



[REDACTED]
2300 N Street NW, Suite 2100
Washington, DC 20037
[REDACTED]

September 8, 2011

[REDACTED]
Sovereign Bank
[REDACTED]

Boston, Massachusetts 02109

Via Electronic Mail: [REDACTED]

RE: Engagement for Consent Order Foreclosure File Review

Dear [REDACTED]

We are pleased to present this letter of engagement by Treliant Risk Advisors, LLC (“Treliant”) to serve as the Independent Consultant to Sovereign Bank (“Sovereign” or the “Bank”) for the Independent Foreclosure Review as required by the Consent Order with Sovereign issued by the Office of Thrift Supervision (the “OTS”) on April 13, 2011 (the “Consent Order”). As of July 21, 2011, the OTS was merged with the Office of the Comptroller of the Currency (the “OCC”), and as such all references to Sovereign’s prudential regulator shall hereinafter be the “OCC”.

This Engagement Letter reflects our current understanding of your needs based on a thorough review of the Consent Order and the supplemental interagency guidance regarding the requirements of the Consent Order provided to Sovereign on May 20, 2011, and to Treliant on June 28, 2011, the Expectations for Engagement Letter / Borrower Complaint and Outreach Process issued on July 8, 2011, final OCC guidance on Financial Injury and Other Remediation received on August 29, 2011 as well as additional conversations with your team and other industry constituents.

I. About Our Firm & Engagement Approach

Treliant Risk Advisors LLC is a multi-disciplinary financial services industry consultancy based in Washington DC. Co-chaired by former Federal Reserve Board Governor Mark W. Olson and former Deputy Comptroller of the Currency Jo Ann Barefoot, Treliant was formed to address the many regulatory, strategic and operational issues that confront financial services companies today.

Leveraging our strategic partnerships with other qualified industry service providers including Crowe Horwath LLP (“Crowe”) to assure the availability of sufficient experienced compliance professionals, our approach reflects significant depth of expertise in mortgage servicing related activities, as well as our unique insight into the evolving regulatory landscape.

We will organize a team of professional resources with compliance, operational and risk management expertise to provide valuable process improvement and audit skills, project methodology, project management and technology support. Additionally, we have engaged Gibson, Dunn & Crutcher LLP (“Gibson Dunn”) as independent legal counsel to advise us on those aspects of the Consent Order foreclosure file review that require legal guidance and support, subject to review and approval by the OCC.

The scope and details of the legal services to be provided by independent legal counsel are more fully set forth in an Engagement Letter between Sovereign, Treliant and Gibson Dunn executed on July 27, 2011, which was previously submitted to the OCC and is incorporated herein by reference.

II. Independence of Consultant Conducting Foreclosure Review

Treliant has been retained to conduct an independent review of certain residential foreclosure actions regarding individual borrowers with respect to Sovereign’s mortgage servicing portfolio (the “Foreclosure Review”). Treliant agrees that the Foreclosure Review will be designed to comply with all requirements set forth in ¶16(a) through (h) of the Consent Order issued to Sovereign on April 13, 2011, and Treliant will conduct the Foreclosure Review as separate and independent from any review, study or other work performed by Sovereign or its contractors or agents with respect to Sovereign’s mortgage servicing portfolio or Sovereign’s compliance with other requirements of the Consent Order, as set forth below:

- (a) Conduct of the Foreclosure Review by Treliant shall not be subject to direction, control, supervision, oversight, or influence by Sovereign, its contractors or agents. Treliant shall immediately notify the OCC of any effort by Sovereign, directly or indirectly, to exert any such direction, control, supervision, oversight, or influence over Treliant, its contractors or agents.
- (b) Treliant agrees that it is solely responsible for the conduct and results of the Foreclosure Review, in accordance with the requirements of ¶16 (a) through (h) of the Consent Order.
- (c) The conduct of the Foreclosure Review shall be subject to the monitoring, oversight, and direction of the OCC. Treliant agrees to promptly comply with all written comments, directions, and instructions of the OCC concerning the conduct of the Foreclosure Review, and that it will promptly provide any documents, work papers, materials or other information requested by the OCC, regardless of any claim of privilege or confidentiality.
- (d) Treliant agrees to provide regular progress reports, updates and information concerning the conduct of the Foreclosure Review to the OCC, as directed by the OCC.
- (e) Treliant will conduct the Foreclosure Review using only personnel employed or retained by Treliant to perform the work required to complete the Foreclosure Review. Treliant shall not employ or use services provided by Sovereign employees, or contractors or agents retained by Sovereign with respect to the Consent Order or with respect to matters addressed in the Consent Order, in order to conduct the Foreclosure Review, except where the OCC specifically provides prior written approval to do so.
- (f) Subject to the requirements and restrictions of (e) above, including the requirement of specific approval by the OCC, Treliant may utilize documents, materials or other information provided by Sovereign, and may communicate with Sovereign, its contractors or agents, in order to conduct the Foreclosure Review. For example, Treliant may communicate with Sovereign employees to obtain clerical assistance, to determine if information provided is complete or accurate, to verify or confirm information concerning specific case files, or to communicate with Sovereign employees regarding case files such that errors or omissions may be brought to the Independent Consultant's attention; however, Sovereign employees may not influence or attempt to influence determinations concerning the findings or recommendations of Treliant, whether

regarding specific case files, categories of cases, or the Foreclosure Review more generally.

- (g) Treliant agrees that any legal advice needed in conducting the Foreclosure Review shall be obtained from Gibson Dunn. Treliant agrees not to obtain legal advice (or other professional services) in conducting the Foreclosure Review from Sovereign's inside counsel, or from outside counsel retained by Sovereign or its affiliates to provide legal advice concerning the Consent Order or matters contained in the Consent Order.
- (h) If the OCC determines, in its sole discretion, that Treliant has not been fully compliant with the foregoing standards (a) – (g) above, the OCC may direct Sovereign to dismiss Treliant and retain a successor consultant, in which case Sovereign shall have no further obligation to Treliant other than for services performed up to that date for Sovereign.

Additional factors relating to Treliant's independence include:

- (a) Treliant will be engaged by Sovereign's General Counsel who has no direct operational responsibility for mortgage servicing operations. The General Counsel reports directly to Sovereign's Chief Executive Officer.
- (b) Reporting of the progress of the Foreclosure Review will be provided directly by Treliant to the Board of Directors and the Board Oversight Committee, and Treliant agrees to provide such reports to the OCC as requested.
- (c) Treliant will be provided the full support of and unrestricted access to organizational resources necessary to fulfill the requirements of the Consent Order, including access to all necessary documents and availability of Sovereign personnel for interviews.
- (d) Treliant did not have authority or responsibility for the design, implementation or prior review of the activities and controls included within the scope of the Consent Order.
- (e) Treliant will have no direct operational responsibility over any activity that is the subject of the Consent Order, and further will not implement internal controls, develop procedures, install systems, prepare records, approve transactions or engage in any other operational activities that would in any way impair its independence or objectivity.

- (f) Services provided by third parties retained by Treliant to assist with the Consent Order remediation engagement will be performed at the sole direction of Treliant (subject to the limitations that may be inherent in working with the other Independent Consultants on a consolidated approach to the Foreclosure Review and/or or the Borrower Complaint and Outreach Process). Any third parties retained by Treliant will adopt and maintain the same standards of independence and objectivity required of and maintained by Treliant, subject to review and approval by the OCC.

III. Foreclosure File Review

Treliant, advised by Gibson Dunn, will perform an independent review of foreclosure files as required by the Consent Order. The review shall include residential foreclosure actions or proceedings (including foreclosures that were in process or completed) for loans serviced by the Bank, whether brought in the name of the Bank, the investor, the mortgage note holder, or any agent for the mortgage note holder (including MERS), that have been pending at any time from January 1, 2009 to December 31, 2010, as well as residential foreclosure sales that occurred during this time period (Foreclosure Review).

Following is a description of the central components of the Foreclosure Review and Borrower Complaint and Outreach Process. A Project Overview, Project Plan and Sampling Methodology are attached and included by reference herein as Appendices A, B and C, respectively.

- (a) Coordination with other Independent Consultants. Treliant agrees to participate in discussions and collaborate with other Independent Consultants engaged to perform Foreclosure Reviews as appropriate and/or as directed by the OCC. The purpose of any such communications with other Independent Consultants will be to establish consistency in the Foreclosure Review approach and reporting, including but not limited to the Borrower Complaint and Outreach Process described below. Confidential and/or proprietary information will not be shared or disclosed.
- (b) Data Integrity. Treliant, individually, and/or by and through its subcontractor Crowe, will perform the following activities in order to assess the integrity of Sovereign's data related to foreclosure processes and the Foreclosure Review:

- i. Review Baseline Data.
 - (i) Review external and internal audit reports provided by Sovereign relating to information relevant to Loan Services analysis.
 - (ii) Conduct interviews with Sovereign Information Technology, Business Quality Assurance (QA) and Compliance Quality Control (QC) personnel with regard to such audit reports to assess:
 - 1. Data quality controls (inputs, processing, storage and outputs);
 - 2. Relevant business process audit practices (QA/QC frequency and scope);
 - 3. Change management control policies and procedures (application configurations, application development life cycle, and program changes);
and
 - 4. Control policies and procedures (application(s), application source code and database layers, and powerful data utilities).
- ii. Perform Foreclosure Data Integrity Analysis.
 - (i) Perform comparison testing and analysis on a sample of foreclosure files selected for the Foreclosure Review to determine if data in Sovereign's systems is accurate and consistent with information contained in file documentation.
- iii. Report Observations and Conclusions.
 - (i) Upon completion of review, draft report of findings and conclusions from the testing and analysis.
- (c) Foreclosure Review Objective. The primary objective of the review will be to make a determination as to whether Sovereign committed any errors, misrepresentations, or other deficiencies; and second, whether any such errors, misrepresentations, or other deficiencies resulted in "financial injury" to the borrower or mortgagee/owner of the property.

i. Financial Injury Definition

For this purpose, “financial injury” to the borrower or the mortgagee is defined as monetary harm directly caused by errors, misrepresentations or other deficiencies identified in the Foreclosure Review.

Monetary harm does not include physical injury, pain and suffering, emotional distress or other non-financial harm or financial injury that did not result as a direct consequence of errors, misrepresentations or other deficiencies identified in the Foreclosure Review.

However, financial injury does include monies actually expended by the borrower or mortgagee that directly relate to the foreclosure action, proceeding, or sale and otherwise would not have been required but for the error, misrepresentation or other deficiency by Sovereign identified in the Foreclosure Review.

ii. Financial Injury Examples

On August 29, 2011, the OCC provided final guidance entitled “Financial Injury or Other Remediation”, and provided examples of scenarios to guide Treliaant when determining financial injury attributable to errors, omissions, or other deficiencies by Sovereign. The following scenarios are not intended to be exhaustive, but will be used in the Foreclosure Review.

In the following examples, if a sale of the borrower’s home already has occurred, Treliaant will determine whether Sovereign should compensate the borrower for financial injury and if any other action by Sovereign is required to remediate or cure the error, misrepresentation, or deficiency. If the sale has not yet occurred, Treliaant will also determine whether any payment to compensate for financial injury or other action by Sovereign is required to remediate or cure the error, misrepresentation, or deficiency.

- 1) The borrower was not in default pursuant to the terms of the note and mortgage at the time Sovereign initiated the foreclosure action.

- 2) Sovereign initiated foreclosure or conducted a foreclosure sale in advance of the time allowed for foreclosure under the terms of the note and mortgage or applicable state law.
- 3) The borrower submitted payment to Sovereign sufficient to cure the default pursuant to the terms of the note and mortgage, but Sovereign returned the payment in contravention of the terms of the note or mortgage, state or federal law, or Sovereign's stated policy covering payments when in default.
- 4) Sovereign misapplied borrower payments, did not timely credit borrower payments (including failure to properly account for funds in suspense), or did not correctly calculate the amount actually due from the borrower, in contravention of the terms of the note and mortgage, state or federal law, investor requirements, or Sovereign's stated policy covering application of payments.
- 5) The borrower paid a fee or penalty that was impermissible, as defined below.
- 6) A deficiency judgment was obtained against the borrower that included the assessment of a fee or penalty that was impermissible, as defined below.
- 7) Sovereign placed an escrow account on the borrower's mortgage and the placement resulted in monies paid by the borrower into escrow in contravention of the terms of the note or mortgage, state or federal law, or Sovereign's stated policy covering escrow accounts.
- 8) Sovereign placed insurance on the borrower's mortgage and the placement resulted in monies paid by the borrower towards insurance in contravention of the terms of the note or mortgage, state or federal law, or Sovereign's stated policy covering placed insurance.
- 9) Sovereign miscalculated the amount due on the mortgage and secured a judgment against the borrower for an amount greater than the borrower owed.
- 10) A borrower's remittance of funds to a third party acting on behalf of Sovereign (e.g. law firm) was not credited to the borrower's account.

