STATE OF MICHIGAN
DEPARTMENT OF ATTORNEY GENERAL

P.O. Box 30213
Lansing, Michigan 48909

MIKE COX
ATTORNEY GENERAL

October 6, 2008

Court Clerk
30th Judicial Circuit Court
Veterans Memorial Courthouse
313 W. Kalamazoo
Lansing, MI 48901

Dear Clerk:

RE: COUTRYWIDE FINANCIAL CORPORATION, a Delaware corporation; COUNTRYWIDE HOME LOANS, INC., a New York corporation also d/b/a Full Spectrum Lending; FULL SPECTRUM LENDING, an Illinois corporation; Case No. 08-239-CP

Enclosed is an Assurance of Voluntary Compliance and Discontinuance for the above matter to be filed with the court.

Sincerely yours,

D.J. Pascoe (P54041)
Assistant Attorney General
Consumer Protection Division
(517)-335-0855
Fax (517)-335-1935

Enc.

s:\consumer protection\users\hassans1\filing cabinet hassans1\2008\countrywide\10-6-08 ltr to clerk.doc

STATE OF MICHIGAN
CIRCUIT COURT FOR THE 30TH JUDICIAL CIRCUIT
INGHAM COUNTY

In The Matter Of:

File No. 08- 230-CP

COUNTRYWIDE FINANCIAL CORPORATION,
a Delaware corporation;
COUNTRYWIDE HOME LOANS, INC.,
a New York corporation also d/b/a
Full Spectrum Lending;
FULL SPECTRUM LENDING,
a Illinois corporation;

Hon. Joyce Draganchuk

Respondent.

_______________________________________/

ASSURANCE OF VOLUNTARY COMPLIANCE AND DISCONTINUANCE

MICHAEL A. COX
ATTORNEY GENERAL

D.J. Pascoe (P54041)
Assistant Attorney General
Michigan Dep't of Attorney General
Consumer Protection Division
P.O. Box 30213
Lansing, MI 48909
(517) 335-0855
Fax: (517) 335-1935

Date Filed: October 6, 2008

In the Matter of:

COUNTRYWIDE FINANCIAL CORPORATION, a Delaware corporation; COUNTRYWIDE HOME LOANS, INC., a New York corporation also d/b/a Full Spectrum Lending; FULL SPECTRUM LENDING, a Illinois corporation;

ASSURANCE OF VOLUNTARY COMPLIANCE AND DISCONTINUANCE

Introduction

This Assurance of Voluntary Compliance and Discontinuance ("AVC" or "Assurance" or "Agreement") is entered into by the Attorney General of Michigan acting pursuant to his authority under Michigan Consumer Protection Act, MCL §445.901 et seq. and the Michigan Consumer Mortgage Protection Act, MCL 445.1634; and Countrywide Financial Corporation., a Delaware corporation, COUNTRYWIDE HOME LOANS, INC., a New York corporation also d/b/a Full Spectrum Lending; FULL SPECTRUM LENDING and the subsidiaries as those terms are defined herein collectively. This AVC constitutes the documentation effectuating this settlement in relation to allegations of unfair and deceptive practices including the loosening of underwriting standards, structuring unfair loan products with risky features, engaging in misleading marketing and sales techniques, and incentivizing employees and brokers to sell more and more loans with risky features, which practices allegedly resulted in unaffordable mortgage loans and increased delinquencies and foreclosures for Michigan homeowners for the time period 2003 thru 2007. This AVC binds the Parties in accordance with the terms hereof.

I. PARTIES

A. Michael Cox, Attorney General of the State of Michigan, is charged, inter alia, with the enforcement of the Michigan Consumer Protection Act, MCL §§ 445.901 *et seq.*

B. COUNTRYWIDE FINANCIAL CORPORATION is a thrift holding company.

C. COUNTRYWIDE HOME LOANS, INC., is a wholly-owned subsidiary of COUNTRYWIDE FINANCIAL CORPORATION.

D. FULL SPECTRUM LENDING, INC., a division of COUNTRYWIDE HOME LOANS, INC.

E. For purposes of this Assurance, "CFC" means COUNTRYWIDE FINANCIAL CORPORATION and "Countrywide" means CFC, COUNTRYWIDE HOME LOANS, INC., and FULL SPECTRUM LENDING, INC., and their respective successors.

II. ASSURANCE OF DISCONTINUANCE REGARDING LENDING PRODUCTS OFFERED BY COUNTRYWIDE

1. DEFINITIONS.

1.1 Usage. The following rules apply to the construction of this Agreement:

(a) the singular includes the plural and the plural includes the singular;

(b) "include" and "including" are not limiting;

(c) the headings of the Sections and subsections are for convenience and shall not constitute a part of this Agreement, and shall not affect the meaning, construction or effect of the applicable provision of this Agreement;

(d) a reference in this Agreement or any Schedule to a Section, Exhibit, or Schedule without further reference is a reference to the relevant Section, Exhibit, or Schedule to this Agreement; and

(e) words such as "hereunder", "hereto", "hereof" and "herein" and other words of like import shall, unless the context clearly indicates to the contrary, refer to the whole of this Agreement and not to any particular Section, subsection or clause hereof.

1.2 Defined Terms. The following capitalized terms shall have the following meanings in this Agreement unless otherwise required by the context or defined:

"**Affiliate**" means, with respect to any company, any company that controls, is under common control with, or is controlled by such company.

"**Affordability Equation**" has the meaning given to such term in Section 4.4.

"**Alt-A Residential Mortgage Loans**" means CFC Residential Mortgage Loans that are (a) not owned by a GSE; (b) not Subprime; (c) not a Pay Option ARM; (d) less than $400,000 in original principal amount, and (d) including documentation or other characteristics that make such loans not Federal Eligible.

