

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is entered into among the United States of America, acting through the United States Department of Justice and on behalf the United States Department of Veteran Affairs (“VA”) and the Federal Housing Finance Agency (“FHFA”) (collectively the “United States”); PHH Corporation and PHH Mortgage Corporation (“PHHMC”) (collectively “PHH”); and Mary Bozzelli (“Relator”) (together “the Parties”), through their authorized representatives.

RECITALS

A. From at least 2005 to 2012, PHH was a VA approved lender, originating and underwriting mortgage loans and endorsing these loans for insurance by the VA. Also from at least 2009 to 2013, PHH sold mortgage loans to the Federal National Mortgage Association (“Fannie Mae”) and the Federal Home Loan Mortgage Corporation (“Freddie Mac”). PHH has its principal place of business in Mount Laurel, New Jersey, but at all relevant times conducted business within the Eastern District of New York.

B. On May 28, 2013, Relator filed a *qui tam* action in the United States District Court for the Eastern District of New York captioned *United States ex rel. Mary Bozzelli v. PHH Mortgage Corporation and PHH Corporation* (E.D.N.Y.), 13-cv-3084, pursuant to the *qui tam* provisions of the False Claims Act, 31 U.S.C. § 3730(b) (“the Civil Action”). Relator brought the Civil Action against PHHMC and PHH Corporation.

C. The United States contends that it has certain potential civil claims against PHH in connection with: (1) the origination, underwriting, endorsement, and approval of the residential mortgage loans insured by the VA that are listed in Attachment A; and (2)

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the origination, underwriting, and sale of the residential mortgage loans acquired by Fannie Mae and Freddie Mac that are listed in Attachment B (hereinafter referred to as the “Covered Conduct”).

D. This Settlement Agreement resolves the Civil Action, and related potential claims by the United States, pertaining to mortgage loans insured by the VA and mortgage loans acquired by Fannie Mae and Freddie Mac. By separate settlement agreement, to be entered into on or about the Effective Date (the “FHA Settlement Agreement”), the United States, PHH Corporation, PHHMC, PHH Home Loans LLC (“PHHHL”), and Relator are resolving the portion of the Civil Action and related potential claims by the United States pertaining to mortgage loans insured by the FHA. By this Settlement Agreement and the FHA Settlement Agreement, the parties are fully and finally resolving the Civil Action as to the Relator and the United States, and the covered conduct as defined in this Settlement Agreement and the FHA Settlement Agreement as to the United States.

E. This Settlement Agreement is neither an admission of liability by PHH nor a concession by the United States that its claims are not well founded.

F. Relator claims entitlement under 31 U.S.C. § 3730(d) to a share of the Settlement Amount, as defined *infra*, and to Relator’s reasonable expenses, attorneys’ fees and costs.

To avoid the delay, uncertainty, inconvenience, and expense of protracted litigation of the above claims, and in consideration of the mutual promises and obligations of this Settlement Agreement, the Parties agree and covenant as follows:

TERMS AND CONDITIONS

1. PHH shall pay to the United States a total of \$9,453,802 (nine million, four hundred fifty-three, eight hundred and two dollars) (the “Settlement Amount”) by electronic funds transfer no later than seven (7) days after the Effective Date of this Agreement, pursuant to written instructions to be provided by the Civil Division of the United States Department of Justice.

2. Conditioned upon the United States receiving the Settlement Amount from PHH and as soon as feasible after receipt, the United States shall pay to Relator \$1,559,877.33 (one million, five hundred and fifty-nine thousand, eight hundred and seventy-seven dollars and thirty-three cents) by electronic funds transfer.

3. Subject to the exceptions in Paragraph 5 (concerning excluded claims) below, and conditioned upon PHH’s full payment of the Settlement Amount, the United States releases PHH and its successors from any civil or administrative monetary claim the United States has for the Covered Conduct under the False Claims Act, 31 U.S.C. §§ 3729-3733; the Financial Institutions Reform, Recovery, 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, breach of fiduciary duty, payment by mistake, unjust enrichment, negligence, fraud, and any other statutory or common law cause of action that the Civil Division of the Department of Justice has authority to assert and compromise pursuant to 28 C.F.R. § 0.45(d) in connection with the Covered Conduct.

