



Telephonic Board Meeting Tentative Agenda
Iowa Finance Authority
2015 Grand Ave., Des Moines, Iowa
July 18, 2014 1:00 p.m.

I. Iowa Agriculture Development Division

- AG-LP 14-03
- AG-TC 14-07

II. Legal

- Request for Consent to Settlement RE: Triad Guaranty Ins.

III. Miscellaneous Items

- Receive Comments from General Public – 5 min./person; 30 min. total time

IV. Adjournment

*Items on the consent agenda may be removed from the consent agenda for separate consideration at the request of any Board member.
Agenda items may be taken out of order at the discretion of the Board Chair.*

**RESOLUTION
AG-LP 14-03**

WHEREAS, the Iowa Finance Authority (the "Authority"), in accordance with the statutory directives set forth in Chapter 16 of the Code of Iowa and 2013 Iowa Acts House File 607, has established the Iowa Agricultural Development Division ("IADD") to administer the Loan Participation Program pursuant to Chapter 175 and Chapter 16

WHEREAS, the Authority administers programs to assist beginning farmers with the purchase of agricultural land, equipment and breeding livestock; and

WHEREAS, the Authority understands that the lack of capital is a major impediment for beginning farmers and desires to assist those farmers with down payment assistance; and

WHEREAS, the IADD has received an application from a lending institution to participate in a loan for the down payment for the purchase of agricultural land by an eligible beginning farmer; and

WHEREAS, the IADD Board has recommended approval of the funding of the Loan Participation set forth on Exhibit A;

NOW, THEREFORE, BE IT RESOLVED by the Board of the Iowa Finance Authority as follows:

SECTION 1. The Board authorizes the Executive Director to execute and deliver for and on behalf of the Authority any and all certificates, documents, opinions or other papers and perform all other acts as may be deemed necessary or appropriate in order to implement and carry out the intent and purposes of this Resolution.

SECTION 2. The Board authorizes the Authority to finalize this transaction with the Borrower, to negotiate and complete the necessary loan documents, and to fund the participation in the Loan as described herein. The Executive Director is authorized to prepare and execute any necessary documents in connection with the participation in the Loan, consistent with the terms of this Resolution.

SECTION 3. The Board authorizes the Executive Director to fund said participation from available funds held under the IADD, all in the manner deemed necessary and appropriate by the Executive Director, subject to the terms and conditions of this Resolution.

SECTION 4. The provisions of this Resolution are declared to be separable, and if any section, phrase or provisions shall for any reason be declared to be invalid, such declaration shall not affect the validity of the remainder of the sections, phrases and provisions.

SECTION 5. All resolutions, parts of resolutions or prior actions of the Authority in conflict herewith are hereby repealed to the extent of such conflict and this Resolution shall become effective immediately upon adoption.

PASSED AND APPROVED this 18th day of July, 2014.

David D. Jamison, Secretary

(Seal)

Exhibit A

Loan Participation Program

Project No.	Beginning Farmer	Bank	Purpose	Loan Amt
P0189	Martin F. & Jessica A. Geelan	Iowa State Bank, Ruthven	To construct a 2,400 Hd Hog Building	\$150,000.00
P0190	Michael & Nicholas Murch	Lincoln Savings Bank, Reinbeck	To construct 2 Hoop Hog Buildings	<u>\$15,000.00</u>
				<u>\$165,000.00</u>

**RESOLUTION
AG-TC 14-07**

WHEREAS, the Iowa Finance Authority (the "Authority"), in accordance with the statutory directives set forth in Chapter 16 of the Code of Iowa and 2013 Iowa Acts House File 607, has established the Iowa Agricultural Development Division ("IADD") to administer the Agricultural Assets Transfer Tax Credit program pursuant to Chapter 175.37 and the Custom Farming Contract Tax Credit pursuant to Chapter 175.38 (together the "Iowa Agricultural Tax Credit Programs"); and

WHEREAS, the Authority offers tax credits under the Iowa Agricultural Tax Credit Programs as a means of encouraging the execution of assets transfer agreements and custom farming contracts with beginning farmers; and

WHEREAS, the Authority has received applications seeking tax credit allocations from the Iowa Agricultural Tax Credit Programs; and

WHEREAS, the IADD has determined the applications meet the eligibility requirements of Chapter 175.37 and 175.38; and

WHEREAS, the IADD Board has recommended approval of the tax credit applications set forth on Exhibit A; and

WHEREAS, the Authority desires to authorize the allocation of tax credits set forth on Exhibit A;

NOW, THEREFORE, BE IT RESOLVED by the Board of the Iowa Finance Authority as follows:

SECTION 1. The Board authorizes the Executive Director to execute and deliver for and on behalf of the Authority any and all certificates, documents, opinions or other papers and perform all other acts as may be deemed necessary or appropriate in order to implement and carry out the intent and purposes of this Resolution.

SECTION 2. The Board authorizes allocating tax credits to the asset owners set forth on Exhibit A, attached hereto, against taxes imposed in chapter 422, division II, as provided in section 422.11M, and in chapter 422, division III, as provided in section 422.33, and such other restrictions as may be deemed necessary and appropriate by the Executive Director.

SECTION 3. The Board authorizes the Executive Director to certify said tax credits in the manner deemed necessary and appropriate by the Executive Director, subject to the terms and conditions of this Resolution.

SECTION 4. The provisions of this Resolution are declared to be separable, and if any section, phrase or provisions shall for any reason be declared to be invalid, such declaration shall not affect the validity of the remainder of the sections, phrases and provisions.

SECTION 5. All resolutions, parts of resolutions or prior actions of the Authority in conflict herewith are hereby repealed to the extent of such conflict and this Resolution shall become effective immediately upon adoption.

PASSED AND APPROVED this 4th day of July 18, 2014.

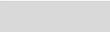
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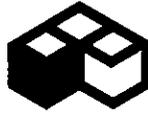
David D. Jamison, Secretary

Exhibit A

Agricultural Assets Transfer Tax Credit Program

Project #	Owner Name	Town	Beginning Farmer	Rental Type	Term(Years)	Tax Credit
1526	Elsie Pick	Carroll	Adam Pick	CS	2	\$ 1,310.84
1527	Richard Black	Farnhamville	Dustin Weston	CS	5	\$ 3,993.20
1528	WNR Corp	Estherville	Keith Richard	CS	2	\$ 8,240.57
1529	Kenneth Mallas	Corning	Tyler Ogburn	CS	5	\$ 7,998.24
1530	Lois Reiger	Waterloo	Peter Schneider	CR	2	\$ 2,181.20
1531	Janice Basler Rev Trust	Humboldt	Nathan Huntley	CR	5	\$ 3,162.25
1532	Martin Halbur	Carroll	Martin Danner	CS	5	\$ 19,498.97
1533	Martin Halbur	Carroll	Martin Danner	CR	5	\$ 1,674.40
1534	Lyle Cluver Conservatorship	Okoboji	Adam Pick	CS	2	\$ 11,001.67
1536	Stewart Iverson	Clarion	Clint Holtkamp	CR	3	\$ 8,400.00
1537	Mildred Reinig Rev Trust	Harlan	Benjamin Reinig	CS	3	\$ 4,818.72
1538	Alvin Reinig Rev Trust	Harlan	Benjamin Reinig	CS	3	\$ 4,339.40
1539	Tom Reinig LTD	Portsmouth	Benjamin Reinig	CS	2	\$ 19,669.61
1541	Russell Richard	Estherville	Keith Richard	CS	5	\$ 17,629.65
1542	Koger Farms, Inc.	Grinnell	John McNulty	CR	2	\$ 966.00
15						<u>\$ 114,884.72</u>

 Denotes Military Veteran



IOWA FINANCE
AUTHORITY

MEMORANDUM

To: IFA Board members
From: Mark Thompson *MT*
Date: July 15, 2014
Re: Settlement re Triad Guaranty Insurance Corporation

IFA has been asked to consent to the settlement of a dispute between Countrywide Home Loans, Inc. and Bank of America, along with certain affiliates (collectively, the “Insureds”), on one hand, and Triad Guaranty Insurance Corp. (“Triad”), on the other. Triad is a mortgage insurance company that sold PMI on a large number of loans originated by a company called American Home Mortgage Corporation (“AHM”). Under an arrangement between Triad and AHM, AHM underwrote and sold the mortgage insurance on behalf of Triad. The loans were subsequently purchased by the Insureds.

After the housing market nearly collapsed in 2008, Triad alleged that AHM had not followed the agreed-upon underwriting criteria in selling the insurance. Consequently, Triad sought to rescind all of the policies underwritten and sold by AHM. Two lawsuits were filed; an adversary proceeding in bankruptcy court in Delaware in which Triad seeks to rescind the AHM mortgage insurance policies and to establish a class action, and one in state court in California, in which the Insureds seek to enforce the policies and to prevent the wholesale rescission of the insurance policies in question. Note that IFA is not a party to either lawsuit.

The settlement is an attempt to resolve the entire dispute in which wholesale rescission would be avoided, but a system for challenging the validity of mortgage insurance policy obligations on a case-by-case basis would be established. The Settlement Agreement requires that certain consents be obtained for the Settlement Agreement to be valid as to certain loans. The materials attached to the Settlement Agreement show AHM originated 18 IFA loans, one of which shows a “claim payment” of \$29,580. IFA securitized all 18 loans in the process of issuing mortgage backed securities. IFA has not been able to identify the 18 loans with specificity from the information provided, but IFA securitized all such loans during the time period in question,

The parties are offering IFA, as an “Investor,” the opportunity to consent to the Settlement Agreement. The documents provide that if IFA consents, the 18 loans will be subject to the Settlement Agreement. If IFA opts out or if it does nothing, then the loans will not be subject to the Settlement Agreement. Staff (Cindy Harris, Deb Haugh, and I) do not believe that IFA has any liability or anything to gain either way. Due to the securitization of the loans, we believe that liability for any defaults on the underlying mortgages should accrue to the originating lender, or

if the originating lender is not able to pay, the master servicer. IFA does not hold any single family whole loans originated by AHM (or by anyone else, for that matter).

It appears that IFA's requested consent is an "Other Consent" as described in section 14 of the Settlement Agreement, although this is not made explicitly clear. None of the schedules listed on page 26 of the Settlement Agreement were included in the information.

The "Statement of Important Information Related to the Settlement . . ." IFA received states in part:

If the CHL/Triad Settlement Administrator does not receive either the Consent form or Opt-Out form postmarked or emailed by July 31, 2014, you shall be deemed to have opted-out of the Settlement and all of your residential whole loans will be excluded from the settlement.

The choice to include or exclude the residential whole loans that apply to you from the Settlement, or to not timely return the Consent form, has certain consequences, and you may wish to consult an attorney. If you opt-out of the Settlement or fail to return the Consent form, that means, among other things, that your residential whole loans (the "Excluded Loans") will be ineligible to participate in or be entitled to any of the benefits of the terms of the Settlement.

*In addition, upon satisfaction of the conditions to implementation of the Settlement Agreement, the legal proceeding, captioned Countrywide Home Loans, Inc., et al. v. Triad Guaranty Insurance Corp., et al., Case No. BC433189 (Superior Court of the State of California, County of Los Angeles), will be dismissed, **without prejudice**, as to your Excluded Loans. Thereafter, where BANA (Bank of America, N.A.) is the master servicer or servicer for your Excluded Loans, BANA will continue to comply with any contractual requirements to file and perfect mortgage insurance claims. However, BANA will not undertake additional efforts to pursue Triad for mortgage insurance coverage on Excluded Loans unless required to do so by contract. Any further action brought against Triad not required by contract would be the responsibility of the investor. In addition, any legal or contractual limitations period and any defenses based on the passage of time for any causes of action with respect to your Excluded Loans may be tolled for a limited period of time, as specified in the Settlement Agreement. At the expiration of such period, any causes of action with respect to such Excluded Loans may be extinguished by operation of law.*

The Settlement Agreement packet of information is attached. Please note that this agreement is subject to a Non-Disclosure Agreement ("NDA"). IFA had to execute the NDA in order to receive the information. The NDA specifies that the information remains the property of the Disclosing Party. So please do not disclose the information to anyone outside the IFA organization, and please delete it once you have finished with it. IFA will maintain a copy here.

The recommendation of staff at this point is that IFA do nothing. Since IFA appears to have no liability or advantage to be gained in either case, we feel our best course is to do nothing. That way we can't be said to have somehow ratified the Settlement Agreement or its terms in the unlikely event that this issue somehow comes back to trouble IFA in the future. Because the settlement of claims or litigation requires board action, we felt we needed to bring this matter before the board.

**STATEMENT OF IMPORTANT INFORMATION RELATED TO THE SETTLEMENT AMONG TRIAD
GUARANTY INSURANCE CORPORATION, IN REHABILITATION, AND COUNTRYWIDE HOME LOANS,
INC., COUNTRYWIDE FINANCIAL CORPORATION AND BANK OF AMERICA, N.A.**

This is not a solicitation from a lawyer.

Your legal rights are affected whether you act or don't act. Please read this statement carefully.

Thank you for executing the non-disclosure agreement ("NDA") relating to the settlement entered into among Triad Guaranty Insurance Corporation, in Rehabilitation ("Triad"), and Countrywide Home Loans, Inc. ("CHL"), Countrywide Financial Corp. ("CFC") and Bank of America, N.A. (f/k/a BAC Home Loans Servicing, f/k/a Countrywide Home Loans Servicing LP), on its own behalf and as successor in interest by *de jure merger* to Countrywide Bank FSB, formerly Treasury Bank (individually "BANA", and collectively, with CHL and CFC, the "Insureds"), on October 4, 2013, as amended (the "Settlement"). Enclosed you will find (i) a listing of your impacted residential whole loans; (ii) the Settlement Agreement and its exhibits (the "Settlement Agreement"); (iii) the Election to Approve, Consent and Release form ("Consent form"); and (iv) the Election of Non-Approval and Opt-Out form ("Opt-Out form"). To the extent there is a conflict between this Statement and the Settlement Agreement, the Settlement Agreement governs. Capitalized terms used herein but not otherwise defined shall have the meanings set forth in the Settlement Agreement.

**INCLUDING YOUR RESIDENTIAL WHOLE LOANS IN
THE SETTLEMENT**

To be eligible to participate in the Settlement, you must execute the Consent form, and mail it, postmarked no later than **July 31, 2014**, to CHL/Triad Settlement Administrator, P.O. Box 10031, Dublin, OH 43017-6631. You may also email the executed Consent form in .pdf or similar format to chltriadsettlement@gcginco.com no later than July 31, 2014. Please include your name and signature on the Consent form.

The choice to include your residential whole loans in the Settlement (the "Consenting Loans") has certain consequences, and you may wish to consult an attorney. As explained in more detail in the Consent form, if you consent to the Settlement, that means that you, among other things, approve of and consent to the Settlement Agreement's terms and execution thereof for the Consenting Loans.

**EXCLUDING YOUR RESIDENTIAL WHOLE LOANS
FROM THE SETTLEMENT**

If you want to exclude your residential whole loans from the Settlement, you may opt-out. To opt-out, execute the Opt-Out form, and mail it, postmarked no later than **July 31, 2014**, to CHL/Triad Settlement Administrator, P.O. Box 10031 Dublin, OH 43017-6631. You may also email the

executed Opt-Out form in .pdf or similar format to chltriadsettlement@gcginco.com no later than July 31, 2014. Please include your name and signature on the Opt-Out form.

If the CHL/Triad Settlement Administrator does not receive either the Consent form or Opt-Out form postmarked or emailed by **July 31, 2014**, you shall be deemed to have opted-out of the Settlement and all of your residential whole loans will be excluded from the settlement.

The choice to include or exclude the residential whole loans that apply to you from the Settlement, or to not timely return the Consent form, has certain consequences, and you may wish to consult an attorney. If you opt-out of the Settlement or fail to return the Consent form, that means, among other things, that your residential whole loans (the "Excluded Loans") will be ineligible to participate in or be entitled to any of the benefits of the terms of the Settlement.

In addition, upon satisfaction of the conditions to implementation of the Settlement Agreement, the legal proceeding, captioned *Countrywide Home Loans, Inc., et al. v. Triad Guaranty Insurance Corp., et al.*, Case No. BC433189 (Superior Court of the State of California, County of Los Angeles), will be dismissed, **without prejudice**, as to your Excluded Loans. Thereafter, where BANA is the master servicer or servicer for your Excluded Loans, BANA will continue to comply with any contractual requirements to file and perfect mortgage insurance claims. However, BANA will not undertake additional efforts to pursue Triad for mortgage insurance coverage on Excluded Loans unless required to do so by contract. Any further action brought against Triad not required by contract would be the responsibility of the investor. In addition, any legal or contractual limitations period and any defenses based on the passage of time for any causes of action with respect to your Excluded Loans may be tolled for a limited period of time, as specified in the Settlement Agreement. At the expiration of such period, any causes of action with respect to such Excluded Loans may be extinguished by operation of law.

**FOR ADDITIONAL INFORMATION, CONTACT THE SETTLEMENT ADMINISTRATOR AT:
CHLTRIADSETTLEMENT@GCGINC.COM OR 1 (888) 985-9375**

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Attachment A

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INVESTOR LOAN LIST
SETTLEMENT AMONG TRIAD GUARANTY INSURANCE CORPORATION, IN REHABILITATION,
AND COUNTRYWIDE HOME LOANS, INC., COUNTRYWIDE FINANCIAL CORPORATION, AND BANK OF AMERICA N.A.

