IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF KANSAS

NATIONAL CREDIT UNION ADMINISTRATION BOARD, as Liquidating Agent of U.S. Central Federal Credit Union, and of Western Corporate Federal Credit Union,	)	Case No. 12-cv-2591 KHV/GLR
Plaintiff,	)	**JURY TRIAL DEMANDED**
v.	)	
UBS SECURITIES, LLC and MORTGAGE ASSET SECURITIZATION TRANSACTIONS, INC.	)	
Defendants.	)	

COMPLAINT

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Plaintiff, the National Credit Union Administration Board ("NCUA Board"), brings this action in its capacity as Liquidating Agent of U.S. Central Federal Credit Union ("U.S. Central") and Western Corporate Federal Credit Union ("WesCorp") against UBS Securities, LLC ("UBS") as underwriter and seller, and against Mortgage Asset Securitization Transactions, Inc., (the "Issuer Defendant"), as issuer, of certain residential mortgage-backed securities ("RMBS") purchased by U.S. Central or WesCorp, and alleges as follows:

I. NATURE OF THE ACTION

1. This action arises out of the sale of RMBS to U.S. Central or WesCorp where UBS acted as underwriter and/or seller of the RMBS.

2. Virtually all of the RMBS sold to U.S. Central and WesCorp were rated as triple-A (the same rating as U.S. Treasury Bonds) at the time of issuance.

3. The Issuer Defendant issued and UBS underwrote and sold the RMBS pursuant to registration statements, prospectuses, and/or prospectus supplements (collectively, the "Offering Documents"). These Offering Documents contained untrue statements of material fact or omitted to state material facts in violation of Sections 11 and 12(a)(2) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§ 77k, 77*l*(a)(2) ("Section 11" and "Section 12(a)(2)," respectively), and the California Corporate Securities Law of 1968 ("California Corporate Securities Law"), Cal. Corp. Code §§ 25401 and 25501, and the Kansas Uniform Securities Act, Kan. Stat. Ann. § 17-12a509 ("Kansas Blue Sky law").

4. The NCUA Board expressly disclaims and disavows any allegation in this Complaint that could be construed as alleging fraud.

5. The Offering Documents described, among other things, the mortgage underwriting standards of the originators ("the Originators") who made the mortgages that were pooled and served as the collateral for the RMBS purchased by U.S. Central and WesCorp.

6. The Offering Documents represented that the Originators adhered to the underwriting guidelines set out in the Offering Documents for the mortgages in the pools collateralizing the RMBS. The Offering Documents also represented that the loan pools underlying the RMBS had certain average loan-to-value ("LTV") ratios.

7. In fact, the Originators had systematically abandoned the stated underwriting guidelines in the Offering Documents. Because the mortgages in the pools collateralizing the RMBS were largely underwritten without adherence to the underwriting standards stated in the Offering Documents, the RMBS were significantly riskier than represented in the Offering Documents. The property values supporting the average LTV were routinely overvalued at the time of origination, rendering the average LTV ratios inaccurate. Indeed, a material percentage of the borrowers of the mortgages comprised the RMBS were all but certain to become delinquent or default shortly after origination. As a result, the RMBS were destined from inception to perform poorly.

8. These untrue statements and omissions were material because the value of RMBS is largely a function of the cash flow from the principal and interest payments on the mortgage loans collateralizing the RMBS. Thus, the performance of the RMBS is tied to the borrower's ability to repay the mortgage.

9. U.S. Central and WesCorp purchased the RMBS listed in Table 1 (*infra*) through initial offerings directly from UBS by means of prospectuses or oral communications. Thus, UBS is liable for material untrue statements and omissions of fact under Section 11, Section 12(a)(2), and/or the California Corporate Securities Law and/or the Kansas Blue Sky Law.