"**Annual Increase**" means, with respect to any stated rate of interest, an annual increase in the stated rate of interest such that the aggregate scheduled payments of principal (if applicable) and interest in any year does not increase by more than 7.5% of the aggregate scheduled payments of principal and interest in the preceding year and subject to any stated interest rate cap.

"**ARMs**" means adjustable rate first-lien residential mortgage loans.

"**BAC**" means Bank of America Corporation.

"**Borrower**" means, with respect to any owner-occupied CFC Residential Mortgage Loan, the obligors(s) on such loan. No covenants or commitment herein is intended to require a CFC Servicer to deal with more than one obligor on behalf of any Borrowers with respect thereto.

"**CFC**" means Countrywide Financial Corporation.

"**CFC-Originated**" means, with respect to any residential mortgage loans, that such residential mortgage loans is a first-lien residential mortgage that was originated on a retail basis directly or indirectly by CFC or its subsidiaries or through brokers in their wholesale lending channels. "CFC-Originated" residential mortgage loans do not include CFC Purchased Loans.

"**CFC Purchased Loans**" means any first-lien residential mortgage loans originated by unaffiliated third parties and directly or indirectly purchased by CFC or its subsidiaries through their correspondent lending channels or otherwise, provided that such loans are serviced by a CFC Servicer. "CFC Purchased Loans" do not include CFC-Originated residential mortgage loans.

"**CFC Residential Mortgage Loans**" means any (i) CFC-Originated first-lien residential mortgage loans, or (ii) CFC Purchased Loans, so long as, in each case, such loans are serviced by a CFC Servicer.

"**CFC Servicer**" means CFC or any Affiliate of CFC that services CFC Residential Mortgage Loans.

"**CLTV**" means, with respect to a first-lien residential mortgage loan as of the time underwritten, the ratio of the sum of the unpaid principal balance of such mortgage loan plus the unpaid principal balance on any second-lien mortgage, and the Market Value of the residential property that secures such mortgages.

"**Commencement Date**" means the date this AVC if filed.

"**Delinquent Borrower**" means, with respect to any Borrower, that the related CFC Residential Mortgage Loan (a) is Seriously Delinquent on or before the Termination Date, or (b) is subject to an imminent reset or Recast and, in the reasonable view of the CFC Servicer, as a result of such reset or Recast is reasonably likely to become Seriously Delinquent on or before the Termination Date.

"**Eligible Borrower**" has the meaning given to such term in Section 4.1.

"**Fannie Mae**" means Federal National Mortgage Association.

"**Fannie Rate**" means, as of any date, the Fannie Mae 30-year fixed rate 60-day delivery required net yield as of such date or if such rate is for any reason not available, a comparable rate published by another nationally recognized source.

"**Federal Eligible**" means, with respect to any first-lien residential mortgage loan that, at the time of origination, (a) such loan is or was eligible for sale to, or guaranty or insurance by, a federal agency, GSE or comparable federally-sponsored entity similar to a GSE, under then applicable guidelines of such agency, GSE or entity, or (b) such loan was made in connection with a program intended to qualify for credit under the Community Reinvestment Act of 1977.

"**Foreclosure Avoidance Budget**" has the meaning given to such term in Section 4.4(a).

"**Foreclosure Relief Program**" means the program under which certain Borrowers will be offered payments, as set forth in Section 6.

"**Freddie Mac**" means Federal Home Loan Mortgage Corporation.

"**GSE**" means a government-sponsored enterprise such as Fannie Mae or Freddie Mac.

"***Higher-Priced Mortgage Loans***" has the meaning with respect to first-lien residential mortgages given to such term in HOEPA.

"***HOEPA***" means the Home Ownership and Equity Protection Act of 1994, as amended, and the regulations of the Board of Governors of the Federal Reserve System thereunder.

"**Interest Rate Floor**" means, with respect to modification of a Qualifying Mortgage hereunder, (a) a rate of 3.5% per annum if the modification results in an interest-only payment; and (b) a rate of 2.5% per annum if the modification results in a fully amortizing payment.

"**LTV**" means, with respect to a first-lien residential mortgage loan as of the time reviewed for eligibility, the ratio of the unpaid principal balance of such mortgage loan and the Market Value of the residential property that secures such mortgage.

"**Market Value**" means, with respect to any residential mortgage loan, the value of the residential property that secures such mortgage loan as determined by a lender or servicer in reliance on an appraisal (whether based on a appraisal report prepared not more than 180 days before the date of determination, broker price opinion prepared not more than 120 days before the date of determination or automated valuation model prepared not more than 90 days before the date of determination).

"**Pay Option ARMs**" means ARMs that, during an initial period (and subject to Recast), permit the borrower to choose among two or more payment options, including an interest-only payment and a minimum (or limited) payment.

"**Qualifying Mortgage**" has the meaning given to such term in Section 4.2.

"**Recast**" means, in the case of a Pay Option ARM, a contractual payment recast based on a negative amortization trigger.

"**Relocation Assistance payment**" has the meaning given to such term in Section 5.1.

"***Reverse Mortgage Transaction***" has the meaning given to such term in HOEPA.

"**Seriously Delinquent**" means, with respect to any residential mortgage loan, that payments of interest or principal are 60 or more days delinquent.

"**Seriously Delinquent Borrower**" means, with respect to any Borrower that, on or before the Termination Date, the related CFC Residential Mortgage Loan is Seriously Delinquent.

"**Subprime 2, 3, 5, 7 and 10 Hybrid ARMs**" means Subprime Mortgage Loans that are 2, 3, 5, 7 and 10 Hybrid ARMs.