- 11) The borrower was performing under the terms of an approved trial loan modification or an approved permanent loan modification, but Sovereign proceeded to foreclosure in contravention of the terms of the modification offered by Sovereign to the borrower.¹
- 12) A borrower was denied a modification in contravention of the terms of the governing modification program or Sovereign's stated policy covering modifications.
- 13) There is evidence that the borrower provided or made efforts to provide complete documentation necessary to qualify for a modification within the period such documentation was required to be provided by the governing modification program and Sovereign denied the loan modification in contravention of the terms of the governing modification program or Sovereign's stated policy covering modifications.
- 14) Sovereign initiated foreclosure or completed a foreclosure sale without providing adequate notice as required under applicable state law.
- 15) Sovereign foreclosed on or sold real property owned by an active military servicemember in violation of the Servicemembers Civil Relief Act (SCRA). (This provision applies to loans originated before the servicemember's active military service and prohibits foreclosures and foreclosure sales of such property at any time during the borrower's period of active military service and for 9 months thereafter, unless an exception applies pursuant to the SCRA).
- 16) Sovereign did not lower the interest rate in accordance with the requirements of the SCRA on a mortgage loan entered into by a military servicemember, or by the servicemember and his or her spouse jointly. (This provision applies where the borrower provided written notice of military service pursuant to the SCRA for loans originated before the borrower entered into military service; the effective rate on the loan must be lowered to a rate not in excess of 6% per year during the

¹ A determination regarding financial injury in circumstances where a borrower is denied a federal or proprietary loan modification is not intended to suggest that the borrower has a legal right or entitlement to receive a loan modification from Sovereign.

borrower's period of military service and for 1 year thereafter, unless an exception applies pursuant to the SCRA).

- 17) Sovereign failed to honor a borrower's bona fide efforts to redeem a sale under applicable state law during the redemption period.
- 18) The borrower was protected by the automatic stay under the bankruptcy code and a court had not granted a request for relief from the automatic stay or other appropriate exception under the bankruptcy code.
- 19) The borrower was making timely pre-petition arrearage payments required under an approved bankruptcy plan and was current with their post-petition payments.
- 20) The borrower: 1) purchased a borrower payment protection plan; 2) was or should have been receiving benefits under the plan; and 3) those benefits were **not applied pursuant to the contract terms**.
- 21) Sovereign was not the proper party, or authorized to act on behalf of the proper party, under the applicable state law to foreclose on the borrower's home and this resulted in or may result in multiple foreclosure actions or proceedings.
- 22) Sovereign failed to comply with applicable legal requirements, including those governing the form and content of affidavits, pleadings or other foreclosure-related documents (to include improperly notarized documents or the practice of "robo-signing" generally), where such failure directly contributed to: (1) the borrower paying fees, charges, or costs, or making other expenditures that otherwise would not have been paid or made; or (2) the initiation of a foreclosure action or proceeding against a borrower who otherwise would not have met the requirements for initiating such an action or proceeding.

iii. Other Definitions

- **"Certain residential foreclosure actions"** – The term "certain residential foreclosure actions" means foreclosure actions initiated or completed on owner-occupied, 1-4 family dwellings by divisions of the institution that process first lien mortgage foreclosures. This term includes mortgages secured by individual

condominium dwelling units and individual cooperative housing units. This term also includes mobile homes, house boats, and other owner-occupied dwellings that are treated as “real estate” or “real property” under applicable state law pertaining to foreclosure.

- **“Impermissible”** – The term “impermissible” as applied to a fee and/or penalty charged to a borrower's account, means a fee or penalty that is any one or more of the following:
 - Exceeds the limits established by applicable state law, federal law or the borrower's mortgage instruments, including as to type, amount, or sum of fees and/or penalties;
 - Is not **“reasonable and customary,”** or a fee that is assessed at an **“excessive”** frequency.
 - The term **“reasonable and customary”** as applied to a fee and/or penalty charged to a delinquent borrower's account means that institutions may only assess a fee for services actually rendered, and may only assess a fee or collect a monetary penalty that does not exceed the lesser of (a) any fee limitation or allowable amount for service under applicable state or federal law; (b) any published, pre-established fee limitation or allowable amount for the service under the guidelines for the applicable government-sponsored enterprise investing in the loan or the government agency insuring the loan; and (c) the market rate for the service (as defined under the amount or rate that is **“customarily charged in the market for such fee or penalty”** below).
 - The term **“excessive”** means any fee that exceeds the amount permitted by the borrower's loan documents, by applicable state or federal law, or investor requirements. Excessive frequency of a fee means the same or a similar fee that is more than necessary or appropriate for completion of the underlying service.

- A fee or penalty does not “**exceed**” the amount or rate that is “**customarily charged in the market for such fee or penalty**” if the fee or penalty does not exceed the maximum allowable fee under the “**applicable investor guide**” or, if there is no “**applicable investor guide**”, the guide published by Fannie Mae or Freddie Mac that would apply if Fannie Mae or Freddie Mac were the investor.
 - “**Applicable investor guide**” means investor guides issued by Fannie Mae, Freddie Mac, the Veterans Administration, and the Department of Housing and Urban Development.
 - “**Errors, misrepresentations, or other deficiencies.**” The terms “errors, misrepresentations, or other deficiencies” means those matters discovered during the Foreclosure Review as set forth in paragraph 16(a)-(g) of the Consent Order. “Errors” includes miscalculation of fees or other charges, where the total aggregate miscalculated fees or charges applied to the borrower exceeds \$99.00.
 - “**Borrower**” is defined as the person or persons obligated to make payments on the promissory note.
 - “**Mortgagee**” (also referred to as the “owner of the mortgage loan”) is defined as the party entitled to receive payments on the loan or the proceeds of a foreclosure sale.
- (d) General. Treliant will review relevant documentation, including data from the loan servicing system, related to the foreclosure files in the foreclosure sample, interview relevant employees as well as representatives from third party service providers, if applicable, and review customer complaints received that relate to foreclosures conducted during the review period, whether received directly from the borrower or through another entity.
- i. BuckleySandler LLP, a law firm servicing the financial services industry, will provide the state and federal requirements for foreclosures in each of the states from which the sample will be selected. BuckleySandler has created or will create checklists for each state for which Sovereign services a loan in the Foreclosure

Portfolio, and these checklists will identify the pertinent legal requirements in each such jurisdiction, including the permissibility of fees.

The BuckleySandler checklists include all pertinent state (and county, where applicable) foreclosure-related requirements, from the most significant, *e.g.*, the substantive requirements of filed documents such as complaints and dispositive motions, to the seemingly most mundane, *e.g.*, required font size and prescribed paper color. Only by including the full universe of requirements, including seemingly technical requirements, and evaluating each file for compliance, can an overall assessment of the file's compliance with state law, as required by paragraph 16(b) of the Consent Order, be made. BuckleySandler's checklists are also designed to determine whether any of the fees collected from a borrower are not permissible – in total, or in amount or in frequency – under relevant state or federal law.

The statutory state foreclosure requirements and fee restrictions have been or will be vetted with local foreclosure counsel in each jurisdiction to reflect jurisdictional and practical nuances of executing foreclosures. The vetted statutory requirements are the foundation of the file review and form the basis for assessing conformance with state and federal requirements, including the permissibility of fees.

The checklists provided by BuckleySandler will be reviewed and validated by Gibson Dunn. The validation will include a comprehensive review of the process used in the development and finalization of the checklists, as well as an independent validation of a sample of the state and federal checklist requirements by Gibson Dunn. To the extent that Gibson Dunn does not agree with the legal requirements provided by BuckleySandler, Gibson Dunn and Treliant will make changes to the state and federal checklists as appropriate.

- ii. Treliant and Gibson Dunn will, where appropriate, consider and utilize work product created by or on behalf of Sovereign that may be of assistance in conducting the Foreclosure Review.
- iii. Any and all work papers associated with the Foreclosure Review will be made available to the OCC upon request.

- (e) Scope of Review. The Foreclosure Review will determine whether:
- i. At the time the foreclosure action was initiated or the pleading or affidavit or declaration was filed, the foreclosing party or agent of the party was a proper party under the relevant laws of the state to bring the action. The Consent Order provides that the Foreclosure Review will determine, among other things, that “at the time the foreclosure action was initiated or the pleading or affidavit or declaration filed ..., the foreclosing party or agent of the party had properly documented ownership of the promissory note and mortgage (or deed of trust) under relevant state law, or was otherwise a proper party to the action as a result of agency or similar status.” Consent Order ¶16(a). We will focus the review on a determination of whether “the foreclosing party or [its] agent ... was ... a proper party to the [foreclosure proceeding]” – because it also resolves whether “the foreclosing party or agent of the party had properly documented ownership of the promissory note and mortgage (or deed of trust) under relevant state law.” Focusing the review on the question of whether the foreclosing party was the proper party under relevant state law will promote clarity and efficiency while still making the overall determination required by ¶16(a).
 - ii. The foreclosure was executed in accordance with applicable federal and state laws, including, but not limited to, the U.S. Bankruptcy Code and the SCRA²;
 - iii. A foreclosure sale occurred when an application for a loan modification or other Loss Mitigation was under consideration when the mortgage was performing in accordance with a trial or permanent loan modification, or when the mortgage had not been in default for a sufficient period of time to authorize foreclosure pursuant to the terms of the mortgage loan documents and related agreements;
 - iv. The procedures followed in sales and post-sale confirmations in non-judicial foreclosures were in accordance with the terms of the mortgage loan and state law requirements;

² Sovereign has provided a list of borrowers included in the Review Population that were active duty military status during the Review Period. The Independent Consultants are working with the Department of Defense to identify mechanisms to independently validate which borrowers are eligible for protection under the SCRA.

- v. A delinquent borrower's account was charged late fees or fees for things such as property preservation services, title search services, trustee services, valuation services, or attorney services that were not permissible and reasonable under the terms of the borrower's loan documents and/or state or federal law. Reviewers will have access to servicing information that will enable them to determine which fees were assessed to borrowers' accounts and which fees were ultimately collected from those borrowers or paid by mortgagees. Reviewers will review those fees that were assessed and collected (paid by the borrower or mortgagee) for compliance with ¶16(e) and (f);
 - vi. The frequency that any of the fees listed in the preceding paragraph collected from the borrower was excessive under the terms of the borrower's loan documents and/or state or federal law, or was otherwise unreasonable;
 - vii. Loss mitigation activities were handled in accordance with the requirements of any applicable loan modification or loss mitigation program, including HAMP and Sovereign's / investor's proprietary programs including, but not limited to, whether the borrower had an adequate opportunity to apply for such program, the loss mitigation application (if any) was handled in accordance with requirements applicable to the given program, and a final decision was made in accordance with requirements applicable to the respective program and communicated to the borrower before the final sale³; and
 - viii. Whether any errors, misrepresentations or other deficiencies identified in the Foreclosure Review resulted in financial injury to the borrower or the mortgagee.
- (f) File Review Sampling. Treliaant will conduct the Foreclosure Review of a random statistical sample of Sovereign's pending and completed foreclosures that occurred between January 1, 2009 and December 31, 2010 ("Foreclosure Portfolio"), augmented by a review of certain files that fall within certain high risk segments. The sampling methodology is more fully set forth in Appendix C.

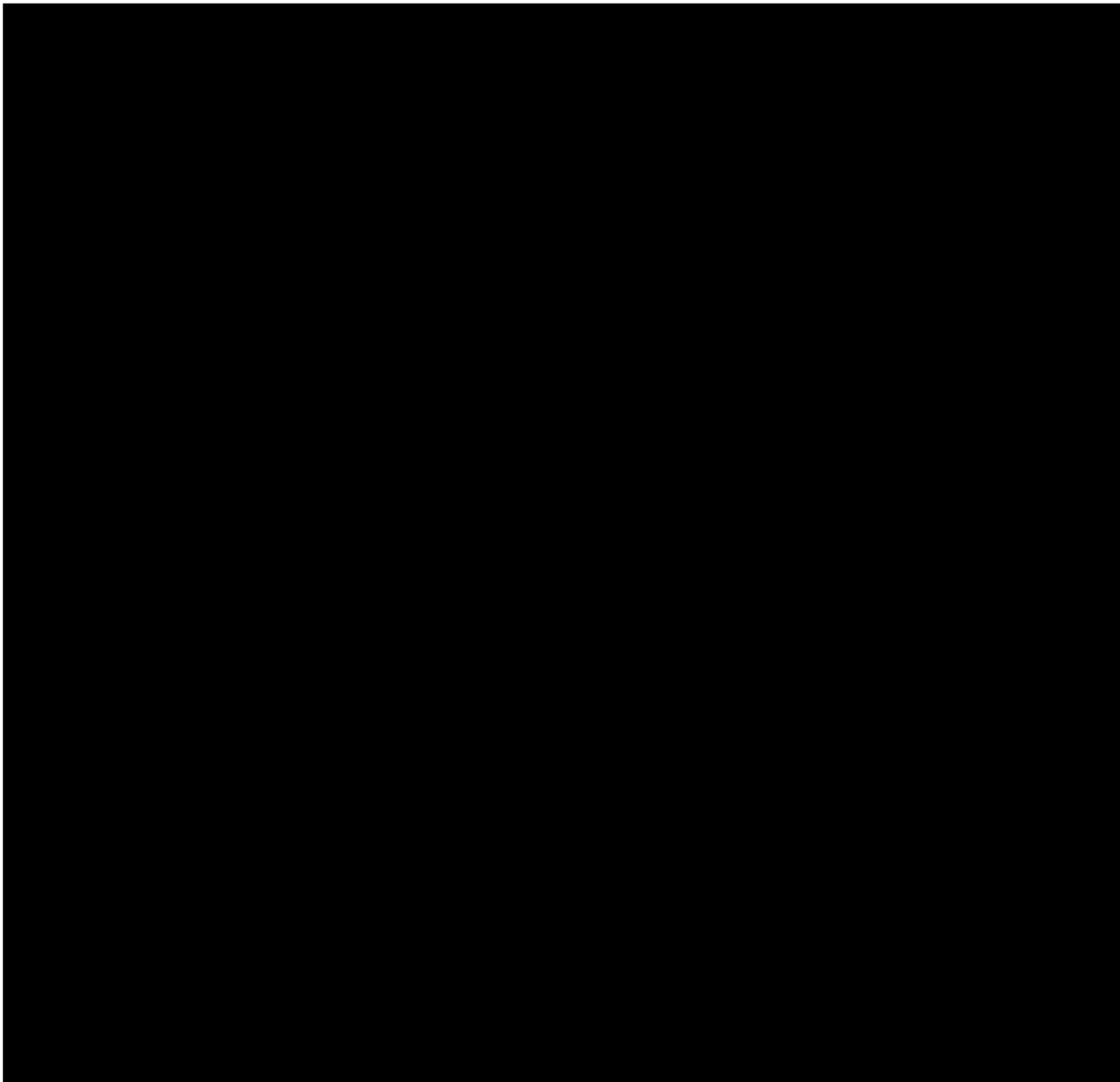
³ Review of denied modifications will include a review of or independent validation of decision models used for such decisions.

