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October 1, 2013

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Re: National Mortgage Settlement

Dear Monitoring Committee Members:

We write in furtherance of our ongoing dialogue with the Monitoring Committee concerning the National Mortgage Settlement ("NMS") and its overall implementation.

We appreciate the leadership that the Monitoring Committee and the NMS Monitor, Joseph A. Smith, have provided in bringing concerns regarding the loss mitigation process to our attention and in helping to fashion solutions that seek to ensure all homeowners struggling to meet their mortgage payment obligations are fully and fairly evaluated for all available loan modification and other borrower-assistance programs.

We also appreciate the extensive efforts that the Monitoring Committee representatives have put forth since the execution of the NMS, especially over the last six months, including attending numerous meetings, both in-person and by telephone, spending countless hours

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reviewing and revising the new metrics and related items, and analyzing feedback from borrowers and housing counselors to look for common themes for us to focus collectively on.

These discussions have resulted in, among other things, creative thinking that has led to improvements in Bank of America's approach to loss mitigation and four newly created NMS metrics that will be added to the existing twenty-nine metrics.

These new metrics, developed in consultation with the servicers participating in the NMS, address areas of recent concern and, in certain instances, require servicers to go beyond the terms of the NMS in an effort to assist homeowners. More specifically:

- Metric 30 focuses on the document collection aspect of the loan modification process, helping to ensure, for example, that the servicer notifies borrowers in writing of the documents required for a loan modification application package and affords borrowers at least thirty days, including from new requests for additional documents, to submit additional documents before declining the borrower for incomplete or missing documents.

- Metric 31 addresses the notice provided to borrowers who have been denied a loan modification. For example, Metric 31 tracks whether the notice specifies the reason for denial, the factual information considered by the servicer, and a timeframe for the borrower to provide evidence that the eligibility determination was in error.

- Metric 32 addresses the effectiveness of the servicer's client-relationship managers. Among other things, it tracks whether the servicer identified and provided updated contact information to the borrower upon assigning a new client-relationship manager and whether the servicer implemented management routines or other processes to review the results of performance evaluation tools.

- Metric 33 is focused on the accuracy of monthly billing statements sent to borrowers. It tracks, among other things, whether the billing statement shows the unpaid principal balance, the total payment amount due, and fees and charges assessed for the relevant time period.

There are also other related areas where Bank of America is making enhancements in order to address matters raised by the Monitoring Committee and its members. In particular, the Monitoring Committee, a number of its members, and various other NMS signatories have raised concerns as to the length of time that it can take to complete the "document collection" part of the loan modification application process, the number of additional times that documents are sometimes requested, and customer communications relating to such matters.

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As an initial matter, our analysis shows that the vast majority of borrowers receive a loan modification decision in a relatively short period of time. As a result of missing document letters, improved document management processes, and the efforts of the Single Points of Contact (known as Customer Relationship Managers (CRMs) at Bank of America), most borrowers are moving quickly through loan modification document collection and decisioning. That said, we recognize that there are sometimes situations where delays occur, particularly where underwriting is complex due to, for example, the borrower being self-employed or changes in marital circumstances. We are committed both to continue to move the vast majority of the borrowers through the loan modification application process promptly while also lessening the amount of time that it sometimes takes to collect documents (and then make a decision) in these more complex applications.

In that regard, we have implemented (or will be implementing) several enhancements to our processes:

Borrower Communications:

There are multiple means of communication with borrowers in the loan modification process. Our CRMs are required to have contact with a borrower every seven days while a loan is being evaluated for a retention solution. A series of defined welcome and status call routines ensure that a borrower is kept informed throughout the process and is afforded opportunities to ask questions directly to his or her assigned CRM.

In addition to our verbal communication routines, written communications are also a key aspect of our communication strategy. In an ongoing effort to continuously improve borrower experience, we recently reviewed our loss mitigation letters based on feedback from our CRMs, customers, the Monitoring Committee, and other NMS signatories. We identified a population of approximately 600 letters that will be changed or eliminated through this work. A significant number of these letters will be retired from use by the end of the year, and another substantial number will see changes to improve the clarity of their content.

One particular area of focus has been our communications with borrowers when we are collecting documents in connection with the loss mitigation process. After receiving the first modification-relevant document from a borrower, a series of designated steps (routines) begins in order to review documents while keeping borrowers informed of document deficiencies or additional documents required. Our process of sending acknowledgements, incomplete information notices, and requests for additional information are designed to keep the borrower informed of document collection status. In addition to the significant improvements we have made in uploading and tracking documents, we are also enhancing the level of detail provided to customers about missing documents and document deficiencies.