"**Subprime Mortgage Loans**" means first-lien residential mortgage loans that (a) combine higher risk features (such as low or no documentation, low equity, adjustable interest rates, prepayment penalties, cash-out financing) with higher risk borrower profiles (lower FICO scores, recent bankruptcies/foreclosures, major derogatory credit), resulting in a loan that could not reasonably be underwritten and approved as a "prime" loan. An existing CFC Residential Mortgage Loan would be a "Subprime Mortgage Loan" if it is identified as such in connection with a securitization in which it is part of the pool of securitized assets or, in the case of a CFC Residential Mortgage Loan that is not included in a securitization, was classified as being "subprime" on the systems of CFC and its subsidiaries on June 30, 2008. "Subprime Mortgage Loans" do not include first-lien residential mortgage loans that are Federal Eligible.

"**Termination Date**" means June 30, 2012.

2. CFC SOLE OBLIGOR ON ALL OBLIGATIONS IN THIS AGREEMENT.

2.1 Responsibility of CFC. Until the Termination Date (or such earlier date as is specified herein), CFC is responsible to the other parties hereto for performance of all of the undertakings in this Agreement, including the changes to the residential mortgage lending practices described in Section 3, the loan modification programs described in Section 4, the Relocation Assistance payments described in Section 5, the Foreclosure Relief Program described in Section 6 and the reporting obligations described in Section 7.

2.2 Absence of Defenses. It is not a condition to the obligations of CFC hereunder that it does not directly or indirectly engage in the business of originating residential mortgage loans or in the business of servicing residential mortgage loans. CFC is responsible for the conduct of CFC Affiliates and CFC Servicers as specified hereunder whether or not it controls such CFC Affiliates or CFC Servicers and the absence of such control shall not be a defense to or otherwise excuse CFC's failure to perform hereunder.

2.3 Remedies for Failure of CFC to Cause Performance. If there is a material failure to perform the obligations under the loan modification programs described in Section 4, the Relocation Assistance payments described in Section 5, the Foreclosure Relief Program described in Section 6 or the reporting obligations described in Section 7 and such failure is not promptly cured after notice by the Attorney General, then the Attorney General may terminate this Agreement and is no longer bound by the release set forth in Section 8.2.

3. RESTRICTIONS ON MORTGAGE LENDING PRACTICES.

Until the Termination Date, CFC shall be responsible for the implementation of the following by CFC Affiliates with respect to CFC Residential Mortgage Loans with respect to Borrowers in the State of Michigan:

3.1 Residential Mortgage Product Offerings.

(a) CFC Servicers will maintain robust processes for early identification and contact with Borrowers who are having, or may have, trouble making their payments on CFC Residential Mortgage Loans. Under these processes, when contact is made with Delinquent Borrowers, an individualized evaluation of the Borrowers' economic circumstances will be made to determine if alternatives to foreclosure are available, and consistent with the directions of the investors, if applicable.

(b) CFC Servicers will maintain the current practice of offering Delinquent Borrowers who desire to remain in their homes and who can afford to make reasonable mortgage payments loan modifications or other workout solutions, subject to applicable investor guidance and approvals.

(c) CFC's reports to the State under this Agreement will include information on the numbers and types of workouts concluded on loans secured by owner-occupied properties in the State of Michigan.

(d) CFC Servicers will continue the current practice of regularly monitoring the delinquency characteristics of the entire portfolio of CFC Residential Mortgage Loans, including Alt-A Residential Mortgage Loans, loans with interest-only features, and other loans to prime borrowers, to identify high-delinquency segments that may be appropriate for loan modification campaigns. CFC shall be responsible for providing reports to the Attorney General on the delinquency characteristics of such loans, as provided herein.

(e) With respect to Alt-A Residential Mortgage Loans, CFC acknowledges that the Attorney General has expressed concerns about future delinquencies, and agrees to provide the Attorney General a notification whenever the nationwide rate at which Borrowers on Alt-A Residential Mortgage Loans are 30 days or more delinquent in their payments exceeds 150% of the delinquency rate for comparably-aged FHA-insured loans serviced by CFC Servicers. If such notice is required, CFC agrees to confer with the Attorney General concerning Alt-A Residential Mortgage Loans delinquency trends, including whether delinquencies are isolated in certain segments of the Alt-A Residential Mortgage Loans portfolio (e.g., loans with interest-only features, loans originated at high CLTV), and concerning the possible deployment of streamlined foreclosure avoidance solutions for such Borrowers.

(f) Through July 1, 2009, a minimum of 3900 personnel shall be employed to assist Borrowers with loan modifications and other foreclosure avoidance measures.

3.2 Compliance. Understanding the circumstances and behaviors of lenders and brokers that may have contributed, in part, to the current mortgage crises, CFC recognizes its responsibility to ensure the very highest degree of ethical conduct on the part of CFC's agents and employees. CFC shall ensure that, (i) to the extent it resumes subprime lending, it will design and implement an effective compliance management program to provide reasonable assurance as to the identification and control of consumer protection hazards associated with such subprime lending activities, and (ii) to the extent of its own lending activities (if any), it will create appropriate consumer safeguards to avoid unfair or deceptive activities or practices arising in connection with its interaction with brokers and other third parties.

3.3 FORMALIZATION OF PUBLIC COMMITMENTS MADE IN CONNECTION WITH BAC'S PURCHASE OF COUNTRYWIDE FINANCIAL CORPORATION IN JULY 2008.

(a). Change of Product Lines and Business Practices.

1. CFC no longer offers Subprime Mortgage Loans or Higher-Priced Mortgage Loans, and for two years from the Commencement Date shall not offer such products. At the request of a the Attorney General, CFC will exclude all or part of this commitment.