Table 1

CUSIP[1]	ISSUING ENTITY	DEPOSITOR DEFENDANT	PURCHASER	TRADE DATE	PRICE PAID
02147CAC7	Alternative Loan Trust 2006-OA8	-	WesCorp	24-May-06	$14,000,000
02147CAH6	Alternative Loan Trust 2006-OA8	-	WesCorp	24-May-06	$12,536,000
55275NAP6	MASTR Adjustable Rate Mortgages Trust 2006-OA2	Mortgage Asset Securitization Transactions, Inc.	U.S. Central	30-Oct-06	$119,247,000
576431AE0	MASTR Adjustable Rate Mortgages Trust 2007-1	Mortgage Asset Securitization Transactions, Inc.	U.S. Central	13-Feb-07	$204,639,000
57645RAA9	MASTR Adjustable Rate Mortgages Trust 2007-HF1	Mortgage Asset Securitization Transactions, Inc.	U.S. Central	16-Apr-07	$150,000,000
576449AC6	MASTR Asset Backed Securities Trust 2006-HE4	Mortgage Asset Securitization Transactions, Inc.	U.S. Central	15-Nov-06	$50,000,000
576449AD4	MASTR Asset Backed Securities Trust 2006-HE4	Mortgage Asset Securitization Transactions, Inc.	U.S. Central	15-Nov-06	$33,877,000
576449AE2	MASTR Asset Backed Securities Trust 2006-HE4	Mortgage Asset Securitization Transactions, Inc.	U.S. Central	15-Nov-06	$22,205,000
57645MAE2	MASTR Asset Backed Securities Trust 2006-WMC4	Mortgage Asset Securitization Transactions, Inc.	U.S. Central	3-Nov-06	$50,000,000
75114HAF4	RALI Series 2006-QO5 Trust	-	WesCorp	19-May-06	$19,542,000
75114HAL1	RALI Series 2006-QO5 Trust	-	WesCorp	19-May-06	$8,112,000
751150AH6	RALI Series 2006-QO7 Trust	-	U.S. Central	5-Oct-06	$40,000,000

10. U.S. Central and WesCorp purchased each RMBS listed in Table 2 (*infra*) pursuant to and traceable to a registration statement containing an untrue statement of a material fact or that omitted to state a material facts required to be stated therein or necessary to make the statements therein not misleading. UBS was an underwriter for each of the securities listed in Table 2 and is therefore liable under Section 11. UBS also sold certain of the securities directly to U.S. Central and/or WesCorp as indicated in Table 2 (*infra*). UBS is therefore liable under the

[1] "CUSIP" stands for "Committee on Uniform Securities Identification Procedures." A CUSIP number is used to identify most securities, including certificates of RMBS. *See* CUSIP Number, http://www.sec.gov/answers/cusip.htm.

California Corporate Securities Law and Kansas Blue Sky law for any misrepresentations made in connection with the sale of those Certificates.

Table 2

CUSIP	ISSUING ENTITY	UNDERWRITER/ (SELLER)	DEPOSITOR DEFENDANT	PURCHASER	TRADE DATE	PRICE PAID
02146QBB8	Alternative Loan Trust 2006-OA10	-	-	WesCorp	13-Sep-06	$76,486,507
02146QBC6	Alternative Loan Trust 2006-OA10	UBS	-	WesCorp	18-Jul-06	$30,466,428
02146QBD4	Alternative Loan Trust 2006-OA10	-	-	U.S. Central	22-Aug-06	$74,852,000
02146QBE2	Alternative Loan Trust 2006-OA10	UBS	-	WesCorp	18-Jul-06	$33,205,502
02146QBG7	Alternative Loan Trust 2006-OA10	UBS	-	WesCorp	7-Jul-06	$49,899,534
02146QBG7	Alternative Loan Trust 2006-OA10	-	-	WesCorp	9-Jan-07	$39,193,353
126694M88	CHL Mortgage Pass-Through Trust 2006-OA5	UBS	-	WesCorp	3-Mar-06	$33,946,843
126694N38	CHL Mortgage Pass-Through Trust 2006-OA5	UBS	-	WesCorp	3-Mar-06	$27,367,597
576431AB6	MASTR Adjustable Rate Mortgages Trust 2007-1	UBS	Mortgage Asset Securitization Transactions, Inc.	U.S. Central	1-Mar-07	$45,210,000
65538DAB1	Nomura Asset Acceptance Corporation, Alternative Loan Trust, Series 2006-AR4	-	-	WesCorp	17-Nov-06	$12,778,000

11. The RMBS purchased by U.S. Central and WesCorp suffered a significant drop in market value. U.S. Central and WesCorp have sustained significant losses from those RMBS purchased despite the NCUA Board's mitigation efforts.