Sch	LoanNum	CertNum	Investorname_Final	Bond Program Name	AHM_Flag	PayRate	Claim Payment (Sch 1.2)	Revised Paid Amt (Sch 1 Paid, AHM Only)	Owed to Triad (Sch 1 Paid, AHM Only)	DPO Reduction (Sch 1 Paid, AHM Only)	Premium Refund Amt (Sch 3.4)	Est. Claim Amt (Sch 3.4.6)
2	24419783	319488	BAC CHL COUNTRYWIDE HOME LOANS	IOWA HOUSING	No		0					
2	25561937	415378	BAC CHL COUNTRYWIDE HOME LOANS	Iowa Housing	No		0					
2	25561955	416390	COUNTRYWIDE HOME LOANS BOND LNS	Iowa Housing	No		0					
2	25562092	414684	BAC CHL COUNTRYWIDE HOME LOANS	Iowa Housing	No		0					
2	25563244	510839	BAC CHL COUNTRYWIDE HOME LOANS	Iowa Housing	No		0					
2	31652719	508462	COUNTRYWIDE HOME LOANS BOND LNS	Iowa Housing	No		0					
2	32788393	361906	BAC CHL COUNTRYWIDE HOME LOANS	IOWA HOUSING	No		0					
2	35262882	373576	BAC CHL COUNTRYWIDE HOME LOANS	IOWA HOUSING	No		0					
2	38250263	366712	BAC CHL COUNTRYWIDE HOME LOANS	IOWA HOUSING	No		0					
2	39177945	372402	BAC CHL COUNTRYWIDE HOME LOANS	IOWA HOUSING	No		0					
2	39231342	390657	BAC CHL COUNTRYWIDE HOME LOANS	IOWA HOUSING	No		0					
2	39231382	378316	BAC CHL COUNTRYWIDE HOME LOANS	IOWA HOUSING	No		0					
2	39231694	385846	BAC CHL COUNTRYWIDE HOME LOANS	IOWA HOUSING	No		0					
2	45673051	406089	BAC CHL COUNTRYWIDE HOME LOANS	IOWA HOUSING	No		0					
2	47972584	414157	BAC CHL COUNTRYWIDE HOME LOANS	Iowa Housing	No		0					
2	47972816	418117	COUNTRYWIDE HOME LOANS BOND LNS	Iowa Housing	No		29,580					
2	86310565	459844	TRANSFER-SERVICING RELEASE	Iowa Housing	No		0					
2	87384749	508868	COUNTRYWIDE HOME LOANS BOND LNS	Iowa Housing	No		0					

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Settlement Agreement and its exhibits

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**CONFIDENTIAL SETTLEMENT/MEDIATION COMMUNICATION SUBJECT TO RULE
408 OF THE FEDERAL RULES AND STATE EQUIVALENT**

CONFIDENTIAL SETTLEMENT AGREEMENT AND RELEASE

This CONFIDENTIAL SETTLEMENT AGREEMENT AND RELEASE (“Settlement Agreement”) is made effective this 4th day of October, 2013 (“Signing Date”), by and among Triad Guaranty Insurance Corporation, in rehabilitation, on behalf of itself and its successors and assigns (collectively, “Triad”), and Countrywide Home Loans, Inc. (“CHL”), Countrywide Financial Corporation (“CFC”), and Bank of America, N.A. (“Bank of America”) (f/k/a BAC Home Loans Servicing, f/k/a Countrywide Home Loans Servicing LP (“Servicing”)), on its own behalf and as successor in interest by *de jure* merger to Countrywide Bank FSB, formerly Treasury Bank, (“Countrywide Bank”), on behalf of themselves and their successors and assigns (collectively, the “Insureds”). Triad and the Insureds are collectively referred to herein as the Parties.

RECITALS

WHEREAS, Triad provides mortgage insurance coverage on Subject Loans;

WHEREAS, on or about March 5, 2010, the Insureds initiated the State Action against Triad with respect to Subject Loans, all as detailed in the Complaint annexed hereto as Exhibit A;

WHEREAS, on or about September 4, 2009, Triad commenced an Adversary Proceeding, seeking global rescission with respect to AHM Subject Loans, all as detailed in the Complaint annexed hereto as Exhibit B, which the bankruptcy court dismissed on August 27, 2012;

WHEREAS, Triad currently is operating under a Corrective Order issued by the Illinois Department of Insurance (“DOI”), pursuant to which Triad currently pays valid claims under its mortgage insurance policies 60% in cash and 40% in DPO;

WHEREAS, on December 11, 2012, the court in the Rehabilitation Action entered an order finding Triad to be insolvent and placing Triad in rehabilitation (“Rehabilitation Order”);

WHEREAS, Paragraph 10(iii) of the Rehabilitation Order enjoins the prosecution or further prosecution of any action at law, in equity, or otherwise, except to the extent that said action is brought before the Rehabilitation Court (“Antisuit Injunction”);

WHEREAS, the Parties each acknowledge that absent the entry of this Settlement Agreement and subject to the Rehabilitator’s assertion of the Antisuit Injunction, the Parties would continue to prosecute or defend all of their positions raised in the Mortgage Insurance Dispute, including in the State Action and the Adversary Proceeding;

WHEREAS, except as set forth herein, the Parties now desire to limit the expense, inconvenience, and distraction of litigation, including the issues raised in the State Action and

the Adversary Proceeding, and wish to resolve their claims and differences at issue in the Mortgage Insurance Dispute; and

WHEREAS, the Parties understand and agree that no Party, by entering this Settlement Agreement, admits the accuracy of any position advanced by any other Party to the Mortgage Insurance Dispute and that any resolution reached, whether by mutual agreement or by further resolution in accordance with the terms of this Settlement Agreement, is the resolution of a disputed claim.

NOW THEREFORE, intending to be legally bound, for good and valuable consideration, the sufficiency of which is hereby acknowledged, including the mutual releases contained herein and all other terms and conditions of this Settlement Agreement, except as otherwise expressly provided for in this Settlement Agreement, the Parties agree as follows:

AGREEMENT

1. **Definitions.** The following definitions govern this Settlement Agreement.
 - (a) **“Adversary Proceeding”** means Triad’s adversary proceeding, captioned Triad Guaranty Corp., v. American Home Mortgage Investment Corp, et al., Case No. 09-52193 (Del. Bankr.), in which Triad sought global rescission of mortgage insurance policies and related certificates issued by Triad to AHM. On or about May 10, 2010, the bankruptcy court granted the motion to intervene in the Adversary Proceeding filed by CHL, Countrywide Bank and Servicing; on August 27, 2012 the bankruptcy court dismissed Triad’s adversary proceeding for lack of subject matter jurisdiction.
 - (b) **“AHM Subject Loans”** means all loans originated or acquired by the Insureds from American Home Mortgage Corporation (“AHM”) and insured under various mortgage insurance policies and related certificates issued by Triad as identified on Schedule 1.
 - (c) **“Antisuit Injunction”** has the meaning provided in the Recitals.
 - (d) **“BANA/CHL Subject Loans”** means all loans originated or acquired by (i) Bank of America and insured under various mortgage insurance policies and related certificates issued by Triad, including but not limited to: Policy Nos. 05-0308-0007 and 40-0001-0004; (ii) CHL and Countrywide Bank and insured under various mortgage insurance policies and related certificates issued by Triad, including but not limited to: Policy Nos. 40-0138-0007, 40-0138-0008, 05-0214-0115, 05-0214-0116, 05-0214-0036 and 05-0214-0037; (iii) one or more of the Insureds, and held in Countrywide-sponsored private label securitizations, and insured under various mortgage insurance policies and related certificates issued by Triad, including but not limited to: Policy Nos. 05-0309-0001, and 05-0309-0002; and (iv) one or more of the Insureds and insured under Correspondent Policies. BANA/CHL Subject Loans are identified on Schedule 2.

- (e) **“Borrower’s Title”** means “Borrower’s Title to the Property” as that term is defined in by Section I(D) of master policy no. 05-0214-0036.
- (f) **“Claim Denial Letter”** is a letter in the form attached hereto as Exhibit G.
- (g) **“Contested Notice(s) of Rescission”** means Triad notices of rescission issued on or before August 31, 2011 on the Subject Loans as explicitly identified on Schedule 3, and Triad notices of rescission after August 31, 2011 on those AHM Subject Loans explicitly identified on Schedule 4.
- (h) **“Correspondent Policies”** means each of the various first-lien flow mortgage insurance policies and related certificates issued by Triad insuring first-lien flow mortgage loans acquired by the Insureds from various third-party correspondent lenders or whole-loan or bulk acquisition lenders. The Parties acknowledge that they are unable at this time to identify each of the Correspondent Policies with specificity.
- (i) **“Coverage Rescission”** means a determination by Triad either in response to a claim or otherwise that a loan was not eligible for mortgage insurance coverage on the date the loan was originated.
- (j) **“Dispute Resolution Procedures”** means the procedures described in Section 5.
- (k) **“DOI”** has the meaning provided in the Recitals.
- (l) **“DPO” or “Deferred Payment Obligation”** means the deferred amount of each claim payment Triad is obligated to make to one or more of the Insureds as owner of the loan or as servicer, or both. As of the Signing Date, pursuant to the DOI’s May 26, 2009 Amended Corrective Order No. 01-2009 (hereinafter “Corrective Order”), Triad pays valid claims under its mortgage insurance policies 60% in cash and 40% that may be paid in the future, as soon as Triad’s financial status will allow, as determined by the Rehabilitator, and approved by the Rehabilitation Court upon the filing of a petition by the Rehabilitator. The percentage paid for valid claims and the percentage that is deferred may be changed by the Rehabilitation Court through the Plan of Rehabilitation or other order of the Rehabilitation Court.
- (m) **[Reserved]**.
- (n) **“Excluded Loans”** means those Subject Loans that do not receive requisite Other Consent, designated as Excluded Loans on Schedule 5 pursuant to Section 14(e).
- (o) **“Exclusion”** means each of the policy provisions as enumerated in this Section 1(o) and no others. Notwithstanding anything in this Section 1(o) to the contrary, all policy provisions other than those enumerated below are expressly omitted from the scope of this definition now and in the future, including, but not limited to, down payment exclusions related to whether a borrower did not make a down payment as described in an application for coverage. The Exclusions are defined

for each Subject Loan by the master policy governing the certificate under which that Subject Loan is insured. Nothing herein shall be understood to add one of the below listed Exclusions to a master policy that does not contain such an Exclusion.

(i) The specific wording of any substantially comparable Exclusion may vary by applicable master policy and may not necessarily be designated as an exclusion in the applicable master policy. For ease of use, this Section 1(o) references CHL master policy no. 05-0214-0036. Notwithstanding this reference, to the extent a conflict exists regarding the wording of the Exclusions found in CHL master policy no. 05-0214-0036 and the Exclusions found in a master policy that governs a Subject Loan, the wording of the Exclusions found in the governing master policy shall serve as the controlling language.

- (1) Balloon Payment
- (2) Effective Date
- (3) Incomplete Construction
- (4) Negligence and Fraud (as defined by Section III(D)(2) of master policy no. 05-0214-0036), to be used only for the purpose of assessing Servicing Adjustments, where appropriate, and not as a basis for Coverage Rescissions. Section III(D)(1) of the Negligence and Fraud Exclusion in master policy no. 05-0214-0036 (and comparable language in other master policy forms), only if it involves acts by the Servicer, and only to be used for the purpose of assessing Servicing Adjustments, where appropriate, and not as a basis for Coverage Rescissions.
- (5) Environmental Impairment
- (6) Physical Damage (Other than Relating to Pre-Existing Environmental Conditions)
- (7) First Lien Status
- (8) Breach of the Insured's Obligations or Failure to Comply with Terms (not to be used as a basis for Coverage Rescissions, and provided that Triad shall not be permitted to apply this Exclusion in a manner materially other than the manner in which the Exclusion was applied prior to the Signing Date).
- (9) Loan Modifications
- (10) Assumptions

- (ii) In addition to the above-listed, the following policy provisions shall be defined as Exclusions for purposes of this definition:
 - (1) Notice of Default (subject to the requirements specifically set forth in IV(A)(3) of master policy no. 05-0214-0036)
 - (2) Mitigation of Damages (as defined by Section IV(F)(2) of master policy no. 05-0214-0036)
 - (3) Filing of claims (subject to the requirements specifically set forth in V(A)(1) V(A)(2) and V(A)(3) of master policy no. 05-0214-0036)
- (iii) Nothing contained herein shall prevent any party from denying or contesting whether or not a claim has been perfected in conformance with the requirements of Exhibit C hereto.
- (p) **“GSE Required Consents”** means written consents as set forth in Section 13 from Fannie Mae and Freddie Mac (collectively “GSEs”).
- (q) **“Monthly Settlement Loan Report”** means each loan report in the form of Exhibit D, to be delivered pursuant to Section 4(d).
- (r) **“Mortgage Insurance Dispute”** means (i) all claims at issue between the Parties in the State Action, including Subject Loans; (ii) all claims at issue between the Parties in the Adversary Proceeding, including AHM Subject Loans; and (iii) the Parties’ dispute of Triad’s mortgage insurance coverage obligations generally for Subject Loans.
- (s) **“Other Consents”** means written consent obtained from a trustee, person, servicer, or other entity (“trustee/other”) acting in the capacity as trustee or as decision-maker under delegated authority or otherwise with respect to Subject Loans, to the extent required as specified on Schedules 1 and 2; Other Consents shall substantially be in the form of Exhibit E as set forth at Section 14.
- (t) **“Payment in Full”** means (i) with respect to Pending & Future Claims that are BANA/CHL Subject Loans means payment of the full cash component of the claim payment plus the appropriate accounting of any applicable DPO pursuant to either the Corrective Order governing Triad now in effect or any superseding Rehabilitation Plan; and (ii) with respect to Pending & Future Claims that are AHM Subject Loans means payment of 60% of the cash component plus the appropriate accounting of any applicable DPO pursuant to the Corrective Order governing Triad now in effect or any superseding Rehabilitation Plan.
- (u) **“Pending & Future Claims”** means any and all Subject Loans within any of the following categories: (i) where a claim for mortgage insurance has been submitted as of August 31, 2011 but which has not yet been decisioned by Triad as of the Signing Date; (ii) where a claim for mortgage insurance has been submitted on or

after August 31, 2011 even if a rescission has already been communicated between August 31, 2011 and the Signing Date; (iii) for which a claim for mortgage insurance has not been submitted as of the Signing Date; or (iv) Reinstated Loans. However, Pending & Future Claims do not include those Contested Notice(s) of Rescission or Previous Claim Denials identified on Schedules 3 and 4, and Subject Loans that are Excluded Loans pursuant to Section 14(e).

- (v) **“Perfectured Claim”** means a Pending & Future Claim that is timely received within the time specified in the applicable master policy, and where all of the material information described on Exhibit C, hereto has been provided.
- (w) **“Previous Claim Denial”** means those requests for benefits for which a Claim Denial Letter was issued on a Subject Loan prior to the Signing Date as identified on Schedule 3, and those requests for benefits for which a Claim Denial Letter was issued on an AHM Subject Loan prior to the Signing Date as identified on Schedule 4.
- (x) **“Rehabilitation Action”** means Triad’s rehabilitation proceeding, captioned *In the Matter of the Rehabilitation of Triad Guaranty Insurance Corp. and Triad Guaranty Assurance Corp.*, Case No. 12 CH 43895, before the Illinois Circuit Court of Cook County.
- (y) **“Rehabilitation Court”** means the court presiding over the Rehabilitation Action.
- (z) **“Rehabilitation Court Required Consent”** means an order from the Rehabilitation Court as set forth in Section 13(a)(ii).
- (aa) **“Rehabilitation Order”** has the meaning given it in the Recitals.
- (bb) **“Rehabilitation Plan”** means any plan of rehabilitation pursuant to 215 ILCS 5/194(b) that is implemented by the Rehabilitator and/or Rehabilitation Court.
- (cc) **“Rehabilitator”** means the Director of Insurance of the State of Illinois, in his capacity as statutory and court affirmed rehabilitator of Triad. As of the Signing Date, pursuant to the Rehabilitation Court’s December 11, 2012 Order, Andrew Boron, Director of Insurance of the State of Illinois, and his successors in office, is affirmed as the Rehabilitator.
- (dd) **“Reinstated Loans”** means those Contested Notices of Rescission identified on Schedule 6, which will be reinstated upon obtaining the applicable Required Consent or Other Consent and upon the return of any previously refunded premiums.
- (ee) **“Resolved Pending & Future Claims”** means Subject Loans for which a Perfectured Claim has been submitted and for which: (a) Triad has made Payment in Full; (b) the Insureds have accepted Triad’s determination of coverage; or (c)

there has been a final decision under the Dispute Resolution Procedure provided in Section 5(b), and full compliance by the Parties with that decision.

- (ff) **“Required Consents”** means the GSE Required Consents and the Rehabilitation Court Required Consent collectively.
- (gg) **“Servicing Adjustments”** means reductions or corrections to some portion of a payment of a claim based on alleged servicing-related conduct. “Servicing Adjustments” shall expressly exclude any reductions or corrections to a claim on the basis that a loan was not eligible for mortgage insurance coverage on the date the loan was originated.
- (hh) **“State Action”** means the action captioned *Countrywide Home Loans, Inc., et. al. v. Triad Guaranty Insurance Corp., et. al*, Case No. BC433189 (Superior Court of the State of California, County of Los Angeles).
- (ii) **“Subject Loans”** means the AHM Subject Loans and BANA/CHL Subject Loans collectively, as identified on Schedules 1 and 2, respectively.
- (jj) **“Unresolved Pending & Future Claims”** means Subject Loans for which a Perfected Claim has been submitted or will be submitted at any time in the future and for which: (i) Triad has not made Payment in Full and the Insureds have not accepted Triad’s determination of coverage; (ii) there has not been a final decision pursuant to the Dispute Resolution Procedure provided in Section 5(b); or (iii) there has been a final decision under the Dispute Resolution Procedure provided in Section 5(b), but not full compliance by the Parties with that decision.

2. **No Future Rescissions, and Payment of Pending & Future Claims.**

- (a) Triad shall not assert Coverage Rescission on any Pending & Future Claims, or when processing Pending & Future Claims, otherwise deny coverage for any fact or circumstance arising from the origination of the loans; and
- (b) Triad may only deny or adjust coverage for a Pending & Future Claim based on one or more Exclusions.
 - (i) Any Exclusion claimed by Triad shall be accompanied by a contemporaneous writing specifying the basis upon which such Exclusion applies.
 - (ii) Any Servicing Adjustment claimed by Triad shall be accompanied by a contemporaneous writing in the form attached hereto as Exhibit F specifying, on a loan-by-loan basis, each item and the reason code for each claimed servicing failure. The Parties further agree that the servicer retains all rights to challenge and dispute any such Servicing Adjustment.

- (iii) The Insureds shall have the right to challenge and dispute Triad's assertion of any Exclusion and/or Servicing Adjustment, pursuant to the Dispute Resolution Procedure set forth in Sections 5(a)-(b).
- (c) Triad shall make Payment in Full as follows:
 - (i) As to Pending & Future Claims that are subject to Required Consents that are Perfected Claims as of the date of the Signing Date and as to which no Exclusion permitted under this Settlement Agreement applies, no later than sixty (60) days after the Signing Date or after Required Consents have been obtained as specified in Section 13, whichever is later.
 - (ii) As to Pending & Future Claims that are subject to Other Consents that are Perfected Claims as of the Signing Date and as to which no Exclusion permitted under this Settlement Agreement applies, no later than sixty (60) days after the Signing Date or after the Required Consents have been obtained as specified in Section 13 and the applicable Other Consents have been obtained as specified in Section 14, whichever is later.
 - (iii) Thereafter, if the Required Consents and/or the Other Consents specified in Sections 13 or 14, as applicable, have been obtained, once a Pending & Future Claim is a Perfected Claim, and no Exclusion permitted under this Settlement Agreement applies, Triad shall make Payment in Full of all allowable amounts claimed under the master policy within the time period specified in the master policy, subject only to Servicing Adjustments and the applicable provisions, if any, of any superseding Rehabilitation Plan.