2. CFC no longer offers nontraditional forward mortgages that may result in negative amortization, such as payment option ARMs, and for two years from the Commencement Date shall refrain from offering such mortgages (except Reverse Mortgage Transactions).

3. CFC has significantly curtailed the offering of "low documentation" or "no documentation" loans and, for two years from the Commencement Date, will only underwrite "low documentation" or "no documentation" loans that are:

(a) Federal Eligible; or

(b) underwritten subject to verification of the salaried portion of a borrower's income (if any) and with respect to residential mortgage loans secured by owner-occupied properties, after the extension of credit, there would be either (i) a maximum CLTV of 75% and minimum 700 FICO or (ii) a maximum 80% CLTV and minimum 720 FICO; or

(c) streamlined documentation loans involving waivers of some documentation on the basis of risk assessments made by automated underwriting systems.

4. For two years after the Commencement Date, CFC shall limit broker compensation to four percent (4%) of the amount borrowed.

4. LOAN MODIFICATIONS FOR SERIOUSLY DELINQUENT BORROWERS IN CERTAIN MORTGAGE PRODUCTS.

Until the Termination Date, CFC shall be responsible for ensuring that CFC Servicers do the following:

4.1 Eligible Borrowers. An "Eligible Borrower" is a Borrower who has a Qualifying Mortgage originated before December 31, 2007, that (a) is secured by an owner-occupied 1-4 unit residential property, (b) is serviced by a CFC Servicer, and (c) in the event that it is determined that a condition described in Section 4.10 has occurred, the applicable CFC Servicer has determined that such Borrower is in financial distress. Eligible Borrowers are potentially eligible for loan modification relief under this Section 4. A Borrower who does not occupy the 1-4 unit residential property that secures the Qualifying Mortgage is not an "Eligible Borrower."

4.2 Qualifying Mortgages. The following CFC Residential Mortgage Loans are "Qualifying Mortgages" if the Borrower is an Eligible Borrower and the Borrower meets one of the specified delinquency profiles:

(a) Subprime 2, 3, 5, 7 and 10 Hybrid ARMs. A Subprime 2, 3, 5, 7 and 10 Hybrid ARM if the Eligible Borrower meets any one of the following delinquency profiles at the time considered for loan modification:

(i) The Eligible Borrower is a Seriously Delinquent Borrower and the LTV is 75% or more; or

(ii) The Eligible Borrower is a Delinquent Borrower and the LTV is 75% or more.

(b) Pay Option ARMs. A Pay Option ARM shall be a Qualifying Mortgage if the Eligible Borrower meets any one of the following delinquency profiles at the time considered for loan modification:

(i) The Eligible Borrower is Seriously Delinquent and the LTV is 75% or more; or

(ii) The Eligible Borrower is a Delinquent Borrower and the LTV is 75% or more.

(c) Subprime Mortgage Loans (Other than Hybrid 2, 3, 5, 7 and 10 ARMs). A Subprime CFC Residential Mortgage Loan shall be a Qualifying Mortgage if the Eligible Borrower is a Seriously Delinquent Borrower and the LTV is 75% or more.

4.3 Loan Modifications to Be Considered. Each Eligible Borrower shall be considered for a range of affordable loan modification options with respect to his or her Qualifying Mortgage. The loan modification options will include those described below and existing modification options currently undertaken by CFC, and are, subject, as applicable, to approval of the investor who owns the Qualifying Mortgage consistent with the Affordability Equation. Loan modification options for each category of Qualifying Mortgages are as follows:

(a) Subprime 2, 3, 5, 7 and 10 Hybrid ARMs. Qualifying Mortgages that are Subprime Hybrid 2, 3, 5, 7 and 10 ARMs will be eligible for loan modifications as follows:

(i) To the extent the HOPE for Homeowners Program is available, an FHA refinancing under the HOPE for Homeowners Program under the underwriting criteria applicable to that program.

(ii) For Eligible Borrowers that were current on their payment of interest and principal before the first interest rate reset and became Seriously Delinquent Borrowers as a result of the interest reset, an unsolicited (subject to Section 4.10) restoration of the introductory rate for five years, without new loan documentation or an evaluation of the Eligible Borrower's current income. Communications to Eligible Borrowers informing them of this modification will invite Eligible Borrowers to contact the applicable CFC Servicer if they do not believe they will be able to afford the introductory rate in order to be considered for more extensive relief under Section 4.3(a)(iii)).

(iii) A streamlined, fully-amortizing loan modification subject to the Affordability Equation consisting of:

(A) until the fifth anniversary of the loan modification, a reduction of the interest rate to the (1) introductory rate or (2) lower (but not less than 3.5%); and

(B) on the fifth anniversary of the loan modification, an automatic conversion to a fixed rate mortgage for the remainder of the loan term at the higher of (1) the Fannie Rate and (2) the introductory rate. If the Fannie Rate option applies and would not be affordable to the Eligible Borrower based on his or her income at the time of conversion, the Eligible Borrower will be considered for a single two year period of reduced-rate financing (in which case the conversion to a fixed rate mortgage will occur at the end of the seventh year).

(iv) A streamlined loan modification subject to the Affordability Equation consisting of:

(A) modification of the Qualifying Mortgage to include a ten-year interest-only period;

(B) reduction of the interest rate to a rate no lower than the Interest Rate Floor, with an Annual Increase subject to an interest-rate cap as provided in Section 4.3(a)(iv)(C); and

(C) an interest-rate cap for the remaining, fully-amortizing term of the Qualifying Mortgage at an annual interest rate equal to the introductory rate.