II. PARTIES AND RELEVANT NON-PARTIES

12. The National Credit Union Administration ("NCUA") is an independent agency of the Executive Branch of the United States Government that, among other things, charters and regulates federal credit unions, and operates and manages the National Credit Union Share Insurance Fund ("NCUSIF") and the Temporary Corporate Credit Union Stabilization Fund ("TCCUSF"). The NCUSIF insures the deposits of account holders in all federal credit unions and the majority of state-chartered credit unions. The TCCUSF was created in 2009 to allow the NCUA to borrow funds from the United States Department of the Treasury ("Treasury

Department") for the purposes of stabilizing corporate credit unions under conservatorship or liquidation, or corporate credit unions threatened with conservatorship or liquidation. The NCUA must repay all monies borrowed from the Treasury Department for the purposes of the TCCUSF by 2021. The NCUA has regulatory authority over state-chartered credit unions that have their deposits insured by the NCUSIF. The NCUA is under the management of the NCUA Board. *See* Federal Credit Union Act, 12 U.S.C. §§ 1751, 1752a(a) ("FCU Act").

13. U.S. Central was a federally chartered corporate credit union with its offices and principal place of business in Lenexa, Kansas. As a corporate credit union, U.S. Central provided investment and financial services to other corporate credit unions.

14. WesCorp was a federally chartered corporate credit union with its offices and principal place of business in San Dimas, California. As a corporate credit union, WesCorp provided investment and financial services to other credit unions.

15. The NCUA Board placed U.S. Central and WesCorp into conservatorship on March 20, 2009, pursuant its authority under the FCU Act, 12 U.S.C. § 1786(h). On October 1, 2010, the NCUA Board placed U.S. Central and WesCorp into involuntary liquidation pursuant to 12 U.S.C. § 1766(a) and 12 U.S.C. § 1787(a)(1)(A) and appointed itself Liquidating Agent. Pursuant to 12 U.S.C. § 1787(b)(2)(A), the NCUA Board as Liquidating Agent has succeeded to all rights, titles, powers, and privileges of U.S. Central and WesCorp and of any member, accountholder, officer or director of U.S. Central and WesCorp, with respect to U.S. Central and WesCorp and their assets, including the right to bring the claims asserted by them in this action. As Liquidating Agent, the NCUA Board has all the powers of the members, directors, officers, and committees of U.S. Central and WesCorp, *see* 12 U.S.C. § 1786(h)(8), and succeeds to all rights, titles, powers, and privileges of U.S. Central and WesCorp, *see* 12 U.S.C.

§ 1787(b)(2)(A). The NCUA Board may also sue on U.S. Central and WesCorp's behalf. *See* 12 U.S.C. §§ 1789(a)(2), 1766(b)(3)(A), 1787(b)(2).

16. Prior to being placed into conservatorship and involuntary liquidation, U.S. Central and WesCorp were the two largest corporate credit unions in the United States.

17. Any recoveries from this legal action will reduce the total losses resulting from the failure of U.S. Central and WesCorp. Losses from U.S. Central and WesCorp's failure must be paid from the NCUSIF or the TCCUSF. Expenditures from these funds must be repaid through assessments against all federally insured credit unions. Because of the expenditures resulting from U.S. Central and WesCorp's failure, federally insured credit unions will experience larger assessments, thereby reducing federally insured credit unions' net worth. Reductions in net worth can adversely affect the dividends that individual members of credit unions receive for the savings on deposit at their credit union. Reductions in net worth can also make loans for home mortgages and automobile purchases more expensive and difficult to obtain. Any recoveries from this action will help to reduce the amount of any future assessments on federally insured credit unions throughout the system, reducing the negative impact on federally insured credit unions' net worth. Recoveries from this action will benefit credit unions and their individual members by increasing net worth resulting in more efficient and lower-cost lending practices.

