read "Jeffrey W. Stump", written over a horizontal line.

JEFFREY W. STUMP

Assistant Attorney General  
Georgia Department of Law  
40 Capitol Square, S.W.  
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Tel.: 404-656-3337  
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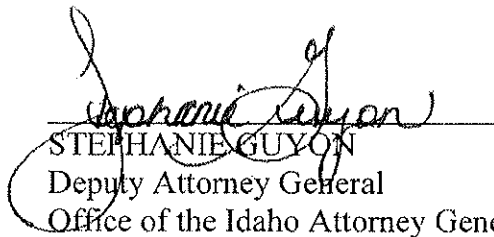
For the State of Hawaii:

A handwritten signature in black ink, appearing to read "James C. Paige", is written over a horizontal line. The signature is fluid and cursive, with a large initial "J" and "P".

JAMES C. PAIGE  
Deputy Attorney General  
Department of the Attorney General  
425 Queen Street  
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For the State of Idaho

LAWRENCE G. WASDEN, Attorney General:

  
STEPHANIE GUYON  
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For the State of Illinois:

LISA MADIGAN  
Attorney General



---

DEBORAH HAGAN  
Chief, Consumer Protection Division  
SUSAN ELLIS  
Chief, Consumer Fraud Bureau  
ANDREW DOUGHERTY  
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For the State of Indiana:

A handwritten signature in black ink, appearing to read 'Abigail Lawlis Kuzma', is written over a horizontal line.

ABIGAIL LAWLIS KUZMA  
Director and Chief Counsel  
Consumer Protection Division  
Indiana Office of Attorney General  
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Indianapolis, Indiana 46204  
Tel.: 317-234-6843  
Fax: 317-233-4393

For the State of Iowa:

*Patrick Madigan*

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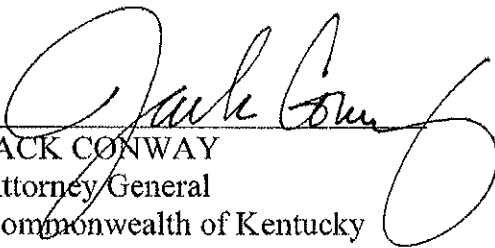
PATRICK MADIGAN  
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For the State of Kansas:



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For the Commonwealth of Kentucky:



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For the State of Louisiana:

A handwritten signature in black ink, appearing to read "James D. Caldwell", written over a horizontal line.

JAMES D. "BUDDY" CALDWELL

Attorney General

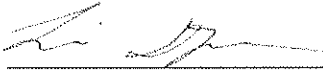
1885 N. Third Street

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Tel.: 225-326-6705

For The Commonwealth Of  
Massachusetts:

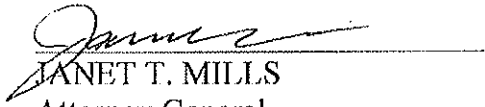
MARTHA COAKLEY  
Attorney General



---

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*Assistant Attorney General*  
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For the State of Maine:

A handwritten signature in black ink, appearing to read "Janet T. Mills", is written over a horizontal line.

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Attorney General

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Augusta, Maine 04330

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For the State of Maryland:

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Attorney General

  
\_\_\_\_\_  
LUCY A. CARDWELL  
Assistant Attorney General  
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For the State of Minnesota:

LORI SWANSON  
Attorney General, State of Minnesota

A handwritten signature in black ink, appearing to read "Nathan Brennaman", written over a horizontal line.

NATHAN BRENNAMAN  
Deputy Attorney General  
Minnesota Attorney General's Office  
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For the State of Missouri:

CHRIS KOSTER  
Attorney General



RYAN S. ASBRIDGE  
Missouri Bar No. 61440  
Assistant Attorney General  
Consumer Protection Division  
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For the State of Mississippi:

JIM HOOD, ATTORNEY GENERAL

BY: Bridgette W. Wiggins  
Bridgette W. Wiggins, MSB No. 9676  
Special Assistant Attorneys General  
Post Office Box 22947  
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Telephone: 601-359-4279  
Facsimile: 601-359-4231

For the State of Montana:

Handwritten signature of Chuck Munson in cursive, written in black ink.

TIMOTHY C. FOX

Attorney General

CHUCK MUNSON

Assistant Attorney General

Montana Department of Justice

215 N. Sanders

Helena MT 59624

Tel.: 406-444-2026

Fax: 406-444-3549



For the Attorney General of North Carolina:

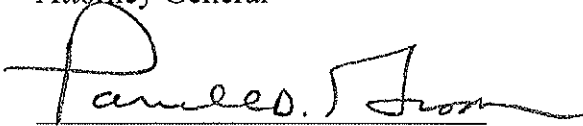
ROY COOPER  
Attorney General

A handwritten signature in black ink, appearing to read 'P. Woods', written over a horizontal line.

PHILLIP K. WOODS  
Special Deputy Attorney General  
N.C. Department of Justice  
P. O. Box 629  
Raleigh, NC 27602  
Tel.: 919-716-6000  
Fax: 919-716-6050  
Email: [pwoods@ncdoj.gov](mailto:pwoods@ncdoj.gov)

For the State of North Dakota

WAYNE STENEHJEM  
Attorney General

A handwritten signature in black ink, appearing to read "Parrell D. Grossman". The signature is written in a cursive style with a large initial 'P' and a long horizontal stroke at the end.