(b) Pay Option ARMs. Qualifying Mortgages that are Pay Option ARMs are eligible for the following loan modifications:

(i) To the extent the HOPE for Homeowners Program is available, an FHA refinancing under the HOPE for Homeowners Program under the underwriting criteria applicable to that program; or

(ii) A streamlined loan modification subject to the Affordability Equation consisting of:

(A) elimination of the negative amortization feature;

(B) optional introduction of a ten-year interest-only period on the loan;

(C) reduction of the interest rate to a rate no lower than the Interest Rate Floor, with an Annual Increase subject to an interest rate cap of 7%; and

(D) if the Eligible Borrower owns only one residential property and the LTV is 95% or higher, a write down of the principal balance of the Qualifying Mortgage (but any write down of principal would not be in an amount greater than necessary to achieve an LTV of 95%).

(c) Subprime Loans (Other than Hybrid 2, 3, 5, 7 and 10 ARMs). Qualifying Mortgages that are Subprime Loans (Other than Hybrid 2, 3, 5, 7 and 10 ARMs) are eligible for the following loan modifications:

(i) To the extent the HOPE for Homeowners Program is available, an FHA refinancing under the HOPE for Homeowners Program under the underwriting criteria applicable to that program; or

(ii) A streamlined loan modification within the limits of the Affordability Equation consisting of:

(A) optional introduction of a ten-year interest-only period on the loan;

(B) reduction of the interest rate on the mortgage to a rate no lower than the Interest Rate Floor, with an Annual Increase subject to an interest rate cap as provided in Section 4.3(c)(ii)(C); and

(C) an interest-rate cap for the remaining term of the Qualifying Mortgage at an annual interest rate equal to (A) the fixed interest rate less 200 basis points, in the case of fixed-rate loans, and (B) the remainder of (i) the sum of the contractual index amount plus spread immediately before the first loan modification, minus 200 basis points, in the case of an ARM.

4.4 Affordability Equation. Qualifying Mortgages will be considered for loan modifications in accordance with the following Affordability Equation, which establishes a Foreclosure Avoidance Budget that is a cap on the cost of the loan modification.

(a) **Foreclosure Avoidance Budget.** Except for Eligible Borrowers that receive a streamlined reduction of their interest rates pursuant to Section 4.3(a)(ii), a Foreclosure Avoidance Budget will be prepared with respect to the Eligible Borrower and the Qualifying Mortgage. The "Foreclosure Avoidance Budget" at any time is the difference between (i) the likelihood and severity of the projected loss in a foreclosure sale and (ii) the likelihood and severity of the projected loss in the event that there was a loan modification with respect to the Qualifying Mortgage and a later foreclosure sale. For purposes of determining the Foreclosure Avoidance Budget for a Qualifying Mortgage, the LTV will be based on the Market Value.

(b) **Affordability Criteria.**

(i) Subject to the Foreclosure Avoidance Budget, if tax and insurance escrows are maintained with respect to the Qualifying Mortgage, the Eligible Borrower will be offered a loan modification that produces a first-year payment of principal (if applicable), interest, taxes and insurance equating to 34% of the Eligible Borrower's income, or as close to 34% of the Eligible Borrower's income as the Foreclosure Avoidance Budget permits without exceeding 42% of the Eligible Borrower's income.

(ii) Subject to the Foreclosure Avoidance Budget, if tax and insurance escrows are not maintained with respect to a Qualifying Mortgage, the Eligible Borrower will be offered a loan modification that produces a first-year payment of principal (if applicable) and interest equating to 25% of the Eligible Borrower's income, or as close to 25% of the Eligible Borrower's income as the Foreclosure Avoidance Budget permits without exceeding 34% of the Eligible Borrower's income.

(c) **Borrowers Who Cannot Afford a Loan Modification.** There is no obligation to offer loan modifications with respect to Qualifying Mortgages if the Eligible Borrower cannot be qualified under the Affordability Equation. Such Eligible Borrowers may be eligible for a Relocation Assistance payment or a payment under the Foreclosure Relief Program, all as provided in Sections 5 and 6.

4.5 Outreach to Borrowers at Risk of Delinquency. Borrowers under Subprime Mortgage Loans or Pay Option ARMs originated on or before December 31, 2007, whose payments are scheduled to change as a result of an interest-rate reset, Recast, or expiration of an interest-only term, will be sent a communications approximately ninety (90) days before the payment change inviting them to contact their CFC Servicer if they believe they will not be able to afford their new payments.

In the event that a borrower responds to this communication, the borrower will be considered for loan modifications under the eligibility criteria in this Agreement.

4.6 Restrictions on Initiation or Advancement of Foreclosure Process for Eligible Borrowers.

(a) The foreclosure process for a Qualifying Mortgage of an Eligible Borrower will not be initiated or advanced for the period necessary to determine such Eligible Borrowers' interest in retaining ownership and ability to afford the revised economic terms, as well as the investor's willingness to accept a loan modification.

(b) Any such foreclosure process will be initiated or advanced only if:

(i) it is determined, based on communication with the Borrower or based on the Borrower's abandonment of the residential property that secures the mortgage loan, that the Borrower does not wish to retain ownership of the residence that secured the mortgage loan;

(ii) it has determined that the Borrower cannot be qualified for, or has refused, a loan modification under this Agreement within the limits of the Affordability Equation, as applicable; or

(iii) despite reasonable efforts, servicing agents have been unable to make contact with the borrower to determine his or her preferences with regard to home ownership, or to obtain information concerning his or her income and ability to afford a mortgage payment under a modification.

4.7 Miscellaneous Provisions Related to Loan Modification Program.

(a) **Commitment to Waive Late/Delinquency Fees.** Any late/delinquency fees associated with overdue loan payments remaining unpaid as of the date immediately before modification of the Qualifying Mortgage under this Agreement will be waived.