4. Conditioned upon PHH’s full payment of (A) the Settlement Amount and (B) the settlement amount as described in the FHA Settlement Agreement, Relator, for

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herself and for her heirs, successors, attorneys, agents, and assigns, releases PHH together with its current and former corporations, predecessor and successor corporations, divisions, affiliates, and direct and indirect subsidiaries, including without limitation PHHMC and PHHHL, and any of their current or former officers, directors, employees, agents, or attorneys, from any and all claims and causes of action of any nature and description, known or unknown, that the Relator has or may have up to and including the Effective Date, including but not limited to claims that the Relator has or has asserted in the Civil Action; provided, however, that nothing in this Agreement shall preclude Relator from seeking to recover her reasonable expenses necessarily incurred or reasonable attorney's fees and costs from PHH pursuant to 31 U.S.C. § 3730(d).

5. Notwithstanding the releases given in paragraphs 3 and 4 of this Agreement, or any other term of this Agreement, the following claims of the United States are specifically reserved and are not released:

- a. Any liability arising under Title 26, U.S. Code (Internal Revenue Code);
 - b. Any criminal liability;
 - c. Except as explicitly stated in this Agreement, 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 Covered Conduct;
 - e. Any liability based upon obligations created by this Agreement;
- and

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f. Any liability of individuals.

6. Relator and her heirs, successors, attorneys, agents, and assigns shall not object to this Agreement but agree and confirm that this Agreement is fair, adequate, and reasonable under all the circumstances, pursuant to 31 U.S.C. § 3730(c)(2)(B). Conditioned upon Relator's receipt of (A) the payment described in Paragraph 2 of this Agreement, and (B) the payment described in Paragraph 2 of the FHA Settlement Agreement, Relator and her heirs, successors, attorneys, agents, and assigns, fully and finally releases, waives, and forever discharges the United States, its agencies, officers, agents, employees, and servants from any claims arising from the filing of the Civil Action or under 31 U.S.C. § 3730, and from any claims to a share of the proceeds of this Agreement and/or the Civil Action up to and including the Effective Date.

7. PHH waives and shall not assert any defenses PHH may have to any criminal prosecution or administrative action relating to the Covered Conduct that may be based in whole or in part on a contention that, under the Double Jeopardy Clause in the Fifth Amendment of the Constitution, or under the Excessive Fines Clause in the Eighth Amendment of the Constitution, this Agreement bars a remedy sought in such criminal prosecution or administrative action. Nothing in this paragraph or any other provision of this Agreement constitutes an agreement by the United States concerning the characterization of the Settlement Amount for purposes of the Internal Revenue laws, Title 26 of the United States Code.

8. PHH 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 PHH has asserted, could have

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asserted, or may assert in the future against the United States, its agencies, officers, agents, employees, and servants; related to the Covered Conduct and the United States' investigation and prosecution thereof.

9. a. Unallowable Costs Defined: All costs (as defined in the Federal Acquisition Regulation, 48 C.F.R. § 31.205-47) incurred by or on behalf of PHH, and its present or former officers, directors, employees, shareholders, and agents in connection with:

- (1) the matters covered by this Agreement;
- (2) the United States' audit(s) and civil investigation(s) of the matters covered by this Agreement;
- (3) PHH's investigation, defense, and corrective actions undertaken in response to the United States' audit(s) and civil investigation(s) in connection with the matters covered by this Agreement (including attorney's fees);
- (4) the negotiation and performance of this Agreement;
- (5) the payment PHH makes to the United States pursuant to this Agreement and any payments that PHH may make to Relator, including costs and attorney's fees,

are unallowable costs for government contracting purposes (hereinafter referred to as "Unallowable Costs").

b. Future Treatment of Unallowable Costs: Unallowable Costs will be separately determined and accounted for by PHH, and PHH shall not charge such Unallowable Costs directly or indirectly to any contract with the United States.

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c. Treatment of Unallowable Costs Previously Submitted for Payment: Within 90 days of the Effective Date of this Agreement, PHH shall identify and repay by adjustment to future claims for payment or otherwise any Unallowable Costs included in payments previously sought by PHH or any of its subsidiaries or affiliates from the United States. PHH agrees that the United States, at a minimum, shall be entitled to recoup from PHH any overpayment plus applicable interest and penalties as a result of the inclusion of such Unallowable Costs on previously-submitted requests for payment. The United States, including the Department of Justice and/or the affected agencies, reserves its rights to audit, examine, or re-examine PHH's books and records and to disagree with any calculations submitted by PHH or any of its subsidiaries or affiliates regarding any Unallowable Costs included in payments previously sought by PHH, or the effect of any such Unallowable Costs on the amount of such payments.