3. **No Coverage for Contested Notices of Rescission.**

- (a) The Insureds contest and dispute the validity of all Contested Notices of Rescission and Previous Claim Denials; however, Triad represents that except as otherwise provided herein, the Rehabilitator will not permit Triad as part of any agreement to withdraw Contested Notices of Rescission or Previous Claim Denials and pay claims on the Contested Notices of Rescission or Previous Claim Denials out of its own funds.
- (b) Accordingly, the Insureds agree to release Triad from the Contested Notices of Rescission and Previous Claim Denials to the extent Required Consents, and as applicable Other Consents have been obtained as specified in Sections 13 and 14 as follows:
 - (i) Except for Excluded Loans, Triad shall have no further obligation, subject to Section 3(c) below, for any Contested Notices of Rescission or Previous Claim Denials;
 - (ii) Triad may remain liable for Excluded Loans, subject to all policy defenses, statutes of limitations, and all other applicable defenses;

- (iii) Except as provided pursuant to Section 8.
- (c) The Insureds shall be entitled to retain all premium refunds as to each Subject Loan that is the subject of a Contested Notice of Rescission. In the event that premium refunds have been submitted by Triad on the Contested Notices of Rescission before confirmation of the Rehabilitation Plan, and the Insureds did not accept such refunds in order to preserve their ability to challenge the Contested Notices of Rescission, Triad shall reissue any such premium refund, in cash, as necessary to allow the Insureds to obtain the refunded premium amount.
- (d) Triad's obligation under Section 3(c) to reissue a premium refund is subject to the Insureds returning to Triad the original instrument of the premium refund. Alternatively, Triad's obligation under Section 3(c) to reissue a premium refund is subject to the Insureds (i) paying the processing fee for Triad to stop payment on any premium refund, and (ii) indemnifying Triad against all claims, demands, losses or liabilities that may arise from Triad stopping payment on a premium refund. Triad shall not be responsible for any premium refund that has been escheated pursuant to applicable law or any refund that has been previously issued or paid to the servicer of record, provided that the Parties will work together in good faith to seek returns of premium refunds previously escheated to the states and in the event Triad receives any premium refunds on such escheated funds, Triad will promptly forward the amount of such premium refunds to the Insureds. The Parties further agree to cooperate with each other in good faith to avoid the escheatment of future premium refunds.
- (e) Section 3(c) shall not apply to Previous Claim Denials.
- (f) Triad shall pay the premium refunds on Contested Notices of Rescissions within the timeframes provided by the applicable master policy or any other mutually agreed timeframe; provided that the Insureds' releases in Section 12 hereof and dismissals with prejudice from the State Action pursuant to Sections 7(d)(i) and 7(d)(iii) with respect to any Contested Notice of Rescission will not become effective until the applicable premium refund has been paid 100% in cash.
- (g) For avoidance of doubt, pursuant to this Section 3, it is the intent of the Parties that the Insureds shall receive the benefit of premium refunds for all Subject Loans with Contested Notices of Rescission. The Parties agree they will cooperate with each other in reconciling any premium refunds that need to be reissued in order to effectuate this relief to the Insureds.

4. **Reliance; Continuing Reconciliation.**

- (a) The Parties relied on one another in exchanging and reconciling data necessary to carry out the terms and conditions of this Settlement Agreement, including but not limited to Sections 2 through 3 herein and the Schedules hereto.
- (b) To the extent a Party substantially relied on the other Party's representations about payment or rescission information for Subject Loans when entering into this

Settlement Agreement, and that information is found to be materially incorrect within the time period for obtaining Required Consents as specified in Section 13, the Parties agree to cooperate with each other to determine the correct treatment of such Subject Loans under this Settlement Agreement.

- (c) To the extent a dispute arises regarding the correct treatment of Subject Loans pursuant to Section 4(b), the Parties agree to resolve the dispute through the Dispute Resolution Procedures set forth below in Sections 5(a)-(b).
- (d) Continuing Reconciliation. Beginning with the next month end after the finalization of Schedule 5 contemplated by Section 14(e), Triad shall deliver to the Insureds via secured internet delivery within twenty (20) days after the end of each month, a Monthly Settlement Loan Report with respect to each Pending & Future Claim that Triad resolved during the preceding month in the form attached hereto as Exhibit D. Triad shall continue to deliver Monthly Settlement Loan Reports until the last Pending & Future Claim has been resolved and no remaining Pending & Future Claim has mortgage insurance coverage in-force.

5. **Dispute Resolution Procedures.** The Insureds or applicable servicer or successor servicer may elect to resolve any disputes regarding Triad's application of an Exclusion or Servicing Adjustment or determination that a Pending & Future Claim is not a Perfected Claim as specified in Section 2(c), or the correct treatment of Subject Loans as specified in Section 4(c) in accordance with the Dispute Resolution Procedures provided in Sections 5(a)-(b) after the requisite Required Consents and/or Other Consent(s) have been obtained.

- (a) Informal Resolution.
 - (i) Notice by the Insureds. The Insureds or applicable servicer at the time of such dispute, may provide written notification to Triad of such dispute within a sixty (60) day period from the date that the Insureds receive written notification of Triad's application of an Exclusion or Servicing Adjustment or determination that a Pending & Future Claim is not a Perfected Claim. Notification by the Insureds shall specify the basis upon which the Insureds believe that Triad's Exclusion and/or Servicing Adjustment and/or Perfected Claim determination is improper under the terms of the applicable master policy and this Settlement Agreement. A failure by the Insureds to provide notification to Triad in this Section 5(a)(i) shall not constitute a waiver of the Insureds' ability to have a claim determined under the provisions of Section 209(11)(b) of the Illinois Insurance Code, as provided in Section 5(b).
 - (ii) Response from Triad. Within sixty (60) days of Triad's receipt of a notification from the Insureds pursuant to Section 5(a)(i), Triad may provide a written response addressing the Insureds' written submission that Triad's Exclusion and/or, Servicing Adjustment and/or Perfected Claim determination is improper, and if applicable, why such submission

does not serve to reverse Triad's decision. A failure by Triad to provide a response to the Insureds pursuant to this Section 5(a)(ii) shall not constitute a waiver of Triad's ability to have a claim determined under the provisions of Section 209(11)(b) of the Illinois Insurance Code, as provided in Section 5(b).

- (b) Formal Resolution. If the Parties cannot resolve their dispute during such one hundred twenty (120) day period, or such longer period as mutually agreed upon by the Parties in writing, and if the Insureds wish to continue disputing Triad's determination, such dispute shall be resolved pursuant to the provisions of Section 209(11)(b) of the Illinois Insurance Code. 215 ILCS 5/209(11)(b). To the extent permitted by the Rehabilitation Court, the Parties shall stipulate to the following:
 - (i) Subject to any applicable and overriding law, the Parties shall endeavor to designate and keep all briefs, documents, final orders or interim decisions, correspondence, oral discussions and information exchanged and/or filed in connection with the proceedings under seal and confidential; and
 - (ii) All discovery, whether in the form of interrogatories, document demands, depositions, or subpoenas directed to third-parties, is prohibited.
- (c) Other Disputes. Any other disputes relating to or arising out of this Settlement Agreement, including any disputes regarding the interpretation of the Settlement Agreement and/or alleging or relating to breaches of this Settlement Agreement shall be submitted for resolution to the Rehabilitation Court.

6. **[RESERVED]**

7. **Dismissal of State Action.**

- (a) This Settlement Agreement is expressly conditioned and contingent upon obtaining the Required Consents as set forth in Section 13. If the Required Consents are not obtained within the time specified in Section 13(b)(i), this Settlement Agreement shall be of no further force and effect, and there shall be no dismissal of the State Action pursuant to this Agreement.
- (b) Further, if the Required Consents are not obtained within the time specified in Section 13(b)(i) this Agreement and the State Action is not dismissed, Triad and its Rehabilitator hereby reserve and retain the right to assert the Antisuit Injunction, and the Rehabilitator further reserves and retains the right to assert the mandatory provisions of Section 209(8) of the Illinois Insurance Code, 215 ILCS 5/209(8), providing that, "No judgment against [Triad] taken after the date of entry of the... rehabilitation... order shall be considered in the proceedings as evidence of liability, or the amount of damages..."
- (c) Within fifteen (15) days of the Signing Date, the Parties will take all necessary steps to notify the court in the State Action of the Antisuit Injunction, and to request the entry of an agreed order staying the State Action.

- (d) After the time periods for obtaining Required Consents and applicable Other Consents have expired, as set forth in Sections 13(b)(i) and 14(c), and Excluded Loans have been identified by the Parties pursuant to Section 14(e), subject to Section 3(f), the Insureds shall promptly take all necessary steps to:
 - (i) Dismiss with prejudice from the State Action those Subject Loans for which Required Consents and applicable Other Consents have been obtained;
 - (ii) Dismiss without prejudice from the State Action those Subject Loans identified as Excluded Loans; or
 - (iii) Dismiss with prejudice the State Action in accordance with the terms and conditions of this Settlement Agreement and the releases set forth herein, if all of the Required Consents and applicable Other Consents have been obtained.

8. **Right to Pursue Certain Claims.**

- (a) In the event that the Rehabilitator, pursuant to Article XIII of the Illinois Insurance Code, obtains a court order that: (i) voids or modifies any material amount paid or to be paid by Triad to the Insureds pursuant to this Settlement Agreement, or (ii) voids, modifies or prevents enforcement of any material provision of this Settlement Agreement, then notwithstanding any other provision in this Settlement Agreement, the Insureds shall have the right to pursue claims against Triad in the Rehabilitation Action for:
 - (i) Any and all Unresolved Pending & Future Claims as of the date of the order;
 - (ii) Any and all Resolved Pending & Future Claims for which the DOI and/or Rehabilitator avoided payment; and
 - (iii) Any and all of Triad's Deferred Payment Obligations.
- (b) In the event that the Insureds pursue the claims against Triad under Section 8(a), above, then:
 - (i) Triad may assert any applicable policy defenses for the Resolved Pending & Future Claims, Unresolved Pending & Future Claims, and its Deferred Payment Obligation, including, but not limited to rescission defenses, and all other applicable defenses;
 - (ii) The Parties shall submit to the jurisdiction of the Rehabilitation Court, and any and all limitations periods related to claims under Section 8(a), above, be they statutory, contractual, equitable or otherwise, shall be tolled from the Effective Date defined in the Parties' Tolling Agreement, executed June 26, 2013, to a period of four (4) months after the final court order in

the action specified in Section 8(a), in addition to any tolling periods that may apply by operation of law. For the avoidance of doubt, this tolling period shall be excluded from the calculation of any limitations periods or other time-related periods for purposes of any statute of limitations, statute of repose and time-related defense or claim, which are or may be applicable to claims under Section 8(a)

9. **GSE Claims.** Commencing upon the later of: (x) obtaining the Required Consents or (y) the expiration of the time period for obtaining Other Consents pursuant to Section 14(c):

- (a) In the event that a GSE makes written demand on Triad or initiates legal proceedings against Triad that the GSE is entitled to insurance benefits with respect to a Contested Notice of Rescission or Previous Claim Denial, Triad shall dispose of the GSE's claim as follows:
 - (i) Triad shall first discern whether the GSE owns the loan subject to the Contested Notice of Rescission or Previous Claim Denial (the "Ownership Determination"). If the Ownership Determination yields a finding that the GSE does not own the loan, Triad shall so notify the GSE and provide a courtesy copy of the said notification to Bank of America in accordance with Section 16 herein.
 - (ii) If (a) following an Ownership Determination that the GSE does not own the loan and the GSE continues to dispute Triad's Ownership Determination or (b) Triad determines that the GSE owns the loan subject to the Contested Notice of Rescission and Previous Claim Denial, Triad shall so notify Bank of America in accordance with Section 16 herein. Subject to Section 9(b) below, within thirty (30) days of its receipt of notice of the GSE claim from Triad, Bank of America shall assume the full control of the defense and settlement of the GSE claim, at Bank of America's expense. In the event that Bank of America assumes the defense and settlement of any GSE claims, Triad agrees, at Triad's expense, to provide such information available to Triad regarding the loan subject to the Contested Notice of Rescission or Previous Claim Denial and the GSE claim and to take such other action as Bank of America may reasonably request for Bank of America to defend or settle the GSE claim.
- (b) Notwithstanding the provisions of Section 9(a), Bank of America shall not be required to assume the defense and settlement of the GSE claim under this Section 9:
 - (i) To the extent the GSE has released the applicable claim pursuant to the Settlement Agreement or otherwise;
 - (ii) With respect to any amounts in excess of the applicable Master Policy limit for such loan subject to the Contested Notice of Rescission or Previous Claim Denial; or

- (iii) With respect to asserted damages or losses (other than for policy benefits) arising out of or relating to the DPO.

10. **Future Litigation.**

- (a) For those Excluded Loans that are dismissed from the State Action without prejudice pursuant to Section 7(d)(i), any legal or contractual limitations period or any other defense against such Excluded Loans based on the passage of time shall be tolled from the filing of the complaint in the State Action to a period of four (4) months after such dismissal without prejudice, in addition to any tolling periods that may apply by operation of law. For the avoidance of doubt, this tolling period shall be excluded from the calculation of any limitations periods or other time-related periods for purposes of any statute of limitations, statute of repose and time-related defense or claim, which are or may be applicable to Excluded Loans.
- (b) For those Excluded Loans that are not tolled by the State Action, any legal or contractual limitations period or any other defense against such Excluded Loans based on the passage of time shall be tolled from the Effective Date defined in the Parties' Tolling Agreement, executed June 26, 2013, to a period of four (4) months after such Subject Loans are identified as Excluded Loans pursuant to Section 14(e), in addition to any tolling periods that may apply by operation of law.

11. **Release by Triad.**

- (a) Except as set forth below in Section 11(d), upon the Insureds dismissing the State Action with prejudice pursuant to Section 7(d), Triad agrees to release and discharge the Insureds from any and all past, present, or future claims, whatsoever, whether such claims are known or unknown, foreseen or unforeseen, developed or undeveloped, discoverable or presently incapable of being discovered, relating in any way to any act, event or omission that occurred or should have occurred on or before the Signing Date concerning, arising from or relating to Triad's mortgage insurance coverage in the Mortgage Insurance Dispute; such claims include, but are not limited to, all claims that were or could have been asserted by Triad in the State Action and the Adversary Proceeding, including a full and complete release of any claims for global rescission as to the AHM Subject Loans.
- (b) In making a full and complete release as set forth herein, Triad expressly waives and relinquishes all rights and benefits, which it has, or may have, under California Civil Code section 1542 or any similar statute in any other jurisdiction. Section 1542 provides as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the

release, which if known by him or her must have materially affected his or her settlement with the debtor.

- (c) Further, Triad acknowledges that it is aware that it may hereafter discover facts different from, or in addition to, those which it now knows or believes to be true with respect to the Mortgage Insurance Dispute. Notwithstanding any such different or additional facts, this release shall fully discharge each of the Insureds from any and all claims arising from or relating to Triad's mortgage insurance coverage in the Mortgage Insurance Dispute.
- (d) Notwithstanding anything in this Section 11 to the contrary, and notwithstanding whether such claims were or could have been brought in the State Action or the Adversary Proceeding, the release does not apply to:
 - (i) Claims by Triad seeking to affirm any individual claim denials or rescissions made with respect to Excluded Loans for which the State Action is being dismissed without prejudice pursuant to Section 7(d)(ii), including the right to assert claims or defenses regarding individual Excluded Loans;
 - (ii) Disputes relating to Triad's Deferred Payment Obligation;
 - (iii) Disputes instituted pursuant to and within the scope of Section 5, above, including disputes seeking to affirm Triad's denial of a Pending & Future Claim based on any ground permitted under this Settlement Agreement or determination that a Pending & Future Claim is not a Perfected Claim, the amount of any claim payment or Servicing Adjustment, and disputes arising under this Settlement Agreement;
 - (iv) In the event that the Insureds pursue a claim against Triad under Section 8(a), then Triad shall have the right to assert any applicable legal defenses against the Insureds; and
 - (v) In the event the Insureds elect to rescind, terminate and/or void this Settlement Agreement pursuant to Section 13(b)(ii).

12. **Release by the Insureds.**

- (a) Except as set forth in Sections 3(c), 3(f), 8, 12(d) and 13(b)(ii), upon the Insureds dismissing any part of the State Action with prejudice pursuant to Section 7(d) the Insureds agree to release and discharge Triad from any and all past, present, or future claims, whatsoever, whether such claims are known or unknown, foreseen or unforeseen, developed or undeveloped, discoverable or presently incapable of being discovered, relating in any way to any act, event or omission that occurred or should have occurred on or before the Signing Date concerning, arising from or relating to Triad's mortgage insurance coverage in the Mortgage Insurance Dispute; such claims include, but are not limited to, all claims that were or could

have been asserted by the Insureds in the State Action and the Adversary Proceeding.

- (b) In making a full and complete release as set forth herein, the Insureds expressly waive and relinquish all rights and benefits, which they have, or may have, under California Civil Code section 1542 or any similar statute in any other jurisdiction. Section 1542 provides as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

- (c) Further, the Insureds acknowledge that they are aware that they may hereafter discover facts different from, or in addition to, those which they now know or believe to be true with respect to the Mortgage Insurance Dispute. Notwithstanding any such different or additional facts, this release shall fully discharge Triad from any and all claims arising from or relating to Triad's mortgage insurance coverage in the Mortgage Insurance Dispute.
- (d) Notwithstanding anything in this Section 12 to the contrary, and notwithstanding whether such claims were or could have been brought in the State Action or the Adversary Proceeding, the release does not apply to:
 - (i) Claims seeking to challenge any individual claim denials or rescissions made with respect to any Excluded Loans, including the right to assert claims or defenses regarding such individual Excluded Loans;
 - (ii) Disputes relating to Triad's Deferred Payment Obligation;
 - (iii) Disputes instituted pursuant to and within the scope of Section 5, including disputes seeking to challenge Triad's denial of a Pending & Future Claim based on any ground permitted under this Settlement Agreement or determination that a Pending & Future Claim is not a Perfected Claim, the amount of any claim payment or Servicing Adjustment, and disputes arising under this Settlement Agreement;
 - (iv) In the event that the Insureds pursue a claim against Triad under Section 8; and
 - (v) In the event the Insureds elect to rescind, terminate and/or void this Settlement Agreement pursuant to Section 13(b)(ii).