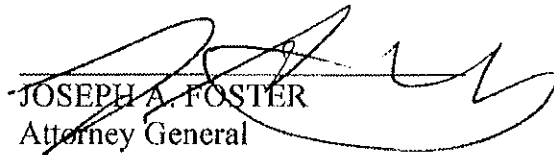
PARRELL D. GROSSMAN  
(ID No. 04684)  
Assistant Attorney General  
Director, Consumer Protection and  
Antitrust Division  
Office of Attorney General  
Gateway Professional Center  
1050 E Interstate Ave, Ste. 200  
Bismarck, ND 58503-5574  
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Fax: 701-328-5568

For the State of Nebraska:

JON BRUNING  
Attorney General

  
ABIGAIL M. STEMPSON, #23329  
Assistant Attorney General  
Office of the Attorney General  
2115 State Capitol  
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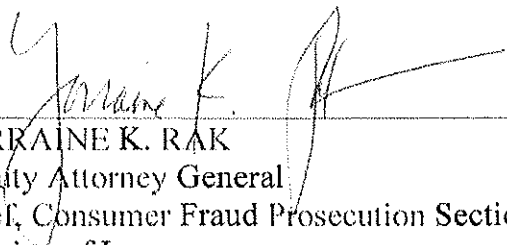
For the State of New Hampshire:

A handwritten signature in black ink, appearing to read "Joseph A. Foster", is written over a horizontal line that underlines the name "JOSEPH A. FOSTER".

JOSEPH A. FOSTER  
Attorney General  
N.H. Department of Justice  
33 Capitol Street  
Concord, New Hampshire 03301  
Tel.: 603-271-3658  
Fax: 603-271-2110

For the State of New Jersey:

JOHN J. HOFFMAN  
ACTING ATTORNEY GENERAL OF NEW JERSEY



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LORRAINE K. RAK  
Deputy Attorney General  
Chief, Consumer Fraud Prosecution Section  
Division of Law  
124 Halsey Street – 5<sup>th</sup> Floor  
P.O. Box 45029  
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Tel.: 973-877-1280  
Fax: 973-648-4887

For the State of New Mexico:

A handwritten signature in black ink, appearing to read "Gary K. King", is written over a horizontal line.

GARY K. KING, Attorney General  
KAREN J. MEYERS, Assistant Attorney General  
Office of New Mexico Attorney General  
PO Drawer 1508  
Santa Fe, NM 87504-1508  
Tel: 505-222-9100  
Fax: 505-222-9033

For the State of New York:

  
\_\_\_\_\_

JANE M. AZIA

Bureau Chief

Bureau of Consumer Frauds & Protection

Office of the New York State Attorney General

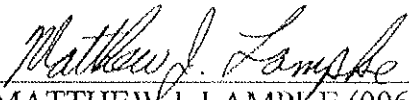
120 Broadway

New York, NY 10271

Tel.: 212-416-8727

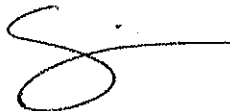
Fax: 212-416-8787

For the Ohio Attorney General  
MIKE DEWINE

  
MATTHEW J. LAMPKE (0067973)  
Mortgage Foreclosure Counsel  
Ohio Attorney General  
30 E. Broad St., 15<sup>th</sup> Floor  
Columbus, OH 43215  
Tel.: 614-466-8569  
Fax: 866-403-3979



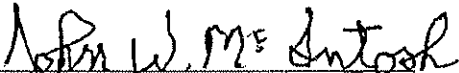
For the State of Oregon,  
Attorney General  
ELLEN F. ROSENBLUM:

A handwritten signature in black ink, appearing to read 'S. Whang', with a horizontal line extending to the right from the end of the signature.

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SIMON WHANG  
Assistant Attorney General  
Oregon Department of Justice  
Financial Fraud/Consumer Protection  
1515 SW 5<sup>th</sup> Avenue, Ste. 410  
Portland, OR 97201  
Tel.: 971-673-1880  
Fax: 971-673-1902

For the State of South Carolina:

  
ALAN WILSON

Attorney General

JOHN W. MCINTOSH

Chief Deputy Attorney General

C. HAVIRD JONES, JR.

Senior Assistant Deputy Attorney General

JARED Q. LIBET

Assistant Deputy Attorney General

South Carolina Attorney General's Office

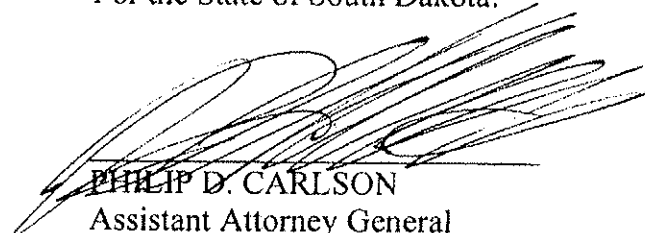
1000 Assembly Street, Room 519

Columbia, SC 29201

Tel.: 803-734-3970

Fax: 803-734-3677

For the State of South Dakota:

A handwritten signature in black ink, appearing to read 'Philip D. Carlson', is written over a horizontal line. The signature is somewhat stylized and overlaps the text below it.