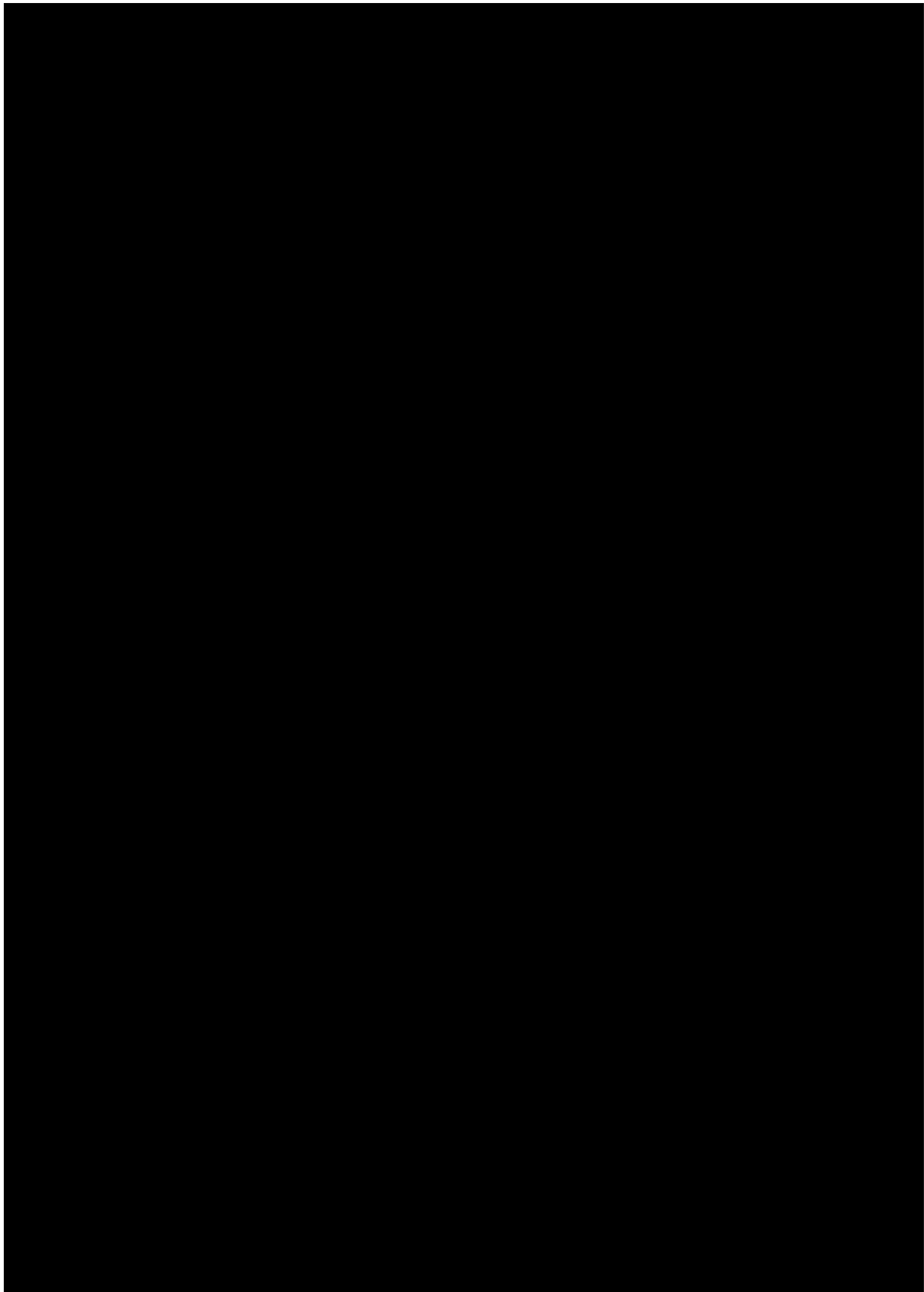
- (g) Documents to Be Reviewed. For each file to be reviewed, Treliant will review relevant documents in the foreclosure file as well as relevant Sovereign servicing records as necessary to allow Treliant to make each of the determinations set forth in the Consent Order relating to the foreclosure. Such documents typically, but not always, include copies of the original note and mortgage, copies of any assignments of the notes and mortgage, any substitutions of trustee, any foreclosure complaints or affidavits filed in support of such complaints, all other materials filed in court by foreclosure counsel, Sovereign servicing system (the “System”) records showing the investor for the loan, System records showing the payment history and borrower’s delinquency, System records showing fees charged to the borrower’s account, System records showing the number of months delinquent, and other records. Original source documents will be used as appropriate, such as in the review of denied modification decisions.

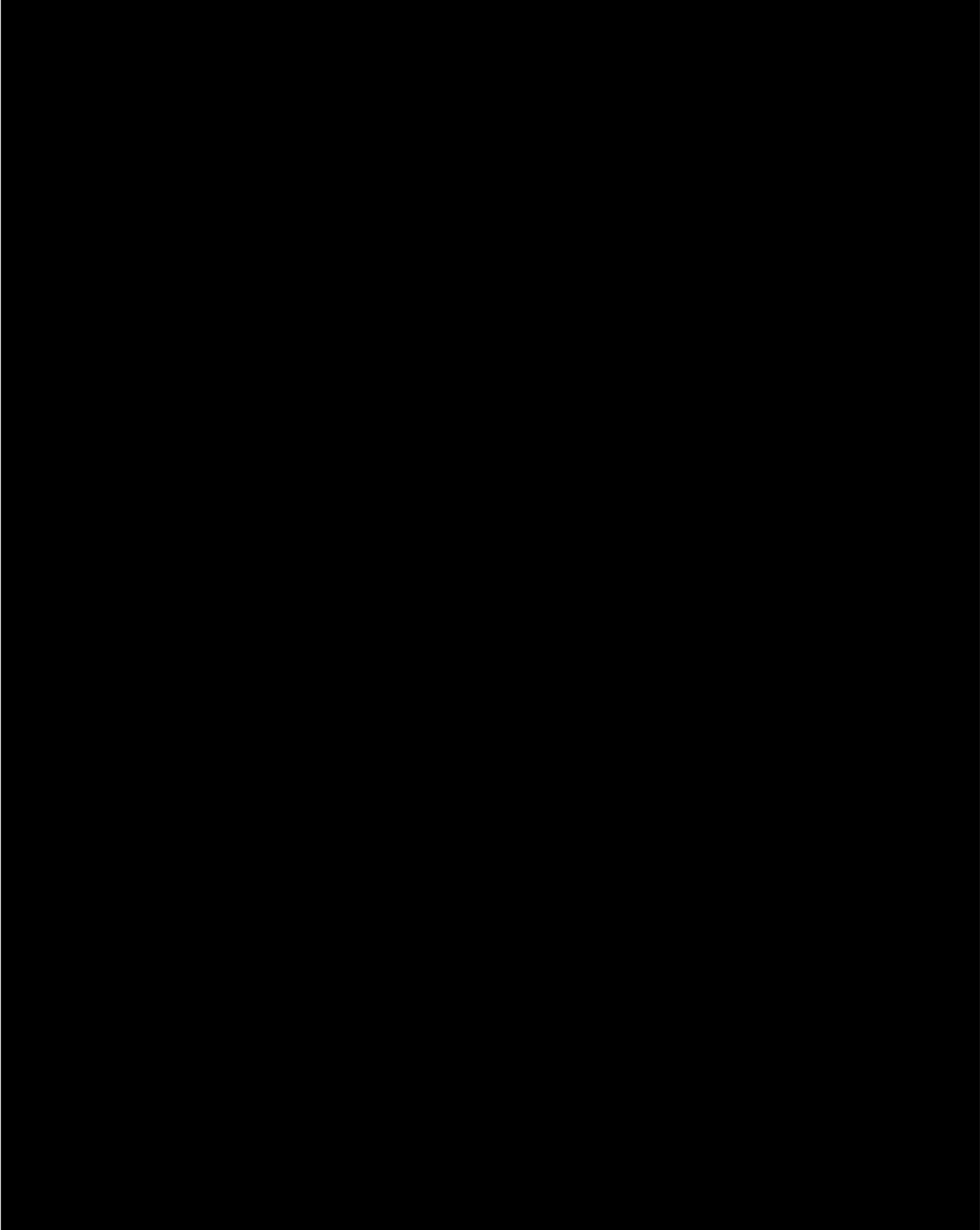
A precursor to certain aspects of the file review is the collection of foreclosure files from local foreclosure firms. At the outset, the Bank will provide to Treliant information detailing the local foreclosure firm assigned to each file to be reviewed. Files will be requested from at least 82 local foreclosure firms located in 46 jurisdictions, pursuant to the sampling methodology described in Appendix C. Past experience suggests the process of obtaining complete files may be time consuming and difficult. The Bank agrees to provide assistance, where necessary, to ensure cooperation of its local foreclosure law firms.

- (h) Quality Control. Treliant will initially perform a quality control review of 100% of the loan files included in the Foreclosure Review. If Treliant determines during the course of the review that 100% quality control review is no longer warranted, Treliant will continue to perform an appropriate level of quality control to ensure that the objectives of the Foreclosure Review are fully realized.

- (i) Supporting Platform. Mortgage foreclosure loan reviews will be performed using the automated proprietary technology [REDACTED] [REDACTED] has previously been used in similar mortgage and other relevant reviews.
- [REDACTED]







- (j) Borrower Complaint and Outreach. Treliant is working with the Independent Consultants representing the 13 other servicers subject to Consent Orders to determine a coordinated approach to the Complaint Process mandated by ¶15(a) of the Consent Order and further clarified in the guidance provided on May 20, 2011, June 28, 2011 and July 8, 2011. The objective of the borrower outreach process for complaints is to provide a robust outreach process such that borrowers have a fair opportunity to file complaints regarding residential mortgage foreclosure actions initiated, pending, or completed in 2009 or 2010.
- i. Borrower Outreach Process. The borrower outreach process will be designed to be comprehensive, independent, fair, transparent, and documented. Sovereign will engage Rust Consulting to assist with the coordinated Borrower Outreach and Complaint Process. The borrower outreach process to be established by Treliant, on behalf of Sovereign, will meet, at a minimum, the requirements and expectations set forth below.
- (i) As part of the Foreclosure Review required by the Consent Order, the Foreclosure Review will include a review of 100% of In-scope Complaints received from borrowers through any channel since January 1, 2011, and all complaints received through the borrower outreach process established by the Independent Consultants and approved by the OCC;
1. “In-scope Complaints” are defined as complaints regarding residential mortgage foreclosure actions that were initiated, pending, or completed in 2009 or 2010.
 2. Complaints for borrowers in active litigation must be included if they are otherwise in-scope.
- (ii) Complaints will be submitted to Rust Consulting through established media channels, as agreed by the Independent Consultants and approved by the OCC;
- (iii) Rust Consulting will make an initial determination of eligibility for review based on the information submitted by borrower(s) and information provided to Rust by Sovereign;

- (iv) Eligible complaints will be forward to Sovereign according to the protocols established by Rust Consulting, and the Independent Consultants;
 - (v) Ineligible complaints will be subject to Sovereign's standard complaint handling protocols;
 - (vi) Sovereign will perform initial research and review of all eligible complaints, and will forward all related documentation to Treliant for final review and disposition;
 - (vii) For all In-scope Complaints received through the borrower outreach process or through any other channel since January 1, 2009, the Foreclosure Review will be conducted so as to analyze and resolve the specific complaint raised by the borrower.
 - (viii) In cases where the borrower submits a more generalized complaint, a review for all provisions mandated by ¶16(a) through (h) Consent Order will be performed.
 - (ix) All In-scope Complaints received through the borrower outreach process, from the launch of the outreach (with a launch target date no later than September 30, 2011) to the cut-off date (120 calendar days from the launch date), will be subjected to the Foreclosure Review.
 - (x) The borrower outreach process will be a distinct, separate process from Sovereign's existing customer service channel. The outreach will be performed by Rust Consulting;
 - (xi) All complaints received through the borrower outreach process will be logged by Rust Consulting.
 - (xii) Complaints filed through the borrower outreach process will be eligible for the remedies provided by the Foreclosure Review – including remediation - unless Treliant validates that the complaint is not in-scope.
- ii. Borrower Communication. Rust Consulting will notify borrowers in the Review Population about the availability of review under borrower complaint process through coordinated mechanisms determined by the Independent Consultants, and approved by the OCC. Borrower outreach and intake processes are more fully

described in the Draft Statement of Work with Rust Consulting in the attached Appendix E. In addition, Treliant will coordinate with the other Independent Consultants regarding Sovereign's participation in the national advertising campaigns coordinated between the mortgage servicers subject to the Consent Orders. The current draft Outreach Plan is included in the attached Appendix F. In addition, samples of direct to borrower communications and national advertising plans and collateral have been previously provided to the OCC for review and are incorporated herein by reference.

