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**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

In re

LEHMAN BROTHERS HOLDINGS INC., *et al.*,

Debtors.

LEHMAN BROTHERS HOLDINGS INC.,

Plaintiff,

-against-

CREATIVE MORTGAGE SOLUTIONS 2000 INC,

Defendant.

**Chapter 11**

**Case No. 08-13555 (SCC)**

**Adv. Proc. No. \_\_\_\_\_**

**ADVERSARY COMPLAINT**

Plaintiff Lehman Brothers Holdings Inc. (“LBHI”), the Plan Administrator under the Modified Third Amended Joint Chapter 11 Plan of Lehman Brothers Holdings Inc. and Its Affiliated Debtors (the “Plan”), for its Complaint against Defendant Creative Mortgage Solutions 2000 Inc (“Defendant”) alleges upon knowledge as to itself and its own conduct, and upon information and belief as to all other matters, as follows:

### **NATURE OF ACTION**

1. LBHI seeks to enforce its right to contractual indemnification for liabilities, losses, damages, claims, judgments and any other costs, fees and expenses LBHI incurred as a result of Defendant’s submission of defective mortgage loans in breach of Defendant’s representations, warranties, obligations, and/or covenants and/or for which LBHI incurred liability due to Defendant’s acts, failures to act and/or omissions (the “Defective Loans”).

2. In reliance on Defendant’s promises, covenants, and representations and warranties, LBHI securitized certain loans. In connection with the securitizations, which were marketed and sold to third-party investors, LBHI made certain representations and warranties regarding the quality and characteristics of certain of the loans that were coextensive with those made by Defendant. LBHI retained the right to seek indemnification from Defendant in the event it became liable for certain indemnification events. After the trustees for hundreds of trusts (the “RMBS Trustees”) allegedly discovered that the mortgage loans breached certain of those representations and warranties, the RMBS Trustees filed claims in LBHI’s bankruptcy case for losses suffered on certain loans. On March 15, 2018, this Court entered the Order Estimating Allowed Claim Pursuant to RMBS Settlement (ECF No. 57785) (the “RMBS Order”) resolving the majority of the claims. LBHI also settled several other RMBS Trustee claims as permitted by

the Plan.<sup>1</sup>

3. By this action, LBHI seeks to recover money damages from Defendant for the indemnification claims.

### **PARTIES**

4. On September 15, 2008, Plaintiff LBHI commenced with this Court a voluntary case under chapter 11 of the Bankruptcy Code. LBHI is a Delaware corporation with its principal place of business in New York, New York.

5. Defendant is an entity that, at all times relevant, is organized in and does business within the United States.

### **JURISDICTION AND VENUE**

6. This adversary proceeding is commenced pursuant to Rules 7001 and 7003 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”).

7. This Court has subject-matter jurisdiction to consider and determine this matter pursuant to 28 U.S.C. §§ 157 and 1334 and as the matter has a close nexus with the Plan, which was confirmed by Order of the Bankruptcy Court, dated December 6, 2011 (the “Confirmation Order”), and became effective on March 6, 2012. The Court has retained post-confirmation jurisdiction over this matter pursuant to section 14.1 of the Plan and paragraph 77 of the Confirmation Order.

8. Venue is proper under 28 U.S.C. §§ 157(a), 1391, 1408, and 1409 because the claims arise out of pre-petition contracts and are asserted as part of the administration of the estate as set forth in the Plan, and because a substantial part of the acts or omissions giving rise to the

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<sup>1</sup> See RMBS Trust Settlement Agreement, entered into as of June 25, 2018, between LBHI and Wilmington Trust National Association; Allowed Proof of Claim numbers: 720000, 720001, 720002, 720003, 720004, 720005, 720006, 720007, 720008, 720009, 720010, 720011, 720012, 720013, 720014, 720015, 720016, 720017, 22773.04, 24792, 24810, 720020, 720025, 720021, 720024, 720022, 720023, 720018, 720019.

claims occurred within the district, including the underlying agreements and loan transactions, and because the loss was suffered within the district.