10. PHH agrees to cooperate fully and truthfully with the United States in any investigation relating to the Covered Conduct of individuals and entities not released in this Agreement. Upon reasonable notice, PHH shall encourage, and agrees not to impair, the cooperation of its directors, officers, and employees, and shall use its best efforts to make available, and encourage, the cooperation of former directors, officers, and employees for interviews and testimony, consistent with the rights and privileges of such individuals. PHH further agrees to furnish to the United States, upon request, complete and unredacted copies of all non-privileged documents, reports, memoranda of interviews, and records in its possession, custody, or control concerning any investigation of the Covered Conduct that it has undertaken, or that has been performed by another on its behalf.

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11. This Agreement is intended to be for the benefit of the Parties only.

12. Upon receipt of (A) the Settlement Amount described in Paragraph 1 above, and (B) the settlement amount as described in the FHA Settlement Agreement, the United States and Relator shall promptly sign and file in the Civil Action a stipulation of dismissal pursuant to Rule 41(a)(1). The stipulation shall be with prejudice as to any and all claims of the Relator (except with respect to her claim for attorney's fees and costs pursuant to 31 U.S.C. § 3730(d)); with prejudice as to the United States with respect to the Covered Conduct; and otherwise without prejudice as to the United States.

13. Except as otherwise provided in this Agreement, each Party shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

14. Each Party and signatory to this Agreement represents that it freely and voluntarily enters into this Agreement without any degree of duress or compulsion.

15. This Agreement is governed by the laws of the United States. The exclusive jurisdiction and venue for any dispute relating to this Agreement is the United States District Court for the Eastern District of New York. For purposes of construing this Agreement, this Agreement shall be deemed to have been drafted by all Parties to this Agreement and shall not, therefore, be construed against any Party for that reason in any subsequent dispute.

16. This Agreement constitutes the complete agreement between the Parties. This Agreement may not be amended except by written consent of the Parties.

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17. The undersigned counsel represent and warrant that they are fully authorized to execute this Agreement on behalf of the persons and entities indicated below.

18. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same Agreement.

19. This Agreement is binding on PHH's successors, transferees, heirs, and assigns.

20. This Agreement is binding on Relator's successors, transferees, heirs, and assigns.

21. The Parties consent to the United States' disclosure of this Agreement, and information about this Agreement, to the public.

22. This Agreement is effective on the date of signature of the last signatory to the Agreement (the "Effective Date" of this Agreement). Facsimiles and electronic transmissions of scanned versions of signatures shall constitute acceptable, binding signatures for purposes of this Agreement.

THE UNITED STATES OF AMERICA

BRIDGET M. ROHDE
Acting United States Attorney

DATED: 8/4/2017

BY: Matthew Mailloux /sv
Matthew Mailloux
John Vagelatos
Assistant United States Attorneys
Eastern District of New York

PHH CORPORATION and PHH MORTGAGE CORPORATION

DATED: 8/7/2017

BY: Andrew W. Schilling
Andrew W. Schilling
Kathryn L. Ryan
Thomas A. Dowell
Buckley Sandler LLP
Counsel for PHH Corporation and
PHH Mortgage Corporation

RELATOR

DATED: _____

BY: _____
Mary Bozzelli
Relator

DATED: _____

BY: _____
Michael J. Lingle
J. Nelson Thomas
Jonathan W. Ferris
Thomas & Solomon LLP
Counsel for Relator

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THE UNITED STATES OF AMERICA

BRIDGET M. ROHDE
Acting United States Attorney

DATED: 8/4/2017

BY: Matthew Mailloux / JV
Matthew Mailloux
John Vagelatos
Assistant United States Attorneys
Eastern District of New York

PHH CORPORATION and PHH MORTGAGE CORPORATION

DATED: _____

BY: _____
Andrew W. Schilling
Kathryn L. Ryan
Thomas A. Dowell
Buckley Sandler LLP
Counsel for PHH Corporation and
PHH Mortgage Corporation

RELATOR

DATED: 8/5/17

BY: Mary Bozzelli
Mary Bozzelli
Relator

DATED: _____

BY: _____
Michael J. Lingle
J. Nelson Thomas
Jonathan W. Ferris
Thomas & Solomon LLP
Counsel for Relator