PHILIP D. CARLSON  
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South Dakota Attorney General's Office  
Consumer Protection Division  
1302 E. Highway 14, Suite 1  
Pierre, SD 57501  
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Fax: 605-773-4106

For the State of Tennessee:

A handwritten signature in black ink, appearing to read "R E Cooper, Jr.", with a stylized flourish at the end.

ROBERT E. COOPER, JR.  
Attorney General and Reporter  
Office of the Tennessee Attorney General  
425 Fifth Avenue North  
Nashville, TN 37243-3400  
Tel.: 615-741-3491  
Fax: 615-741-2009

For the State of Texas:

A handwritten signature in cursive script that reads "James A. Daross". The signature is written in black ink and is positioned above a horizontal line.

JAMES A. DAROSS

State Bar No. 05391500

Assistant Attorney General

Consumer Protection Division

401 E. Franklin Avenue, Suite 530

El Paso, Texas 79901

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Fax: 915-542-1546

For the State of Utah:

A handwritten signature in black ink, appearing to read "S. Reyes", written over a horizontal line.

SEAN D. REYES

Utah Attorney General

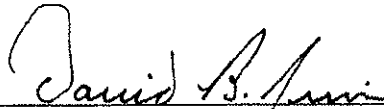
350 North State Street, #230

Salt Lake City, UT 84114-2320

Tel.: 801-538-1191

Fax: 801-538-1121

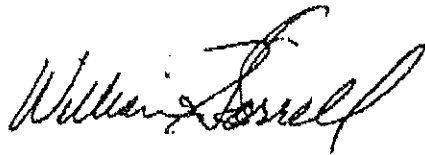
For The Commonwealth of Virginia,  
*ex rel.* MARK R. HERRING,  
Attorney General:



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DAVID B. IRVIN (VSB #23927)  
Senior Assistant Attorney General  
MARK S. KUBIAK (VSB #73119)  
Assistant Attorney General  
Office of Virginia Attorney General  
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For the State of Vermont:

A handwritten signature in black ink, appearing to read "William H. Sorrell". The signature is fluid and cursive, with a large initial "W" and "S".

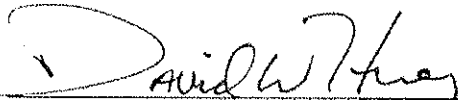
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WILLIAM H. SORRELL  
Attorney General  
109 State Street  
Montpelier VT 05609-1001  
(802) 828-3171



For the State of Washington:

ROBERT W. FERGUSON  
Attorney General

A handwritten signature in cursive script, appearing to read "David W. Huey", is written over a horizontal line.

DAVID W. HUEY, WSBA No. 31380

Senior Counsel

Consumer Protection Division

Office of the Attorney General

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Tacoma, WA 98402-4411

Tel: (253) 593-5243

For the State of Wisconsin:

J.B. VAN HOLLEN  
Attorney General

A handwritten signature in cursive script that reads "Holly C. Pomraning". The signature is written in black ink and is positioned above a horizontal line.

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HOLLY C. POMRANING  
Assistant Attorney General  
Wisconsin Department of Justice  
Post Office Box 7857  
Madison, Wisconsin 53707-7857  
Tel: 608-266-5410  
Fax: 608-267-8906

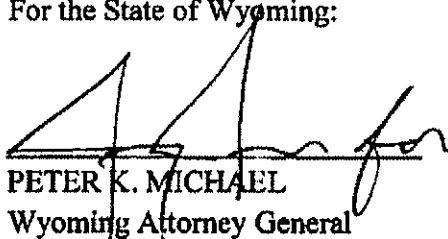
For the State of West Virginia:

A handwritten signature in black ink that reads "PATRICK MORRISEY". The signature is written in a cursive, slightly slanted style.

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PATRICK MORRISEY  
Attorney General  
State Capitol, Room 26E  
Charleston, WV 25305-0220  
Tel.: 304-558-2021  
Fax: 304-558-0140

For the State of Wyoming:

A handwritten signature in black ink, appearing to read "Peter K. Michael", is written over a horizontal line. The signature is stylized and somewhat cursive.

**PETER K. MICHAEL**  
Wyoming Attorney General  
Wyoming Attorney General's Office  
123 State Capitol Bldg  
200 W. 24<sup>th</sup> Street  
Cheyenne, WY 82002  
Tel.: 307-777-7847  
Fax: 307-777-3435

For SunTrust Mortgage, Inc.:

A handwritten signature in black ink, reading "Jerome T. Lienhard, II". The signature is written in a cursive style with a large initial "J" and a stylized "L".

Jerome T. Lienhard, II  
President and CEO  
SunTrust Mortgage, Inc.