- iii. Communication Content. The content of the communication to the borrowers will be designed to include the relevant information including, but not limited to the following:
 - (i) Why the borrower is being contacted;
 - (ii) How eligibility will be determined (i.e., based on in-scope status);
 - (iii) Necessary information that Sovereign will need from the borrower when the borrower responds;
 - (iv) Channels available to them to contact Sovereign (including telephone and internet contacts);
 - (v) Timeframe for filing a complaint with Sovereign; and
 - (vi) What to expect from this process, including when to expect a response.
- iv. Resolution Process. All complaints received after January 1, 2009, and through the borrower outreach process will be logged, including out-of-scope claims. For complaints received by Rust Consulting, Rust Consulting will forward all eligible complaints to Sovereign. Sovereign will prepare the initial research/ case file and conduct the initial review of the complaint to determine if it's a valid complaint. Treliant will then perform an independent review and decision concerning the complaint at issue. To the extent any immediate remedial action is required, Sovereign may undertake such action, subject to subsequent review by Treliant and any additional requirements of the Foreclosure Review remediation plan approved by the OCC.

- v. Response and Remediation. All complaints will receive a written response within the number of days indicated in the written acknowledgement. In the response, borrowers will be provided information that outlines the results of the analysis ensuring it adequately addresses all issues the borrower raised in the complaint. If the analysis/investigation determines remediation is required, the borrower will be so informed in the written response, which will state that remediation is forthcoming within a specified time period following approval by the OCC of Sovereign's Foreclosure Review remediation plan required by the Consent Order.
- (i) The intake window for the complaint process will begin no later than September 30, 2011 and continue for a period of 120 days. Following that time, borrower complaints will be routed to the Bank for routine processing.
 - (ii) Investigation by Treliant of all complaints received by Rust Consulting or Sovereign and forwarded to Treliant for review will be completed within 120 days of receipt unless otherwise communicated to the borrower(s).
 - (iii) Treliant will communicate the outcome of its review with the respective Borrower(s) and will provide a recommendation to Sovereign for appropriate remediation as required by ¶18 of the Consent Order and described herein.
 - (iv) Reporting: Treliant will report monthly (internally and to the OCC in a standardized format to include loan level and aggregate numbers) on the following:
 - 1. Number of complaints received;
 - 2. Type or Nature of complaint received;
 - 3. Number of complaints in-scope and out-of-scope;
 - 4. Exclusions of complaints from the Foreclosure Review and the reason for exclusion;
 - 5. Number of complaints acknowledged;
 - 6. Number of complaints in process;
 - 7. Number of complaints not yet analyzed;
 - 8. Number of complaints responded to;
 - 9. Complaints disposition;
 - 10. Number of complaints requiring remediation;

11. Number of complaints remediated;
12. Aging reports as warranted; and
13. Comments section to provide for other pertinent information.
14. Additional information requested by the OCC and/or Sovereign.

(k) Resources. The complexity of the Foreclosure Review requirements, and recognition that the primary objective of the Foreclosure Review is to identify instances of borrower financial injury, makes the use of more seasoned resources essential to this review. Informed by our related experience in performing similar reviews, we have found that using a team of seasoned mortgage, legal and risk management professionals is the most effective approach. Using less seasoned resources impairs foreclosure review efficiency and leads to less reliable results. As such, we will adopt a resource strategy with a strong emphasis on consistency, efficiency and accuracy of results.

We will leverage the multi-disciplinary skills of a senior project leadership team that includes risk management executives with deep mortgage, banking and regulatory remediation experience, as well seasoned legal professionals with insight into relevant state and federal requirements and actual foreclosure practices. The senior project leadership team will determine project scope, design and approach, and will maintain close communication with Sovereign and its regulators.

The senior project leadership team will be complemented by a team of seasoned mortgage professionals with an average of 10-15 years in the industry and prior experience performing mortgage file reviews and similar activities. These more seasoned mortgage professionals will be responsible for performing QC/oversight of the file review activities. The team will also include a large number of experienced file reviewers, who will be divided into teams concentrating on specific states and/or substantive issues, *e.g.*, default fees, loan modification programs, etc.

In addition, the architecture, configuration and ongoing support of the automated review platform used in the Foreclosure Review will be provided by a team of seasoned technology professionals who have performed similar activities for previous foreclosure reviews.

Legal requirements will be provided by BuckleySandler in the form of the checklists described above. BuckleySandler will also provide information required for Gibson Dunn to assess and validate the process used by BuckleySandler for the checklist development, and will provide insight into how similar checklists have been applied in previous foreclosure reviews. Gibson Dunn will provide ongoing interpretive support and legal guidance throughout the Foreclosure Review.

To the extent that this strategy necessarily limits the number of quality, seasoned professional resources available to staff the Foreclosure Review, we have adjusted our anticipated engagement time to 150 days. This will include sufficient time to investigate and disposition most complaints received through the Borrower Complaint and Outreach Process described above, however, given the anticipated start date for the Borrower Complaint and Outreach Process to September 30, 2011, we anticipate that the final disposition of all complaints and the final remediation plan will not be completed until March 28, 2012.

- (1) Location. The Foreclosure Review and related project planning, training and execution activities will be managed and primarily conducted from Treliant's [REDACTED] office. However, once training is complete and the file review process and security standards have been established and tested, file reviewers may be provided secure access to conduct portions of the review at remote locations. Any and all remote access will be provided according to Treliant's security standards.

Loan-level documentation, data and other relevant materials (collectively, "Relevant Materials") will be made available electronically by Sovereign to Treliant, as necessary, and will be collected from Sovereign's local foreclosure counsel. Treliant will work with Sovereign to identify the Relevant Materials, which will be placed in a mutually agreeable electronic format for review. All Relevant Materials will be provided by Sovereign in a secure electronic data room or other mutually agreeable secure electronic environment. Performance of all reviews will be contingent upon Sovereign providing adequate documentation required for completion. If and to the extent interviews are necessary, appropriate Treliant and/or legal personnel will travel to Sovereign to conduct such interviews. Topics for such interviews may include, but are not limited to: Sovereign's loss mitigation/ loan modification policies and procedures as well as data and

documentation relating to the same; Sovereign's administration of the HAMP program; and data availability and accessibility.

- (m) Overall Project Timing. Treliant commenced the Foreclosure Review immediately following receiving conditional approval from the OCC received on August 10, 2011. Based on our experience with similar foreclosure reviews, we anticipate that, barring unforeseen obstacles and delays or unanticipated additional tasks that may be deemed necessary, we expect to complete the Foreclosure Review within 150 days of the conditional approval date – not later than January 7, 2012. This estimate is based on the availability of resources possessing the unique skills and experience required to complete the review, as well as the complex, multi-stage process required to execute the reviews in an effective manner.

Treliant will make every effort to complete the Foreclosure Review and issue the Foreclosure Report within 180 days of execution of the conditional approval date (including 150 days for the Foreclosure Review and 30 days for the Foreclosure Report). However, final timing for completing of Foreclosure Review and issuance of the Foreclosure Report and the final remediation plan may be contingent upon availability of foreclosure and related documentation.

- (n) Foreclosure Review Report. Within thirty (30) days of completion of the Foreclosure Review, Treliant will provide a written report detailing the findings of the Foreclosure Review ("Foreclosure Report"). For each file reviewed in the Foreclosure Review, Treliant will identify (and include in the Foreclosure Report) our findings regarding any servicer error, misrepresentation, or other deficiency. Treliant will also identify (and also include in the Foreclosure Report) – based on the definitions and examples set forth herein - any financial injury that has been suffered by the borrower as a result of the identified error, misrepresentation, or other deficiency and any financial injury that may be suffered by the borrower absent action by the servicer to remediate or cure the identified error, misrepresentation, or other deficiency. The Final Report of the Foreclosure Review will be submitted within thirty days following completion of the Foreclosure Review, not later than February 6, 2012. The Foreclosure Report will be provided to Sovereign's Examiner in Charge at the OCC and Sovereign's Board of Directors or a designated committee thereof.

- (o) Final Remediation Plan. To the extent possible, remediation of financial injury will be continuous throughout the project, based on Treliant's periodic recommendations to Sovereign for remediation of any instances of financial injury identified in the Foreclosure Review, including any identified in the Borrower Complaint and Outreach Process. Remediation recommendations will be based on determinations of financial injury based on the definitions included herein, as well as specific remediation guidelines developed by the Independent Consultants and approved by the OCC. Final disposition of complaints received through the Borrower Complaint and Outreach Process will be completed and a final comprehensive remediation plan will be submitted not later than March 28, 2012⁵.
- (p) Resource Training. Treliant will provide the training required for the review team to complete all aspects of the engagement. Training will be developed and delivered by members of the senior project team. All training resources will be experienced in file review, residential foreclosure and/or the [REDACTED] employed in the review. Foundational training will be provided on the following topics:
- i. Consent Order/Project Overview: Project Executive(s) will describe the project background, objectives and other important matters;
 - ii. Foreclosure Process Overview: Project Executive(s) will provide an overview of the foreclosure process and other general industry matters related to the Consent Order;
 - iii. State Foreclosure Requirements: Gibson Dunn, with guidance from BuckleySandler as appropriate will provide the review team with instructions on the interpretation of state foreclosure law.
 - (i) This instruction will be repeated for each state included within the scope of the review;
 - (ii) Instruction will occur prior to initiating the general file review for each state;
 - (iii) Gibson Dunn will also integrate its training into [REDACTED] as necessary with example documents, exhibits and help text

⁵ This date assumes a 120 day intake period and an additional 60 days for disposition of all complaints received during the intake period.

- iv. Federal Foreclosure Related Legal Requirements: Gibson Dunn will provide instruction on all relevant federal laws and regulations, including Bankruptcy and SCRA. Gibson Dunn will also be assist with integrating this knowledge into [REDACTED] through help texts, exhibits and examples.
- v. Dynamic / Continuous Training: Dynamic / continuous training will be provided to the review team based on ongoing learnings and knowledge obtained from the review process and from communication with the OCC and other independent consultants. Throughout the review process, Treliant will ensure that:
 - (i) Crowe will provide any additional training necessitated by changes to [REDACTED] from the new information;
 - (ii) Gibson Dunn will incorporate or modify its legal exhibits on a state by state basis to reflect any new interpretations.
 - (iii) Gibson Dunn will incorporate modifications, additions or deletions to its [REDACTED] input as required
- vi. [REDACTED] Training: Crowe will provide training to the review team in all areas of [REDACTED] including:
 - (i) Login and system security;
 - (ii) Reviewer data entry procedures; and
 - (iii) Exception and quality control guidelines .

IV. Professional Fees

Treliant will determine the appropriate blend of resources necessary to fulfill the requirements of the Order, as referenced above. Sovereign will be invoiced based on actual time and materials required to complete the engagement – including any and all work done from the project’s inception but prior to execution of this Engagement Letter - commensurate with the requirements of the Consent Order and guidance received on May 20, 2011 June 28, 2011, July 8, 2011 and August 29, 2011, as well as any future guidance and information received regarding the scope and depth of the foreclosure file review. The depth of required follow-up on file review may alter the cost significantly.

The costs associated with the creation of foreclosure file review checklists for each state for which Sovereign services a loan will not be based on hourly rate but instead will be set at a fixed price to be determined by BuckleySandler and Sovereign.

Project executives from Treliant will monitor and assess professional fees accumulating during the course of the project, and will discuss management of the project budget(s) with Sovereign personnel periodically. Insofar as the scope of work, timing, or other elements of the engagement described above change significantly, Treliant and Sovereign may make appropriate adjustments to personnel, time commitments and/or cost of the engagement. It is important to note that project scope, and resulting costs often change during the course of projects of this nature.

V. Communication and Weekly Reporting

Sovereign and Treliant will designate points of contact to facilitate access to personnel, data and documentation, and to obtain the necessary information for Treliant to perform the review.

Treliant will maintain close and ongoing communication with Sovereign in order to assure seamless coordination of the project, and at a minimum will conduct a weekly call with representatives from Treliant, Crowe, independent legal counsel, and the Bank. Treliant will provide only the following types of information to the Bank:

- Data regarding checklist creation progress.
- Data regarding file collection progress and any problems encountered in the collection process which may require intervention by the Bank.
- Data regarding file review progress.
- When/whether/with regard to what subject matters we are initiating a “deeper dive,” if any.
- The need, if any, for potential real time remediation in a given area.
- Any information received from the regulators, either directly or indirectly, relating to the file review.
- Updates to engagement estimates and actuals;

- Any changes to the project plan or sampling methodology.

In order to balance the need to provide information to and get information from the Bank with the need to maintain independence, at the start of each call, the following statement will be read by Gibson Dunn:

“Today’s call is being convened in connection with the Foreclosure Review being undertaken pursuant to the Consent Order dated April 13, 2011 between the Office of Thrift Supervision and Sovereign. Attendees to this call may include key representatives from Sovereign, Treliant Risk Advisors, which serves as Independent Consultant to Sovereign, Gibson Dunn, which serves as legal counsel to Treliant, and Crowe, a third-party vendor hired by and working at the direction of Treliant.

The purpose of the call is two-fold. First, Treliant will provide a report on the progress of the review. Second, Treliant will request any information or assistance it needs from the Bank in order to continue the uninterrupted progression of the Foreclosure Review. Treliant will not provide interim substantive results to the Bank.