13. **Required Consents.**

- (a) This Agreement is subject to and conditioned on obtaining Required Consents as set forth below:

- (i) GSE Required Consents. The form of GSE Consent will be in such form as the parties may approve in writing, which approval will not be unreasonably withheld. The Insureds shall be the Party responsible for obtaining GSE Required Consents. The Parties will use their best efforts to cooperate with each other in seeking to obtain the GSE Required Consents.
 - (ii) Rehabilitation Court Required Consent. The Rehabilitation Court Required Consent shall substantially include, in the form of an order, confirmation that the Rehabilitation Court has reviewed this Settlement Agreement, that the Settlement Agreement is fair, reasonable and in the best interest of all those who will be effected, and that the Rehabilitation Court approves of the terms of this Settlement Agreement, including without limitation Sections 13(b)(ii) and 17(q) and any payments to be made by Triad hereunder. Triad shall be the Party responsible for filing a petition requesting the Rehabilitation Court Required Consent. The Parties will use their best efforts to cooperate with each other in seeking to obtain the Rehabilitation Court Required Consent.
- (b) Termination of Settlement Agreement.
- (i) Failure to Obtain Required Consents. In the event that the Required Consents are not obtained within ninety (90) days after the Signing Date, this Settlement Agreement, including the releases contained herein, shall be deemed null and void and of no further force and effect, unless the Parties agree in writing to further extend the time period for obtaining the Required Consents and/or agree in writing that one or more of Required Consents are no longer required.
 - (ii) Modifications by Rehabilitation Court. To the extent the Rehabilitation Court and/or any Rehabilitation Plan (A) voids or modifies any material amount paid or to be paid by Triad to the Insureds pursuant to this Settlement Agreement or (B) voids, modifies or prevents enforcement of any material provision of this Settlement Agreement, then notwithstanding any other provision in this Settlement Agreement, the Insureds may elect, in their sole discretion, to rescind, terminate and/or void this Settlement Agreement by written notice to Triad. To the extent the Insureds elect to rescind, void and/or terminate this Settlement Agreement, any and all limitations periods related to the Mortgage Insurance Dispute, be they statutory, contractual, equitable or otherwise, shall be tolled from the Effective Date defined in the Parties' Tolling Agreement, executed June 26, 2013, to a period of four (4) months after the date of the Insureds' written notice to Triad that this Settlement Agreement is rescinded, voided or terminated, in addition to any tolling periods that may apply by operation of law.

- (iii) Within 30 days of receipt of any written notice provided pursuant to Section 13(b)(ii), Triad may challenge the termination of the Settlement Agreement by filing a motion in the Rehabilitation Court; provided that such motion shall be limited solely to whether the Insureds' basis for rescinding, terminating, or voiding of the Settlement Agreement complies with the terms of Section 13(b)(ii).
- (iv) In the event that Triad brings a motion as set forth in the preceding section, 13(b)(iii), the four (4) month period described in Section 13(b)(ii) above shall commence upon receipt of the Rehabilitation Court's ruling on Triad's motion. For the avoidance of doubt, this tolling period shall be excluded from the calculation of any limitations periods or other time-related periods for purposes of any statute of limitations, statute of repose and time-related defense or claim, which are or may be applicable to the Mortgage Insurance Dispute.

14. **Other Consents.**

- (a) The Insureds shall use reasonable efforts to obtain Other Consents.
- (b) The Other Consents shall include confirmation from the trust/other that they each consent to the releases stated herein Sections 11 and 12. The Other Consents shall substantially include the suggested language in Exhibit E, hereto.
- (c) The Parties will cooperate with each other in seeking to obtain Other Consents, which shall be obtained within 180 days after the Signing Date. The Parties may also jointly agree in writing to extend the time period for obtaining Other Consents.
- (d) Whether or not this Settlement Agreement becomes binding, however, is not dependent on obtaining Other Consents; provided that a Subject Loan that does not receive such applicable Other Consent will become an Excluded Loan.
- (e) Finalizing Excluded Loans. Within 30 days after the expiration of the time period for obtaining Other Consents pursuant to Section 14(c), the Parties shall finalize the Excluded Loans by identifying and listing on Schedule 5 each Subject Loan that has not received the applicable Other Consent.

15. **Confidentiality.**

- (a) The Parties and their counsel agree that all matters relating to this Settlement Agreement, including, but not limited to, the negotiation of this Settlement Agreement, any discussions or information exchanged during the Dispute Resolution Procedure described in Section 5(a), shall be confidential and are not to be disclosed except:
 - (i) By agreement of the Parties;

- (ii) To the extent needed for the Parties to obtain Required Consents and other Consents;
 - (iii) To reinsurers, directly or through intermediaries in connection with claims for reinsurance, and to any arbitration panel, court or tribunal in reinsurance disputes;
 - (iv) To any entity performing or proposing to perform servicing functions with respect to Subject Loans (including current, future or prospective master servicers, servicers and subservicers of Subject Loans);
 - (v) To any owner or prospective owner of all or any portion of a Subject Loan;
 - (vi) To originators, directly or through intermediaries in the event the Insureds seek to obtain repurchase based on a breach of a representation or warranty, and to any arbitration panel, court or tribunal in repurchase disputes;
 - (vii) To outside auditors, attorneys, accountants, regulators or consultants of any Party;
 - (viii) In any litigation between the Parties pertaining to this Settlement Agreement; or
 - (ix) To the extent required by law.
- (b) In the event that a private litigant, by way of document request, interrogatory, subpoena, or questioning at deposition, trial or other proceeding attempts to compel disclosure of anything protected by this Section 15, or in the event that a court, government official, or governmental body (other than the Internal Revenue Service, Securities and Exchange Commission or Financial Services Authority) requests or requires disclosure of anything protected by this Section 15, the Party from whom disclosure is sought shall provide written notice by facsimile or hand-delivery to the other Parties, and shall provide as soon as practicable copies of all notice papers, orders, requests or other documents in order to allow each Party to take such protective steps as may be appropriate, unless such notice is prohibited by law, rule or regulation. Notice under this Section 15 shall be made to the persons identified in Section 16(a) of this Agreement. The Party from whom disclosure is sought shall cooperate fully with the other Party, at the other Party's cost and expense, should the other Party take protective steps.
- (c) In the event of any dispute between the Parties regarding this Settlement Agreement, the Parties agree to use their best efforts to keep this Settlement Agreement, including the Schedules to the Settlement Agreement, confidential as to any third-parties other than the court. To the extent this Settlement Agreement is to be used in any court filing or offered as evidence in any court proceeding, including the Rehabilitation Court the Parties will use their best efforts consistent

with applicable law to have the Settlement Agreement and the Schedules thereto filed or marked under seal and enter into a confidentiality agreement restricting access to the Settlement Agreement, to the parties to that litigation. No Party to this Settlement Agreement will oppose any other Party's request to have this Settlement Agreement or the Schedules thereto filed or marked under seal.

16. **Notices; Payments.**

- (a) Notices. Any notice or communications required or arising under, or relating to, this Settlement Agreement shall be in writing and shall be deemed to have been duly given when (i) delivered via email, (ii) mailed by United States registered or certified mail, return receipt requested, (iii) mailed by overnight express mail or other nationally recognized overnight or same-day delivery service, or (iv) delivered in person to the Parties and their counsel at the following addresses:

With respect to Triad:

Triad Guaranty Insurance Corporation
101 South Stratford Road
Winston-Salem, NC 27104
Attention: Kevin Baldwin
Email: kbaldwin@osdchi.com
Attention: Jeff Jacob
Email: jjacob@osdchi.com

With a copy to

Peterson Johnson & Murray
233 South Wacker Drive, Floor 84
Chicago, IL 60602
Attention: Daniel P. Duffy
Email: dduffy@pjmlaw.com

With respect to the Insureds:

Bank of America
50 Rockefeller Plaza, 7th Floor
NY1-050-07-01
New York, New York 10020-1605
Attention: Christopher J. Garvey
Associate General Counsel – Litigation
Email: christopher.garvey@bankofamerica.com

Countrywide Home Loans, Inc.
4500 Park Granada
Calabasas, CA, 91302
Attention: Michael W. Schloessmann

President
Email: michael.schloessmann@bankofamerica.com

Bank of America, N.A.
4500 Park Granada
Calabasas, CA, 91302
Attention: Anthony T. Meola
Senior Vice President
Business Operations Exec.
Email: tony.meola@bankofamerica.com

With a copy to

Reed Smith LLP
355 So. Grand Avenue
Los Angeles, CA 90071
Attention: David Halbreich
Email: dhalbreich@reedsmith.com

17. **Miscellaneous Provisions.**

- (a) **Certain Representations.** The Rehabilitator represents and warrants to the Insureds that by entering into this Settlement Agreement, on behalf of Triad, that the Rehabilitator consents to the Settlement Agreement, and that this consent is based upon a finding by the Rehabilitator that the Settlement Agreement is in the best interest of Triad and is fair and equitable to its policyholders and claimants, and that Triad has received reasonably equivalent value in exchange for any payments made by Triad pursuant to this Agreement. In the event that there is a breach of this representation and warranty, then the Insureds shall have the right to pursue claims against Triad pursuant to Section 8(a) or terminate this Settlement Agreement pursuant to Section 13(b)(ii). This Section 17(a) shall in no way limit rights of any and all the Insureds to pursue claims against Triad under Section 8(a).
- (b) **No Admission.** The Parties agree that this Settlement Agreement is entered in compromise of claims that are disputed as to both liability and damages and that this Settlement Agreement shall be deemed to be subject to Fed. R. Civ. P. 408, Illinois Rule of Evidence 408, Cal. Evid. Code § 1152 and any other similar provision regarding the admissibility of offers to compromise disputed claims. This Settlement Agreement and any negotiations leading thereto do not constitute an admission of any fact or claim by any Party with respect to the Mortgage Insurance Dispute. This Settlement Agreement shall not be used as an admission against any Party in this or any other past, present or future claim or matter. Neither this Settlement Agreement nor any provision herein shall be considered or treated as a precedent, either for purposes of the Parties' or their affiliates' future dealings or otherwise. The Parties understand and agree that no Party, by entering

this Settlement Agreement, admits the accuracy of any position advanced by any other Party to the Mortgage Insurance Dispute and that any resolution reached, whether by mutual agreement or by further litigation in accordance with the terms of this Settlement Agreement, is the resolution of a disputed claim.

- (c) Successors; Assigns, and Third-Party Beneficiaries. All terms and conditions of this Settlement Agreement shall be binding on the successors and assignees of each Party; provided, however, subject to the requirements of the applicable master policy, the Insureds may assign any servicing rights or obligations with respect to any Subject Loan to any assignee that is an approved servicer (as contemplated by the applicable master policy), and further provided, that such assignee shall be entitled to the benefit of any provision of this Settlement Agreement. Except as otherwise specifically provided in this Settlement Agreement, nothing expressed or referred to in this Settlement Agreement is intended or shall be construed to give any person other than Triad and the Insureds any legal or equitable right, remedy or claim under or with respect to this Settlement Agreement or any provisions contained herein, it being the intention of the Parties hereto that this Settlement Agreement, the obligations and statements of responsibilities hereunder, and all other conditions and provisions hereof are for the sole and exclusive benefit of Triad and the Insureds, and for the benefit of no other person.
- (d) Governing Law and Choice of Forum. This Settlement Agreement will be construed and governed by the internal laws of the State of Illinois without regard to the law of conflicts. The forum for subsequent action to enforce or confirm this Settlement Agreement shall be the Rehabilitation Court.
- (e) Interpretation. This Settlement Agreement shall not be construed against any Party, but shall be construed as if the Parties jointly prepared the Settlement Agreement and any uncertainty and ambiguity shall not be interpreted against any one Party. The use of any gender in this Settlement Agreement shall be deemed to be or include the other genders, including neuter, and the use of the singular shall be deemed to be or include the plural (and vice versa) wherever applicable. The use of the word “include” or “including”, when following any general statement, term or matter, shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not any “no limitation” language (such as “without limitation” or “but not limited to” or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that fall within the broadest possible scope of such general statement, term or matter.
- (f) Severability. If any provision of this Settlement Agreement is declared invalid or unenforceable, then, to the extent possible, all of the remaining provisions of this Settlement Agreement shall remain in full force and effect and shall be binding upon the Parties, including without limitation Sections 8 and 13(b), and provided that if Sections 8 and 13(b) herein are declared invalid or unenforceable the

Insureds shall have the right, in their sole discretion, to have the Settlement Agreement deemed terminated.

- (g) Cooperation. The Parties agree to cooperate with each other in good faith in implementing the terms and conditions of this Settlement Agreement including, but not limited to, exchanging and reconciling data necessary to carry out the terms and conditions of this Settlement Agreement.
- (h) Headings. The headings and subheadings contained in this Settlement Agreement are inserted for convenience only and shall not affect the meaning or interpretation of this Settlement Agreement or any provision hereof.
- (i) Amendment and Waiver. No change or amendment shall be valid unless it is made in writing and executed by the Parties to this Settlement Agreement. No specific waiver of any of the terms of this Settlement Agreement shall be considered as a general waiver.
- (j) Costs. The Parties agree that they are solely responsible for their own attorneys' fees, costs and expenses incurred in connection with the State Action and the Adversary Proceeding and execution, delivery and implementation of this Settlement Agreement.
- (k) Access to Counsel. Each of the Parties acknowledges that they have had, or had access to, the advice of counsel in connection with this Settlement Agreement, and have entered into this Settlement Agreement freely after having had the opportunity to review this Settlement Agreement with counsel.
- (l) Corporate Existence and Authority. Each of the Parties represents that (i) it is validly existing under the laws of its chartering authority and has full power and authority to conduct its business as now conducted by it, (ii) it has full power and authority to execute and deliver this Settlement Agreement and to perform its obligations hereunder, (iii) it has taken all necessary corporate action to authorize the execution and delivery of this Settlement Agreement and the performance of its duties and obligations contemplated hereby, (iv) none of such execution, delivery, or performance of this Settlement Agreement and the transactions contemplated hereby: (A) conflicts with the obligations of such Party under any material agreement binding upon it; (B) requires any authorization, consent or approval by, or registration, declaration or filing with, or notice to, any governmental authority, agency or instrumentality, or any third-party, except for (x) any authorization, consent, approval, registration, declaration, filing, or notice that has been obtained or given prior to the date hereof and (y) the Required Consents and Other Consents; or (C) result in, or require, the creation or imposition of any lien or other charge upon or with respect to any of the assets now owned or hereafter acquired by a Party.
- (b) Counterparts. This Settlement Agreement may be executed in counterparts, and when each Party has signed and delivered at least one such counterpart, each

counterpart shall be deemed an original, and, when taken together with the other signed counterparts, shall constitute one agreement, which shall be binding upon and effective as to all Parties.

- (c) Entire Agreement. This Settlement Agreement, along with the attached Schedules and Exhibits, is the entire agreement between the Parties with respect to the subject matter of the Parties' agreement and supersedes all prior and contemporaneous oral and written agreements and discussions, including agreements in principle, and prior written agreements.
- (m) Specific Performance. Each of the Parties acknowledges and agrees that the other Parties would be damaged irreparably in the event any provision of this Settlement Agreement is not performed in accordance with its specific terms or otherwise is breached. Each of the Parties agrees that any Party shall be entitled, in addition to any other remedy at law or in equity, to enforce the terms of the Settlement Agreement through an arbitration award seeking a decree of specific performance without the necessity of proving the inadequacy of money damages or the posting of any bond.
- (n) Further Assurances. The Parties shall execute such further instruments and take such further actions as may reasonably be necessary to carry out the intent of this Settlement Agreement.
- (o) Amendment to Schedules. Schedule 5 shall be finalized in accordance with Section 14 herein. The remaining Schedules hereto may be amended with the mutual consent of the Parties hereto and subject to the approval, which consent will not be unreasonably withheld. Approval of the Rehabilitation Court will not be required to amend the Schedules.

[Signature pages to follow]

IN WITNESS WHEREOF, AND INTENDING TO BE LEGALLY BOUND, the Parties hereto have caused this Settlement Agreement to be executed as of the Signing Date indicated above.

TRIAD GUARANTY INSURANCE CORP.,
IN REHABILITATION

COUNTRYWIDE HOME LOANS, INC.

By: Paul A. Mill

By: _____

Title: Special Deputy Receiver / CEO

Title: _____

BANK OF AMERICA, N.A.

COUNTRYWIDE FINANCIAL CORP.

By: _____

By: _____

Title: _____

Title: _____

IN WITNESS WHEREOF, AND INTENDING TO BE LEGALLY BOUND, the Parties hereto have caused this Settlement Agreement to be executed as of the Signing Date indicated above.

TRIAD GUARANTY INSURANCE CORP.,
IN REHABILITATION

By: _____

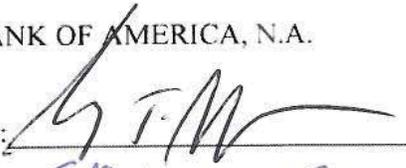
Title: _____

COUNTRYWIDE HOME LOANS, INC.

By:  _____

Title: _____

BANK OF AMERICA, N.A.

By:  _____

Title: SVP Mortgage Servicing
POperations Executive

COUNTRYWIDE FINANCIAL CORP.

By:  _____

Title: _____

Schedules and Exhibits

This Agreement includes the following Schedules and Exhibits, each of which is incorporated herein by reference:

- Schedule 1 - AHM Subject Loans
- Schedule 2 - BANA/CHL Subject Loans
- Schedule 3 - Contested Notices of Rescissions for Subject Loans as of August 31, 2011
- Schedule 4 - Contested Notices of Rescissions for AHM Subject Loans after August 31, 2011
- Schedule 5 - Excluded Loans
- Schedule 6 - Reinstated Loans

- Exhibit A - Complaint in State Action
- Exhibit B - Complaint in Adversary Proceeding
- Exhibit C - Claim Perfection Requirements
- Exhibit D - Form of Monthly Settlement Loan Report
- Exhibit E - Form of Other Consent
- Exhibit F - Form of Explanation of Benefits (EOB)
- Exhibit G - Form of Claim Denial Letter

Exhibit A:

Complaint in State Action

COPY

REED SMITH LLP

A limited liability partnership formed in the State of Delaware

1 David M. Halbreich, Esq. (SBN 138926)
2 Lilit Asadourian (SBN 208801)
3 REED SMITH LLP
4 355 South Grand Avenue
5 Suite 2900
6 Los Angeles, CA 90071
7 Telephone: (213) 457-8000
8 Facsimile: (213) 457-8080
9 dhalbreich@reedsmith.com

6 David E. Weiss, Esq. (SBN 148147)
7 REED SMITH LLP
8 Two Embarcadero Center, Suite 2000
9 San Francisco, CA 94111-3922
10 Telephone: +1 415 543 8700
11 Facsimile: +1 415 391 8269
12 dweiss@reedsmith.com

10 Attorneys for Plaintiffs
11 COUNTRYWIDE HOME LOANS INC,
12 COUNTRYWIDE FINANCIAL
13 CORPORATION, BANK OF AMERICA, N.A.,
14 as successor in interest to Countrywide Bank,
15 FSB, and on its own behalf, BAC HOME
16 LOANS SERVICING LP

15 SUPERIOR COURT OF THE STATE OF CALIFORNIA
16 COUNTY OF LOS ANGELES

17 COUNTRYWIDE HOME LOANS, INC., a New
18 York Corporation, COUNTRYWIDE
19 FINANCIAL CORPORATION, a Delaware
20 Corporation, BANK OF AMERICA, N.A., a
21 North Carolina national banking association as
22 successor in interest to COUNTRYWIDE BANK,
23 NA, and on its own behalf, a federal savings
24 bank, BAC HOME LOANS SERVICING LP, a
25 Texas Limited Partnership,

22 Plaintiffs,

23 vs.