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The Incomplete Information Notice, which is to be sent to the borrower within five days of receiving a modification document, is being augmented to present more specific information regarding any document deficiency. Requests for additional information beyond the Incomplete Information Notice will begin using the Additional Document Request Letter (provided for by one of the new metric 30, discussed above), which will parallel the Incomplete Information Notice in the level of detail and clarity provided. These letters communicate deficiencies while borrowers are afforded 30 additional days of protection each time additional information is requested.

Both the Incomplete Information Notice and the Additional Document Request Letter will be generated using an interactive checklist tool. Document lists and deficiency detail will be based on borrower circumstances, RMA answers, and a list of QA reasons that the associate must validate. This additional automation is expected to increase the completeness of information requests, ultimately reducing the number of required follow-up communications.

In addition to these improvements to the Incomplete Information Notice and Additional Document Request Letter, our Evaluation Notices and decline reasons will also be enhanced. All approvals and declines will be provided in one Evaluation Notice. The notice will include all decline reasons and indicate programs for which the borrower was not considered. Additionally, we have reviewed all of our decline reasons and improved the text where needed to ensure that the denial reason is clear and that factual information is provided.

Early Underwriter Engagement:

We are working to implement a system whereby an underwriter will become involved earlier in the loan modification process, especially with respect to situations where it is expected that the underwriting of the loan modification may be complex. By having an underwriter look at an application early in the modification process, we hope to lessen the number of times that a CRM might need to ask a borrower for additional documents. And to the extent reasonably practicable, we will seek to have that same underwriter remain involved for the entire loan modification application process.

We are hopeful that these enhancements, both those that we already have made and those that we will make, will address some of the concerns with the document collection and customer communication aspects of the loan modification process that the Monitoring Committee and its members have raised with us.

We will also continue to work on ways in which we can refine our loss mitigation processes in order to provide the best borrower experience possible, within the confines of investor requirements and applicable rules and regulations. Your input into these discussions is invaluable, especially the feedback you provide with respect to the experiences of borrowers in

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your respective states. We hope that our dialogue will continue in the productive and cooperative manner in which we have all been engaged since the execution of the NMS.

As you know, on May 6, 2013, New York Attorney General Eric T. Schneiderman sent a letter to the Monitoring Committee addressing homeowner complaints that the New York Attorney General's Office ("NYAG") had received regarding the loan modification process at Bank of America and threatening to pursue an enforcement action. Since then, Bank of America has discussed these New York homeowner complaints with the NYAG, along with potential enhancements to Bank of America's loan modification processes and procedures on which these complaints provided a focus. We view these discussions as complementary to the Monitoring Committee's efforts to enhance the loan modification process.

On October 1, Bank of America and the NYAG entered into a Memorandum of Agreement addressing New York borrowers who are in the loan modification process and the New York-specific complaints. In response to issues raised by those complaints, Bank of America has agreed, among other things, to expand the functionality of Bank of America's established customer assistance centers, to provide client-relationship managers for authorized housing counseling services, and to establish a Bank of America-NYAG working group to review and discuss issues relating to loan modifications on a regular basis. In the Memorandum of Agreement, Bank of America has also agreed to resolve the sixty-seven New York complaints.

As you are aware from our discussions, Bank of America plans to roll out to all other states the enhancements set forth in the Memorandum of Agreement that are relevant to those states. Bank of America recognizes that many of the issues raised by the NYAG have been raised separately and independently by the Monitoring Committee and that the Monitoring Committee's involvement in developing some of these enhancements was critical. Thus, it is only appropriate that all borrowers nationwide receive the benefits of the new procedures.

Nothing in the Memorandum of Agreement modifies the NMS in any respect and the Memorandum of Agreement expressly does not provide any enforcement remedies not previously provided for under the NMS. And Bank of America does not believe that the NYAG has standing to pursue an enforcement action for purported individual violations of the NMS servicing standards. Bank of America entered into the Memorandum of Agreement out of the belief that a consensual resolution of the NYAG's concerns, instead of litigation, would be in the best interest of all stakeholders and the New York homeowners covered by the flagged complaints.

We appreciate the leadership that the Monitoring Committee has provided concerning these matters and look forward to addressing any questions that members of the Monitoring Committee might have. Bank of America remains dedicated to working with the Monitoring Committee to ensure that the goals of the NMS are fully achieved.

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As part of our commitment to assist borrowers struggling to meet their mortgage payments, Bank of America is continuing to invest resources to refine its loss mitigation practices and procedures. These efforts include the items discussed in this letter, activities to ensure Bank of America adheres to the NMS servicing standards, and additional opportunities that we will identify in the future. We believe that Bank of America's commitment is further exemplified by the fact that, since the execution of the NMS, Bank of America has provided approximately 340,000 borrowers nationwide with more than $29 billion in consumer relief, which Bank of America believes should amount to approximately $8.5 billion in credit under the NMS.

Sincerely,

Anthony T. Meola
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