(b) **Commitment Not to Charge Loan Modification Fees.** Except to the extent required in connection with HOPE for Homeowners Program, Eligible Borrowers will not be charged loan modification fees in connection with loan modifications of Qualifying Mortgages hereunder.

(c) **Prepayment Penalty Waivers:** Prepayment penalties will be waived in connection with any payoff or refinancing (even if refinanced by a person not Affiliated with CFC) of a Qualifying Mortgage that is a Subprime Mortgage Loan or Pay Option ARM that (i) had a first payment due date between January 1, 2004 and December 31, 2007, (ii) was directly or indirectly held by CFC on June 30, 2008, and (iii) which at the time of the payoff or refinancing is held by CFC or any Affiliate. Investor owners or their representatives of Qualifying Mortgages that are Subprime Mortgage Loans or Pay Option ARMs serviced by a CFC Servicer will be encouraged to waive prepayment penalties in such circumstances.

(d) **Commitment to Consider Additional Relief for Borrowers Receiving Modifications and Later Becoming Delinquent.** Eligible Borrowers with respect to Qualifying Mortgages who have earlier received loan modifications or other workouts, whether or not pursuant to this Agreement, will be eligible to be considered for new loan modification offers under this Agreement if they otherwise satisfy the eligibility criteria.

(e) **Representation Concerning Investor Delegation and Approval.** CFC represents that CFC Servicers currently have, or reasonably expect to obtain, discretion to pursue the foreclosure avoidance measures outlined in this Agreement for a substantial majority of Qualifying Mortgages. If CFC Servicers do not have discretion to pursue these foreclosure avoidance measures, best efforts will be used to obtain appropriate investor authorization.

4.8 Commitment to Implement Relief Measures Authorized by Federal Government.

(a) **Government Acquisition of Qualifying Mortgages.** To the extent the federal government acquires any Qualifying Mortgages and, as the owner of these mortgages, authorizes loan modifications that offer borrower benefits greater than those associated with the modifications outlined in this agreement, relief measures will be pursued in modifying such Qualifying Mortgages to the full extent of such authorization.

(b) **Government-Issued Guidelines Relating to Loan Modifications.** To the extent any federal agency, in connection with its intervention in the secondary mortgage market or otherwise having jurisdiction, issues guidelines relating to modifications of delinquent mortgages, this Agreement will be implemented in a manner that, to the maximum extent feasible, produces modifications consistent with such guidelines.

4.9 Timeframe for Loan Modification Process. The loan modification process will be managed to ensure that offers of loan modifications under this agreement (other than unsolicited interest rate reductions) are made to Eligible Borrowers, on average, no more than 60 days after such Eligible Borrowers make contact with the applicable CFC Servicer and provides any required information concerning a possible modification.

4.10 Response to Intentional Nonperformance by Borrowers. If CFC detects material levels of intentional nonperformance by Eligible Borrowers that appears to be attributable to the introduction of the loan modification program, it reserves the right to require objective prequalification of Eligible Borrowers for loan modifications under the program by obtaining verification of income and the application of funds and to take other reasonable steps. Such prequalification could result in the elimination of unsolicited interest rate reductions, inhibit streamlined solutions and could otherwise significantly slow implementation of the loan modification program.

4.11 No Releases with respect to Loan Modifications. There will be no requirement that Eligible Borrowers release claims against CFC or any CFC Affiliate in connection with loan modifications offered under this agreement.

4.12 Number of Loan Modification Offers before March 31, 2009. On or before March 31, 2009, loan modifications will be offered by CFC Servicers in accordance with this Agreement to not fewer than 50,000 Seriously Delinquent Borrowers on a nationwide basis. The Attorney General may terminate the Agreement and no longer be bound by the release set forth in Section 8.1 if there is a material failure to satisfy this commitment. CFC may retain any portion of the State's Foreclosure Relief Program allocation that has not been paid to Eligible Borrowers or distributed for any and all programs as provided in Section 6 of this Agreement.

4.13 Second or Junior Liens. Loan modifications contemplated in Section 4 of this Agreement shall be made without consideration of second or junior liens on mortgaged properties. CFC does not expect that the presence of second or junior liens will impede Eligible Borrowers from receiving a loan modification offer under Section 4 of this Agreement. Nevertheless, while the scope of the loan modification program in this Agreement is limited to certain first-lien mortgage loans, CFC recognizes that many Borrowers also have second-lien mortgage loans and that the existence of such junior liens may reduce the incentive of the Borrower to remain in residential property that secures the loan and may impair the Borrower's ability to refinance. CFC states that efforts are underway to develop best practices with respect to addressing such second-lien mortgage loans and will periodically report to the Attorney General on its progress.

5. RELOCATION ASSISTANCE PROGRAM.

Through the Termination Date, payments will be provided to borrowers who are unable to retain their homes in accordance with this Section 5.

5.1 Eligibility. Borrowers under CFC Residential Mortgage Loans that were serviced by a CFC Servicer on June 30, 2008 (whether or not they are Qualifying Mortgages), are currently serviced by a CFC Servicer and are subject to a foreclosure sale date on or before the Termination Date, will be offered an agreement under which they can receive a cash payment to assist with the Borrower's transition to a new place of residence ("Relocation Assistance payment") in exchange for voluntarily and appropriately surrendering the residence that secures the mortgage loan at the time of the foreclosure sale. Borrowers who are eligible for, or receive, payments under the Foreclosure Relief Program may also receive a Relocation Assistance payment.

5.2 **Amount.** The amount of Relocation Assistance payments offered to any Borrower will be in the discretion of CFC or its delegee according to its or their assessment of the individual circumstances of the Borrower (e.g., number of dependents or amount of moving expenses).