THE UNITED STATES OF AMERICA

BRIDGET M. ROHDE
Acting United States Attorney

DATED: 8/4/2017

BY: Matthew Mailloux / JV

Matthew Mailloux
John Vagelatos
Assistant United States Attorneys
Eastern District of New York

PHH CORPORATION and PHH MORTGAGE CORPORATION

DATED: _____

BY: _____

Andrew W. Schilling
Kathryn L. Ryan
Thomas A. Dowell
Buckley Sandler LLP
Counsel for PHH Corporation and
PHH Mortgage Corporation

RELATOR

DATED: _____

BY: _____

Mary Bozzelli
Relator

DATED: 8/4/17

BY: Michael J. Lingle

Michael J. Lingle
J. Nelson Thomas
Jonathan W. Ferris
Thomas & Solomon LLP
Counsel for Relator

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Attachment A

Loan Number & PHH Internal Tracking Number	Zip Code
28700052	62025
28720100	62234
29908159	97501
30276968	32533
30725402	23702
30977383	62226
30978951	62221
31071210	21655
31378292	27546
31390016	32566
31631401	23661
31810633	32570
31843519	62234
32258642	32536
32550899	87107
32550915	87120
34109561	97501
34409912	62294
34597575	97527
34617092	32507
34926790	97501
35102730	62040
35131663	97522
35224427	36330
35315324	31326
35562560	62097
35563402	62294
38658696	4950
39288923	62088
39561816	37865
40173494	53081
40420986	36360
41534447	56273
41541244	32507

Loan Number & PHH Internal Tracking Number	Zip Code
44672079	52345
45069556	28411
45675212	50677
45757143	12043
45833852	62265
51149813	47348
51150530	50707
51403475	40233
51409688	52224
51414688	59901
51551935	62216
51652014	46970
51668267	32607
51977387	50702
51981231	53081
52385671	62269
55025191	53081
55030738	62294
55196141	85037
55205561	79928
55351753	24153
55362958	28409
55366371	46064
55530984	32570
55533939	31324
55540850	52302
55661326	50644
55675797	52405
55839740	55439
55842199	47302
55938872	52302
56068919	47374
56071186	62208
56453806	62294

Loan Number & PHH Internal Tracking Number	Zip Code
56455439	50702
56456569	36316
57014995	50701
57035909	36330
57046286	32435
57047672	51038
57069171	80910
57071987	62285
57079634	68025
57175929	55803
57310385	36330
57351959	68107
57352239	62258
57352684	30281
57355455	46011
57390361	46901
57391039	62208
57419335	56374
57466179	27051
57473241	17402
57491276	31904
57496671	36330
57506594	63026
57517252	36867
60058658	61856
60059854	36322
60113354	36330
60116613	32579
60236239	23518
60261393	97439
60452109	31831
60570306	36360
60645991	98579
60713377	36360

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Loan Number & PHH Internal Tracking Number	Zip Code
60720059	36330
60734183	61240
61937389	32405
61946935	36330
62025036	31909
62029954	36330
62033402	72584
62165808	32570
62190137	62223
62197249	24401
62268008	88061
62271325	62223
62351994	62234
62435342	45036
62626122	72568
62627922	13601
62680699	32514
62780333	32541
62803184	32408
62814397	76071
62957279	36344
63052559	62258
63084453	62269
63239750	83202
7110142721	72065
7110314478	52205
7110660904	36330
7110674921	62269
7110684730	36079
7110685679	36351
7110720237	32405
7110737306	72143
7110737744	77449
7110762569	97702
7110819997	62062
7110848830	72704

Loan Number & PHH Internal Tracking Number	Zip Code
7110874448	60451
7110879173	62269
7110947483	24540
7110948101	46062
7110965600	52403
7111068255	36360
7111106683	98801
7111128943	60142
7111167636	36330
7111175316	55767
7111187253	31804
7111204082	85365
7111277187	36312
7111370743	36330
7111373747	98229
7111448937	36870
7111453788	99301
7111458829	87401
7111483827	62249
7111569013	36330
7111586587	21635
7111607045	97306
7111670233	36330
7111713165	72076
7111748914	72118
7111800376	87120
7111838368	57262
7111840703	46628
7111884461	87004
7111926080	12019
7111931726	54627
7112726174	62208
7112736835	74059
7112762104	36330
7112769158	50647
7112779553	95023