24 TRIAD GUARANTY INSURANCE CORP., and
25 DOES 1 THROUGH 100, inclusive,

26 Defendants.

CONFORMED COPY
OF ORIGINAL FILED
Los Angeles Superior Court

MAR 05 2010

John A. Clarke, Executive Officer/Clerk
By SHAUNYA WESLEY, Deputy

BC 433189

Case No.:

COMPLAINT FOR DECLARATORY
JUDGMENT; BREACH OF CONTRACT;
AND BREACH OF THE IMPLIED
COVENANT OF GOOD FAITH AND FAIR
DEALING

DEMAND FOR JURY TRIAL

1 defaulted on their loan payments, and in the event that Countrywide wished to sell these loans to
2 other entities such as Fannie Mae and Freddie Mac. Triad knew that Countrywide purchased the
3 AHM Loans and knew that Countrywide was relying on the mortgage insurance certificates issued
4 by Triad on these loans. At the time it purchased these loans from AHM, Countrywide had in place
5 its own "Master" policies issued by Triad, and had been a Triad insured for many years.

6 4. The mortgage insurance provided by Triad on the individual AHM Loans provides
7 coverage on a loan-by-loan basis. If Triad has a valid reason for denying coverage for one loan, that
8 has no bearing on whether or not there might be coverage for another loan. Each loan must be
9 separately considered to determine whether a claim is covered. Yet, without any contractual or other
10 legitimate justification, Triad is seeking to rescind coverage on a blanket basis for all AHM
11 originated loans, including the thousands of AHM Loans that Countrywide acquired in reliance on
12 Triad's insurance. Triad seeks to rescind coverage for the AHM Loans without regard for the merits
13 of any individual loan and without regard for whether a loan is in default or whether a claim for
14 coverage has been submitted. In fact, the large majority of the AHM Loans are currently
15 performing; that is the borrowers are making timely payments of principal and interest and have
16 been doing so for some time. Triad has offered no justification to rescind coverage for any
17 individual loan. Based on its position that coverage should be rescinded on a blanket basis, Triad
18 has refused to pay valid claims submitted for coverage. Instead, Triad has stated that claim
19 payments are being set aside in a separate account pending judicial determination of whether it may
20 rescind coverage *in toto*.

21 5. This action also involves mortgage insurance certificates on mortgage loans
22 originated by Countrywide Home Loans and Countrywide Bank in the ordinary course of business or
23 acquired by them from lenders other than AHM ("Countrywide Loans"). The Countrywide Loans
24 are insured by Triad under mortgage insurance certificates and policies issued by Triad. Many of
25 these loans were sold to secondary market investors such as Fannie Mae and Freddie Mac, but
26 Countrywide retained the servicing rights and obligations with respect to these loans, including the
27 right and obligation to enforce Triad's obligations under its insurance certificates. While Triad has
28

1 not sought poolwide rescission with regard to the Countrywide Loans, Triad has begun to deny valid
2 claims at an alarmingly high rate based on improper and unreasonable grounds.

3 6. This is a civil action for declaratory relief with respect to an actual controversy
4 between Countrywide and Triad. Because the AHM Loans are insured on an individual basis,
5 Countrywide seeks a declaration that Triad may not seek to rescind coverage on a blanket or
6 “poolwide” basis. Instead, coverage for each loan must be determined loan-by-loan. Triad takes the
7 position that it may rescind coverage for all such covered AHM Loans, without showing grounds for
8 rescission with regard to any particular loan, based on its position that there were unspecified
9 underwriting deficiencies with regard to an unspecified percentage of covered loans. Of course,
10 Triad’s remedy is to seek relief, if appropriate, with regard to specific loans based on individualized
11 proof—not blanket rescission of coverage for all loans. In addition, with regard to the AHM Loans
12 as well as the Countrywide Loans, Countrywide seeks declaratory relief regarding the improper
13 individual grounds asserted by Triad for denying coverage. With regard to all loans at issue,
14 Countrywide also seeks damages for Triad’s breach of contract and its breach of the implied
15 covenant of good faith and fair dealing.

16 7. In more prosperous times, Triad reaped huge rewards from its participation in the
17 home mortgage market, selling mortgage insurance policies to insure that the borrowers of certain
18 residential mortgage loans made payment of principal and interest. In the event of borrower
19 default, Triad agreed to make lenders whole to the extent of the coverage Triad agreed to provide.
20 Triad now, however, faces the reality of steep financial losses because of a significant economic
21 downturn and is refusing to honor the mortgage insurance that it issued and for which it received
22 substantial premiums. Countrywide is informed and believes that American Home was one of
23 Triad’s biggest customers for mortgage insurance and, therefore, Triad could significantly reduce
24 its losses by rescinding all AHM Loans. Triad also seeks to significantly reduce its losses by
25 asserting unreasonable and improper grounds for denying coverage on individual loans, including
26 the Countrywide Loans.

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II.

THE PARTIES

A. The Plaintiffs

8. Countrywide Home Loans, Inc. (“Countrywide Home Loans”) is a New York corporation with its principal place of business at 4500 Park Granada, Calabasas, California 91302. Countrywide Home Loans acquired certain of the AHM Loans and originated certain of the Countrywide Loans that are insured by Triad, and which are the subject of this suit. Countrywide Home Loans currently owns certain of these insured loans. Countrywide Home Loans also owns the servicing rights for certain loans at issue, and has contracted with Servicing LP to perform the servicing activities. Countrywide Home Loans is the beneficiary and insured on the Triad mortgage insurance policies and certificates at issue in this action.

9. Countrywide Financial Corporation (“Countrywide Financial”) is a corporation organized under the laws of the State of Delaware with its principal place of business at 4500 Park Granada, Calabasas, California 91302. At all relevant times, Countrywide Financial was a diversified financial services provider with various divisions and companies involved with, among other things, the origination, acquisition, and servicing of residential mortgage loans, including loans insured by Triad that are the subject of this suit. Countrywide Financial was formerly known as Countrywide Credit Industries, which is identified as “The Insured” under certain policies issued by Triad which are at issue in this case.

10. Bank of America, N.A. (“BANA”) is a national banking association organized under the laws of the United States of America with its main office, as set forth in its articles of association, located at 101 Tryon Street, Charlotte, North Carolina 28255. BANA is the successor in interest to Countrywide Bank, NA (“Countrywide Bank”). Countrywide Bank was the owner of certain of the AHM Loans and originated certain of the Countrywide Loans. In addition, BANA acquired from Countrywide Home Loans certain additional loans along with the rights to mortgage insurance that Triad agreed to provide with regard to such loans. Countrywide Bank was formerly known as Treasury Bank, and “Treasury Bank, A Subsidiary of Countrywide Financial Corp EDI” is listed as “The Insured” under certain policies issued by Triad which are at issue in this case.

1 14. Countrywide either retained ownership of the AHM Loans or sold them to investors,
2 but retained the servicing rights and obligations with regard to the loans it sold, including the right
3 and obligation to act on behalf of the investors in all matters relating to the mortgage insurance.
4 The Triad master policies provide that the servicer “is considered the agent of the Insured with
5 respect to all matters involving” the policy, “and the Insured shall be bound by the acts and
6 omissions of the Servicer as if they were the Insured’s own acts or omissions.” Countrywide brings
7 this action on its own behalf and, for those loans not owned by Countrywide, on behalf of the
8 current owners of the loans at issue in its role as servicer as defined above.

9 15. As of now, Countrywide services more than three thousand AHM Loans with unpaid
10 principal balances totaling hundreds of millions of dollars. In addition Countrywide continues to
11 own certain AHM Loans. In the event Triad is able to rescind coverage on a poolwide basis for
12 mortgages sold by Countrywide to investors, the investors will likely claim that they have the right
13 to seek to have Countrywide repurchase such loans based on alleged representations regarding the
14 existence of mortgage insurance and the insurability of the subject loans. Indeed, investors have
15 already requested that Countrywide repurchase loans based on individual loan rescissions by Triad.
16 Triad knew when it insured the loans that they would likely be sold to investors and that the
17 existence of its insurance might be an important factor to investors to whom such loans would be
18 sold. Thus, Countrywide has a strong interest in preventing rescissions as to those loans sold to
19 investors. Obviously, Countrywide also has a strong interest in preventing rescissions with regard
20 to loans that Countrywide continues to own.

21 16. When Countrywide acquired AHM Loans, along with the servicing rights and
22 obligations, AHM relinquished the mortgage insurance certificates pursuant to which Triad agreed to
23 provide mortgage guaranty insurance in the event that the loans went into default, and relinquished
24 the servicing rights and obligations, including matters relating to the mortgage insurance. In
25 addition, AHM relinquished the right to the return of mortgage insurance premium payments in the
26 event of a proper rescission of coverage by Triad.

27 17. On information and belief, Triad received notice that the loans were transferred from
28 AHM to Countrywide.

1 18. Countrywide is informed and believes that the certificates issued by Triad for the
2 AHM Loans were issued under so-called “flow” master policies which are intended to cover
3 individual loans generated or acquired in the ordinary course of a lender’s business as opposed to
4 loans that are insured in bulk as part of a securitization or other pooling arrangement. Such loans
5 are individually submitted for coverage and underwritten on an individualized basis. Triad
6 separately issued a commitment/certificate with respect to each loan it insured pursuant to such
7 “flow” master policies. As such, coverage for such loans, including whether or not there is a valid
8 claim by Triad for rescission, must be analyzed on a loan-by-loan basis.

9 19. Countrywide Home Loans or Servicing LP—depending on the loan—is the servicer
10 of the AHM Loans, including those loans sold to investors. BANA or Countrywide Home Loans –
11 depending on the loan—is the owner of certain loans insured under the Triad policies and
12 accordingly, they are beneficiaries under such policies. As the beneficiaries they are also insureds
13 under such policies.

14 **B. Countrywide Loans Insured by Triad**

15 20. Countrywide originated and acquired thousands of residential mortgage loans insured
16 by Triad under mortgage insurance certificates issued by Triad pursuant to various “flow” master
17 policies, including policy numbers 05-0214-0036, 05-0214-0037, 05-0214-0115 and 05-0214-0116.

18 21. Countrywide either retained ownership of the Countrywide Loans or sold them to
19 investors, but retained the servicing rights and obligations with regard to the loans it sold, including
20 the right and obligation to act on behalf of the investors in all matters relating to the mortgage
21 insurance. The Triad master policies provide that the servicer “is considered the agent of the
22 Insured with respect to all matters involving” the policy, “and the Insured shall be bound by the
23 acts and omissions of the Servicer as if they were the Insured’s own acts or omissions.”
24 Countrywide brings this action on its own behalf and, for those loans not owned by Countrywide,
25 on behalf of the current owners of the loans at issue in its role as servicer as defined above.

26 22. Currently there are approximately 60,204 outstanding Countrywide Loans insured by
27 Triad, with an unpaid principle balance of over \$9 billion. In addition, there are approximately 975
28

1 outstanding claims that Triad has wrongfully denied, with a total claim amount of more than \$63
2 million.

3 IV.

4 **FACTUAL BACKGROUND**

5 23. Countrywide at all relevant times had a substantial mortgage lending business
6 throughout the United States. Countrywide's business included the origination of mortgage loans
7 and the acquisition of mortgage loans from other lenders such as AHM. Countrywide also was
8 engaged in the business of selling mortgage loans to third party investors, as well as the servicing of
9 mortgage loans. In order to engage in these business activities, Countrywide relied on mortgage
10 insurers, such as Triad, to provide mortgage insurance so that loans originated and acquired could be
11 sold to third party investors, such as Fannie Mae and Freddie Mac. Triad at all relevant times has
12 been in the business of selling mortgage insurance policies for residential home mortgage loans, and
13 is a sophisticated market actor in this area.

14 24. Triad sold the insurance which covers the AHM Loans and the Countrywide Loans,
15 and in return received substantial premiums. Triad agreed to insure that the borrowers made
16 payment of principal and interest, and to pay claims in the event of borrower default. According to
17 Triad's web site, Triad was "formed in 1987 to write private mortgage insurance" and "private
18 mortgage insurance protects lenders from default-related loss and facilitates home ownership for
19 buyer."

20 **A. Mortgage Insurance Industry**

21 25. As part of its mortgage lending business, Countrywide established strategic business
22 relationships with mortgage insurance companies, including Triad. Countrywide depended on
23 Triad's mortgage insurance to cover the loans that it originated as well as loans that it acquired from
24 other lenders such as AHM. As set forth above, without such mortgage insurance in place, the loans
25 originated and acquired by Countrywide would not be marketable to investors.

26 26. At all relevant times, there was great competition in the mortgage insurance market
27 and Triad, along with other mortgage insurers, engaged in an aggressive marketing campaign to
28 convince lenders to purchase its mortgage insurance products and services. Triad advertised how it

1 could assist lenders by insuring their loan portfolios and increasing their ability to write more and
2 more loans and therefore increase profitability.

3 27. In fact, mortgage insurance was marketed as the means to protect lenders from the
4 volatility of the mortgage market. The Mortgage Insurance Companies of America (“MICA”), of
5 which Triad is a member, has explained that “[r]ecent trends in industry profitability provide a
6 graphic picture of the cyclical risks of mortgage lending. It is against this pattern of peaks and
7 valleys that mortgage insurance was designed to protect lenders.” As further recognized by MICA,
8 “[m]ortgage insurers cannot raise premiums or cancel policies if risk increases over time.”

9 28. Triad had substantial access to the details and procedures pursuant to which its
10 insured lenders, including Countrywide, conducted their business operations. Triad would routinely
11 conduct audits of its insured lenders’ operations, reviewing individual mortgage loans to evaluate
12 whether underwriting standards had been met. In addition, Triad would review loan data before
13 loans became insured and had an opportunity to reject loans from coverage based on such review.
14 Triad also learned a great deal about its lenders’ practices and procedures based on its claims
15 handling activities.

16 29. In addition to having a sound understanding of how mortgage lenders operated, Triad
17 understood firsthand the risks associated with the mortgage lending business, given that Triad was
18 formed for the sole purpose of writing private mortgage insurance and insured numerous mortgage
19 lenders.

20 30. Over the last decade, the mortgage industry as a whole, including the mortgage
21 insurance industry, began to offer and/or agree to insure a broader range of mortgage products. The
22 trend made more loans available, increased consumer choice, and fostered increased
23 homeownership. This evolution was common knowledge throughout all facets of the mortgage
24 lending marketplace, including among the mortgage insurance industry generally and Triad
25 specifically. It also was discussed in both the mortgage trade press and popular media. The
26 mortgage insurance industry, including Triad, saw itself as an important player toward achieving
27 the goal of making homeownership attainable to more and more people.
28

1 31. As the volume of mortgages being originated increased, the availability of mortgage
2 insurance for this increased volume was never an issue. Members of the mortgage insurance
3 industry, including Triad, generated premium volumes substantially in excess of historic levels based
4 upon this growth in the mortgage market.

5 32. Indeed, in order to increase their market share in the highly competitive and lucrative
6 mortgage insurance industry, Triad and other mortgage insurers encouraged lenders to develop new
7 and more risky mortgage products in order to increase the market for mortgage loans and with it the
8 market for mortgage insurance. Only by increasing the market for mortgage loans could mortgage
9 insurers like Triad increase their profits. Accordingly, Triad increased the number of so-called “Alt-
10 A Loans” it would insure (alternative documentation loans) whereby borrowers could secure
11 mortgage loans without submitting the full documentation that traditionally was required. Among
12 the various types of Alt-A Loans are so-called “stated income loans” where borrowers were not
13 required to provide documentation to verify their incomes. Other types of Alt-A Loans did not
14 require verification of assets or other documentation. While these loans presented higher risk,
15 mortgage insurers believed that borrowers with solid credit scores would continue to make good on
16 their obligations so long as home prices continued to appreciate. As Triad explained on its website
17 in 1998, “We firmly believe in the value of the credit score as an indicator of a borrower’s ability
18 and willingness to pay, and therefore we have virtually eliminated the need for full package
19 submissions on almost all of your loans.”

20 33. In addition, Triad aggressively marketed its private mortgage insurance in
21 competition with, and as an alternative to, so-called “piggyback” loans that allowed borrowers to
22 obtain a second lien mortgage on top of their first lien mortgage loans in lieu of private mortgage
23 insurance. In 2005, for example, Triad’s website advocated private mortgage insurance over
24 piggyback loans and described the advantages associated with private mortgage insurance including
25 that the borrower “acquires only one mortgage payment as opposed to first and second mortgage,”
26 “typically enjoys a lower payment for the 90% LTV mortgage” and insurance “gives the lender MI
27 protection in case of default . . .”
28

1 34. On its website and in advertising materials, Triad admitted the necessity of insuring a
2 wide variety of mortgage products and borrowers in order to maintain relationships with major U.S.
3 and international lenders.

4 35. Changes in the mortgage industry, and the concomitant underwriting practices were
5 publicly reported and well known within Triad.

6 **B. The National Housing Decline And "Mortgage Crisis"**

7 36. As is now common knowledge, the once booming housing market collapsed. As
8 home price appreciation continued to slow in certain markets, by early 2007 lenders selling subprime
9 loans found it more difficult to sell those loans into the secondary markets, and some of those
10 lenders downsized or failed, including AHM, which filed for bankruptcy protection on August 6,
11 2007. By late summer 2007, the secondary market which had existed for securitized mortgage loans
12 (whether subprime or prime in nature) largely dried up. Moreover, throughout 2007, real estate
13 prices flattened and then began to decrease nationally in the first national home price depreciation
14 since the Great Depression, leading to substantial increases in default and foreclosure rates. Active
15 participants in the real estate and mortgage markets, including Triad, were well aware of these
16 market conditions and the popular press was full of news of a "mortgage crisis."

17 37. The United States spiraled downward into a deep economic recession. The above
18 discussed decreases in home prices resulted in many homeowners finding themselves in a position of
19 negative equity, *i.e.* these borrowers had debt higher than the value of the property. In addition to
20 the collapse of the real estate market, employers have been downsizing, eliminating millions of
21 employees as well as decreasing existing employees' salaries. According to the United States Labor
22 Department, the unemployment rate has risen to greater than 10%.

23 38. As a result of the factors above and other economic factors, the United States
24 experienced a dramatic increase in the rates of defaults on residential mortgage loans. The increase
25 in defaults is not limited to loans originated by AHM or Countrywide, but is a phenomenon
26 occurring nationwide and has impacted all mortgage lenders. This risk of default is exactly the type
27 of risk Triad agreed to insure.

28

1 39. Now, however, in order to avoid paying claims for exactly the type of risk it agreed to
2 insure, Triad is attempting to blame mortgage lenders, rather than the collapse of the real estate
3 market or its own expanded appetite for risk, for the present problems with the mortgage business.

4 40. Despite knowledge that a mortgage crisis was imminent, Triad continued to push for
5 the sale of private mortgage insurance to borrowers it understood presented increased risk. In
6 promoting its own products, Triad advertised that “with the use of mortgage insurance, we make
7 homeownership possible for as little as 3% down.” Of course, when borrowers make only small
8 down payments there is very little margin before depreciating home values will mean that
9 borrowers owe more on their mortgages than their properties are worth. Triad certainly understood
10 this risk when it agreed to insure such loans, but like all actors in the market it did not anticipate the
11 widespread home price depreciation that the country has now experienced.