June 17, 2014

# Exhibit J

EXHIBIT J – RELEASE WITH RESPECT TO CERTAIN CLAIMS ARISING FROM  
SUNTRUST’S FHA ORIGINATION, UNDERWRITING AND QUALITY CONTROL  
OF FEDERAL HOUSING ADMINISTRATION (FHA)-INSURED MORTGAGES

In addition to the terms set forth in Exhibit F, the United States of America, acting through the United States Department of Justice and on behalf of the Department of Housing and Urban Development (“HUD”) (collectively the "United States") and SunTrust Mortgage, Inc. on behalf of itself and its affiliated entities<sup>1</sup> (“SunTrust”) (hereafter collectively referred to as "the Parties"), through their authorized representatives, agree upon the following additional terms (Exhibit J Agreement).

TERMS AND CONDITIONS

1. SunTrust shall pay to the United States \$418,000,000 (the “Exhibit J Settlement Amount”), plus simple interest on the Settlement Amount at a rate of 2.375% per annum accruing from March 5, 2014 through March 15, 2014, for a total of \$418,271,986, by electronic funds transfer pursuant to written instructions to be provided by the Civil Division of the Department of Justice. Payment of the Exhibit J Settlement Amount shall be no later than 10 days after the Effective Date of this Agreement.

2. Subject to the exceptions in Paragraph 3 (concerning excluded claims) below, and conditioned upon SunTrust’s full payment of the Exhibit J Settlement Amount plus the accrued interest, the United States, on behalf of its officers, agencies, and departments (including HUD), releases SunTrust, together with its current and former parent corporations, direct and indirect subsidiaries, divisions, and affiliates agents, attorneys and assigns, as well as any current or former director, current or former officer, and current or former employee of any of the foregoing, individually and collectively, from any civil or administrative monetary claim the United States has under

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<sup>1</sup> The term “affiliated entities” as used here is defined in paragraph 10 of Exhibit F.

the False Claims Act, 31 U.S.C. §§ 3729-3733; the Financial Institutions Recovery, Reform, and Enforcement Act of 1989, 12 U.S.C. § 1833a; the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; or the common law theories of breach of contract, payment by mistake, unjust enrichment, and fraud, or any other statute or common law cause of action for civil damages or civil penalties that the Civil Division of the United States Department of Justice has actual and present authority to assert and compromise pursuant to 28 C.F.R. § 0.45(d), for the conduct set forth in Attachment A in connection with its origination, underwriting, quality control, and endorsement of single-family residential mortgage loans insured by the FHA between January 1, 2006 and March 30, 2012 that resulted in claims submitted to HUD on or before September 30, 2013. SunTrust agrees that it engaged in the conduct set forth in Attachment A.

3. Notwithstanding the release given in paragraph 2 of this Release, or any other term of this Exhibit J Agreement, the following claims of the United States are not released by this Exhibit J Agreement.

- a. Any liability arising under Title 26, U.S. Code (Internal Revenue Code);
- b. Any criminal liability;
- c. Except as explicitly stated in this Release, any administrative liability, including the suspension and debarment rights of any federal agency;
- d. Any liability to the United States (or its agencies) for any conduct other than the conduct set forth in Attachment A;
- e. Any liability based upon obligations created by this Release;



- f. Any liability for personal injury or property damage or for other consequential damages arising from the conduct set forth in Attachment A;
- g. Any liability of individuals (including current or former directors, officers, employees, agents, or attorneys of SunTrust) who receive written notification that they are the target of a criminal investigation (as defined in the United States Attorneys' Manual), are indicted or charged, or who enter into a plea agreement, related to the conduct set forth in Attachment A.
- h. Any liability arising from SunTrust's origination or underwriting of Home Equity Conversion Mortgages under 12 U.S.C. § 1715z-20 or Streamlined Refinances under 12 U.S.C. § 1715n(a)(7);
- i. Any liability arising from any claims submitted to HUD on or after October 1, 2013, or from any mortgages endorsed for FHA insurance on or after April 1, 2012;
- j. Any liability to the United States arising from, and no setoff related to amounts paid under this Release shall be applied to any recovery for, false statements, claims, and/or certifications related to unlawful or excessive costs or expenses charged or claimed in connection with foreclosure-related litigation (including foreclosure, bankruptcy, and eviction proceedings), including but not limited to liability arising from inadequate quality control and/or monitoring of such costs or expenses; or
- k. Any liability to the United States for the claims and conduct alleged in the following qui tam action and no setoff related to amounts paid under this Release shall be applied to any recovery in connection with that action:

(i) *U.S. ex rel. [Sealed] v. [Sealed]*; 12-civ-7199

(S.D.N.Y.) [UNDER SEAL].

4. SunTrust fully and finally releases the United States, its agencies, officers, agents, employees, and servants, from any claims (including attorney's fees, costs, and expenses of every kind and however denominated) that SunTrust has asserted, could have asserted, or may assert in the future against the United States, its agencies, officers, agents, employees, and servants, related to the conduct set forth in Attachment A and the United States' investigation and prosecution thereof.

5. Paragraphs 13, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, and 26 of Exhibit F are incorporated herein by reference into this Exhibit J Agreement and govern the Parties' rights and obligations with respect to this Release.