Loan Number & PHH Internal Tracking Number	Zip Code
7112779652	13619
7112875096	32578
7112947408	37615
7112966531	20910
7113012103	98188
7113085661	72529
7113088632	50327
7113161397	2191
7113177401	98329
7113211598	45013
7113234913	68731
7113239425	68770
7113268739	50401
7113306067	32225
7113340322	89121
7113849272	97055
7113891613	56312
7113951052	25918
7114041333	87401
7114142701	72562
7114226777	36870
7114235729	53020
7114429348	52040
7114513869	32578
7114720597	93706
7114884500	31605
7114892412	36870
7114893634	85736
7114896629	45429
7114949717	12144
7115027869	50651
7115102340	16365
7115180932	52404
7115279940	71635
7115344058	31822
7115373628	62223

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Loan Number & PHH Internal Tracking Number	Zip Code
7115416666	50702
7115538220	5444
7115633344	2093
7115664695	87401
7115752144	52335
7115758786	32570
7115864550	1810
7115867835	62208
7115925013	62265
7115949534	59935
7115957644	59870
7116088290	58504
7116118915	50648
7116259081	20634
7116298667	2702
7116720405	62269
7116866604	83634
7116953816	72501
7116988325	31907
7117314406	36303
7117317862	22308

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Attachment B

Fannie Mae / Freddie Mac Unique Loan Identifier	Zip Code
151010209	55363
151010237	55080
151947013	55302
151953974	32466
150451173	72455
151010655	72501
151721850	93561
151010210	74021
150451126	61060
151721605	28115
151721844	47274
151953980	50588
151947003	17233
151947031	61032
151946998	29040
162296345	55413
1709145954	97112
1709082448	70570
1709197741	50009
1709446032	32808
1709461672	64401
1709459107	38655
1709624411	06810
1709597911	37601
1709777138	55407
1709598494	08054
1709885350	11375
1710006364	77573
1710009238	55337
1710074673	48075
1710080545	21045
1710189729	60404
1710252989	08536
1710262455	62232
1710245939	63020
1710893622	62959
1710339011	77354
1710351084	38654
1710338877	30542

Fannie Mae / Freddie Mac Unique Loan Identifier	Zip Code
1710351395	08043
1710491868	01720
1710721312	30809
1710623370	38119
1710599584	38117
1710904993	28546
1711036690	99557
1710914441	92227
1710965734	42420
1711171300	97405
1711364133	22980
1711230617	95051
1711481121	39571
1711609487	44212
1711896687	39503
1711805080	36351
1712233625	84721
1712233398	56201
1712298452	84501
1712529479	55409
1712529480	72756
1713151641	48188
1713019972	38135
1713138853	30189
1713080724	21921
1713248746	36830
1713328773	55428
1713328011	44087
1713328020	60657
1713521439	55341
1713553703	55025
1713843467	29526
1713863625	85745
1714003365	39426
1714102261	98338
1714004178	35244
1714116635	88012 / 88001
1714233255	92555
4007899036	21157

Fannie Mae / Freddie Mac Unique Loan Identifier	Zip Code
1714569725	01982
1714755143	84721
1714755044	92504
1714823464	53083
1714784151	43609
1714871663	30809
1715462376	60540
1715543054	61821
1715571197	21655
1715940999	21223
1715535911	36507
1715667175	44718
1715667905	55343
1715668151	28101
1715668192	08081
1716003745	54013
1715940287	97045
1715930223	77054
1715914826	97222
1715951769	63026
1716163078	03063
1716162491	65109
1716167141	85206
1716154644	43551
1716161906	29579
1716358529	60202
1716608995	45231
1716617975	49120
1716896132	60193
1717416042	28210
1730354215	76135
1730457581	60617
1730335324	08052
1730687410	30062
1730697064	43206
1730695516	92119
1730697084	30115
1730687760	36507
1730781265	19106

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Fannie Mae / Freddie Mac Unique Loan Identifier	Zip Code
1730781267	01748
1731221233	60515
1731454497	38016 / 38018
1731461162	30238
1731461163	30238
1731461072	30134

Fannie Mae / Freddie Mac Unique Loan Identifier	Zip Code
1731717954	83404
1731708459	81506
1731982533	83647
1732167194	85741
1732228580	38128
1732765809	30606

Fannie Mae / Freddie Mac Unique Loan Identifier	Zip Code
1712232628	29073
1712526864	93950
1714104430	89141
1715037399	15203