18. Defendant UBS is a United States Securities and Exchange Commission ("SEC") registered broker-dealer. UBS acted as an underwriter of all the RMBS that are the subject of this Complaint and as seller to U.S. Central and WesCorp of all of the securities in Table 1 and certain of the securities in Table 2 (*supra*). UBS is a Delaware corporation with its principal place of business in Connecticut.

19. Mortgage Asset Securitization Transactions, Inc. is the depositor and issuer of the MASTR Adjustable Rate Mortgages Trust 2007-1, MASTR Adjustable Rate Mortgages Trust 2007-HF1, MASTR Adjustable Rate Mortgages Trust 2006-OA2, MASTR Asset Backed Securities Trust 2006-HE4, and the MASTR Asset Backed Securities Trust 2006-WMC4 offerings. Mortgage Asset Securitization Transactions, Inc. is a Delaware corporation with its principal place of business in New York.

III. JURISDICTION AND VENUE

20. This Court has subject matter jurisdiction pursuant to: (a) 12 U.S.C. § 1789(a)(2), which provides that "[a]ll suits of a civil nature at common law or in equity to which the [NCUA Board] shall be a party shall be deemed to arise under the laws of the United States, and the United States district courts shall have original jurisdiction thereof, without regard to the amount in controversy"; and (b) 28 U.S.C. § 1345, which provides that "the district courts shall have original jurisdiction of all civil actions, suits or proceedings commenced by the United States, or by any agency or officer thereof expressly authorized to sue by Act of Congress."

21. Venue is proper in this District under Section 22 of the Securities Act, 15 U.S.C. § 77v(a), because some of transactions at issue occurred in Lenexa, Kansas, the headquarters of U.S. Central. This Court has personal jurisdiction over each Defendant because they offered/sold the RMBS at issue in this Complaint to U.S. Central in this District; prepared/disseminated the Offering Documents containing untrue statements or omissions of material fact as alleged herein to U.S. Central in this District; and/or are residents of/conduct business in this District.

IV. MORTGAGE ORIGINATION AND THE SECURITIZATION PROCESS

22. RMBS are asset-backed securities. A pool or pools of residential mortgages are the assets that back or collateralize the RMBS certificates purchased by investors.

23. Because residential mortgages are the assets collateralizing RMBS, the origination of the mortgages commences the process that leads to the creation of RMBS. Originators decide whether to loan potential borrowers money to purchase residential real estate through a process called mortgage underwriting. The originator applies its underwriting standards or guidelines to determine whether a particular borrower is qualified to receive a mortgage for a particular property. The underwriting guidelines consist of a variety of metrics including: the borrower's debt, income, savings, credit history and credit score; whether the property will be owner-occupied; and the LTV ratio, among other things. Underwriting guidelines are designed to ensure that: (1) the borrower has the means to repay the loan, (2) the borrower will likely repay the loan, and (3) the loan is secured by sufficient collateral in the event of default.

24. Historically, originators made mortgage loans to borrowers and held the loans. Originators profited as they collected monthly principal and interest payments directly from the borrower. Originators also retained the risk that the borrower would default on the loan.

25. This changed in the 1970s when the Government National Mortgage Association ("Ginnie Mae"), the Federal National Mortgage Association ("Fannie Mae"), and the Federal Home Loan Mortgage Corporation ("Freddie Mac") (collectively government sponsored enterprises "GSEs") began purchasing "conforming loans" or "prime"—so-called because they conformed to guidelines set by the GSEs. The GSEs either sponsored the RMBS issuance (Ginnie Mae) or issued the RMBS themselves after purchasing the conforming loans (Fannie Mae and Freddie Mac). The GSEs securitized the mortgage loans by grouping mortgages into "loan pools," then repackaging the loan pools into RMBS where investors received the cash flow from the mortgage payments. The GSEs guarantee the monthly cash flow to investors on the agency RMBS.

26. More recently, originators, usually working with investment banks, began securitizing "non-conforming loans"—loans originated (in theory) according to private guidelines adopted by the originators. Non-conforming loans are also known as "nonprime loans" or "private label" and include "Alt-A" and "subprime loans." Despite the non-conforming nature of the underlying mortgages, the securitizers of such RMBS were able to obtain triple-A credit ratings by using "credit enhancement" (explained *infra*) when they securitized the non-conforming loans.