**Attachment A**  
**To**  
**Exhibit J**

## ATTACHMENT A

1. Between January 2006 and March 2012, SunTrust Mortgage, Inc. (SunTrust) was a Direct Endorsement Lender approved by the Federal Housing Administration (FHA) and U.S. Department of Housing and Urban Development (HUD). As a Direct Endorsement Lender, SunTrust was authorized by HUD to originate and underwrite mortgage loans on HUD's behalf, including determining a borrower's creditworthiness and whether the proposed loan met all applicable HUD requirements. As a Direct Endorsement Lender, SunTrust was authorized to endorse mortgage loans for HUD insurance without any review of the mortgage application by HUD.

2. In originating, underwriting, and endorsing mortgage loans for FHA insurance, Direct Endorsement Lenders such as SunTrust were required to follow applicable HUD requirements, including those set out in HUD's Handbooks and Mortgagee Letters.<sup>1</sup> With respect to creditworthiness of the proposed borrower, Direct Endorsement Lenders such as SunTrust were required to follow HUD Handbook 4155.1. At a general level, HUD Handbook 4155.1 required Direct Endorsement Lenders such as SunTrust to: (1) evaluate the borrower's credit history; (2) analyze the borrower's liabilities; (3) not accept or use certain documentation transmitted by interested parties; (4) determine the authenticity of faxed documents and portions of certain printouts downloaded from the internet; (5) in some situations, document reasons for approving a mortgage when the borrower has collections accounts or judgments, determine the purpose of recent debts, and/or require sufficient written explanation from the borrower for major indications of derogatory credit; (6) verify certain employment history of the

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<sup>1</sup> The requirements referenced in paragraphs two through eleven of this document reflect standard HUD-FHA program requirements for Direct Endorsement Lenders as provided in HUD's Handbooks and Mortgagee Letters.

borrower(s); (7) determine the income stability of the borrower(s) and whether the borrowers' income level can be reasonably expected to continue for a certain period of time; (8) verify that the borrower has funds to cover the required minimum down payment; (9) document the source of funds used for the required minimum down payment, as well as any closing costs and fees; and (10) if applicable, calculate certain debt and income ratios and compare those ratios to the fixed ratios set by HUD including, as necessary, any compensating factors that might permit deviation from the fixed ratios.

3. Direct Endorsement Lenders such as SunTrust were required to submit certain proposed FHA originations through a HUD-approved Automated Underwriting System (AUS) in conjunction with a tool known as Technology Open to Approved Lenders (TOTAL). According to the FHA's TOTAL Mortgage Scorecard User Guide, TOTAL evaluated the overall creditworthiness of the applicants based on a number of credit variables. TOTAL also either: (1) approved the mortgage subject to certain conditions, including conditions that the lender validate the information that formed the basis for TOTAL's determination; or (2) referred the mortgage back to the lender for manual underwriting in accordance with HUD requirements. SunTrust understood that TOTAL's determination was based on the integrity of the data supplied by the lender. HUD has promulgated requirements regarding how to calculate each data point used by TOTAL.

4. To maintain Direct Endorsement Lender status, Direct Endorsement Lenders such as SunTrust were required to implement and maintain a quality control program in accordance with HUD Handbook requirements for FHA loans. As a Direct Endorsement Lender, SunTrust's FHA quality control function was required to be

independent of its FHA mortgage origination and underwriting functions. In carrying out quality control programs, Direct Endorsement Lenders such as SunTrust were required to perform a review of a sample of FHA mortgage loan files and also to review each FHA mortgage loan that went into default within the first six payments, which HUD defines as “early payment defaults” or EPDs. In performing these quality control reviews, Direct Endorsement Lenders such as SunTrust were required to review the mortgage loan file, re-verify certain information, review the soundness of underwriting judgments, document its review and any findings in a quality control review report, and retain the quality control review report for two years.

5. Direct Endorsement Lenders such as SunTrust were required to self-report to HUD all findings that FHA mortgage loans constituted “material violations of FHA or mortgagee requirements and represent an unacceptable level of risk” and all findings of “fraud or other serious violations.” Direct Endorsement Lenders such as SunTrust were also required to take “prompt action to deal appropriately with any material findings.”

6. In the forms HUD-92001-A, Application for FHA Lender Approval, Direct Endorsement Lenders such as SunTrust were required to certify as follows:

I certify that, upon the submission of this application, and with its submission of each loan for insurance or request for insurance benefits, [SunTrust] has and will comply with the requirements of the Secretary of Housing and Urban Development, which include, but are not limited to, the National Housing Act (12 U.S.C. § 1702 *et seq.*) and HUD’s regulations, FHA handbooks, mortgagee letters, and Title I letters and policies with regard to using and maintaining its FHA lender approval.

7. Additionally, Direct Endorsement Lenders such as SunTrust were required to submit an Annual Certification stating:

I know, or am in a position to know, whether the operations of [SunTrust] conform to HUD-FHA regulations, handbooks, and policies. I certify that to the best of my knowledge, [SunTrust] conforms to all HUD-FHA regulations necessary to maintain its HUD-FHA approval, and that [SunTrust] is fully responsible for all actions of its employees including those of its HUD-FHA approved branch offices.

or submit a statement to HUD that it was unable to so certify.