Treliant’s independence, and that of its independent legal counsel and third-party vendor, is of paramount importance to the integrity and legitimacy of this process. If at any time any participant to this call feels that any statement or suggestion has been made which might be interpreted as intending to influence Treliant’s judgment or affect its independence, such participant should make his/her thoughts known immediately during the call, or thereafter by contacting Treliant’s independent legal counsel.”

VI. Disclosure of Related Parties

Sovereign acknowledges that it has been advised that partners of BuckleySandler LLP serve as officers of and have a financial interest in Treliant Risk Advisors LLC.

VII. Confidentiality

All information exchanged between Treliant and/or Treliant professionals and partners and Sovereign as part of this agreement or a project being carried out under this agreement will be treated as Confidential Information and shall not be sold, disclosed or otherwise conveyed to any third party except as required by the Consent Order. Both Treliant and Sovereign will at all times maintain, and cause its officers, employees, partners and representatives to maintain, the confidentiality of all information.

Sovereign, in disclosing certain customer information hereunder that may be part of the Confidential Information, must comply with the provisions of the federal Gramm-Leach-Bliley Act and its implementing regulations and guidelines (“GLBA”), regulatory standards for

information security, and other federal and state laws regarding the privacy and confidentiality of customer records. Treliant acknowledges that GLBA, among other things, limits the right of the receiving party to use and re-disclose the Confidential Information, and Treliant agrees that its use of the Confidential Information will be consistent with the limits imposed by GLBA and other applicable laws and regulations.

IX. Limitation on Liability, Non Solicitation and Choice of Law

Treliant will not be liable to Sovereign for consequential, incidental, special, or exemplary damages arising out of or related to the services provided pursuant to this agreement and Treliant's cumulative liability under this agreement will not exceed the amount of the consulting fee received by Treliant from Sovereign under this agreement. Sovereign and its affiliates agree that they will not directly or indirectly, without the written consent of Treliant, hire, contract or solicit, any officers, directors, employees or representatives of Treliant with whom they have contact with or become aware of as a result of this agreement for a period of twelve months after the completion of all projects hereunder or the termination of this agreement, except through another engagement with Treliant or an affiliate of Treliant.

This agreement shall be governed by the laws of the District of Columbia for all respects without resort to its conflicts of laws principles.

X. Term, Termination

The term of this agreement shall commence upon execution and shall continue until terminated at the completion of all projects or as set forth below. However, any and all Foreclosure Review services provided by Treliant and Crowe prior to the execution of this agreement shall be deemed to be covered by the terms of this agreement retroactively.

Either Party may terminate this agreement for any reason upon thirty (30) days' written notice to the other Party. Notice of termination of an individual project will not be considered notice of termination of this agreement unless specifically stated in the termination notice. Sovereign agrees to pay Treliant for Treliant Services performed and expenses incurred, including technology and legal expenses, up to the effective date of termination.

XI. General Provisions

This agreement may not be assigned, sublicensed, or otherwise transferred by either party without the prior written consent of the other party, but its terms and conditions shall extend to and bind any permitted successor or assign.

The failure by either Party at any time to require performance of the other Party of any provision of this agreement shall in no way affect the right of such Party thereafter to enforce the same provision, nor shall the waiver by either Party of any breach of any provision hereof be taken or held to be a waiver of any succeeding breach of such provision, or as a waiver of the provision itself.

Each Party will from time to time, at the request of the other Party and without further consideration, execute and deliver other documents and take such other actions as the other Party may reasonably request to consummate more effectively the transactions contemplated by this agreement.

All notices required by this agreement to be given by either Party to the other shall be deemed duly given when made in writing and delivered in person or when deposited to the United States mail, postage prepaid, certified, return receipt requested or sent via confirmed facsimile, and addressed as follows:

If to Treliant:

Treliant Risk Advisors, LLC

[REDACTED]

Washington, DC 20037

[REDACTED]

If to Sovereign Bank:

Sovereign Bank.

[REDACTED]

Boston, Massachusetts 02109

[REDACTED]

A Party may change its notice address by notifying the other in accordance with this Section. No change or amendment to this agreement will be valid unless it is in writing and signed by authorized representatives of both Parties.

Please contact me at [REDACTED] at your convenience should you have any questions about this proposal. If this proposal is acceptable to you, please sign below and return a copy of this letter to me.

Sincerely,

[REDACTED]

Agreed this ____ day of _____, 2011:

[REDACTED]

Sovereign Bank

Appendix A: Project Overview

Work Stream Descriptions



Executive Leadership	Executive Leadership is responsible for the overall success and deliverables of the project including defining the scope and deliverables of the review process along with communication and coordination with the Regulators and the client.
Program Management Office (PMO)	The PMO is responsible for coordinating the work streams, managing resources, documenting results, ensuring high quality of deliverables and facilitating alignment among legal counsel, Treliant and Crowe.

Work Streams

Legal Guidance	Stream 1 is responsible for advising on those aspects of the of the file review that require legal guidance and interpretive support. Independent Counsel must verify the accuracy and legal compliance of the checklists in setting forth the state law requirements for foreclosing on residential mortgages.
Checklist Development	Stream 2 is responsible for researching, documenting and delivering to the review team the individual state-by-state review requirements and the federal requirements for such areas as SCRA, Bankruptcy, Fees and Loss Mitigation Applications.
Document Collection	Stream 3 is responsible for identifying the local foreclosure counsel, managing all communication with local foreclosure counsel, obtaining the information in the file electronically, reviewing the documents for completion and staging the files for the review team.
Foreclosure File Review	Stream 4 is responsible for assessing whether foreclosures followed the appropriate federal and state requirements. This stream will perform the case file reviews using the configured [REDACTED] and perform follow-up activities based on the findings.
Outreach & Complaint Process	Stream 5 is responsible for designing and executing a borrower outreach and complaint intake process. This stream will coordinate efforts with other servicers who have similar requirements and establish the process for initially vetting complaints and passing valid, in-scope complaints to the review team for analysis.
Denied Modifications Review	Stream 6 is responsible for identifying the population of borrowers for which the HAMP or Proprietary modification application was incorrectly denied and a subsequent foreclosure was conducted. This stream establishes the process for passing cases not already included in the baseline sample, to the review team for foreclosure file review analysis.
Borrower Remediation	Stream 7 is responsible for designing the remediation process, determining the appropriate remediation factors and consistently applying the approach to those borrowers determined to have been harmed in some way.
Technology Architecture & Data Analysis	Stream 8 is responsible for developing and utilizing technology to extract, collect, analyze and report on foreclosure activity. This stream will implement, configure and support the [REDACTED] to reflect the jurisdictional requirements for the Foreclosure File Review work stream.
Data Integrity, System & Model Validation	Stream 9 is responsible for assessing and validating the integrity of data and system controls and processes from the client source loan systems. Prior to beginning the review, this stream assesses the client data quality controls, relevant business audit practices and management and system controls. This work stream also includes validation of decision models related to HAMP and proprietary loan modification programs.

Work Stream Descriptions

Executive Leadership	Owner: Others:	[Redacted]	[Redacted]
Program Management Office (PMO)	Owner: Others:	[Redacted]	[Redacted]

Work Streams

Legal Guidance	GIBSON DUNN	Owner: Others:	[Redacted]
Checklist Development	 Buckley Sandler	Owner: Others:	[Redacted]
Document Collection	Treliant  RISK ADVISORS	Owner: Others:	[Redacted]
Foreclosure File Review	Treliant  RISK ADVISORS	Owner: Others:	[Redacted]
Outreach & Complaint Process	Treliant  RISK ADVISORS	Owner: Others:	[Redacted]
Denied Modifications Review	Treliant  RISK ADVISORS	Owner: Others:	[Redacted]
Borrower Remediation	Treliant  RISK ADVISORS	Owner: Others:	[Redacted]
Technology Architecture & Data Analysis	 Crowe Horwath	Owner: Others:	[Redacted]
Data Integrity, System & Model Validation	 Crowe Horwath	Owner: Others:	[Redacted]

The **Plan & Design** phase creates a foundation to understand the project specific requirements and generates a written plan that defines the scope of the project. Key Activities in the phase include:

- Identify stakeholders and requirements
- Establish executive oversight team
- Select the independent legal counsel
- Identify sample population
- Determine project logistics
- Document assumptions & constraints

The **Sample & Refine** phase builds out the project specific training on systems and process, tests the approach with a small sub-set of files and refines the process. Key Activities in the phase include:

- Select a test set of files for review
- Review the test set of files, making note of missing documents and gaps
- Refine the approach, establish benchmarks and update reporting deliverables based on the sample
- Create reviewer and QC client specific training materials

The **Assess & Advise** phase summarizes the review findings into a written report to be provided to the regulators. Input from each of the work streams is obtained and summarized. Key Activities in the phase include:

- Summarize and document results
- Present report of findings and recommendations to regulators
- Simultaneously present report of findings to bank management
- As requested, assist with follow-up



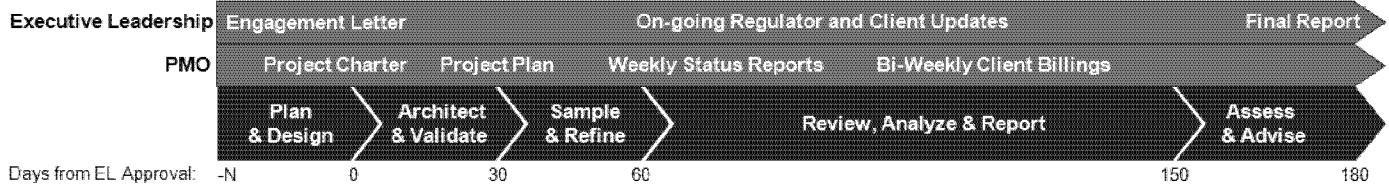
The **Architect & Validate** phase puts in place the team and structure to review the process and foreclosure files. Using the written plan as input, initiate the project and establish all required project logistics and communications. Key Activities in the phase include:

- Select the review sample
- Identify client specific review requirements
- Update federal and state specific requirements and vet with local foreclosure counsel
- Identify source systems and data extracts
- Establish access to foreclosures files, either physically or electronically
- Establish access to [REDACTED]
- Develop communication and reporting plan

The **Review, Analyze & Report** phase ramps up the resources to deliver the review in the timeframe required to meet the agreed upon timeframe. Key Activities in the phase include:

- Maintain project plan and communications through weekly reporting
- Review foreclosure files based on the attorney provided criteria
- Perform Quality Control reviews on foreclosure files
- Request missing documents and other evidence from local foreclosure counsel and coordinate collection of supplemental material
- Provide ad-hoc reporting as needed

Key Deliverables



Work Streams

Legal Guidance		Review Approach Sign-off	Checklist Sign-off	On-going Advisory	Review & Legal Verification
Checklist Development		Federal SCRA Checklist Federal Bankruptcy Checklist	State Checklists		
Document Collection	Document Collection Plan	Vetted Foreclosure Documents from Sample Vetted Foreclosure Documents from Complaint Process			
Foreclosure File Review	File Review Plan	Review Team In Place Validated Review Approach Reviewer Guidance & Training	Completed Full and Targeted Reviews		Summary of Review Findings
Outreach & Complaint Process	Outreach and Response Plan	Contracted Outreach Vendor Established Intake Process Established Review Process	Borrower Outreach	Tracked and Vetted Complaints	Summary of Outreach & Complaint Results
Denied Modifications Review	Denied Modifications Plan	Modification Program Specs Validated Review Approach Reviewer Guidance & Training	Completed Modification Reviews		Summary of Modification Review Results
Borrower Remediation			Borrower Remediation Plan	Completed Borrower Remediation	
Technology Architecture & Data Analysis	Hosted Application Common Review Blocks	Reports / Dashboards	Configured State Checklists	On-going User and Technical Support	Data Analysis & Trend Reporting
Data Integrity, System & Model Validation		Data Controls Assessment Testing Results			

Appendix B: High Level Project Plan

Task Name	Anticipated Date
Project Initiation	
Confirm and Engage Legal Counsel	
Establish Roles and Responsibilities	
Draft and Vet Project Plan	
Develop Weekly Reporting Methodology	
Design Sampling Methodology	
OCC Provides Conditional Approval	Wed 8/10/11
Submit Final Engagement Letter	Wed 8/31/11
Legal Guidance	
Review State Statutory and Fee Checklists from BuckleySandler	
Review Federal Checklists from BuckleySandler	
Review HAMP and Proprietary Modification Checklists	
Provide on-going advisory services	
Checklist Development	
Develop State Statutory and Fee Checklists	
Develop Federal Checklists	
Develop Fannie Mae HAMP Checklist	
Provide Transition Support	
Document Collection Process	
Confirm final sample selections for foreclosure file review	
Request files from local foreclosure counsel	
Review received files for completeness	
Upload files to Document Repository and submit for review	
Foreclosure File Review	
Foreclosure Review Preparation	
Identify and Secure Resources	
Develop Reviewer Training Materials	
Perform Training	
Complete System Tests with Test Files and Scenarios	
Complete Foreclosure File Review Testing	
Foreclosure File Review Execution	
Review files as received	
Perform QC review of each file	
Submit appropriate files to exception/legal review	
Generate status, dashboard, and exception reports	
Completion of Foreclosure File Review	Sat 1/7/12

Task Name	Anticipated Date
Borrower Outreach & Complaint Process	
Derive a coordinated approach with Independent Consultants	
Agree and contract on shared structure and costs	
Engage nationally recognized claim intake vendor - Rust Consulting	
Create common outreach approach and intake process	
Complaint Process Execution	Fri 9/30/11
Research complaints received	
Denied Modifications Review	
Obtain system access to Synergy	
Review Denied Modification Files as received	
Perform QC review of each file	
Submit appropriate files to exception/legal review	
Generate status, dashboard, and exception reports	
Technology and Data Analysis	
Identify and establish access to source systems and data extracts	
Configure Review Process in [REDACTED]	
Configure Approved State Statutory and Fee Checklists	
Configure Approved Federal Checklists	
Configure Approved Denied Modifications Checklists	
Configure Approved Remediation Checklists	
Provide User and Technical Support	
Provide Data Analysis and Trend Reporting	
Data Integrity, System, & Model Validation	
Request Documents for Data Integrity Review	
Obtain access to [REDACTED]	
Conduct Data Integrity Review	
Draft Report of Findings	
Review & Validate Spreadsheet Calculation Models	
Customer Remediation	
Design compensation/remediation process	
Submit files for remediation to Sovereign	
Validate remediation	
Final Reporting & Project Closure	
Collect Review Data	
Summarize Work Stream Findings and Results	
Draft Foreclosure File Review Report	
Submit Foreclosure Review Report	Mon 2/6/12
Add Borrower Outreach and Complaint Process Data to Report	
Submit Borrower Outreach Results Report	Mon 2/27/12
Draft Final Remediation Plan Report	
Submit Final Remediation Plan Report	Wed 3/28/12

Appendix C: Sampling Methodology

Updated as of 8/31/11

This sampling methodology document is current as of August 31, 2011 and is subject to modification as additional information becomes available from Sovereign and/or additional guidance from the OCC is provided. The following definitions apply to this methodology document:

- **Comprehensive Review** – Loan file review for compliance with all the requirements set forth in ¶16 (a) through (g) of the Consent Order issued to Sovereign on April 13, 2011.
- **Targeted Review** – A Targeted file review includes State and Federal requirements associated with the discreet borrower or loan characteristics identified in that particular segmentation.