12 41. Now, however, Triad seeks to escape responsibility for its own decisions even though
13 it knowingly agreed to insure loans it believed were risky; claiming that lenders did not follow
14 proper guidelines when underwriting loans Triad agreed to insure.

15 **C. Triad’s Attempt to Rescind coverage for the AHM Loans on a Poolwide Basis**

16 42. Since the collapse of the real estate market, Triad has desperately attempted to
17 abandon its mortgage insurance-related liabilities.

18 43. Among other things, Triad has sought to rescind, on a poolwide basis, all of the
19 mortgage insurance certificates it issued in connection with all covered loans AHM originated
20 including the AHM Loans acquired by Countrywide. For example, Triad has sought to rescind
21 coverage on a blanket basis for all AHM Loans based on, among other things, alleged improper
22 underwriting by AHM. Triad has refused to pay validly submitted claims on the AHM Loans.
23 Instead, Triad has placed the claim payments into a separate account pending judicial determination
24 of its poolwide rescission claim.

25 44. Because each of the AHM Loans was insured on an individual basis and Triad issued
26 a separate commitment/certificate for each loan, coverage must be determined on a loan-by-loan
27 basis. Triad’s attempt to rescind coverage for thousands of loans without showing a ground for
28 rescission for any particular loan is inappropriate and violates the terms of the Triad certificates and

1 the terms of Triad's standard master policy which makes clear that coverage must be evaluated on a
2 loan-by-loan basis. Policy provisions which support Countrywide's position that coverage must be
3 evaluated on a loan-by-loan basis include the following examples:

- 4 • A "Certificate" is defined as "the document issued by the Company pursuant to [the
5 master policy] and extending the indicated coverage option to a specified Loan.
- 6 • The "Effective Date" is calculated on a loan-by-loan basis, based on the date the loan was
7 consummated or the date of coverage as indicated on the Certificate for that loan.
- 8 • "Loss" is the liability of the Company "with respect to a Loan. . . ."
- 9 • The coverage section of the master policy provides that "coverage of a Loan shall not be
10 effective unless the Company has issued a Certificate with respect to the Loan."
- 11 • Premiums are calculated and paid on an individual Certificate basis pursuant to
12 Sections II. B. and C. of the master policy.
- 13 • Exclusion G of Triad's delegated master policy provides that there is no coverage for any
14 loan as to which the insured failed to satisfy certain underwriting procedures for that
15 specific loan.
- 16 • Pursuant to Section VI.K. of the master policy whether or not coverage for a claim can be
17 denied for a misrepresentation is based on a loan-by-loan analysis regarding the facts
18 pertaining to each loan.
- 19 • Section VI.J. provides that "if a Claim is excluded and the Company is not otherwise
20 prejudiced or damaged thereby, the Company shall refund to the Insured a portion of the
21 premium paid on the Certificate prior to the date of the event giving rise to such
22 exclusion. . . ."

23 45. Now that the economy is in a deep recession and the number of defaults has
24 substantially increased, Triad is seeking to run from coverage by blaming mortgage lenders for the
25 risks Triad knowingly underwrote. Before the market turned, Triad benefitted from the expansion of
26 the business and the substantial premiums it received as a result. The fact that it is now having to
27 pay claims with regard to loans it agreed to insure is not reason for it to seek to avoid its obligations.
28

1 **D. Triad's Improper Loan-Level Coverage Denials**

2 46. With regard to individual AHM Loans and Countrywide Loans, Triad has asserted
3 unreasonable claims handling positions, including unreasonable positions regarding the
4 interpretation of key provisions in its standard master policy and endorsements thereto, including but
5 not limited to, the positions described below.

6 47. For example, Triad's master policy contains an "incontestability" provision which
7 provides that Triad cannot rescind coverage for a loan or deny a claim unless certain conditions are
8 established. For instance, pursuant to the incontestability provision, Triad can rescind coverage or
9 deny a claim only if it can prove that a person involved with the loan origination (not the borrower)
10 (a "first party") had knowledge of or was involved in the misrepresentation, *i.e.*, that the insured or
11 another person involved in originating the loan knowingly made or knowingly participated in the
12 misrepresentation. It is not enough for Triad to show that a borrower might have misrepresented
13 information in the loan application. Notwithstanding this, Triad has rescinded coverage and denied
14 claims based on a borrower's alleged misrepresentation without any proof that a first party was
15 involved or had knowledge of the misrepresentation. In addition, Triad contends the policies allow
16 it to rescind coverage and/or deny claims based on untrustworthy and unsubstantiated evidence of
17 borrower misrepresentation.

18 48. In addition, many of the subject loans are "reduced" or limited" documentation loans
19 where the loan originator, pursuant to the loan program being underwritten as approved by Triad, did
20 not independently verify the borrower's income information. In applying for such loans, the
21 borrower states his or her income on the loan application and the loan originator does not obtain
22 documentation to support the borrower's stated income, though it may undertake to consider the
23 stated job and/or attempt to confirm employment.

24 49. Triad was fully aware that for such "stated income" loans, the borrower's income
25 would not be verified by obtaining documentation to support the borrower's income and, therefore,
26 that these loans involved increased risk. Because the borrower's income was just "stated" and not
27 verified, Triad relied on other factors besides the borrower's income to determine whether it wished
28

1 to insure a particular loan. Despite this, Triad has wrongfully denied and/or rescinded coverage with
2 respect to such loans on the ground that the borrower's stated income was inflated.

3 50. Triad has also improperly denied claims and/or rescinded coverage based on alleged
4 appraisal misrepresentations, based on "review appraisals" performed well after the origination of
5 the loan. Triad relies on the value from the review appraisal as being the actual value and the
6 origination opinion as being inaccurate. The review appraisals submitted by Triad do not
7 demonstrate that the origination appraisals contained misrepresentations. At most, they simply
8 reflect a difference of opinion between two appraisers. It is not a sufficient basis to rescind coverage
9 or deny a claim simply based on the fact that a second appraiser has a different opinion, particularly
10 where the second appraiser's opinion was developed with the benefit of hindsight.

11 **FIRST CAUSE OF ACTION: DECLARATORY JUDGMENT**

12 **(COUNTRYWIDE AGAINST TRIAD AND DOES)**

13 51. Countrywide hereby incorporates by reference paragraphs 1-51 as if fully set forth
14 herein.

15 52. Triad received all premiums due in connection with the certificates/commitments
16 issued for the loans at issue in this case. All of the other terms, provisions, and conditions precedent
17 under the coverage issued by Triad for these loans have been substantially complied with. To the
18 extent there has not been substantial compliance with the terms and conditions of the Triad policies,
19 then Triad waived and or is estopped from asserting such a defense given that its actions and course
20 of conduct have been inconsistent with an intention to enforce requirements under the policies.

21 53. As alleged above, Triad agreed for each of the AHM Loans and each of the
22 Countrywide Loans to pay claims in the event that borrowers defaulted on the payment of principal
23 and interest. Triad also agreed to evaluate coverage for claims on a loan-by-loan basis.

24 54. Actual and justiciable controversies presently exist between Countrywide and Triad
25 concerning Triad's obligations to pay for losses due to defaults by borrowers.

26 55. In addition, Countrywide and Triad dispute how the coverage should be interpreted
27 and applied with regard to individual loans covered by Triad. Countrywide seeks declaratory relief
28 to resolve these disputes.

1 56. Among other things, Countrywide seeks declaratory relief regarding Triad's position
2 that it can rescind coverage for all AHM Loans regardless of whether there is a ground for
3 rescission with regard to any individual loan. Countrywide disputes this position and contends that
4 coverage must be determined on a loan-by-loan basis based on individualized arguments regarding
5 each covered loan, not based on generalized arguments regarding the failure to comply with
6 underwriting guidelines. With regard to Triad's position that it can rescind all AHM Loans based
7 on such generalized arguments regarding AHM's underwriting practices, Countrywide seeks
8 declaratory relief regarding the interpretation of the Triad policies, including the interpretation of
9 the provisions outlined above which make clear that the Triad policies and certificates are divisible
10 contracts which apply separately to each loan for which a certificate has been issued. As such, if
11 Triad has a right to rescind or otherwise deny coverage with respect to one loan, or even a group of
12 loans, that has no impact on whether other loans are covered.

13 57. Further, Countrywide seeks declaratory relief regarding the individual grounds
14 asserted by Triad to deny and/or rescind coverage for the AHM Loans and the Countrywide Loans.
15 These issues include, but are not limited to, the following:

16 a) Whether and to what extent Triad can rescind or deny coverage based on
17 arguments regarding borrower fraud and alleged "first party" knowledge or involvement pursuant to
18 Section VI.K. of Triad's master policy;

19 b) Whether and to what extent Triad can rescind or deny coverage based on alleged
20 violations of underlying guidelines with respect to individual loans;

21 c) Whether and to what extent Triad can rescind or deny coverage for "stated
22 income" loans based on alleged inflated borrower incomes;

23 d) Whether and to what extent Triad can rescind or deny coverage based on alleged
24 appraisal misrepresentations;

25 e) Whether and to what extent Triad can rescind or deny coverage based on the
26 "negligence and fraud" exclusion contain in Triad's master policy.

27 58. In addition to the claims that have already been reported to Triad with regard the
28 AHM Loans and the Countrywide Loans, claims likely will continue to be submitted to Triad on a

1 regular basis. It is expected that Triad will seek in the future to deny and/or rescind coverage with
2 respect to these loans on the same improper grounds for denial and/or rescission that Triad has
3 already asserted. In order to avoid further controversy and to avoid or limit the need for future
4 litigation between the parties, it is necessary and appropriate for the Court to resolve these coverage
5 issues at this time.

6 **SECOND CAUSE OF ACTION: BREACH OF CONTRACT**

7 **(COUNTRYWIDE AGAINST TRIAD AND DOES)**

8 59. Countrywide hereby incorporates by reference paragraphs 1-59 as if fully set forth
9 herein.

10 60. As alleged above, Triad agreed under the mortgage insurance policies to insure
11 against losses due to defaults by borrowers in the repayment of the AHM Loans and the
12 Countrywide Loans.

13 61. Triad received all premiums due under the policies. All of the other terms,
14 provisions, and conditions precedent of the policies have been substantially complied with.

15 62. To the extent there has not been substantial compliance with any of the terms,
16 provisions, and conditions precedent of the policies, then Triad waived and/or is estopped from
17 asserting such a defense given that its actions and course of conduct have been inconsistent with an
18 intention to enforce requirements under the policies.

19 63. Countrywide has timely submitted claims and proofs of loss for losses due to defaults
20 by borrowers in the repayment of the AHM Loans and the Countrywide Loans. In submitting these
21 claims and proofs of loss, Countrywide has substantially complied with all terms, provisions and
22 conditions of the policies.

23 64. Triad has committed substantial and material breaches of its contractual obligations
24 under the policies by wrongfully denying claims for the AHM Loans, and by stating that the policies
25 should be rescinded on a poolwide basis. With regard to the AHM Loans, Countrywide has suffered
26 and continues to suffer substantial monetary damages estimated to be in excess of \$10 million, and
27
28

1 based on Triad's refusal to pay claims based on its poolwide rescission position, Countrywide
2 expects at least an additional \$38 million in damages.

3 65. In addition, Triad has committed substantial and material breaches of its contractual
4 obligations under the policies by wrongfully denying claims for the Countrywide Loans. With
5 regard to the Countrywide Loans, Countrywide has suffered and continues to suffer substantial
6 monetary damages estimated to be in excess of \$63 million. This amount continues to increase as
7 additional claims are rejected.

8 66. As a direct and proximate result of Triad's failure to pay claims, including its failure
9 to pay based on its poolwide rescission contention, Countrywide has suffered, and continues to
10 suffer, substantial monetary damages which it estimates will be in excess of \$111 million by the time
11 of trial, exclusive of interest and costs associated with this lawsuit.

12 **THIRD CAUSE OF ACTION: BREACH OF THE IMPLIED COVENANT OF GOOD**

13 **FAITH AND FAIR DEALING**

14 **(COUNTRYWIDE AGAINST TRIAD AND DOES)**

15 67. Countrywide hereby incorporates by reference paragraphs 1-67 as if fully set forth
16 herein.

17 68. As alleged above, Triad agreed under the terms and conditions of its mortgage
18 insurance policies to insure for losses due to defaults by borrowers in the repayment of the AHM
19 Loans and the Countrywide Loans.

20 69. Implied in every insurance policy is a covenant that the insurance company will act in
21 good faith and deal fairly with its insured, that the insurance company will do nothing to interfere
22 with the right to receive benefits under the policy, that the insurance company will give at least as
23 much consideration to the interests of the insured as it does its own interests, that the insurance
24 company will exercise diligence, good faith and fidelity in safeguarding the insured's interests, that
25 it will deal ethically with the insured and will fairly and adequately inform the insured with respect
26 to the nature and scope of its insurance coverage (hereinafter referred to as the "implied covenant of
27 good faith and fair dealing").
28

1 evaluated on a loan-by-loan basis.

- 2 c) Any attempt by Triad to rescind coverage for the AHM Loans on improper
3 grounds by returning premiums is invalid. Any premium amounts that Triad
4 returns in connection with attempted rescissions should be returned to
5 Countrywide as the current servicer and/or owner of these loans rather than to
6 AHM or any representative of AHM, as AHM no longer has any interest in
7 the insurance coverage on loans sold to Countrywide.
- 8 d) A declaration regarding the standards for evaluating loan-by-loan rescissions
9 and coverage denials for the AHM Loans and the Countrywide Loans and
10 how the policy provisions should be interpreted regarding such matters.

11 2. With respect to the Second Cause of Action, Countrywide requests that the Court
12 enter judgment against Triad for an amount in excess of \$111 million for Triad's breach of contract,
13 interest according to law, and such other relief as the Court deems just and proper.

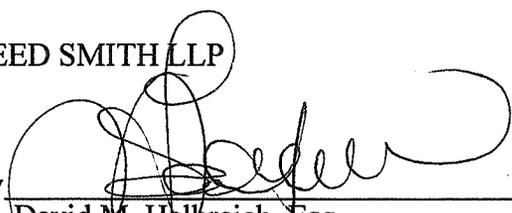
14 3. With respect to the Third Cause of Action, Countrywide requests that the Court enter
15 judgment against Triad for compensatory and consequential damage, punitive damages, attorneys'
16 fees and costs, and such other relief as the Court deems just and proper.

17 **JURY DEMAND**

- 18 1. Countrywide requests a trial by jury on all issues so triable.

19 DATED: March 5, 2010.

20 REED SMITH LLP

21
22 By 

23 David M. Halbreich, Esq.

24 David E. Weiss, Esq.

25 Lilit Asadourian, Esq.

26 Attorneys for Plaintiffs

27 Countrywide Home Loans, Inc., BAC Home Loans
28 Servicing LP, and Bank of America N.A.

Exhibit B:

Complaint in Adversary Proceeding

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

-----	X	
In re:	:	
	:	Chapter 11
AMERICAN HOME MORTGAGE HOLDINGS	:	
INC., a Delaware Corporation, et al.,	:	Case No. 07-11047 (CSS)
	:	(Jointly Administered)
Debtors.	:	
	:	
-----	X	
-----	X	
TRIAD GUARANTY INSURANCE CORP.	:	
	:	
Plaintiff,	:	Re: Docket No. ____
	:	
AMERICAN HOME MORTGAGE INVESTMENT	:	
CORP., AMERICAN HOME MORTGAGE CORP.,	:	
and AHM SV, INC. (f/k/a AMERICAN HOME	:	
MORTGAGE SERVICING, INC.) AND ALL	:	
OTHERS SIMILARLY SITUATED AS OWNERS	:	
OF MORTGAGE LOAN INSURANCE ISSUED BY	:	
TRIAD GUARANTY CORP. TO AMERICAN HOME	:	
MORTGAGE	:	
	:	
Defendants.	:	
-----	X	

The plaintiff Triad Guaranty Insurance Corp. (“Triad”), complaining of the defendants, seeks a rescission of multiple master mortgage guaranty insurance policies and declaratory relief, and alleges as follows:

I. NATURE OF THE ACTION

1. This is an action for rescission and declaratory relief arising out of the failure of American Home Mortgage (“AHM”) to perform reasonably and in good faith under multiple master mortgage guaranty insurance policies (“master policies”) issued by

Triad under which Triad provided mortgage guaranty insurance on over 29,000 loans made by AHM.

2. Fundamental to the contractual relationship between AHM and Triad was proper underwriting of the loan applications for insurance purposes. This process was essential to a determination of whether the loan was qualified for mortgage guaranty insurance in the first instance.

3. Historically, Triad had conducted its own insurance underwriting for loans such as the ones at issue. Over time, lenders such as AHM agreed to assume the insurance underwriting obligation under guidelines approved by Triad. Based on representations regarding its underwriting processes and quality control procedures, Triad developed trust and confidence in AHM to properly underwrite the loans. Accordingly, Triad delegated the insurance underwriting function to AHM for the loans insured by the master policies.

4. As Triad now has learned, AHM did not comply with its essential obligations under the master policies. Instead, AHM failed to follow the insurance underwriting guidelines approved by Triad, resulting in a large percentage of loans that did not qualify for Triad's insurance in the first instance.

5. AHM's conduct frustrated the reasonable expectations of Triad in entering into the master policies and deprived Triad of the benefit of the bargain with AHM.

6. Inherent in any contract to provide mortgage guaranty insurance is the covenant that the loans insured would be underwritten pursuant to reasonable standards aimed at determining whether borrowers are qualified and actually have the ability to repay the loans. Instead of conforming to this implied covenant, AHM was not diligent

in underwriting the over 29,000 loans placed by AHM for coverage under the master policies, and Triad never would have entered into the master policies with AHM if it had known that AHM would not perform its obligations properly.

7. AHM's failure to perform its obligations has resulted in substantial damage to Triad. The rescission rate¹ of the AHM loans increased rapidly from traditional levels of less than 5% to almost 70%. The number of defaulted loans also soared from historical levels of 2% to over 16%. Triad has incurred enormous losses by virtue of its review of defaulted loans and its return of premiums for loans that did not qualify for insurance.

8. By this lawsuit, Triad seeks to be excused from its obligation to insure any loans under its master policies with AHM as a result of AHM's material breach of the master policies, as well as the implied covenant of good faith and fair dealing, and Triad therefore seeks court approval of rescission of the master policies.

II. PARTIES

9. Triad is an insurance company organized and existing under the laws of the State of Illinois, with its principal place of business in Winston-Salem, North Carolina.

10. American Home Mortgage Investment Corp. ("AHMIC") is a Maryland corporation with its principal place of business in New York and is a debtor in possession in this Chapter 11 action.

¹ The rate of rescission for defaulted loans is referred to as the "rescission rate."

11. American Home Mortgage Corp. (“AHMC”) is a Maryland corporation with its principal place of business in New York and is a debtor in possession in this Chapter 11 action.

12. AHM SV, Inc. (f/k/a American Home Mortgage Servicing, Inc.) (“AHMSI”) is a Maryland corporation with its principal place of business in New York and is a debtor in possession in this Chapter 11 action. AHMIC, AHMC and AHMSI are sometimes collectively referred to as “AHM.”