9. This Court has personal jurisdiction over Defendant under Rule 7004(f) of the Bankruptcy Rules. In addition, this Court has personal jurisdiction over Defendant because Defendant is organized in and does business within the United States, and because the transactions giving rise to this controversy occurred in the United States.

### **FACTUAL BACKGROUND**

10. Prior to commencement of these case, LBHI engaged in the purchase and sale of mortgage loans directly or through affiliates, including Lehman Brothers Bank, FSB (“LBB”), then securitized the loans, which were then marketed and sold to third-party investors.

11. At all relevant times, Defendant engaged in mortgage origination, as well as the submission of mortgage loans on the secondary market to entities such as LBB and LBHI.

#### **A. The Governing Agreements**

12. This dispute arises out of Defendant’s submission of residential mortgage loans to LBHI’s assignor, LBB, under one or more Broker Agreements with LBB (each a “Broker Agreement”).<sup>2</sup>

13. The dates of the relevant Broker Agreements are listed in Exhibit A hereto.

14. The Broker Agreements set forth the duties and obligations of the parties with respect to the submission of mortgage loans.

15. Pursuant to the Broker Agreements, Defendant submitted Defective Loans to LBB that resulted in LBHI being exposed to and incurring liability, as described further below.

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<sup>2</sup> The operative Broker Agreement for each of the Defective Loans is the version in effect at the time Defendant sold the loan to LBB. Although the language of certain sections referenced throughout this Complaint may vary slightly from Broker Agreement to Broker Agreement, it is generally consistent in all material respects.

16. The Broker Agreement provides that LBB as the “Lender, in its sole discretion, may assign this Agreement from time to time.” *See e.g.*, Broker Agreement § 19.

17. In conjunction with the sale by LBB to LBHI of the Defective Loans, LBB assigned to LBHI all of its rights and remedies under the Agreements pertaining to the loans.

**B. Defendant’s Representations Under the Broker Agreements**

18. With respect to each of the loans submitted under the Broker Agreements, Defendant made a number of representations, warranties, and covenants concerning the quality, characteristics, and underwriting of the mortgage loans; the property securing the mortgage loans; and the borrowers of the mortgage loans.

19. Specific examples of Defendant’s representations, warranties and covenants include, but are not limited to, the following:

Broker has made diligent inquiry into all facts and circumstances in making the loan, including all material representations and warranties of the borrower, and to Broker’s knowledge, none of the statements, information, or documentation included in the loan application, underwriting and closing packages contain any false or misleading statements or omit material facts necessary to make such statements accurate and not misleading. After review of the entire loan application package and closing documents . . . Broker has no knowledge of nor any reason to know of any fraudulent information or documentation present in the loan application package, closing documents or in the origination process used to generate the loan application package or closing documents. Broker Agreement § 8(g).

Broker has no knowledge nor any reason to know of any circumstance or condition which might indicate that the appraisal is incomplete or inaccurate or that the value of the Property might not be at least the amount reported therein, or any circumstances or conditions with respect to the Property, the borrower or the borrower’s credit that could reasonably be expected to cause private institutional investors to regard the loan as an unacceptable investment or cause the loan to become delinquent, or adversely affect the value or marketability of the loan. Broker Agreement §

8(h).

Broker has complied with all terms, conditions, and requirements of Lender's Guidelines and this Agreement, and with Applicable Law relating to the loan application process. . . . Broker Agreement § 8(k).

20. Defendant represented and/or warranted that it had the ability to perform its obligations under, and satisfy all requirements of, the Broker Agreement.

21. Defendant agreed to indemnify LBHI (as, among other things, LBB's assignee) from liabilities, claims, judgments, losses and expenses it might sustain as a result of the Defective Loans, including attorneys' fees. Section 9 of the Broker Agreement, entitled "Indemnification," provides, in pertinent part, as follows:

In addition to Lender's rights and remedies under Applicable Law (whether arising at law or in equity), Broker shall indemnify and hold Lender, its successors and assigns, and their respective officers, directors, employees, shareholders, members, agents, contractors, affiliates and subsidiaries (collectively, the "Lender Indemnitees") harmless from and against, and shall reimburse Lender Indemnitees with respect to, any and all claims, demands, losses, damages, interest, penalties, fines, forfeitures, judgments and expenses (including, without limitation, reasonable fees and disbursements of counsel, and court costs) (any of the foregoing hereinafter referred to as a "Claim"), resulting from, relating to or arising out of, whether the result of negligent or intentional conduct or otherwise: (i) any breach of any representation or warranty made by Broker pursuant to this Agreement or Lender's Guidelines; (ii) any breach or failure to perform any covenant or obligation of Broker in this Agreement or Lender's Guidelines. . . .