Statistical samples described in this methodology document will be selected using a 95% reliability level, a precision level of 3% and a 10% assumed error rate (Baseline Sample, Bankruptcy Segment 2, and HAMP and Proprietary Modification Denials). Those sample sizes will be expanded if the actual rate of errors, misrepresentations or deficiencies identified in the review exceeds the 10% assumed error rate. Similarly, those sample sizes may be reduced if the actual rate of errors, misrepresentations or deficiencies identified in the review is less than the 10% assumed error rate. Any and all changes to the sampling methodology will be subject to the review and approval of the OCC.

The total sample size for each of the Additional Segmentations described below will be inclusive of any similarly classified files included in the Baseline Sample.

I. Baseline Sample: 95% Reliability/3% Precision/10% Assumed Error Rate

Treliant will select a random statistical sample from the 7,833 Foreclosure File Population with a 95% reliability level, a precision level of 3% and a 10% assumed error rate (the “Baseline Sample”). The Baseline Sample will be appended to include a minimum of five loans per state, or 100% of loans in states in the Review Portfolio that have a total volume of less than five loans. The sample will also be expanded to include any second liens associated with the first liens selected in the Baseline Sample.

II. Complaint Resulting from Borrower Outreach Program

Treliant will review 100% of the foreclosure files associated with valid complaints resulting from the Borrower Outreach Program. A number of these files may be subject to review(s) in either the Baseline Sample review or Additional Segmentation reviews, and will be reviewed according to those respective criteria. Any additional files not otherwise reviewed in the Baseline Sample or Additional Segmentation review will be subject to a Targeted Review based on issues raised or alleged by the borrower.

III. Additional Segmentations

In addition to the Baseline Sample described above, Treliant will perform supplemental reviews of certain borrower segmentations, as follows:

A. Foreclosure files that were referred to foreclosure firms delisted by any of the GSEs or foreclosure firms discontinued/terminated by Sovereign from 2009 to the present.

Sovereign has indicated that they used only one firm that has been delisted by a GSE – that has been identified as [REDACTED] Treliant will perform a Comprehensive Review of 100% of these files. A number of the Delisted Firm files may be included in the Baseline Sample. Treliant will perform a Comprehensive Review of the remaining Delisted Firm files.

B. Rescinded Foreclosures.

Treliant will identify the population of rescinded foreclosures, and will review 100% of those files. Loans included in this segment will be subject to the Comprehensive Review.

C. Foreclosure files where the borrower had a debt cancellation contract.

Sovereign has indicated that none of the foreclosure files in the Review Population have a debt cancellation contract. If Treliant finds, during the course of the review, any foreclosure files with a debt cancellation contract, Treliant will perform a Comprehensive Review 100% of those files.

D. Foreclosure files in which a Chapter 7 or 13 Bankruptcy was in process as of December 31, 2010 or completed during the Review Period (the “Bankruptcy Files”).

Treliant will review the Bankruptcy Files in two discrete segments, as follows:

- **Segment 1:** Bankruptcy Files where a foreclosure was completed as of December 31, 2010. Treliant will review 100% of the files included in this segment. A number of the Bankruptcy Files in Segment 1 may be subject to the Comprehensive Review if they are included in the Baseline Sample. Files not reviewed as part of the Baseline Sample will be subject to a Targeted Review.
- **Segment 2:** Bankruptcy Files where a foreclosure was in process at December 31, 2010. A number of the Bankruptcy Files in Segment 2 may be subject to the Comprehensive Review if they are included in the Baseline Sample. Treliant will randomly select additional Bankruptcy Files from Segment 2 to achieve a statistical sample with a 95% reliability level, a precision level of 3% and a 10% assumed error rate, if necessary. Files not reviewed as part of the Baseline Sample will be subject to a Targeted Review.

Bankruptcy Files not reviewed as part of the Baseline Sample will be subject to a Targeted Review for conformance with all relevant bankruptcy laws and regulations as they pertain to foreclosures. Accordingly, each loan in bankruptcy will be reviewed for compliance with

bankruptcy law related to the automatic stay, discharge injunction, filing proofs of claim and motions for relief, and supporting documents.

A Targeted Review of this segment for bankruptcy laws and regulations is appropriate, as all other laws and regulations will be adequately addressed in the Baseline Sample as well as other segments. Per OCC guidelines, for any segment in which more than 5% of the loans are found to show financial injury to the borrower, for example through pyramiding of fees, fees that were not charged properly or payments improperly posted, Treliant will augment its review and review 100% of the loans in the segment.

E. Foreclosure files referred by state or federal agencies.

The Review Population contains a number of foreclosure files referred by state and federal agencies. Treliant will perform a Comprehensive Review of 100% of these files.

F. Foreclosure files in which the borrower qualifies for the protections set forth in the Servicemembers Civil Relief Act (“SCRA”).

The Review Population contains six foreclosure files that have been identified as qualifying for the protections set forth in the SCRA (the “SCRA Files”). Some number of the SCRA Files may be subject to the Comprehensive Review. SCRA Files not reviewed as part of the Baseline Sample will be subject to a Targeted Review for conformance with SCRA requirements. A Targeted Review of this segment for SCRA laws and regulations is appropriate, as all other laws and regulations will be adequately addressed in the Baseline Sample as well as other segments.

If feasible, Treliant will identify mechanisms to validate the integrity of data provided by Sovereign pertaining to borrowers eligible for SCRA protection. Such mechanisms may include but may not be limited to independent verification of SCRA eligibility using information currently available from the Department of Defense’s Defense Manpower Data Center (“DMDC”).

G. Foreclosure files where the borrower filed a law suit alleging servicing errors by Sovereign related to the loan or submitted a written complaint bringing potential servicing errors to the Sovereign’s attention.

The Review Population contains a number of foreclosure files for which a valid written complaint was received. Treliant will perform a Targeted Review of 100% of these files.

A Targeted Review of this segment for those errors identified in the written complaint is appropriate, as all other laws and regulations will be adequately addressed in the Baseline Sample and other segments.

H. Foreclosure files that resulted in a completed foreclosure while an application was pending for loan modification or loss mitigation, or a loan not in default for sufficient period of time to authorize foreclosure (“Pending Modifications”).

Treliant will identify the population of Pending Modifications foreclosure files and perform a Comprehensive Review of 100% of these files.

I. Home Affordable Modification Program (“HAMP”) and Proprietary Modification Denials

The Review Portfolio contains files that had an application for HAMP or a proprietary modification program denied for reasons related to borrower income, Debt-To-Income ratio, Net Present Value or denial reasons not specific enough to determine if it was due to the in-scope reasons (“Modification Denial”). A number of the Modification Denial files may be subject to a Comprehensive Review if they are included in the Baseline Sample. Treliant will randomly select additional Modification Denial files to achieve a statistical sample with a 95% reliability level, a precision level of 3% and a 10% assumed error rate, if necessary.

Any additional Modification Denial files not reviewed as part of the Baseline Sample will be subject to a Targeted Review of the last modification application documented in Sovereign’s mortgage servicing records/systems. To the extent possible, determinations will be made according to the standards in effect by the Department of Treasury or the respective investor at the time the denial decision was made. The initial determination will include review and validation of the data/inputs used to make the modification eligibility decision and will include either a review of previous model validations performed by Sovereign or third parties, or will include independent validation of the underlying models used to make modification decisions.

Any loans for which the modification application was incorrectly denied will be subject to the Comprehensive Review. For purposes of determination of this segment, modification denial decisions made directly by an investor and/or for non-owner occupied properties will be excluded from review.

Sampling Methodology Summary Table

Review Portfolio Segment	Total Population	Sampling Methodology	Sample Size
Baseline Sample	7,833	Comprehensive Review of sample @ 95/3/10 + state additions + associated second liens	366
Complaint Process	TBD	Targeted Review of 100% of complaints received	TBD
A. Delisted Firms	120	Comprehensive Review of 100% of files	120
B. Rescinded Foreclosures ⁶	10	Comprehensive Review of 100% of files	10
C. Debt Cancellation Contract	0	Comprehensive Review of 100% of files	0
D1. Bankruptcy Segment “1”	209	Targeted Review of 100% of foreclosures completed as of 12/31/10	209
D2. Bankruptcy Segment “2”	334	Targeted Review of a 95/3/10 sample of foreclosures in process as of 12/31/10	179
E. Referred by Agencies	34	Comprehensive Review of 100% of files	34
F. SCRA	6	Targeted Review of 100%	6
G. Lawsuit/Written Complaint ⁷	49	Targeted Review of 100% of files	49
H. Pending Modification ⁸	TBD	Comprehensive Review of 100% of files	TBD
I. HAMP and Proprietary Modification Denials	1,531	Targeted Review of a 95/3/10 sample of in-scope denials	307

Additional Foreclosure File Characteristics

In addition to the foreclosure files reviewed in the Baseline Sample and Additional Segments previously outlined, Trelant may perform Targeted Reviews of additional foreclosure files possessing one or more of the following characteristics, if applicable:

A. Foreclosure files where certain third-party vendors were involved.

Trelant will work with Sovereign to determine whether it used any high risk third party vendors (e.g. document execution providers) and in what capacity such vendors were used, and whether they could have contributed to the potential that any borrower suffered financial injury. To the extent such files (“Third Party Vendor Files”) exist, a number will be subject to the Comprehensive Review, and Trelant will augment the sample to include an appropriate number of Third Party Vendor Files. The random statistical sample will be selected with a 95% reliability level, a precision level of 3% and a 10% assumed error rate. Any additional Third Party Vendor Files reviewed will be subject to the Comprehensive Review.

⁶ The number of files is based on estimates from Bank – awaiting confirmation.

⁷ The number of files is based on estimates from Bank – awaiting confirmation.

⁸ It appears that Sovereign currently does not have an automated means of tracking foreclosures completed while there was a pending modification application. The number of loan files in this segment will be identified manually during the project and will be subject to a Comprehensive Review.

B. Foreclosure files where document execution service providers were used.

Treliant will work with Sovereign to determine whether it used any document execution service providers, in what capacity such vendors were used, and whether they could have contributed to the potential that any borrower suffered financial injury. To the extent such files (“Document Execution Service Providers Files”) exist, a number will be subject to the Comprehensive Review described above, and Treliant will augment the sample to include an appropriate number of Document Execution Service Providers Files. The random statistical sample will be selected with a 95% reliability level, a precision level of 3% and a 10% assumed error. Any additional Document Execution Service Providers Files reviewed will be subject to the Comprehensive Review described above.