III. JURISDICTION AND VENUE

13. This Court has subject matter jurisdiction over this proceeding pursuant to 28 U.S.C. §§157, 1334 and 2201 and venue is proper pursuant to 28 U.S.C. §§1408 and 1409.

IV. FACTS

14. Triad was a residential mortgage insurer which offered private residential mortgage guaranty insurance that protected lenders against the risk of borrower default.

15. In issuing mortgage guaranty insurance, Triad agreed, in exchange for an insurance premium, to cover a portion of a lender’s risk of loss from a loan default. Under the typical mortgage insurance policy, the mortgage insurer pays an agreed percentage of the lender’s loss which occurs when the borrower defaults on the loan, and following a foreclosure and a sale, the loan has still not been paid in full. Because the risk of loss from the borrower’s default is directly related to the borrower’s qualifications to borrow the money from the lender, Triad depends upon accurate underwriting of the loan before the insurance is placed. By express agreement of the parties, this essential underwriting function was delegated by Triad to AHM, as explained below.

16. AHM was an independent mortgage lender in the business of providing home mortgage products and services.

17. Upon information and belief, AHM's primary business was originating, selling and servicing residential mortgage loans.

18. AHM would often seek to purchase mortgage guaranty insurance to make its loans more attractive to buyers and investors, and to obtain a higher sales price for AHM.

19. AHM sought mortgage guaranty insurance from Triad. Triad agreed to write such insurance for AHM with the express understanding that AHM would assume the obligation of underwriting AHM's loans for insurance purposes pursuant to agreed underwriting guidelines.

20. Triad insured AHM's loans pursuant to two types of policies: flow and bulk.

A. FLOW LOANS

21. Flow loans are individually underwritten loans. AHM did not purchase separate insurance policies for each flow loan. Rather, AHM purchased master insurance policies applicable to flow loans, and Triad issued a commitment/certificate with respect to each insured loan. A listing of these master policies is attached as Exhibit A. Triad's master policies for flow loans were issued to AHM from November, 2004 through March, 2006.

22. AHM and Triad agreed that flow loans would be insured as part of a "delegated" program. Under the delegated program, AHM was responsible for

underwriting the mortgage insurance for each loan to be insured by Triad. Simply, the underwriting was “delegated” to AHM.

23. Under the “delegated” program, AHM submitted underwriting guidelines to Triad for prior approval. Once Triad approved those guidelines, AHM was obligated to follow those guidelines if AHM wanted mortgage loan insurance on an individual loan from Triad. If an individual loan did not meet the underwriting guidelines, AHM could seek a variance from Triad. If a loan did not meet the guidelines, and no variance was approved by Triad, the loan was not eligible to be insured by Triad.

24. Under the delegated program, once AHM determined a flow loan met the approved underwriting guidelines or a variance was approved by Triad, AHM would underwrite the insurance for that loan. AHM would determine pursuant to approved guidelines the amount of insurance and premium. AHM then submitted a transmittal form to Triad that contained certain basic information about the loan. In response to the transmittal form, and in reliance on the representations by AHM that it had followed the approved underwriting guidelines in making the loan, Triad issued a separate commitment/certificate for each such loan.

25. Triad was unable, and AHM was aware that Triad was unable, to review AHM’s compliance with the approved underwriting guidelines at the time the commitment/certificate was issued. The underwriting process between AHM and Triad for a delegated program precluded Triad from reviewing the underwriting of an individual loan prior to the issuance of a commitment/certificate. Triad would review an individual loan’s underwriting in one of two circumstances: (a) a quality review audit; or (b) when AHM advised of a potential for a claim, as where a loan had gone into default.

26. Each of the AHM policies for flow loans provides that only certain loans are eligible for coverage. They state, in part:

Coverage under this Policy shall extend only to Loans eligible for coverage under the Manual and as to which the Insured has satisfied all of the existing underwriting procedures set forth in the Manual.

27. Exclusion G in the AHM policies for flow loans provides:

The Company shall not be liable for, and the Policy shall not apply to, extend to, or cover the following:

G. Non-Eligible Loans – Any Loan not eligible for coverage under the Manual or as to which the Insured failed to satisfy all of the underwriting procedures in the Manual, or any Loan as to which the Insured fails to submit a copy of its Loan file to the Company within thirty (30) days after the Company's request.

28. Page 5 of the Delegated Underwriting Manual states:

All loans originated under a American Home Mortgage approved for delegated program must meet the requirements and guidelines of that program.

29. In addition to the independent bases stated above, other exclusions in the policies for flow loans may apply to a claim.

30. Following notice of a loan default, Triad would review the loan and determine if it was eligible for coverage under the master policies for flow loans. Prior to the review, Triad would not be aware of facts which would have demonstrated that a loan was not eligible for coverage.

B. BULK LOANS

31. Bulk loans are groups of loans packaged together. Triad is informed and believes that the bulk loans were sold by AHM to other entities; that some of those entities would then issue and sell securities backed by the group of loans, with ownership

of the loans remaining with the entity; and that the owners of the securities did not own any individual loan.

32. AHM purchased a single master insurance policy which applied to all loans in a particular bulk transaction and Triad issued a commitment/certificate with respect to each insured loan. A listing of the master insurance policies applicable to particular "bulk" transactions is attached as Exhibit B. Triad's master policies for bulk loans were issued to AHM from March, 2006 through March, 2007.

33. For bulk loans, the master policies provide that the insurance is issued "in reliance upon the Insured's representation and statements made in any application for coverage under this Policy, and in any documents and writings, including any electronic media related thereto."

34. As with flow loans, AHM would submit limited information to Triad regarding the loans in a bulk transaction. Any individual loan in the bulk transaction was eligible to be insured only if it met the approved underwriting guidelines. Triad was unable, and AHM was aware that Triad was unable, to review AHM's compliance with the approved underwriting guidelines at the time the commitment/certificate was issued. The underwriting process between Triad and AHM precluded Triad from reviewing the underwriting of an individual loan prior to the issuance of the commitment/certificate. As with flow loans, Triad would review an individual loan's underwriting only during a quality review audit or when a default was presented.

35. There is a written agreement which is part of each master policy issued for bulk loans. The March 23, 2006 letter to Alan Horn for Deal # AHM (QRS) MTA 2006-

1, attached as Exhibit C, is as an example of such an agreement. The following are some of the relevant portions of the agreement:

(a) Paragraph 8(c) in “Loss Eligibility Criteria” states:

The information with respect to each Loan on the Final Data File is true, correct, accurate, and complete in all respects.

(b) Paragraph 10 states:

Triad acknowledges the representations of AHM as the Insured that the loans insured under the Primary Coverage were made and underwritten by the originator of the loan in accordance with the underwriting requirements contained in the originator’s eligibility criteria (“Underwriting Requirements”). AHM acknowledges and agrees that Triad shall be entitled to rely upon AHM to determine individual loan acceptability based on the Eligibility Criteria set forth above and such Underwriting Requirements of the originators. AHM represents and warrants to Triad that each loan to be insured under the Primary Coverage meets the loan Eligibility Criteria set forth in Section 8 above and in all material respects meets such Underwriting Requirements.

(c) Paragraph 12 states:

AHM acknowledges and agrees that (a) the mortgage loan information contained on the preliminary file provided to Triad prior to issuance of Primary Coverage as confirmed in the final file delivered to Triad is material to Triad’s decision as to whether to issue such Primary Coverage and (b) Triad is relying on such information in issuing such Primary Coverage. AHM acknowledges and agrees that all mortgage loan information relevant to Triad’s insurance decision and contained on the preliminary and final files provided by AHM is materially true, correct and accurate.

36. In addition to the independent bases stated above, other exclusions in the policies for bulk loans may apply to a claim.

V. LOANS INSURED

37. Triad repeats and incorporates by reference each of the allegations in paragraphs 1 through 36.

38. AHM placed over 29,000 loans for coverage under the flow and bulk master policies.

VI. FAILURE OF PURPOSE

39. Triad repeats and incorporates by reference each of the allegations in paragraphs 1 through 38.

40. Pursuant to the master policies, AHM acknowledged that Triad was relying on AHM to follow the approved underwriting guidelines in issuing the mortgage insurance.

41. In submitting loans to Triad for mortgage insurance coverage, AHM represented that each loan complied with the approved underwriting guidelines.

42. Implied in the master policies is the covenant that AHM will also underwrite each loan insured in a reasonable and prudent manner designed to make sure the borrower has the ability to repay the loan.

43. Triad delegated to AHM the responsibility and obligation to deliver for mortgage guaranty insurance coverage only those loans that had been prudently underwritten and in which the borrower had a reasonable prospect for repayment.

44. It was entirely reasonable for Triad to expect AHM to underwrite in a reasonable and prudent manner and follow the approved underwriting guidelines with respect to the loans which it submitted for mortgage insurance coverage, and AHM understood that Triad was relying upon AHM to perform its obligation properly.

45. The parties intended to enter into the master policies for mutual benefit. AHM's purpose was to have mortgage insurance on the mortgage loans it underwrote and to add value to the loans. Triad's purpose was to provide a much needed service to its

insureds – mortgage insurance – and to earn income through premiums collected in excess of claims and expenses.

46. Loans that were written in violation of the approved underwriting guidelines were not eligible for insurance under the master policies in the first instance. Upon discovery of such violations, Triad's practice has been to rescind the applicable coverage and return all premiums collected for such coverage.

47. Before the master policies were issued to AHM, Triad had rescinded coverage for less than 5% of defaulted loans. Both parties were aware of these rescission rates before the flow and bulk contracts were made.

48. After the master policies were issued, Triad began finding a dramatic and unexpected increase in underwriting violations in its review of defaulted AHM loans. As a result, the rate of rescissions for defaulted loans increased rapidly from less than 5% of the insured loans to almost 70%. Over the life of the contracts shown in Exhibit A and B, Triad is rescinding coverage and returning premiums for over 60% of defaulted loans due to violations of approved underwriting guidelines.

49. The number of defaulted loans has also soared from historical levels of 2% to over 16% of the AHM portfolio. This was caused at least in part by the fact that loans were made to borrowers who did not qualify for Triad's insurance in the first instance. As a result, Triad is incurring unprecedented and unanticipated costs in reviewing defaulted loans to determine whether or not the loans were in compliance with the agreement of the parties.

50. Because of the extensive number of underwriting violations, the essential purpose of the master policies has been defeated. Triad has been returning the premiums collected on rescinded coverage, and its income stream has been severely affected.

51. Triad relied upon AHM to properly underwrite the mortgage insurance on its behalf and to submit only qualified loans to Triad for coverage. AHM's failure to do so constitutes a breach of contract that substantially and fundamentally defeats the object of the parties in entering into the master policies, excuses Triad from further performance, and constitutes grounds for rescission of the master policies.

52. By its actions, AHM has also breached the implied covenant of good faith and fair dealing that accompanied AHM's undertaking of the insurance underwriting obligation.

53. As a proximate result of the matters alleged herein, Triad has had to cease writing new business and has been placed under the supervision of the Illinois Director of Insurance.

54. Triad has performed all obligations under the master policies, or such performance has been excused or waived.

55. Triad has attempted to reach a resolution with AHM, but without success as of the date of this filing.

VIII. CLASS ALLEGATIONS

56. Triad repeats and incorporates by reference each of the allegations in paragraphs 1 through 55.

57. Under the policies identified in Exhibit A and Exhibit B:

If a Loan or a majority participation in a Loan is sold, assigned, or transferred by the Insured, coverage under the Certificate will

continue with respect to the Loan, and the new owner or majority loan participant shall be considered the Insured(s) hereunder from the date notice thereof is given to the Company, if the new owner or majority loan participant is an institutional investor approved by the Company in advance, or otherwise from the date the new owner or loan participant is approved in writing by the Company, provided that, in either case, the Loan continues to be serviced by a Servicer approved by the Company....

58. Triad brings this action pursuant to Rule 23 of the Federal Rules of Civil Procedure against the following class:

The owners of individual loans insured by the master policies identified on Exhibits A and B.

59. Numerosity. Triad is informed and believes AHM has sold an unknown number of the over 29,000 loans it insured through the master policies. In most cases, Triad was not informed of the identity of the purchasers of the loans. Triad is informed and believes the purchasers themselves may have sold the loans to other parties. Triad does not know the identity of those purchasers.

60. The number of owners of loans is too numerous, potentially numbering in the hundreds, and geographically dispersed across the globe, such that joinder of all owners is impracticable.

61. The identities of the owners of loans are or should be known to AHM.

62. Commonality. Questions of law and fact relating to the application and rescission of the master policies are common to the class and predominate over any questions affecting only individual members of the class. Insurance for an individual loan is subject to application and validity of the master policies identified on Exhibits A and B. Triad's claims do not involve issues of fact or law relating to each and every

individual loan. Triad's claims are directed to the master policies negotiated solely with AHM, and under which AHM is the named insured.

63. Typicality. AHM's defenses are typical of the defenses of the class. Any defense involves the acts, omissions and representations of AHM. Any defense available to a member of the class is available to AHM.

64. Adequacy of Representation. AHM will fairly and adequately protect the interests of the defendant class. Triad is informed and believes that AHM maintains ownership of many individual loans. Further, Triad is informed and believes that under the agreements by which AHM sold flow and bulk loans, the purchasers had the ability to return ownership of the loans to AHM, and that numerous purchasers have in fact returned ownership of loans to AHM. Accordingly, AHM has fair and adequate incentive to be involved in the decision whether the master policies identified on Exhibits A and B are to be rescinded or remain operative.

65. Predominance and Superiority. This class action is appropriate for certification because questions of law and fact common to the members of the class predominate over questions affecting only individual members, and a class action is superior to other available methods for the fair and efficient adjudication of this controversy, since individual joinder of all members of the class is impractical. The prosecution of separate actions against the individual members of the class in this court and courts throughout the country would cause a multiplicity of lawsuits, burdening the court system, while also creating the risk of inconsistent rulings and contradictory judgments. In contrast to proceeding on a case-by-case basis, in which inconsistent results will magnify the delay and expense to all parties, this class action presents far

fewer management difficulties, while providing unitary adjudication, economies of scale and comprehensive supervision by a single court.

FIRST CLAIM FOR RELIEF (RESCISSION)

66. Triad repeats and incorporates by reference each of the allegations in paragraphs 1-65.

67. The master policies were based on the premise that the loans delivered for coverage would be underwritten pursuant to the approved underwriting guidelines, thorough quality assurance, and quality control procedures.

68. AHM has breached the contracts with Triad in numerous substantial and material ways, including, without limitation, failing to follow approved underwriting guidelines, and in representing that loans were made pursuant to the approved underwriting guidelines. The large number of rescissions of coverage for individual loans was not contemplated by the parties when the master policies were entered into and constitute breaches going to the root of the insurance contracts between AHM and Triad.

69. The covenant of good faith and fair dealing between AHM and Triad is implied in the master policies, as it is in every contract under controlling law.

70. Pursuant to the implied covenant of good faith and fair dealing, AHM was prohibited from doing anything that could injure the right of Triad to receive the benefit of the master policies or evade Triad's reasonable expectations under the master policies.

71. AHM breached the implied covenant of good faith and fair dealing because it failed to follow reasonable and prudent underwriting practices; it failed to follow the approved underwriting guidelines; and it caused Triad to issue insurance coverage on a group of loans that was almost entirely underwritten in an improper and

imprudent manner. AHM's breach of the implied covenant of good faith and fair dealing constitutes a material breach of the master policies that excuses Triad's contractual obligation to insure any of the loans delivered to Triad for coverage under the master policies.

72. Triad has suffered, and will continue to suffer, substantial harm and injury under the master policies if they are not rescinded in that, as a result of AHM's conduct, Triad will be forced to review coverage for thousands of mortgage loans that were not underwritten properly and, thus, carry a far higher rate of rescission than Triad would have accepted for the premiums charged.

73. Furthermore, Triad has incurred enormous, unanticipated additional expenses, which are substantially greater than the parties bargained for, such as costs associated with reviewing and investigating the subject loans.

74. The breaches described herein are so substantial and fundamental as to defeat the purpose of the parties in making the insurance contracts.

75. Due to the substantial and material breaches of contract, Triad seeks rescission of each of the master policies issued to AHM, as listed on Exhibits A and B. Triad is prepared to tender into Court the premiums paid with respect to the master policies issued to AHM, net of claims paid by Triad.

76. AHM's substantial and material breach of contract also excuses further performance by Triad under the master policies. Claim payments will soon exceed premiums received under the master policies. In order to avoid further irreparable harm by paying claims under the master policies but being unable to recover them once the

master policies are rescinded, henceforth, Triad will make all claim payments into an escrow account pending final resolution of this matter.

77. Based on the foregoing allegations, Triad respectfully requests that the court find that AHM committed substantial and material breaches of each of the master policies, and that the court order that the master policies be declared rescinded, *ab initio*.

SECOND CLAIM FOR RELIEF (DECLARATORY RELIEF)

78. Triad repeats and incorporates by reference each of the allegations in paragraphs 1-76.

79. An actual and justiciable controversy exists between Triad and defendants. Triad contends AHM's substantial and material breaches of contract entitle Triad to rescind the master policies and invalidate the certificates on individual loans issued pursuant to the master policies.

80. Triad seeks a declaration that the master policies shown on Exhibits A and B are rescinded and that Triad has no further obligation to perform under those contracts.

WHEREFORE, plaintiff Triad Guaranty Insurance Corp. prays for relief as follows:

1. That this action be certified as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure, appointing AHM as defendant class representative and its counsel as class counsel, and that appropriate notice be provided to the class pursuant to Rule 23(c)(2) of the Federal Rules of Civil Procedure.

2. That the court order rescission of the insurance policies identified on Exhibits A and B.

3. That the court declare that plaintiff has no obligations under any of the policies identified on Exhibits A and B.

4. That all costs of this action, including reasonable attorneys fees, be taxed to the defendants; and

5. That the court grant such other and further relief as it deems just and proper.

Dated: September 4, 2009

WOMBLE CARLYLE SANDRIDGE & RICE
A Professional Limited Liability Company

/s/ Kevin J. Mangan
Kevin J. Mangan (#3810)
222 Delaware Avenue, Suite 1501
Wilmington, DE 19801
(302) 252-4361

Richard T. Rice, Esq.
Womble, Carlyle, Sandridge & Rice
One West Fourth Street
Winston-Salem, North Carolina 27101

Garth Gersten, Esq.
Womble Carlyle Sandridge & Rice, PLLC
2530 Meridian Parkway, Suite 400
Research Triangle Park, North Carolina 27713

Counsel for Triad Guaranty Insurance Corp.