27. On information and belief, all of the loans collateralizing the RMBS at issue in this Complaint are non-conforming mortgage loans.

28. The securitization process shifted the originators' focus from ensuring the ability of borrowers to repay their mortgages to ensuring that the originator could process (and obtain fees from) an ever-larger loan volume for distribution as RMBS. This practice is known as "originate-to-distribute" ("OTD").

29. Securitization begins with a "sponsor" that purchases loans in bulk from one or more originators. The sponsor transfers title of the loans to an entity called the "depositor."

30. The depositor transfers the loans to a trust called the "issuing entity."

31. The issuing entity issues notes or "Certificates" representing an ownership interest in the cash flow from the mortgage pool underlying the securities (*i.e.*, the principal and interest generated as borrowers make monthly payments on the mortgages in the pool).

32. The depositor files required documents (such as registration statements and prospectuses) with the SEC so that the certificates can be offered to the public.

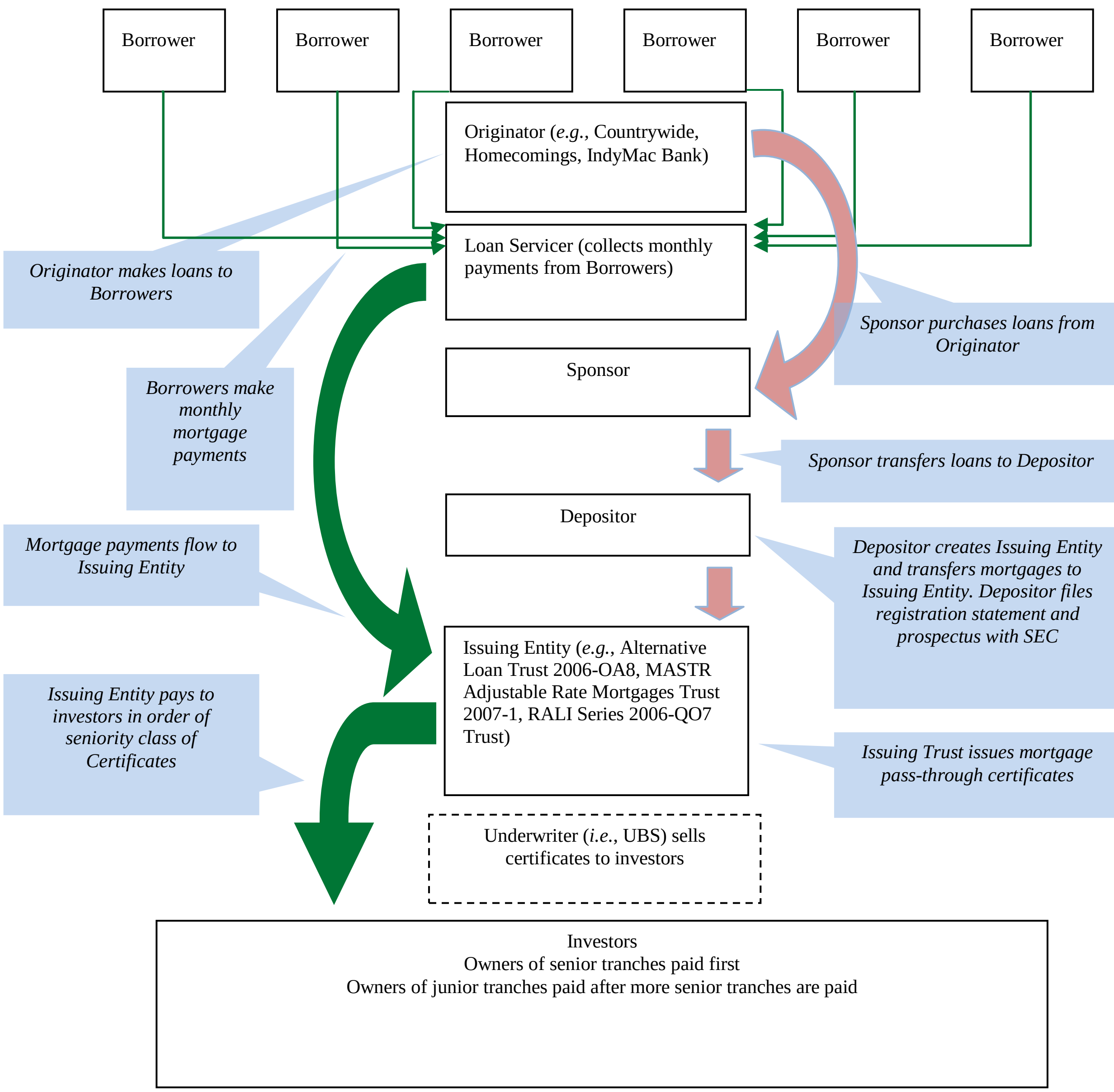
33. One or more "underwriters"—like UBS—then sell the certificates to investors.