22. The Broker Agreement also provides for the "prevailing party" to recover attorneys' fees incurred to enforce the Broker Agreement. Section 18 of the Broker Agreement, entitled "Attorneys' Fees," provides as follows:

If any action or proceeding is brought for the enforcement of this Agreement, or because of an alleged dispute, breach, default, or misrepresentation in connection with any of the provisions of this Agreement, the successful or prevailing party or parties shall be entitled to reasonable attorneys' fees and other costs incurred in that action or proceeding, in addition to any other relief to which it or they may be entitled.

**C. LBHI's Settlement with RMBS Trustees**

23. When LBB acquired loans from Defendant and others, it typically did not permanently hold those loans on its books. The loans it acquired from Defendant and other entities, including Defective Loans, were sold to LBHI, and then packaged for securitization.

24. In connection with such securitizations, LBHI relied on information that Defendant provided to LBB, and it made representations and warranties to the securitization trusts, based in part, on the representations Defendant made to LBB.

25. The agreements governing the securitizations provide that the applicable RMBS Trustee may seek contractually defined repurchases of loans in the event certain breaches of representations and warranties occurred.

26. Eventually, the RMBS Trustees discovered breaches of representations, warranties and/or covenants in the Defective Loans.

27. The RMBS Trustees filed claims to recover for losses on the Defective Loans and other loans sold to LBB.

28. Many of the loans at issue in the claims, including the loans in Exhibit B, were alleged to contain defects which caused LBHI to incur losses, judgments, costs, expenses, attorneys' fees, and liability to the RMBS Trustees.

29. LBHI was forced to defend against such allegations and eventually settle with the RMBS Trustees.

30. LBHI entered into a settlement agreement with the RMBS Trustees, under which it agreed to seek an estimation of the liability underlying the claims in a proceeding before the Bankruptcy Court (the “Estimation Proceeding”). In that Estimation Proceeding, the RMBS Trustees sought damages of over \$11.4 billion in damages based upon losses flowing from the at-issue loans. After the conclusion of the lengthy and highly-contested Estimation Proceeding, for which LBHI provided notice of that proceeding to Defendant, the Court entered the RMBS Order allowing a claim in favor of the RMBS Trustees. LBHI also settled several other RMBS Trustee claims in the course of business of its bankruptcy case as permitted by the Plan.<sup>3</sup>

31. LBHI incurred liability, expenses, costs, losses, judgments, and attorneys’ fees to the RMBS Trustees as a result of defects, including, but not limited to, defects concerning the quality and characteristics of the loans, the creditworthiness of the borrowers, the characteristics of the collateral, the intended and actual occupancy status of the properties, compliance with appraisal standards and lending regulations, application of underwriting guidelines and the collection and review of the loan application and supporting documentation, and documentation deficiencies.

32. LBHI made representations, warranties, obligations and/or covenants to the RMBS Trustees that were coextensive with those made by Defendant, and LBHI incurred liability to the RMBS Trustees as a result of Defendant’s acts, failures, omissions, and breaches of its representations, warranties, obligations, and/or covenants.

#### **D. Defendant’s Obligation to Indemnify LBHI**

33. Defendant agreed to indemnify LBHI (as, among other things, LBB’s assignee) from liabilities, claims, judgments, losses, attorneys’ fees and expenses it might sustain as a result

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<sup>3</sup> See RMBS Trust Settlement Agreement, entered into as of June 25, 2018, between LBHI and Wilmington Trust National Association; Allowed Proof of Claim numbers: 720000, 720001, 720002, 720003, 720004, 720005, 720006, 720007, 720008, 720009, 720010, 720011, 720012, 720013, 720014, 720015, 720016, 720017, 22773.04, 24792, 24810, 720020, 720025, 720021, 720024, 720022, 720023, 720018, 720019.



of the Defective Loans. Broker Agreement § 9.