8. With respect to each mortgage loan endorsed by SunTrust for FHA insurance, either a SunTrust mortgagee representative or a SunTrust direct endorsement underwriter was required to certify that the mortgage “is eligible for HUD mortgage insurance under the Direct Endorsement program.” For each loan that was approved using an AUS, a SunTrust mortgagee representative was required to certify to “the integrity of the data supplied by [SunTrust] used to determine the quality of the loan [and] that a Direct Endorsement Underwriter reviewed the appraisal.” For each FHA loan that SunTrust approved using manual underwriting, a SunTrust direct endorsement underwriter was required to certify that he or she “personally reviewed the appraisal report (if applicable), credit application, and all associated documents and ha[s] used due diligence in underwriting th[e] mortgage.”

9. For every mortgage loan SunTrust endorsed for FHA insurance, whether through manual underwriting or the use of an AUS, a SunTrust direct endorsement underwriter was required to certify that:

“I, the undersigned, as authorized representative of [SunTrust] at this time of closing of this mortgage loan, certify that I have personally reviewed the mortgage loan documents, closing statements, application for insurance endorsement, and all accompanying documents. I hereby make all certifications required for this mortgage as set forth in HUD Handbook 4000.4.”

10. Additionally, for each mortgage loan endorsed, a SunTrust direct endorsement underwriter was required to certify, to the best of his or her knowledge, that the information in the loan application was true and correct, that the conditions listed in HUD Form 92900-A or appearing in any outstanding commitment issued under the loan's case number have been satisfied, that the information used to validate the borrower's employment, income, and assets was transmitted directly to the lender and did not pass through any third party, and that the proposed loan met the applicable HUD requirements.

11. When a borrower defaults on an FHA-insured loan underwritten and endorsed by a Direct Endorsement Lender such as SunTrust, SunTrust (or, if SunTrust transferred the mortgage or servicing rights after closing, the mortgage holder or servicer) has the option of submitting a claim to HUD to compensate the lender for any loss the lender sustained as a result of the default. As such, once a mortgage loan is endorsed for FHA insurance, HUD bears the risk of the borrower defaulting on that mortgage, which is realized if an insurance claim is submitted.

12. The Department of Justice has investigated SunTrust with regard to its origination, underwriting, quality control and endorsement practices, as well as its submission of certifications, related to certain FHA-insured mortgage loans secured by single-family residential mortgage loans originated between January 1, 2006 and March 31, 2012, and for which claims for FHA insurance benefits had been submitted by September 30, 2013 (the "Released Loans"). The following statements apply to the Released Loans only.



13. Between January 1, 2006 and March 31, 2012, SunTrust endorsed for FHA mortgage insurance pursuant to the Direct Endorsement Lender Program certain Released Loans that did not meet underwriting requirements contained in HUD's handbooks and mortgagee letters, and therefore were not eligible for FHA mortgage insurance under the Direct Endorsement Lender Program. As a result of SunTrust's conduct, HUD-FHA insured certain Released Loans endorsed by SunTrust that were not eligible for FHA mortgage insurance and that HUD-FHA would not otherwise have insured; and HUD consequently incurred losses when it paid insurance claims on those SunTrust-endorsed Released Loans.

14. SunTrust self-reported fewer Released Loans than were required to be reported. Between January 2009 and March 2012, SunTrust's internal quality control report documented 256 FHA mortgage loans originated by SunTrust with a Level 1 risk grade, which captured material underwriting issues broader than the self-reporting standard set forth in the HUD-FHA guidelines. During this same time period, SunTrust self-reported as materially deficient 11 mortgages to HUD.

15. In October 2009, an internal presentation regarding "broken loans" stated in part that SunTrust underwriters received "less training than those at other mortgage companies." The presentation also stated that with respect to FHA loans, these "loans are more complicated to underwrite and will likely continue to be scrutinized given the overall reserve situation."

16. In December 2009, a SunTrust internal presentation listed top causes for broken loans, some of which applied to FHA loans. These included: (1) "Income Calculation," described as "[i]ncorrect treatment of different income types (commission,

bonus, overtime, alimony) per guidelines”; (2) “AUS Data Integrity,” regarding “key data elements”; (3) failure to condition or properly clear conditions; (4) “Appraisal Issues,” described to include “[f]ield reviews after close showing declining values”; (5) “Asset Documentation” for “gift funds” and “earnest money deposit”; (6) “Credit Policy Clarifications,” related to “Verbal [verification of employment]” and the “FHA [requirement for] 12 consecutive on-time [mortgage] payments; and (7) Misrepresentations” described as relating to “[f]alsified bank statements,” “W2s/tax returns,” employment status, and the borrower’s intent to occupy the property. The presentation noted, among other things, that it “does not represent a formal data driven root cause analysis, but rather a [subject matter expert] interview methodology to quickly draw directionally correct solutions around root causes and solution accordingly.” The presentation also noted that SunTrust management had designed solutions to correct these problems but failed to complete them “due to multiple demands and shifting priorities.”