34. A loan "servicer" collects payments from borrowers on individual mortgages as part of a pool of mortgages, and the issuing entity allocates and distributes the income stream generated from the mortgage loan payments to the RMBS investors.

35. Figure 1 (*infra*) depicts a typical securitization process.

Figure 1

Illustration of the Securitization Process



36. Because securitization, as a practical matter, shifts the risk of default on the mortgage loans from the originator of the loan to the RMBS investor, the originator's adherence to mortgage underwriting guidelines as represented in the offering documents with respect to the underlying mortgage loans is critical to the investors' ability to evaluate the expected performance of the RMBS.

V. RMBS CREDIT RATINGS AND CREDIT ENHANCEMENT

37. RMBS offerings are generally divided into slices or "tranches," each of which represents a different level of risk. RMBS certificates denote the particular tranches of the security purchased by the investor.

38. The credit rating for an RMBS reflects an assessment of the creditworthiness of that RMBS and indicates the level of risk associated with that RMBS. Standard and Poor's ("S&P") and Moody's Investors Service, Inc. ("Moody's") are the credit ratings agencies that assigned credit ratings to the RMBS in this case.

39. The credit rating agencies use letter-grade rating systems as shown in Table 3 (*infra*).

Table 3
Credit Rating System

Moody's	S&P	Definitions	Grade Type
Aaa	AAA	**Prime (Maximum Safety)**	**INVESTMENT GRADE**
Aa1 Aa2 Aa3	AA+ AA AA-	**High Grade, High Quality**	
A1 A2 A3	A+ A A-	**Upper Medium Grade**	
Baa1 Baa2 Baa3	BBB+ BBB BBB-	**Medium Grade**	
Ba2 Ba3	BB BB-	**Non-Investment Grade, or Speculative**	**SPECULATIVE GRADE**
B1 B2 B3	B+ B B-	**Highly Speculative, or Substantial Risk**	
Caa2 Caa3	CCC+	**In Poor Standing**	
Ca	CCC CCC-	**Extremely Speculative**	
C	-	**May be in Default**	
-	D	**Default**	

40. Moody's purportedly awards the coveted "Aaa" rating to structured finance products that are "of the highest quality, with minimal credit risk." Moody's Investors Service, *Moody's Rating Symbols & Definitions* at 6 (August 2003), *available at* http://www.rbcpa.com/Moody's_ratings_and_definitions.pdf. Likewise, S&P rates a product "AAA" when the "obligor's capacity to meet its financial commitment on the obligation is extremely strong." Standard & Poor's, *Ratings Definitions*, *available at* http://www.standardandpoors.com/ratings/articles/en/us/?assetID=1245303711350.

41. In fact, RMBS could not be sold unless they received one of the highest "investment grade" ratings on most tranches from one or more credit rating agencies, because the primary market for RMBS are institutional investors, such as U.S. Central and WesCorp, that are generally limited to buying only securities with the highest credit ratings. *See e.g.*, NCUA Credit

Risk Management Rule, 12 C.F.R. § 704.6(d)(2) (2010) (prohibiting corporate credit unions from investing in securities rated below AA-); *but see, e.g.*, Removing References to Credit Ratings in Regulations; Proposing Alternatives to the Use of Credit Ratings, 76 Fed. Reg. 11164 (proposed Mar. 1, 2011) (to be codified at 12 C.F.R. pts. 703, 704, 709, and 742) (the NCUA's proposed rule eliminating the use of credit ratings for guidance in investment decisions by credit unions).