34. Pursuant to the Agreements, the laws of the State of New York govern this action.

35. All conditions precedent to bringing this action have been met, occurred or have been waived.

**E. Allocation of Damages to Defendant**

36. Defendant is responsible for its allocated share of the liability, expenses, costs, losses, judgments, and attorneys' fees incurred by LBHI to the RMBS Trustees as a result of loan defects including, but not limited to, defects concerning the quality and characteristics of the loans, the creditworthiness of the borrowers, the characteristics of the collateral, the intended and actual occupancy status of the properties, compliance with appraisal standards and lending regulations, application of underwriting guidelines and the collection and review of the loan application and supporting documentation, and documentation deficiencies.

37. With respect to the liability itself (excluding costs and fees), Defendant is liable for a portion of the \$2.38 billion liability the Court fixed in 2018, not gross loan-level losses, allocated based on those loans that drove the liability fixed by the Court.

38. For these loans, the allocation is based on the four principal types of misrepresentation breaches (income, employment, occupancy and debt) that underlie the Court's \$2.38 billion RMBS judgment in the Estimation Proceeding. To ensure that its allocation ties to only the strongest breach claims, LBHI excludes from that group loans that (i) performed for over three years following origination, (ii) had breaches supported only by evidence that LBHI considers less reliable, or supported by insufficient evidence, including insufficient servicing records, and therefore failed to meet the burden of proof necessary to establish a breach, and (iii) were included in LBHI's RMBS claims solely based on missing "Documentation," because the Court attributed no liability to those types of claims.

39. Applying the criteria described above to LBHI's entire population of RMBS loans, including loans originated and brokered by entities not at issue in any current or past litigation, yields an aggregate liability of roughly \$4.0 billion. This represents a discount of approximately 65% from the aggregate gross loan-level losses asserted by the RMBS Trustees. A further discount factor of approximately 41% of \$4.0 billion brings that amount into line with the Court's \$2.38 billion award and ensures that LBHI cannot collect more from the defendants, in the aggregate, than their allocable share of that amount.

40. In allocating that amount, LBHI applies this discount with certain immaterial adjustments in two circumstances: (i) in the RMBS settlement process, the RMBS Trustees sought approval from certificate holders in covered private label RMBS securitizations, but investors in one trust (SASCO 2006-4) opted out of the settlement, negotiated their claims separately, and ultimately reached a settlement that gave them an allowed claim of \$70 million, or roughly twice what the trust would have received under the estimation settlement; and (ii) during the period between the RMBS settlement and the estimation hearing, several RMBS trusts collapsed and were granted allowed claims based upon a pro rata share of the initial \$2.44 billion settlement in principal with certain institutional investors.

41. As it concerns Defendant specifically, Exhibit B attached hereto identifies each of the at-issue loans in connection with the RMBS Order, provides a non-exclusive list of the defects alleged by the RMBS Trustees on those loans, and sets forth Defendant's allocated indemnification liability (excluding costs and fees). A general description of the defects identified in Exhibit B is included in Exhibit C attached hereto.

### **FIRST CLAIM FOR RELIEF**

#### **(Contractual Indemnification)**

42. LBHI hereby incorporates by reference the allegations set forth above as though

fully set forth herein.

43. The Broker Agreements are valid and enforceable contracts that are binding upon Defendant.

44. LBHI and/or LBB has substantially performed all of their obligations under the Broker Agreements.

45. Defendant owes LBHI indemnity for its liabilities, losses, claims, attorneys' fees, judgments and any other costs, fees and expenses as to the Defective Loans.

46. Defendant's breaches of the Broker Agreements and other acts and/or omissions as to the Defective Loans resulted in LBHI incurring a judgment, liability, and/or losses in an amount to be determined at trial, plus prejudgment interest pursuant to New York law, attorneys' fees, litigation costs, and all other fees and costs provided by the Broker Agreements.