5.3 **Timing of Payments.** Relocation Assistance payments shall be made to a Borrower no later than fourteen days following the Borrower's voluntary and appropriate surrender of the residence that secures the mortgage loan.

5.4 **Payment Projection.** CFC projects that, from the Agreement Date through December 31, 2010, Relocation Assistance payments will be made to 35,000 borrowers in a total amount of more than $70,000,000 on a nationwide basis.

6. FORECLOSURE RELIEF PROGRAM.

Payments shall be made available to borrowers who experienced a foreclosure sale, or who were 120 days or more delinquent in making mortgage payments soon after their loans were originated or after an interest rate reset, in accordance with this Section 6. CFC and the Attorney General shall consult as to the form of any communication sent to Borrowers who receive Foreclosure Relief Program payments.

6.1 **Payment.** A total of $150 million shall be paid on a nationwide basis (or a proportionally reduced amount based on the number of affected borrowers if fewer than all States are Participating States) under a Foreclosure Relief Program to borrowers who have either experienced a foreclosure sale or were 120 days or more delinquent as of the Commencement Date.

6.2 **State Allocation.** The Michigan allocation is $9,882,371.

6.3 **Individual Allocation.** A Borrower will be potentially eligible for payments under the Foreclosure Relief Program if the Borrower:

(a) Has a CFC-Originated Residential Mortgage Loan secured by owner-occupied property;

(b) The first payment on the CFC-Originated Residential Mortgage Loan was due between January 1, 2004 and December 31, 2007;

(c) Six or fewer payments were made on the CFC-Originated Residential Mortgage Loan; and

(d) The CFC-Originated Residential Mortgage Loan was foreclosed or is 120 days or more delinquent as of the Commencement Date.

The Attorney General shall have the ability, by timely notice to CFC, to expand the Foreclosure Relief program to cover additional borrowers or to contract the Foreclosure Relief program to limit payments to easily ascertained borrowers. However, the program must cover at least those borrowers who made three or fewer payments over the life of the loan. If the State elects to expand or contract the program, the amount allocated to the State will remain the same. As much as 50% of the State's allocable share may be reserved for foreclosure relief/mitigation or related programs other than payments to defaulted borrowers, including purchasing/rehabilitating foreclosed properties, enhancing public awareness of foreclosure avoidance options, or otherwise promoting foreclosure prevention/mitigation measures, as deemed appropriate by the Attorney General. Funds so reserved are to be distributed by CFC upon the direction of the Attorney General or his designee. The Attorney General shall give notice of the exact amount reserve to CFC within 30 days of the Commencement Date; CFC is instructed by the Attorney General not to commence making Foreclosure Relief payments until its receipt of such notice.

6.4 Release. In order to receive payments under the Foreclosure Relief Program, Borrowers will be required to execute a release in accordance with Section 8.1. Borrowers offered payments under this Foreclosure Relief Program whose loans have not yet been foreclosed shall be afforded at least a three month period to decide whether to execute the release to permit them to determine whether they wish to raise claims covered by the release in connection with any foreclosure-related proceedings.

6.5 Unallocated Funds. Funds allocated to Borrowers in the State of Michigan who choose not to participate in the Foreclosure Relief Program or who cannot be located after commercially reasonable efforts shall be available to the Attorney General for re-allocation to Borrowers under this program at the direction of the Attorney General.

7. REPORTING REQUIREMENTS.

7.1 Eligible Borrowers in Qualifying Mortgages.

(a) On a quarterly basis through June 30, 2010, CFC shall report the following information to the Attorney General:

(i) The names and addresses of Eligible Borrowers in the Attorney General in Qualifying Mortgages who received loan modification offers under this Agreement, and for whom loan modifications were concluded;

(ii) For all loan modifications under this Agreement concluded within the reporting period in State of Michigan, the original and modified loan terms, and the amounts of late/delinquency fees waived, loan modification fees waived, and prepayment penalties waived pursuant to this Agreement;

(iii) For a sample of Eligible Borrowers in Qualifying Mortgages for whom CFC was unable to procure a loan modification offer under this Agreement during the reporting period (which shall be no less than 5% of all such Eligible Borrowers), the factors preventing a loan modification offer;

(iv) The number and total amount of Relocation Assistance payments made to borrowers in the State of Michigan during the reporting period;

(v) Delinquency data on active loans with first payment due dates between January 1, 2004 and December 31, 2007 that are secured by owner occupied residential property in the State of Michigan, broken down by type of loan; and

(vi) Aggregated delinquency data on all loans modified under this Agreement for Eligible Borrowers in the State of Michigan.

(b) To the Attorney General, CFC shall provide annual reports that include the information specified in Section 7.1(a) for the periods July 1, 2010 through June 30, 2011, and July 1, 2011 through June 30, 2012.

7.2 Other Loan Modifications. With the same frequency as specified in Section 7.1, CFC will provide to the Attorney General a report detailing the numbers and types of modifications concluded on first-lien residential mortgage loans secured by owner-occupied property in the State of Michigan (other than Qualifying Mortgages) and the total unpaid principal balance of such modified loans.

7.3 Compliance Monitor. CFC will appoint an employee as the Compliance Monitor for this Agreement. The Compliance Monitor will be responsible for (i) making reports to the Attorney General under this Agreement and (ii) receiving and responding to complaints from the Attorney General or from individual borrowers concerning the operation of the loan modification program.