42. While the pool of mortgages underlying the RMBS may not have been sufficient to warrant a triple-A credit rating, various forms of "credit enhancement" were used to obtain a triple-A rating on the higher tranches of RMBS.

43. One form of credit enhancement is "structural subordination." The tranches, and their risk characteristics relative to each other, are often analogized to a waterfall. Investors in the higher or "senior" tranches are the first to be paid as income is generated when borrowers make their monthly payments. After investors in the most senior tranche are paid, investors in the next subordinate or "junior" tranche are paid, and so on down to the most subordinate or lowest tranche.

44. In the event mortgages in the pool default, the resulting loss is absorbed by the subordinate tranches first.

45. Accordingly, senior tranches are deemed less risky than subordinate tranches and therefore receive higher credit ratings.

46. Another form of credit enhancement is overcollateralization. Overcollateralization is the inclusion of a higher dollar amount of mortgages in the pool than the par value of the security. The spread between the value of the pool and the par value of the security acts as a cushion in the event of a shortfall in expected cash flow.

47. Other forms of credit enhancement include "excess spread," monoline insurance, obtaining a letter of credit, and "cross-collateralization." "Excess spread" involves increasing the interest rate paid to the purchasers of the RMBS relative to the interest rate received on the cash flow from the underlying mortgages. Monoline insurance, also known as "wrapping" the deal, involves purchasing insurance to cover losses from any defaults. Letters of credit can also be purchased to cover defaults. Finally, some RMBS are "cross-collateralized," *i.e.*, when a tranche in an RMBS experiences rapid prepayments or disproportionately high realized losses, principal and interest collected from another tranche is applied to pay principal or interest, or both, to the senior certificates in the loan group experiencing rapid prepayment or disproportionate losses.

VI. U.S. CENTRAL'S AND WESCORP'S PURCHASES

48. U.S. Central and WesCorp purchased only the highest-rated tranches of RMBS. All but two were rated triple-A at the time of issuance. These securities have since been downgraded below investment grade just a few years after they were sold (*see infra* Table 4).

Table 4
Credit Ratings for U.S. Central's and WesCorp's RMBS Purchases

CUSIP	ISSUING ENTITY	PURCHASER	ORIGINAL RATING S&P	ORIGINAL RATING MOODY'S	First Downgrade Below Investment Grade S&P	First Downgrade Below Investment Grade MOODY'S	RECENT RATING S&P	RECENT RATING MOODY'S
02146QBB8	Alternative Loan Trust 2006-OA10	WesCorp	AAA	Aaa	CCC 9-1-2009	Ca 2-19-2009	D 5-25-2012	C 11-23-2010
02146QBC6	Alternative Loan Trust 2006-OA10	WesCorp	AAA	Aaa	B 10-14-2008	Ba3 9-3-2008	D 6-21-2011	C 11-23-2010
02146QBD4	Alternative Loan Trust 2006-OA10	U.S. Central	AAA	Aaa	CCC 9-1-2009	Ca 2-19-2009	D 5-25-2012	C 11-23-2010
02146QBE2	Alternative Loan Trust 2006-OA10	WesCorp	AAA	Aaa	B 10-14-2008	Ba3 9-3-2008	D 6-21-2011	C 11-23-2010
02146QBG7	Alternative Loan Trust 2006-OA10	WesCorp	AAA	Aaa	B 10-14-2008	Ba3 9-3-2008	D 6-21-2011	C 11-23-2010
02147CAC7	Alternative Loan Trust 2006-OA8	WesCorp	AAA	Aaa	CCC 9-2-2009	Ba3 9-3-2008	D 3-22-2012	C 12-9-2010