**PRAYER FOR RELIEF**

WHEREFORE, LBHI respectfully requests that this Court enter judgment in its favor and against Defendant:

- a) For all damages arising from or relating to the obligations of Defendant under the indemnification provisions of the Agreements, in an amount to be determined at trial;
- b) For recoverable interest;
- c) For the costs and expenses incurred by LBHI in enforcing the obligations of Defendant under the Agreements, including attorneys' fees and costs and any expert witness fees incurred in litigation; and
- d) Providing for such other relief as the Court deems just and proper.

Dated: New York, New York  
March 4, 2021

/s/ William A. Maher

William A. Maher  
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Brant D. Kuehn

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*Counsel for Lehman Brothers Holdings Inc.*

# **EXHIBIT A**

**EXHIBIT A AGREEMENTS**

**Creative Mortgage Solutions 2000 Inc**

Broker Agreement, dated August 23, 2005

# **EXHIBIT B**

Company	Loan Number	Claim Reason 1	Claim Reason 2	Claim Reason 3	Claim Amount
Creative Mortgage Solutions 2000 Inc	37007390	MISREP - DEBTS	MISREP - OCCUPANCY		\$ 184,000
Creative Mortgage Solutions 2000 Inc	38938155	DOCUMENTATION	MISREP - INCOME/EMPLOY		\$ 247,200
Creative Mortgage Solutions 2000 Inc	38938379	MISREP - INCOME/EMPLOY			\$ 61,800
Creative Mortgage Solutions 2000 Inc	39259098	MISREP - DEBTS			\$ 495,000
Creative Mortgage Solutions 2000 Inc	39319801	MISREP - DEBTS			\$ 29,100
Creative Mortgage Solutions 2000 Inc	39579396	DOCUMENTATION	DOCUMENTATION		\$ 63,800
Creative Mortgage Solutions 2000 Inc	39980164	UW - OTHER	MISREP - INCOME/EMPLOY		\$ 513,600
Creative Mortgage Solutions 2000 Inc	45196391	MISREP - OCCUPANCY			\$ 168,300
Creative Mortgage Solutions 2000 Inc	45639143	MISREP - DEBTS	MISREP - OCCUPANCY		\$ 195,920

TOTAL:

\$ 1,958,720

Allocated Total:

\$ 1,016,988.29



# EXHIBIT C

## **EXHIBIT C**

### **I. MISREPRESENTATION CLAIMS**

- A. MISREP – ASSETS: The amount and/or source of the borrower's assets at origination and/or other information concerning the borrower's assets was misrepresented, which misrepresentation formed the basis of Defendant's breach.
- B. MISREP – BORROWER: The identity of the borrower, information concerning the identity of the borrower, and/or information concerning interested parties' relationship to the borrower was misrepresented at origination, which misrepresentation formed the basis of Defendant's breach.
- C. MISREP – CREDIT/FICO: Information related to the borrower's credit and/or creditworthiness at origination was misrepresented, which misrepresentation formed the basis of Defendant's breach.
- D. MISREP – DEBTS: One or more debts opened by the borrower prior to close of the subject transaction and/or sale of the subject loan were undisclosed/misrepresented at origination, which non-disclosure/misrepresentation formed the basis of Defendant's breach.
- E. MISREP – IDENTITY THEFT: The identity of the borrower at origination was misrepresented as that of someone else, which misrepresentation formed the basis of Defendant's breach.
- F. MISREP – INCOME/EMPLOY: The borrower's income at origination and/or information concerning his/her employment at origination was omitted/misrepresented, which omission/misrepresentation formed the basis of Defendant's breach.
- G. MISREP – NAL OMISSION: A non-arms-length/interested party relationship was omitted/misrepresented at origination, which omission/misrepresentation formed the basis of Defendant's breach.
- H. MISREP – OCCUPANCY: The borrower's intention about the occupancy of the subject property was misrepresented at origination, which misrepresentation formed the basis of Defendant's breach, or the borrower failed to satisfy the occupancy covenants set forth in the applicable security instrument.
- I. MISREP – OTHER: Information related to the borrower or subject transaction was misrepresented at origination, which misrepresentation formed the basis of Defendant's breach.
- J. MISREP – VALUE: The origination appraisal misrepresented the value of the subject property and/or violated one or more underwriting, Uniform Standards of Professional Appraisal Practice, or other requirements, which misrepresentation/violation formed the basis of Defendant's breach.