***CONFIDENTIAL SETTLEMENT/MEDIATION COMMUNICATION SUBJECT TO
RULE 408 OF THE FEDERAL RULES AND STATE EQUIVALENT***

Exhibit C – Claim Perfection Requirements

Pursuant to the definition of “Perfected Claim,” a claim will be considered a Perfected Claim for purposes of the Settlement Agreement upon:

1. Receipt of a fully completed formal request for benefits (claim for loss) through Electronic Data Interchange (EDI) or other format approved by Triad.
2. (a) Submission of a copy of the executed trustee’s or sheriff’s deed, or other satisfactory evidence that the foreclosure sale has been completed; (b) if the executed trustee’s or sheriff’s deed is not available due to delays in receiving the document from the appropriate authority, alternative documents will be provided in lieu of the trustee’s deed or sheriff’s deed (e.g. documents prepared by the foreclosure agent who conducts the sale or the court that indicates a successful bid, sale amount, date and bidder); or (c) a deed from the borrower in the case of a voluntary conveyance, demonstrating that the insured or servicer has obtained Borrower’s Title to the Property; provided, however, if available a recorded copy of such documents will be provided.
3. Full access to the insured property when reasonably requested and where applicable or available, copies of interior property evaluations completed since acquiring Borrower’s Title to the Property where the Insured or the servicer acquired title to the property through a foreclosure sale or deed in lieu, or prior to the sale of the property in a short sale. However, the items identified in Paragraphs 2 above and 3 are never required if the property is redeemed by the borrower pursuant to the exercise of reinstatement redemption rights arising in a foreclosure sale.
4. If requested, and where required by the applicable policy, a copy of the payment history since default.
5. If requested, and where required by the applicable policy, with respect to hazard insurance/property taxes, a copy of the policy or declarations page stating the effective beginning and end dates of the coverage and the costs incurred by the servicer, if applicable, documentation of hazard proceeds received; provided, however, that if the copy of any such specified document is unavailable, a screen shot from the Insureds’ servicing system, documenting the effective beginning and end dates of the coverage and the costs incurred by the servicer, will be sufficient. The inability to provide any of the items listed in this paragraph may subject the claim to a curtailment in accordance with past business practices, but shall not constitute grounds for a claim denial, provided that Triad shall not be permitted to apply such curtailment in a manner materially other than the manner in which the curtailment was applied prior to the Signing Date.

6. If applicable, the following: (a) the interest rate breakout on non-fixed rate mortgages for the duration of the default period; (b) any loan modification documents if the loan was modified at any time; (c) copies of bankruptcy relief or release dates if unreported prior to submission of the claim; (d) the primary insurance EOB document for supplemental coverage policies; (e) the final HUD-1 and wire/check copy showing the proceeds of sale if the property has been sold; (f) with regard to third-party outbids at foreclosure sales, the servicer may satisfy this requirement by providing alternative documents in lieu of the HUD-1 settlement statement, including the bidding instructions, and copy of outbid sale proceeds; (g) if applicable or available, a copy of the original note and applicable riders/endorsements; and (h) if applicable, rental lease agreements executed subsequent to default. The inability to provide any of the items listed in this paragraph may subject the claim to a curtailment in accordance with past business practices, but shall not constitute grounds for a claim denial, provided that Triad shall not be permitted to apply such curtailment in a manner materially other than the manner in which the curtailment was applied prior to the Signing Date.
7. Such other documents reasonably requested by Triad within 20 days following the receipt of the claim that Triad requires in good faith to process the claim, the exception being, any documents regarding any unknown or unforeseen action which occurred, or became known, after the filing of the claim. Triad expects that it will only rarely and infrequently request exception documents pursuant to this Paragraph 7.

Exhibit D:

Form of Monthly Settlement Loan Report

Flat File Column	Field Name	Description
	Certificate Number	The number assigned by the mortgage insurance company to track the primary insurance coverage on the loan.
	Loan Number	The current loan number assigned to the loan.
	Claim Status	MICO claim status (Default status will pull here)
	Claim Filed Date	Date the claim was filed.
	Claim Filed By	Entity who filed the claim, e.g. GSE, Investor, Servicer
	Insurance Type	Type of insurance, e.g. primary or pool.
	Claim Amount Paid	Amount paid on a paid claim. (Pure cash proceeds only.)
	Claim Settled Date	Date claim was settled (paid, rescinded, denied, etc.).
	Claim Submitted Amount Filed	Submitted amount for which the claim was filed.
	Claim Validated Amount	MICO validated claim amount.
	SUPP Claim Filed Date	Date the SUPP claim was filed.
	SUPP Claim Filed By	Entity who filed the SUPP claim, e.g. GSE, Investor, Servicer
	SUPP Claim Amount Paid	Amount paid on a paid SUPP claim. (Pure cash proceeds only.)
	SUPP Claim Settled Date	Date SUPP claim was settled (paid, denied, etc.)
	SUPP Claim Submitted Amount Filed	Submitted amount for which the SUPP claim was filed.
	SUPP Claim Validated Amount	MICO validated SUPP claim amount.
	Coverage %	Coverage percentage.
	Pool Certificate Number	MI company certificate number for pool coverage on the loan.
	Servicer's Loan Number	A unique identifier assigned by the servicer to identify the loan. (Claim servicer loan #. If blank go to Default Servicer.)
	Servicer Name	Official name of servicer (the servicer responsible for reporting). (Claim servicer name. If blank go to Default Servicer.)
	Borrower Name	The name of either an individual or a legal entity listed as primary borrower (Primary BO last name.)
	MICO Claim Amount	MICO amount of the claim, prior to Curtailments and DPO, if available
	Payee Name	Entity that was paid claim payment amount.
	Rescission Date	Date of rescission
	Date of EOB	Date Explanation of Benefits (EoB) completed (This will be the same as claim settled date.)
	Coverage Amount	Total amount of coverage prior to any curtailments, if available
	Original Loan Number	The original loan number assigned to the loan.
	Claim Curtailment Amount	Amount deducted from payable claim due to servicing or other curtailments
	Settlement Payment Rate	Settlement payment rate for AHM loans (60%)
	Settlement Payment Amount Reduction	Amount reduced from net payable claim after curtailments due to applying settlement payment rate
	DPO Rate	Current state directed deferral rate on net payable claim
	DPO Amount	Amount deferred on net payable claim after curtailments and settlement payment reduction

The Parties agree that fields may be added or amended to the Monthly Settlement Loan Report without need for written amendments to the Settlement Agreement.

Exhibit E – Form of Trustee/Other Consent

_____, in its capacity as [trustee (the “Trustee”) OR state capacity as a decision-maker and define the term for that person or entity] for [name of trust or other entity(the “Trust”) OR define the term for another entity] has been asked to review the Agreement by and between by and between Triad and Countrywide Home Loans, Inc. (“CHL”), Countrywide Financial Corporation (“CFC”), and Bank of America, N.A. (“Bank of America”) (f/k/a BAC Home Loans Servicing, f/k/a Countrywide Home Loans Servicing LP (“Servicing”), on its own behalf and as successor in interest by *de jure merger* to Countrywide Bank FSB, formerly Treasury Bank, (“Countrywide Bank”)), on behalf of themselves and their affiliates, predecessors, successors, and assigns, and all of their respective shareholders, directors, officers, employees, and agents (collectively, the “Insureds”), dated _____, 2013 (hereafter “Agreement”), and to approve of and consent to the Agreement’s terms and execution, including Section 14 of the Agreement. Capitalized terms not defined in this consent have the meanings given them in the Agreement.

On behalf of the [Trust], and in its capacity as [Trustee], [Trustee] (i) approves of and consents to the Agreement’s terms and execution, (ii) agrees that this Other Consent inures to the benefit of the Insureds, and (ii) understands that in consenting to the Agreement, it is also consenting to, and joins in as if named as the releasor therein, the releases set forth in Sections 11 and 12.

[Trustee] agrees that Triad may provide to the Insureds such information and documentation regarding the Subject Loans as the Insureds may reasonably require under the Agreement.

[The form of Other Consent will be tailored so that it is applicable only to a particular Trust/Other.]

Exhibit F:

Form of Explanation of Benefits (EOB)



March 27, 2013

FANNIEMAE

INTERNATIONAL PLAZA II
14221 DALLAS PKWY, SUITE 1000
DALLAS TX 75254-2916

Property Address

[REDACTED]
[REDACTED]

FANNIEMAE# [REDACTED]

Clm Servicer : BANK OF AMERICA, N.A.

Clm Servicer Loan #: [REDACTED]

Cert # [REDACTED]

PRIMARY CLAIM

Dear MI Specialist,

Our settlement on the above referenced loan has been transmitted via ACH**. This letter represents the breakdown of how the claim for loss was settled. For initial claim settlements you have 60 days from the date of this transmission (03/27/2013) in which to file a supplemental claim for loss for allowable expenses incurred but not submitted under the initial claim for loss.

The submitted column represents the claim for loss as submitted by the servicer of record. The adjusted column represents the adjusted claim for loss allowable under the master policy governing this certificate of insurance. Any adjustments made to the submitted amounts are explained in the reason column. If you have any questions regarding the settlement of this certificate of insurance they may be directed to the Loss Management Department at (800) 451-4872, Ext. 7003.

<u>Date Details</u>	<u>Dt From</u>	<u>Dt To</u>	
REGULAR INTEREST	10/01/2010	12/31/2012	
REDUCED INTEREST	08/01/2011	12/31/2011	
<u>Amount Details</u>	<u>Submitted</u>	<u>Adjusted</u>	<u>Reason Codes</u>
UNPAID PRINCIPAL BALANCE	\$80,576.59	\$80,576.59	
INTEREST AMOUNT	\$9,901.13	\$7,940.15	3,25
ATTORNEY FEES	\$1,350.00	\$1,350.00	
PROPERTY TAXES	\$1,465.60	\$1,465.60	
HAZARD INSURANCE PREMIUM	\$3,224.20	\$2,127.08	12
PROPERTY PRESERVATION	\$1,715.00	\$745.00	45
STATUTORY DISBURSEMENTS	\$3,187.73	\$3,187.73	
ESCROW BALANCE	-\$305.70	-\$305.70	
OTHER DEDUCTIONS	-\$633.80	-\$633.80	
TOTAL	\$100,480.75	\$96,452.65	
OPTION 30% (\$28,935.80)			
TOTAL CLAIM SETTLEMENT		\$28,935.80	
Cash Payment		\$17,361.48	
Deferred Payment Obligation		\$11,574.32	

For questions, please visit our Q&A website at www.tgic.com/dpo.php

Note: Interest reduction in the amount of \$1,804.58.

**You agree to promptly notify Triad Guaranty and refund all proceeds paid in settlement of this claim for loss in the event an action occurs, or has occurred, that would preclude your right to file a valid claim or accept benefits under this certificate of insurance. Notification is to be directed to claims@tgic.com immediately upon the occurrence of such action with funds following within 30



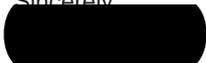
March 27, 2013

days of such action.

Reason Codes and Explanations

<u>Reason Code</u>	<u>Explanation</u>
3	ALLOWABLE INTEREST CALCULATED ON A 30-DAY MONTH, 360-DAY YEAR.
12	HAZARD INSURANCE PREMIUMS PRORATED THROUGH ALLOWABLE INTEREST DATE.
25	INTEREST REDUCTION. FAILURE TO BEGIN FORECLOSURE UNDER MASTER POLICY TIME FRAME.
45	ITEM(S) NOT CLAIMABLE.

Sincerely,



Loss Management Department
TRIAD GUARANTY INSURANCE CORPORATION

Exhibit G:

Form of Claim Denial Letter



July 18, 2013

BANK OF AMERICA, N.A.
ATTN: MI CLAIMS DEPT
450 AMERICAN STREET SV3/23
SIMI VALLEY, CA 93065

Re: Loan Number: [REDACTED]
Certificate Number: [REDACTED]
Borrower: [REDACTED]
Property: [REDACTED]
[REDACTED]

To whom it may concern:

Triad Guaranty Insurance Corporation received your claim for loss on the above referenced certificate of insurance on June 07, 2013. Our liability for this certificate expired sixty days following the acquisition by the Insured of borrower's title to the property and the expiration of any redemption rights as outlined in Section V., Subsection A. of the master policy. Which states:

...If the Insured fails to file a Claim within the time prescribed, such failure shall be deemed to have been an election by the Insured to waive any right to any benefit under this Policy with respect to the affected Loan unless the Company agrees otherwise.

According to our records the sale or expiration of redemption rights occurred on August 23, 2012. Therefore, Triad Guaranty's liability for this certificate has expired.

Should you feel that we have made this determination based on erroneous information or if you have additional information that may affect our decision, please send it to my attention to assure that it receives our prompt consideration. In the alternative you may call me at [REDACTED].

Per the California Insurance Administrative Code, if you believe that all or part of the claim has been wrongfully denied or rejected, you have the right to have the matter reviewed by the California Department of Insurance at the following address. Address: California Department of Insurance, Consumer Services Division, 300 South Spring Street, South Tower, Los Angeles, CA 90013. Telephone Numbers: If calling within CA, call 800-927-4357. If calling outside CA, call CA, 213-482-8921. For the TDD (Telecommunication Devices for the Deaf) Line, call 800-482-4833.

Sincerely,

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Triad Guaranty Insurance Corporation
101 South Stratford Road
Winston-Salem, NC 27104

336-723-1282/800-451-4872
(Fax) 336-723-1001/(Email) Loss-Management@tgic.com

www.triadguaranty.com

Consent form

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Triad Settlement
c/o GCG
P.O. Box 10031
Dublin, OH 43017-6631



TIA0200079088 I
; eZRACAAAHJAI I ; 1 1

IOWA FINANCE AUTHORITY
ATTN: MARK THOMPSON
2015 GRAND AVE.
DES MOINES, IA 50312

Reference No.: 3000032

June 16, 2014

Election to Approve, Consent and Release

To Countrywide Home Loans, Inc., Countrywide Financial Corporation and Bank of America, N.A.
c/o CHL/Triad Settlement Administrator
P.O. Box 10031
Dublin, OH 43017-6631

Re: Confidential Settlement Agreement and Release

Ladies and Gentlemen:

IOWA FINANCE AUTHORITY, in its capacity as investor (the "Investor") has been asked to review the Confidential Settlement Agreement and Release by and among Triad Guaranty Insurance Corporation, in Rehabilitation ("Triad"), and Countrywide Home Loans, Inc. ("CHL"), Countrywide Financial Corporation ("CFC") and Bank of America, N.A. (f/k/a BAC Home Loans Servicing, f/k/a Countrywide Home Loans Servicing LP), on its own behalf and as successor in interest by *de jure* merger to Countrywide Bank FSB, formerly Treasury Bank (collectively, with CHL and CFC, the "Insureds"), dated October 4, 2013, as amended (hereafter, the "Settlement Agreement"), and to approve of and consent to the Settlement Agreement's terms and execution. Capitalized terms not defined in this Election to Approve, Consent and Release (the "Election") have the meanings given them in the Settlement Agreement.

In its capacity as the investor, Investor (i) approves of and consents to the Settlement Agreement's terms and execution, (ii) agrees that this Election inures to the benefit of Triad and the Insureds, and (iii) understands that in consenting to the Settlement Agreement, it is also consenting to, and joins in as if named as the releasor therein, the releases set forth in Sections 11 and 12 of the Settlement Agreement, intending by so doing to benefit specifically each of Triad and the Insureds, respectively, for the residential whole loans listed on Attachment A (the "Consenting Loans"). By executing this Election, Investor hereby acknowledges and agrees that it has had an opportunity to review the accompanying Settlement Agreement and Statement of Important Information Related to the Settlement Among Triad Guaranty Insurance Corporation, in Rehabilitation, and Countrywide Home Loans, Inc., Countrywide Financial Corporation and Bank of America, N.A.

Investor agrees that it will direct any of its servicers or successor servicers for the Consenting Loans to comply with and abide by the terms of the Settlement Agreement.

Investor agrees that Triad may provide to the Insureds such information and documentation regarding the Consenting Loans as the Insureds may reasonably require under the Settlement Agreement.

Investor hereby represents and warrants as of the date set forth below that it has entered into this Election voluntarily and not as a result of coercion or duress. Investor further represents that it has relied upon its own investigation and analysis of the facts and not on any statements or representations made by Triad or the Insureds in choosing to enter into this Election.

Further, Investor acknowledges and represents as of the date set forth below that it (i) has the power and authority to enter into this Election and (ii) has not assigned or transferred its claims related to the residential whole loans listed on Attachment A.

[The following page is the signature page.]

The undersigned Investor hereby acknowledges and agrees with the foregoing:

IOWA FINANCE AUTHORITY

By: _____
Signature

Name

Title

Dated: _____, 2014

The undersigned acknowledge Investor's agreement with the foregoing:

**TRIAD GUARANTY INSURANCE CORPORATION,
IN REHABILITATION**

By: _____
Signature

Name

Title

COUNTRYWIDE HOME LOANS, INC.

By: _____
Signature

Name

Title

COUNTRYWIDE FINANCIAL CORPORATION

By: _____
Signature

Name

Title

BANK OF AMERICA, N.A.

By: _____
Signature

Name

Title

Opt-Out form

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Triad Settlement
c/o GCG
P.O. Box 10031
Dublin, OH 43017-6631



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Reference No.: 3000032

IOWA FINANCE AUTHORITY
ATTN: MARK THOMPSON
2015 GRAND AVE.
DES MOINES, IA 50312

June 16, 2014

Election of Non-Approval and Opt-Out

To Countrywide Home Loans, Inc., Countrywide Financial Corporation and Bank of America, N.A.
c/o CHL/Triad Settlement Administrator
P.O. Box 10031
Dublin, OH 43017-6631

Re: Confidential Settlement Agreement and Release

Ladies and Gentlemen:

IOWA FINANCE AUTHORITY, in its capacity as investor (the "Investor"), has been asked to review the Confidential Settlement Agreement and Release by and among Triad Guaranty Insurance Corporation, in Rehabilitation ("Triad"), and Countrywide Home Loans, Inc. ("CHL"), Countrywide Financial Corporation ("CFC") and Bank of America, N.A. (f/k/a BAC Home Loans Servicing, f/k/a Countrywide Home Loans Servicing LP), on its own behalf and as successor in interest by *de jure* merger to Countrywide Bank FSB, formerly Treasury Bank (collectively, with CHL and CFC, the "Insureds"), dated October 4, 2013, as amended (hereafter, the "Settlement Agreement"), and to approve of and consent to the Settlement Agreement's terms and execution. Capitalized terms not defined herein have the meanings given them in the Settlement Agreement.

In its capacity as investor, Investor elects to withhold its consent to and expressly opt-out of the Settlement Agreement ("Opt-Out") for the residential whole loans listed on Attachment A (the "Excluded Loans"). By executing this election and acknowledgment, Investor hereby acknowledges and agrees that it has had an opportunity to review the accompanying Settlement Agreement and Statement of Important Information Related to the Settlement Among Triad Guaranty Insurance Corporation, in Rehabilitation, and Countrywide Home Loans, Inc., Countrywide Financial Corporation and Bank of America, N.A., which sets forth certain consequences of the Investor's election to withhold its consent and Opt-Out of the Settlement Agreement with respect to the Excluded Loans.

IOWA FINANCE AUTHORITY

By: _____
Signature

Name

Title

Dated: _____, 2014

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