17. An internal SunTrust audit report from 2009 that reflects that it was distributed to certain SunTrust management stated, to the extent applicable to SunTrust’s FHA origination and underwriting, that “the system of internal control is ineffective.”

The report also stated in part:

Three significant control weaknesses impair the overall system of internal control. The first significant issue is the lack of consistent performance reviews on each underwriter to assess their performance and the quality of underwriting decisions. The second significant issue is the lack of standards over the timing of when loan approval conditions must be cleared (e.g., prior to close vs. at close) and which conditions or tasks must be performed by the underwriter. The third significant issue is insufficient loan origination/underwriting training due to the lack of instructor-led curriculum, case studies, and annual refresher training. SunTrust Audit Services believes these three control weaknesses are key

catalysts to the high level of errors and loan defects identified in 2009 by the SunTrust Mortgage Quality Control Team.

Regarding the lack of consistent performance reviews on underwriters, the “Management Action Plan” portion of the report stated in part that “[m]anagement agrees with this finding and recognized this weakness mid-2009 when volume prevented Group Underwriting Managers from consistently performing this function. It should be noted that the Group Managers have been performing this type of performance review, but there has been no consistency, no documented policy, and no control to escalate to senior management when resources prevented the activity from occurring.” It further stated that SunTrust would implement “a process control function to ensure appropriate testing is performed.” Management also agreed with the audit finding regarding closing conditions and noted that it had “recently implemented revised documentation and standards for conditioning, and implemented an automated tool to assist with improved consistency and standardization.” With regard to the training issue, the “Management Action Plan” stated that SunTrust was working “to define and build a formal new hire training program for Underwriters, Processors, and Closers” and anticipated completing the program by August 2010, but that “very good, customized training programs take a long time to develop,” and that, therefore, “additional customization of the program is anticipated in 2011.”

18. A July 19, 2010 internal SunTrust presentation stated, to the extent applicable to SunTrust-originated FHA mortgages, that the quality control “error rate is at an unacceptable level,” with the rate of material errors within target range and significant errors above target range. The presentation further stated that “following a large improvement in 2009, there has been minimal improvement in [the quality control] error

rate in 2010,” that “[s]pecific actions are in development to aggressively address this issue,” and that “stronger focus needs to be placed on [FHA] loans.” To the extent applicable to FHA mortgages, the presentation also stated, in part, that prior to July 2010, the “sampling size and methodology” in SunTrust’s quality control process had been “severely flawed.” The presentation also stated in part that, to the extent applicable to FHA mortgages, the “error rate has been misleading” because the “[c]uring of QC errors was allowed, deflating error rates,” that “[t]his curing is not realistic in a normal population when error detection would occur years later,” that the “classification of Material and Significant is thought to be overly generous with some of the Material errors classified as Significant,” and that SunTrust lacked “a definitive list and pre-established categorization of Material and Significant errors.” The presentation further stated that, to the extent applicable to FHA mortgages, “the effectiveness and work product of the QC team needs to be significantly improved,” and that SunTrust had “corrected” some of the QC issues.

19. A 2010 SunTrust internal audit report of SunTrust’s quality control process, which reflects that it was distributed to certain SunTrust management, stated, to the extent applicable to FHA mortgages, that SunTrust’s “controls need improvement.” The report further stated, to the extent applicable to FHA mortgages, that “[a]lthough Material and Significant defects have been reported at elevated levels for the past several years, the actual volume of defects has been underreported, unclearly defined, and inconsistently applied.” The report further found, to the extent applicable to FHA mortgages, that SunTrust’s quality control reviews failed to adequately control for “non-sampling error . . . introduced by inconsistent interpretation among QC Analysts, faulty

definitions, misunderstanding, and processing errors.” The report further identified “the lack of sufficient documentation to evidence compliance with . . . HUD quality control requirements.” The management response portion of the report stated, among other things, that SunTrust had been “working to improve the QC process in 2010” and had “implemented several enhancements in recent months.”

20. Another 2010 SunTrust internal audit report that reflects that it was distributed to certain SunTrust management, stated, to the extent applicable to SunTrust’s FHA mortgage origination and underwriting, that “[t]he overall system of internal control . . . is ineffective,” and further “identified pervasive weaknesses in many controls that . . . impair continuity and consistency of operations and management’s ability to generate high-quality loans.”

21. A 2011 SunTrust internal audit report of SunTrust’s origination and underwriting, which reflects that it was distributed to certain SunTrust management, to the extent applicable to SunTrust’s FHA mortgages, stated, in part, that:

Based on the results of this review, the overall system of internal controls is ineffective. Controls over mortgage origination continue to be weak. Over the past year, there has been an increase in the volume of origination errors and the current level of errors is unacceptable. Since July 2011, the Quality Control (QC) function has reported total error rates on monthly loan production of 36% to 59%. Excessive errors have been identified in appraisals, assets, AUS (automated underwriting system), and VVOE (verbal verification of employment).

The report further found, to the extent applicable to FHA mortgages, that “[e]rror rates in loan originations remain at elevated levels due to significant process changes, insufficient controls, unclear roles and responsibilities, new staff, [and] poor incentive payment administration[,]” and that “QC reviews for February 2012 continue to show no material

improvement[.]” The report included a “Management Action Plan” section in which SunTrust management described the actions that it planned to take in response to the issues raised by the audit report.