- K. MISREP – VOR: Information related to the borrower’s rental and/or rentalpayment history was omitted/misrepresented at origination, which omission/misrepresentation formed the basis of Defendant’s breach.

## II. UNDERWRITING CLAIMS

- A. UW – APPRAISAL: The origination appraisal violated one or more underwriting, Uniform Standards of Professional Appraisal Practice, or other requirements, which violation formed the basis of Defendant's breach.
- B. UW – ASSETS: The subject transaction violated one or more underwriting or other requirements concerning verification of the borrower's assets and/or other information related to the borrower's assets, which violation formed the basis of Defendant's breach.
- C. UW – CONTRIBUTIONS/CONCESSIONS: The subject transaction violated one or more underwriting or other requirements concerning costs paid by the seller or an interested third party, which violation formed the basis of Defendant's breach.
- D. UW – CREDIT/BANKRUPTCY: The subject transaction violated one or more underwriting or other requirements concerning analysis of the borrower's credit, creditworthiness, and/or other information related to the borrower's credit, including but not limited to a prior or existing bankruptcy, which violation formed the basis of Defendant's breach.
- E. UW – CREDIT/FICO: The subject transaction violated one or more underwriting or other requirements concerning analysis of the borrower's credit, creditworthiness, and/or other information related to the borrower's credit, which violation formed the basis of Defendant's breach.
- F. UW – DATA ERRORS: The subject transaction violated one or more underwriting or other requirements concerning the use of an automated underwriting system, which violation formed the basis of Defendant's breach.
- G. UW – DEBT DISCLOSURE: The subject transaction violated one or more underwriting or other requirements concerning the borrower's outstanding debt, which violation formed the basis of Defendant's breach.
- H. UW – DOCUMENTATION/ASSETS: The subject transaction violated one or more underwriting or other requirements concerning verification of the borrower's assets and/or other information related to the borrower's assets, and/or verification of the borrower's rental and/or rental payment history, which violation formed the basis of Defendant's breach.
- I. UW – DOWN PAYMENT: The subject transaction violated one or more underwriting or other requirements concerning the borrower's minimum down payment obligation, which violation formed the basis of Defendant's breach.
- J. UW – ESCROW: The subject transaction violated one or more underwriting or other requirements concerning escrow accounts and/or escrow holdbacks, which violation formed the basis of Defendant's breach.
- K. UW – EXCESSIVE CASH OUT: The subject transaction violated one or more

underwriting or other requirements concerning the permissible amount of cash-out for the subject transaction, which violation formed the basis of Defendant's breach.

- L. UW – FAILURE TO ADDRESS POTENTIAL MISREPRESENTATIONS: The subject transaction violated one or more underwriting or other requirements concerning misrepresentations about the occupancy of the subject property, which violation formed the basis of Defendant's breach.
- M. UW – FLIP TRANSACTIONS: The subject transaction violated one or more underwriting or other requirements concerning ineligible property/land flip transactions, which violation formed the basis of Defendant's breach.
- N. UW – INCOME/EMPLOY: The subject transaction violated one or more underwriting or other requirements concerning verification of the borrower's employment and/or income and/or the reasonableness of the borrower's ability to repay the mortgage debt, which violation formed the basis of Defendant's breach.
- O. UW – INCOME/RATIOS: The subject transaction violated one or more underwriting or other requirements concerning analysis of the borrower's rental income, and/or ratio and/or qualifying guidelines, which violation formed the basis of Defendant's breach.
- P. UW – INCONSISTENT LOAN APPLICATIONS: The subject transaction violated one or more underwriting or other requirements concerning verification of inconsistent information between the borrower's loan applications and/or the reasonableness of the borrower's ability to repay the mortgage debt, which violation formed the basis of Defendant's breach.
- Q. UW – INELIGIBLE INSTRUMENT: The subject transaction violated one or more underwriting requirements concerning the information disclosed on the note, which violation formed the basis of Defendant's breach.
- R. UW – INSUFFICIENT ASSETS/RESERVES: The subject transaction violated one or more underwriting or other requirements concerning required asset and/or reserve amounts, which violation formed the basis of Defendant's breach.
- S. UW – INVESTMENT PROPERTIES: The subject transaction violated one or more underwriting or other requirements concerning non-owner occupied/investment properties, which violation formed the basis of Defendant's breach.
- T. UW – LACK OF NECESSARY INSURANCE: The subject transaction violated one or more underwriting or other requirements concerning required private mortgage and/or other mandated insurance coverage, which violation formed the basis of Defendant's breach.
- U. UW – LIEN POSITION: The subject transaction violated one or more underwriting or other requirements related to the lien position of the subject transaction, which violation formed the basis of Defendant's breach.
- V. UW – MISSING DOCUMENTS: The subject transaction violated one or more