C. Foreclosure files where fees were assessed to the account prior to the delinquency precipitating foreclosure.

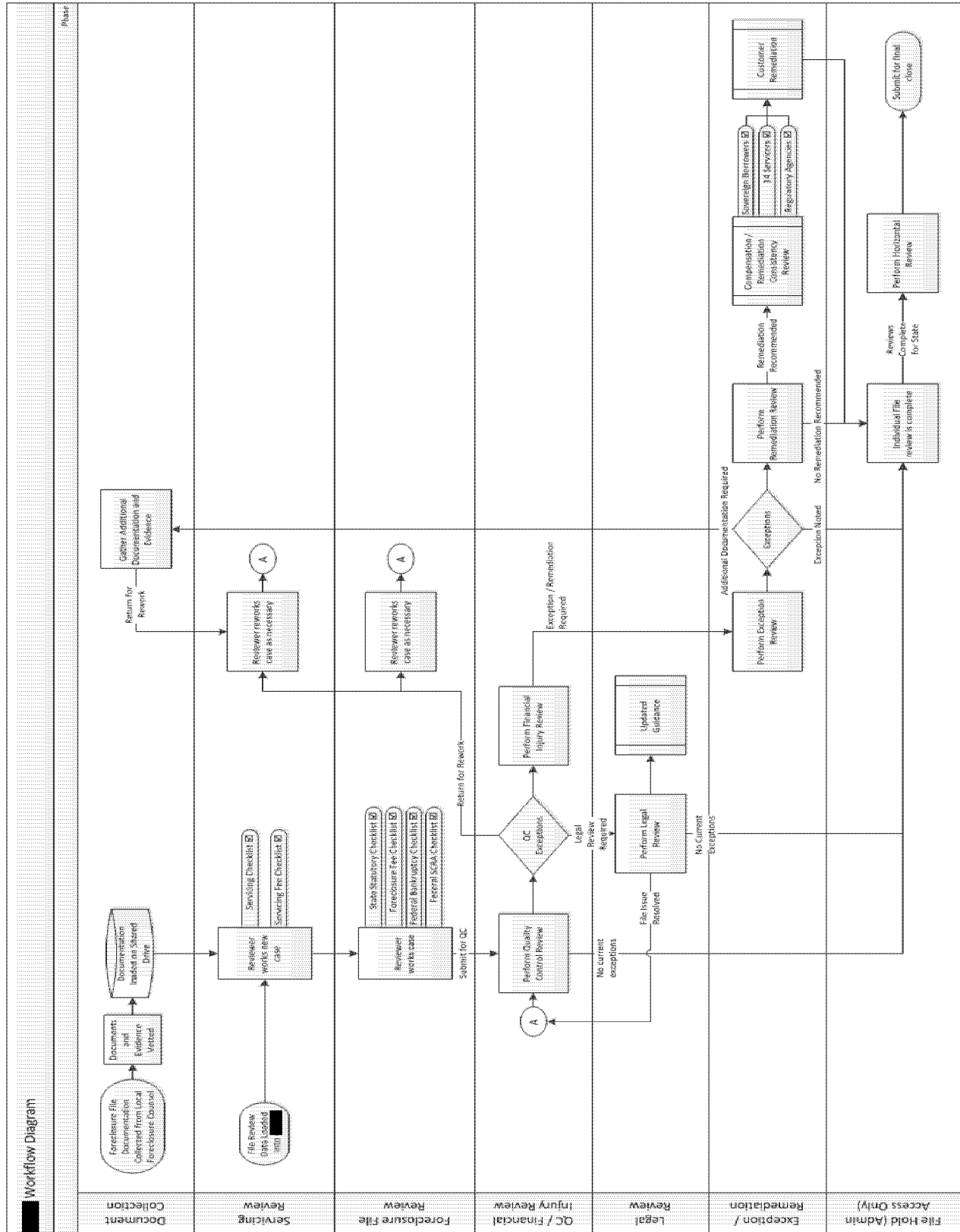
Treliant will work with Sovereign to determine whether there were any foreclosure files where fees were assessed to the account prior to the delinquency precipitating foreclosure. To the extent such files (“Pre-foreclosure Fee Files”) exist, a number will be subject to the Comprehensive Review described above, and Treliant will augment the sample to include an appropriate number of Pre-foreclosure Fee Files. The random statistical sample will be selected with a 95% reliability level, a precision level of 3% and a 10% assumed error rate. Any additional Pre-foreclosure Fee Files reviewed will be subject to the Comprehensive Review described above.

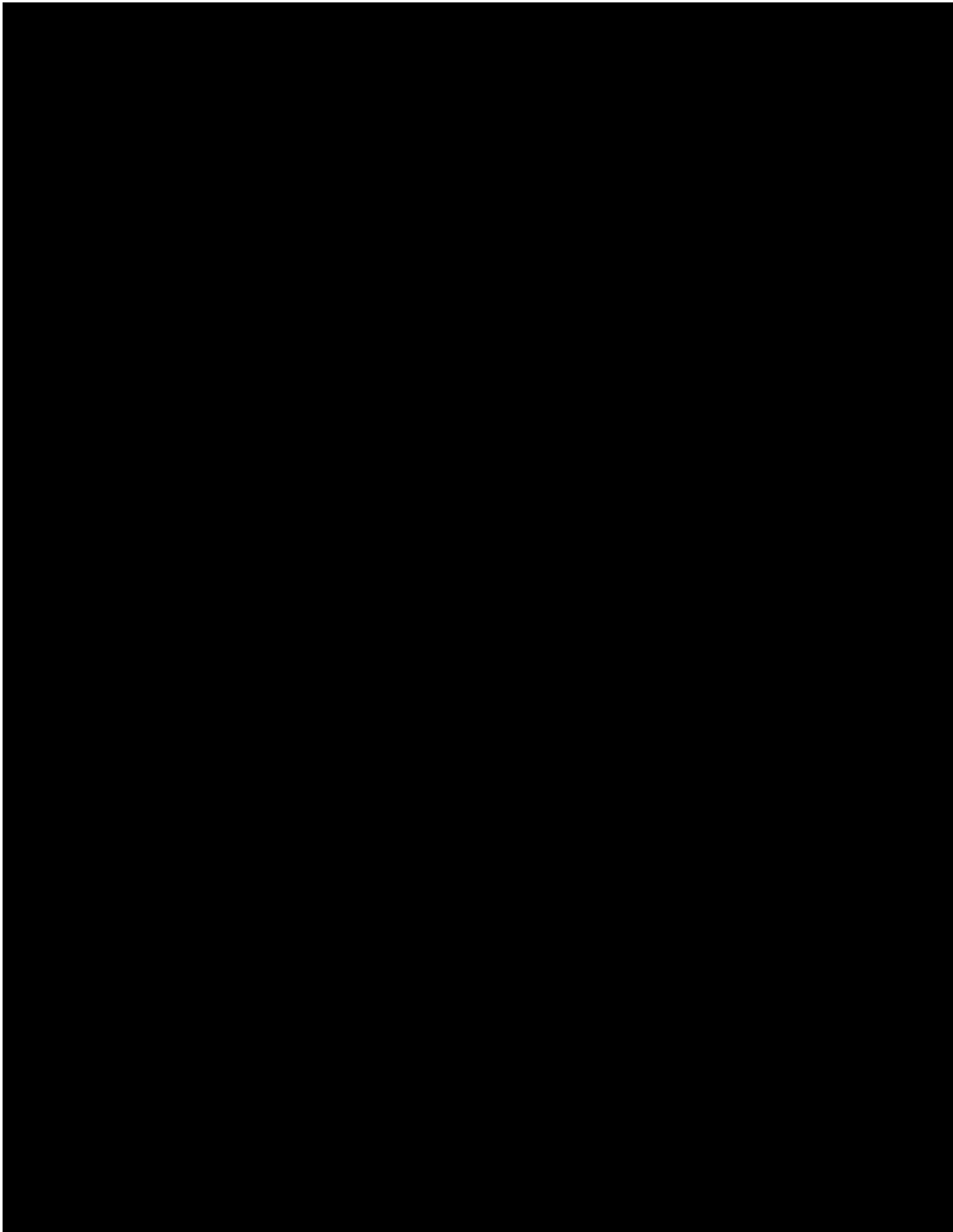
D. Foreclosure files from particular processing centers or units where substantial numbers of documentation errors have been found.

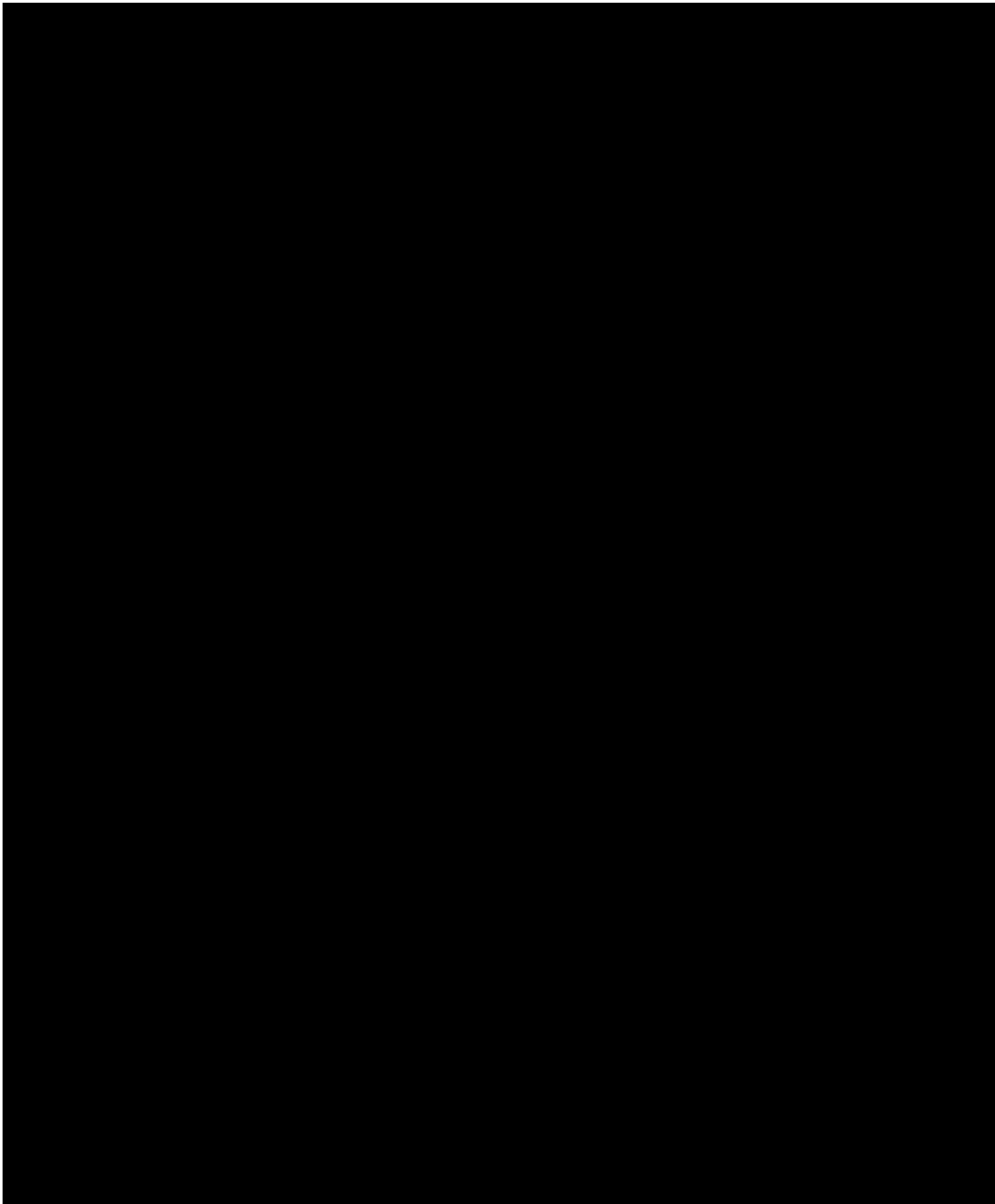
As Sovereign has indicated it has only a single processing center, we anticipate this segment will be inapplicable.

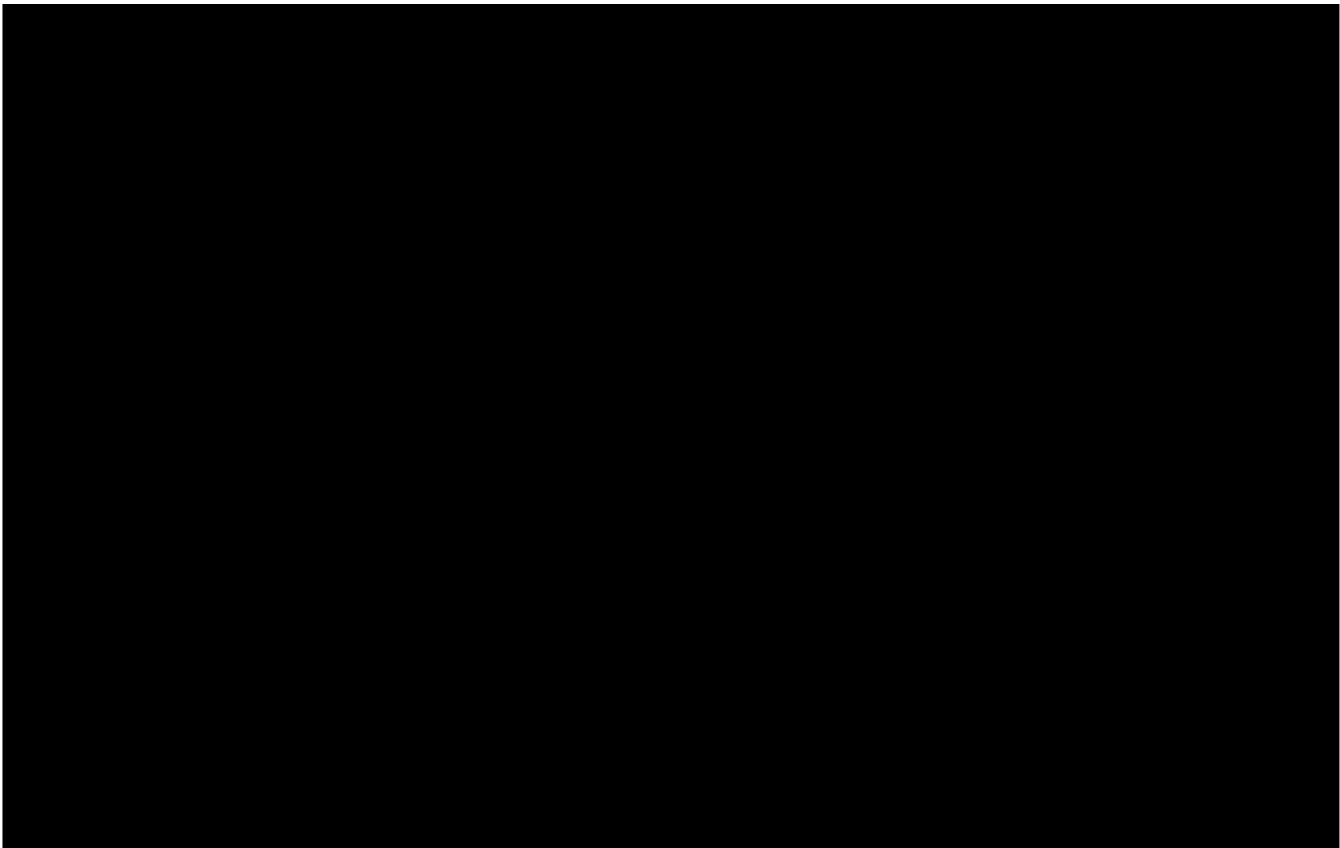
Appendix D: Additional Information on [REDACTED] Review Platform