8. RELEASES; MORE FAVORABLE SETTLEMENTS.

8.1 Releases from Borrowers. Borrowers to whom payments under the

Foreclosure Relief Program are offered shall, as a condition of receiving such payments, be required to execute and return to CFC a release of claims that includes the following language:

In consideration for the payment we are to receive under the Foreclosure Relief Program, we release Countrywide Financial Corporation and its affiliates and their respective directors, officers, employees and agents (except brokers) from all civil claims, causes of action, any other right to obtain any type of monetary damages (including punitive damages), expenses, attorneys' and other fees, rescission, restitution or any other remedies of whatever kind at law or in equity, in contract, in tort (including, but not limited to, personal injury and emotional distress), arising under any source whatsoever, including any statute, regulation, rule, or common law, whether in a civil, administrative, arbitral or other judicial or non-judicial proceeding, whether known or unknown, whether or not alleged, threatened or asserted by us or by any other person or entity on our behalf, including any currently pending or future purported or certified class action in which we are now or may hereafter become a class member, that arise from or are in any way related to CFC Loan No. __________, including, without limitation, the origination of that loan (and any representations or omissions made during that origination process), the terms and conditions of that loan, and the servicing or administration of that loan following its origination.

8.2 Release from State of Michigan. The Attorney General of the State of Michigan releases BAC and CFC and their respective Affiliates from any and all civil claims that could be brought in the name of Attorney General pursuant to his authority under Michigan law, including the Michigan Consumer Protection Act, MCL 445.901 et. seq., or the Michigan Consumer Mortgage Protection Act, MCL 445.1634, arising out of the residential mortgage origination or servicing activities of CFC and its subsidiaries as referenced in the Introduction to this Agreement. Such release does not affect the authority or ability of other departments or regulators within the State of Michigan that may have separate enforcement authority or claims from exercising such authority or raising such claims in relation to the conduct at issue, including any claims the State might have as an investor in CFC securities

8.3 More Favorable Terms. The parties agree that should Countrywide resolve matters referenced in the Introduction of this AVC for conduct which occurred before the entry of this Agreement in actions brought by Attorneys General of other states on terms that are different than those contained in this Agreement (other than terms offered by the Countrywide but not accepted by the Attorney General), Countrywide will provide a copy of those terms to the Attorney General for review. If, after review, the Attorney General determines the terms of such resolutions are, taken as a whole, more favorable than those contained in this Agreement, then Countrywide shall stipulate that this Agreement shall be amended to reflect all of such terms in place of the terms hereof.

9. OTHER TERMS AND CONDITIONS

9.1 No Admission. The Agreement shall not constitute an admission of wrongdoing by BAC or CFC, nor shall it be cited as such by the Attorney General. The Agreement shall not be admissible in any other proceeding as evidence of wrongdoing or a concession of responsibility.

9.2 Confidentiality. The Attorney General agrees that all confidential information disclosed to it by BAC or CFC or any of their Affiliates, including but not limited to the quarterly reports that will be provided pursuant to Section 7, shall be kept confidential. The Attorney General shall not disclose or use any confidential information without the prior written consent of the disclosing party, except to the extent required by law, regulation or court order (and in such case, only upon prior notice to the disclosing party).

9.3 Submission to Jurisdiction for Limited Purpose. CFC submits to the jurisdiction of the courts in the State of Michigan for the limited purpose of entering into and enforcing this Agreement only. Any acts, conduct or appearance by CFC does not constitute or be construed as a submission to the general jurisdiction of any court in the State of Michigan for any purpose whatsoever.

9.4 Conflict with Subsequent Law. In the event that any applicable law conflicts with any provision hereof, making it impossible for CFC to comply both with the law and with the provisions of this Agreement, the provisions of the law shall govern.

9.5 No Third Party Beneficiaries Intended. This Agreement is not intended to confer upon any person any rights or remedies, including rights as a third party beneficiary. This Agreement is not intended to create a private right of action on the part of any person or entity other than the parties hereto.

9.6 Service of Notices and Process. Service of notices and process required by this Agreement, or its enforcement shall be served on the following persons, or any person subsequently designated by the parties:

For BAC and CFC:

John Beisner
Brian Boyle
O'MELVENY & MYERS LLP
1625 Eye Street, N.W.
Washington, D.C. 20006

For Mike Cox, Attorney General of the State of Michigan:

D.J. Pascoe
Assistant Attorney General
P.O. Box 30213
Lansing, MI 48909

9.7 Waiver. The failure of any party to exercise any rights under this Agreement shall not be deemed a waiver of any right or any future rights.

9.8 Severability. If any part hereof shall for any reason be found or held invalid or unenforceable by any court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder hereof, which shall survive and be construed as if such invalid or unenforceable part had not been contained herein.

9.9 Counterparts. This Agreement may be signed in one or more counterparts, each of which shall be deemed an original. Facsimile copies of this Agreement and the signatures hereto may be used with the same force and effect as an original.

9.10 Inurement. This Agreement is binding and insures to the benefit of the parties hereto and their respective successors and assigns.

9.11 Integration. This Agreement constitutes the entire Agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings relating to the subject matter hereof.

9.12 Amendment. This Agreement may be amended solely by written agreement signed by the State and CFC.

9.13 Termination. Except to the extent an early date is specified or the provisions of this Agreement are earlier terminated according to the terms hereof, the obligations of CFC under this Agreement shall terminate on the Termination Date. Provided, however, that no termination of the obligations under this Agreement shall change or terminate the terms of any loan modification entered into pursuant to Section 4 of this Agreement.

Countrywide Financial Corporation	**MICHAEL A. COX, Attorney General, on behalf of the People of the State of Michigan**
By: ______________	By: D.J. Pascoe
Paul G. Lane Senior Vice President and Assistant General Counsel	D.J. Pascoe (P54041) Assistant Attorney General
Date: 10/6/2008	Date: 10/6/08