underwriting or other requirements concerning necessary or required documentation related to the subject transaction, which violation formed the basis of Defendant's breach.

- W. UW – NAL TRANSACTION: The subject transaction violated one or more underwriting requirements concerning non-arms-length/interested party transactions, which violation formed the basis of Defendant's breach.
- X. UW – NON WARRANTABLE CONDOMINIUM: The subject transaction violated one or more underwriting or other requirements concerning the financing/acceptability of condominium projects, which violation formed the basis of Defendant's breach.
- Y. UW – PAYMENT SHOCK: In violation of applicable underwriting or other requirements the subject transaction resulted in significant payment shock (the payment for the subject transaction more than doubled the borrower's existing rental or mortgage payment), which violation formed the basis of Defendant's breach.
- Z. UW – PROPERTY: The subject transaction violated one or more underwriting or other requirements concerning verification of the type and/or classification of the subject property, which violation formed the basis of Defendant's breach.
- AA. UW – POINTS/FEEs: The subject transaction violated one or more underwriting or other requirements concerning the points and fees paid by the borrower, which violation formed the basis of Defendant's breach.
- BB. UW – RATIOS or EXCESSIVE DTI: The subject transaction violated one or more underwriting or other requirements concerning ratio and/or qualifying guidelines, which violation formed the basis of Defendant's breach.
- CC. UW – RESIDENCY: The subject transaction violated one or more underwriting or other requirements concerning the borrower's residency, which violation formed the basis of Defendant's breach.
- DD. UW – STRAW TRANSACTION: The subject transaction violated one or more underwriting or other requirements related to ineligible straw borrower/straw buyer transactions, which violation formed the basis of Defendant's breach.
- EE. UW – TITLE: The subject transaction violated one or more underwriting or other requirements related to the property title and/or lien position of the subject transaction, which violation formed the basis of Defendant's breach.
- FF. UW – INELIGIBLE FOR LOAN PROGRAM: The subject transaction violated one or more underwriting or other requirements, which violation formed the basis of Defendant's breach.
- GG. UW – OTHER: The subject transaction violated one or more underwriting or other requirements.

### **III. OTHER**

- A. COLLATERAL: The origination appraisal violated applicable underwriting, Uniform Standards of Professional Appraisal Practice, or other requirements, which violation formed the basis of Defendant's breach.
- B. DOCUMENTATION: Necessary or required documentation concerning the subject transaction was missing, unverified, or otherwise inadequate, and Defendant's failure to obtain, verify, or otherwise ensure the adequacy of documentation concerning the subject transaction formed the basis of Defendant's breach.
- C. IDENTITY THEFT: The borrower's identity at origination was that of someone else, which misinformation formed the basis of Defendant's breach.
- D. MI RESCISSION: Facts and/or events concerning the subject loan transaction resulted in the denial of liability or rescission of coverage by a mortgage insurer, which denial/rescission formed the basis of Defendant's breach.
- E. MISSING VVOE: Necessary or required documentation concerning the verbal verification of the borrower's employment was missing, unverified, or otherwise inadequate, and Defendant's failure to obtain, verify, or otherwise ensure the adequacy of documentation concerning the verbal verification of borrower's employment formed the basis of Defendant's breach.
- F. OTHER: The subject transaction was a breach of the Agreements for a reason that does not fit into one of the proceeding categories.