Sample High Level Process Flow

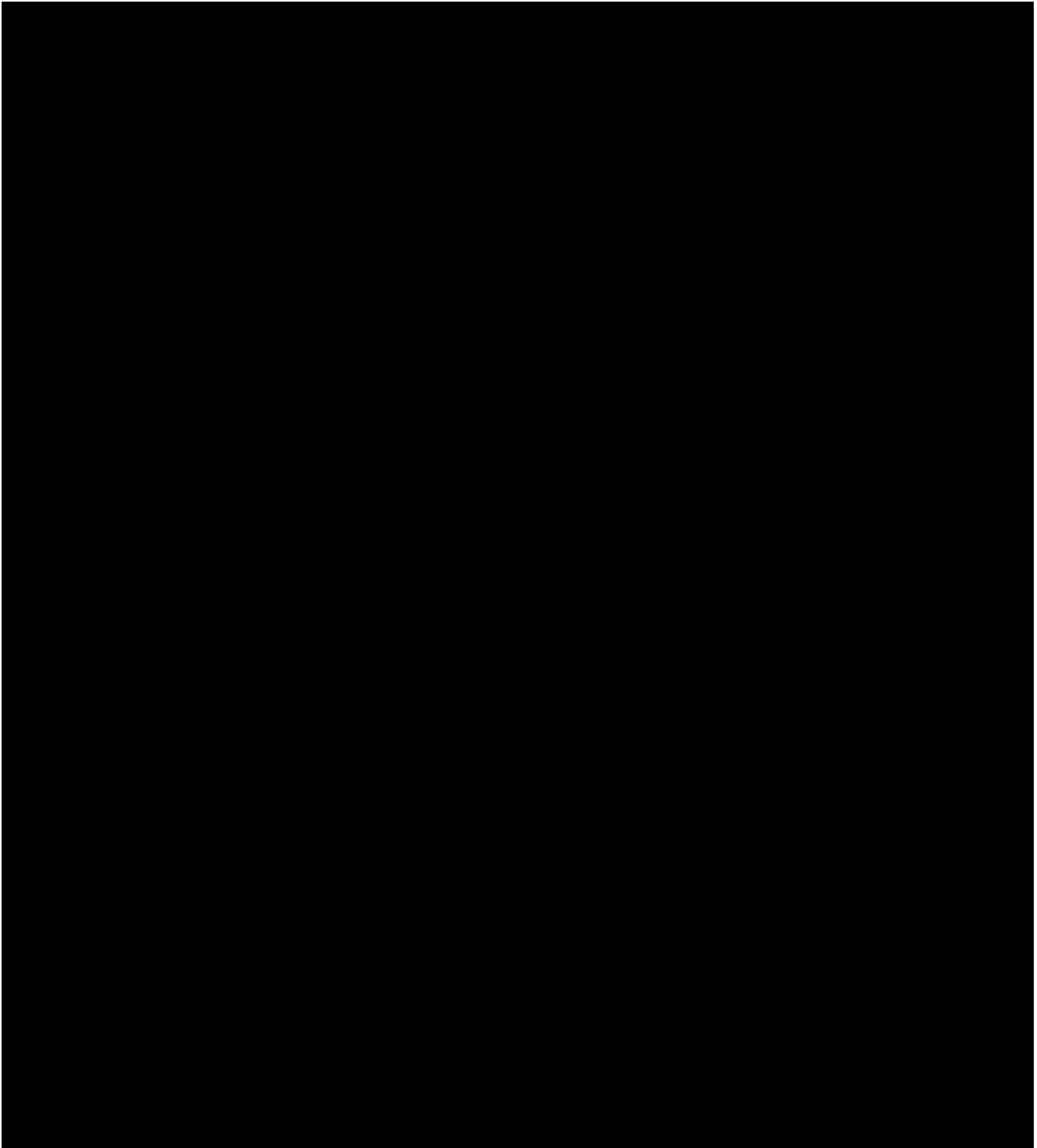






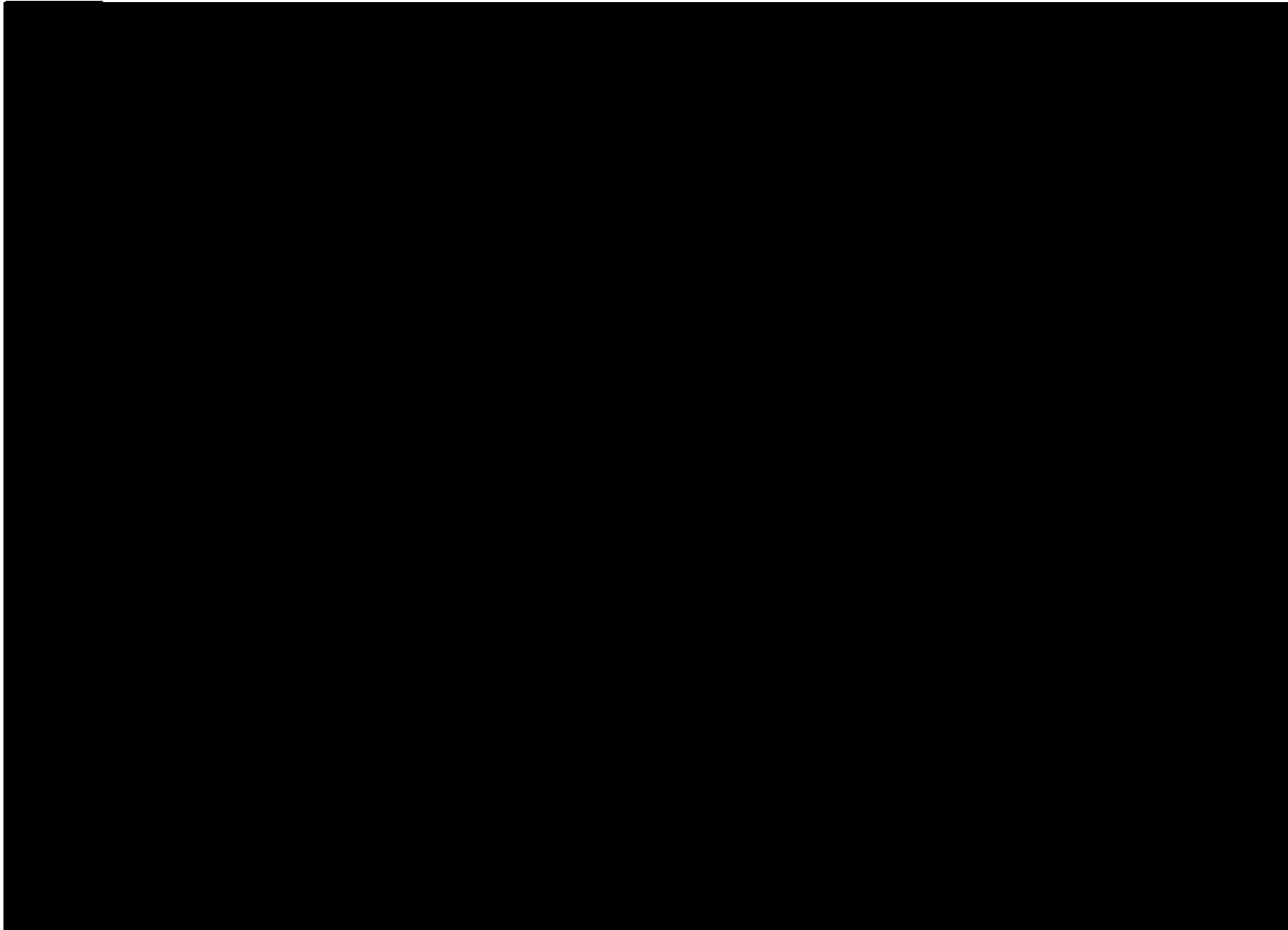


Sample Status Reporting and Dashboards

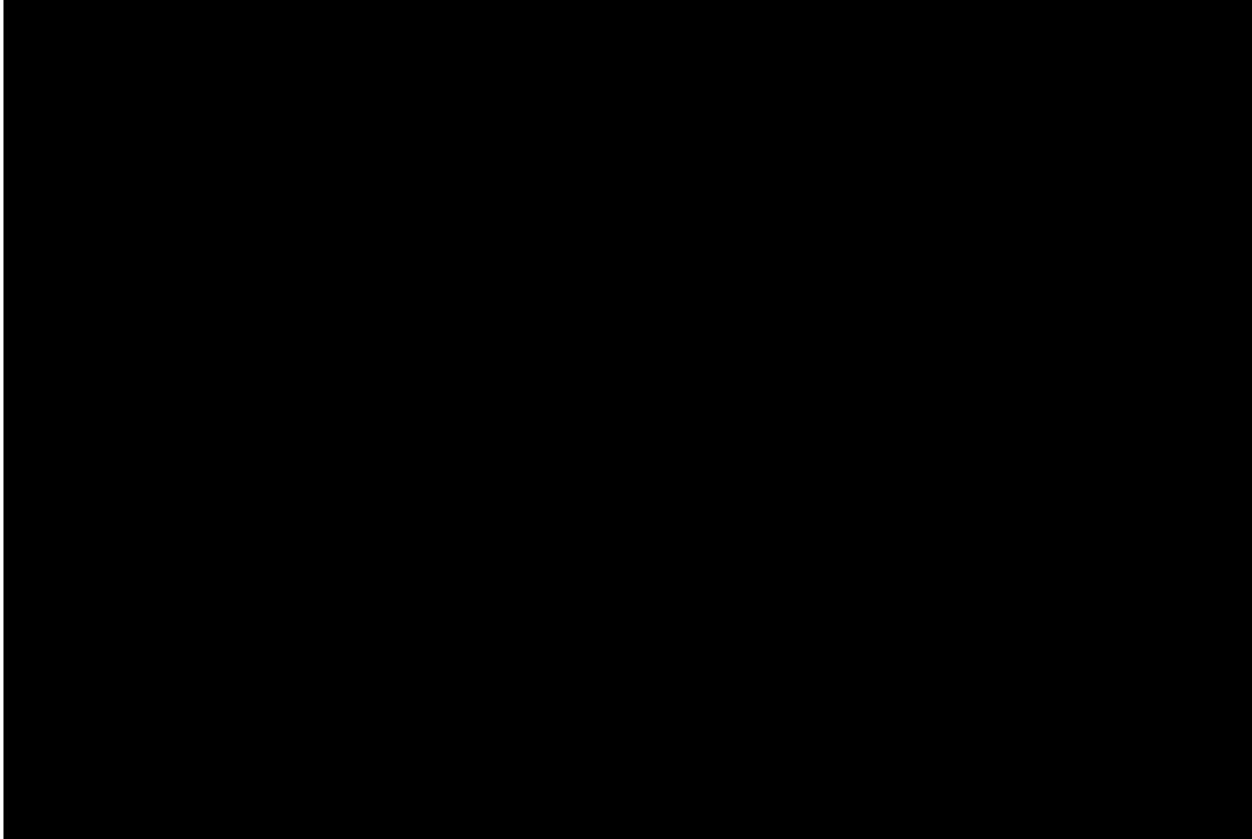


Key Review Metrics

Total Number of Files in Review Population: 127
Percentage of Checklist Documents Found: 95.8%
% of Checklist Criteria met where Documentation is Found: 94.5%



Appendix E: DRAFT Rust Consulting Statement Of Work (As of August 25, 2011)



SOV-EL-0000053 – 0065
REDACTED COMPLETELY

Appendix F: Draft Borrower Outreach Plan (as of August 31, 2011)

DRAFT Outreach Plan

Targeted Marketing

- **Pilot Mail Drop (9/30 – 10/6)**
 - Limited Population (5% of total)
 - Determines initial response rate and operational readiness
 - TBD -> Target hardest hit states or random population
- **Remaining Mail Drop (10/7 – 10/27)**
 - Assumes operational readiness
 - Evenly distributed daily drops of remaining population (95% of total)

Mass Marketing

- **Paid Search**
 - Key terms and variations of "Independent Foreclosure Review" from Pilot through the duration of the program
- **National Media Support**
 - On the heels of the final mail drop to improve customer experience – customers less confused than if they'd seen ad before receiving mail, so fewer calls and faster handling of calls received
 - One-week insertion in Parade, People, TV Guide providing strong coverage of the target segments (Need 6 week lead-time)
 - Media purchase and trafficking – leverage single entity (Rust Consulting) to simplify execution/billing and minimize issues with launch coordination