22. A SunTrust internal audit report from June 2011, related to the Government Insuring (GI) department, which reflects that it was distributed to certain SunTrust management, stated that the GI department “manages the insuring process on [FHA] loans originated by the Retail and Broker channels.” In the “Overall Evaluation of Controls” section of the report, the report stated that the system of internal control around the insuring of FHA-insured mortgages “needs improvement.” The report further stated, in part, that:

The volume of technical defects, procedural errors, and noncompliance with underwriting rules is excessive. Half of the [FHA] loans submitted by the origination channels contained documentation irregularities (called “pends”) that must be addressed or corrected by [Government Insuring]. However [Government Insuring] has been unable to correct all deficiencies. From June 2010 to March 2011, Production Quality Control randomly sampled 519 [FHA]-insured mortgages and found errors or exceptions in 41% . . . [T]hese high error rates result from weak loan origination processes that cause half of the loan files submitted to [Government Insuring] to contain document irregularities that must be addressed before the loan can be insured. While [Government Insuring] processes and controls catch and correct many of these errors and irregularities, they do not catch enough to keep rescission and indemnification exposure to a tolerable level . . . [FHA] require[s] SunTrust to certify that the loan is eligible for government insurance in conformance with [FHA] requirements. Lenders who submit false certifications and claims may be subject to penalties or lawsuits under the False Claims Act (31 U.S.C. § 3729).

The report stated that the errors included “missing documents, missing paystubs, appraisal issues, incorrect debt-to-income ratio, document errors, et cetera.”

23. A 2011 internal audit report of SunTrust's quality control process that reflects that it was distributed to certain SunTrust management, stated, to the extent applicable to FHA mortgages, that "[w]hile [SunTrust worked to improve the [quality control] process throughout 2010, additional improvements and corrections are needed . . . [g]iven [among other things] the ongoing high volume of loan production errors[.]" The audit report stated, in part, that "employment and deposit reverifications on FHA" mortgages "do not consistently comply with standards," and "that the QC process for documenting employment and asset" re-verifications was "restricted by the limitations of a manual (Excel) environment. In April [2011], QC took steps to improve this process by defining business requirements for the automated capture, tracking, and reporting of required reverification information."

24. A 2012 SunTrust audit report regarding SunTrust's government insuring department, which reflects that it was distributed to certain SunTrust management, stated, in part, that:

The volume of technical defects, procedural errors, and noncompliance with standards remains excessive. Missing documents, errors, and other pending items continue to plague many of the [FHA] loan files submitted by the origination channels and the [Government Insuring] department has insufficient ability or resources to identify and correct all problems. There has been no improvement in processes and controls since the last audit (audit report dated June 14, 2011) as this report reflects repeat issues. Production Quality Control continues to identify an excessive level of loan file exceptions ([up to] 56% [or greater] defect rate on [FHA] loans originated from January to March 2012)[.] . . . Management should take immediate action to install gatekeepers in the loan origination process to ensure [FHA] loan files contain all required documentation and that each document is accurate and complete[.] . . . Management should also expand managerial oversight of the pre-insurance review process.

The report noted two “significant” issues, “Broken Loan Origination Process” and “Deficient Government Insuring Process.” The “Broken Loan Origination Process” issue noted that:

Loan production processes are broken as origination channels submit an excessive number of [FHA] loan files that contain documentation irregularities that must be corrected or addressed by the Government Insuring team. The excessive number of documentation irregularities increases the risk of impaired loans that do not meet FHA standards. Half ([up to] 51% [or more]) of all [FHA] loan files submitted to Government Insuring were missing documents or contained documentation irregularities. Missing documents and other documentation irregularities (collectively called ‘pends’) preclude the loan from being insured until pending items can be corrected. [SunTrust Audit Services] notes that the excessive level of pending loans (51% as of March 2012) is essentially the same level of error observed in the last audit dated June 14, 2011. . . . For loans originated from January to March 2012, approximately 90% of pends were on simple matters such as missing entire documents, missing pages on documents, or blanks on data fields, signature lines, and date fields.”

The “Deficient Government Insuring Process” issue noted that:

The [government insuring] department is not meeting its quality standards as an excessive number of loans processed and insured by the department contain errors or defects (e.g., missing or incomplete documentation . . . Moreover, the [SunTrust Mortgage] Quality Control team has identified a[n up to] 56% [or greater] defect rate on [FHA] loans originated from January to March 2012.

The report also included management action plans to address the issues noted in the audit.

25. In March 2012, two SunTrust managers made a presentation regarding SunTrust’s portfolio. Their presentation noted that, over the three



months analyzed, (November 2011-January 2012), SunTrust's retail FHA mortgages evidenced a 55.8% error rate.

26. The statements herein apply only to certain mortgages which are the subject of the release in this Agreement. This document is not an admission as to any conduct related to any mortgage not released in this Agreement, nor is it an admission of any legal liability. SunTrust reserves the right to contest the use and/or application of this document in any future litigation.