CUSIP	ISSUING ENTITY	PURCHASER	ORIGINAL RATING S&P	ORIGINAL RATING MOODY'S	First Downgrade Below Investment Grade S&P	First Downgrade Below Investment Grade MOODY'S	RECENT RATING S&P	RECENT RATING MOODY'S
02147CAH6	Alternative Loan Trust 2006-OA8	WesCorp	AAA	Aaa	CCC 9-2-2009	Ba3 9-3-2008	D 3-22-2012	C 12-9-2010
126694M88	CHL Mortgage Pass-Through Trust 2006-OA5	WesCorp	AAA	Aaa	CCC 8-19-2009	Ba3 9-22-2008	D 2-22-2012	C 12-5-2010
126694N38	CHL Mortgage Pass-Through Trust 2006-OA5	WesCorp	AAA	Aaa	CCC 8-19-2009	Ba3 9-22-2008	D 2-22-2012	C 12-5-2010
55275NAP6	MASTR Adjustable Rate Mortgages Trust 2006-OA2	U.S. Central	AAA	Aaa	N/A	N/A	AA- 1-12-2012	Aa3 11-23-2008
576431AE0	MASTR Adjustable Rate Mortgages Trust 2007-1	U.S. Central	AAA	Aaa	N/A	N/A	AA+ 11-08-2010	Aa3 11-23-2008
576431AB6	MASTR Adjustable Rate Mortgages Trust 2007-1	U.S. Central	AAA	Aaa	N/A	B3 2-20-2009	BBB 5-3-2010	Caa1 12-21-2010
57645RAA9	MASTR Adjustable Rate Mortgages Trust 2007-HF1	U.S. Central	AAA	Aaa	BB 9-24-2008	Caa2 1-30-2009	CCC 7-24-2009	Caa3 8-6-2010
576449AC6	MASTR Asset Backed Securities Trust 2006-HE4	U.S. Central	AAA	Aaa	BB 9-16-2008	B2 10-15-2008	CCC 8-4-2009	Ca 5-5-2010
576449AD4	MASTR Asset Backed Securities Trust 2006-HE4	U.S. Central	AAA	Aaa	B 9-16-2008	B3 10-15-2008	CCC 8-4-2009	Ca 5-5-2010
576449AE2	MASTR Asset Backed Securities Trust 2006-HE4	U.S. Central	AA+	Aa1	BB 4-7-2008	Ba2 4-17-2008	D 2-24-2010	C 10-15-2008
57645MAE2	MASTR Asset Backed Securities Trust 2006-WMC4	U.S. Central	AAA	Aaa	BB 4-3-2008	Caa2 10-15-2008	CCC 8-4-2009	Ca 3-20-2009
65538DAB1	Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4	WesCorp	AAA	Aaa	B 8-20-2008	Ca 2-4-2009	D 8-19-2009	C 9-2-2010
75114HAF4	RALI Series 2006-QO5 Trust	WesCorp	AAA	Aaa	CCC 4-15-2009	Ba2 9-3-2008	D 3-23-2010	Withdrawn 1-5-2012
75114HAL1	RALI Series 2006-QO5 Trust	WesCorp	AAA	Aaa	CCC 4-15-2009	Ba2 9-3-2008	D 3-23-2010	Withdrawn 1-5-2012
751150AH6	RALI Series 2006-QO7 Trust	U.S. Central	AAA	Aaa	BB 10-20-2008	Ca 2-20-2009	D 12-17-2010	Ca 2-20-2009

49. At the time of purchase, U.S. Central and WesCorp were not aware of the untrue statements or omissions of material facts in the Offering Documents of the RMBS. If U.S. Central/WesCorp had known about the Originators' pervasive disregard of underwriting standards—contrary to the representations in the Offering Documents—they would not have purchased the Certificates.

50. The RMBS's substantial loss of market value has injured U.S. Central, WesCorp and the NCUA Board.

VII. THE ORIGINATORS SYSTEMATICALLY DISREGARDED THE UNDERWRITING GUIDELINES STATED IN THE OFFERING DOCUMENTS

51. The performance and value of RMBS are largely contingent upon borrowers repaying their mortgages. The loan underwriting guidelines ensure that the borrower has the means to repay the mortgage and that the RMBS is secured by sufficient collateral in the event of reasonably anticipated defaults on underlying mortgage loans.

52. With respect to RMBS collateralized by loans written by originators that systematically disregarded their stated underwriting standards, the following pattern is present:

a. a surge in borrower delinquencies and defaults on the mortgages in the pools (*see infra* Section VII.A and Table 5);

b. actual gross losses to the underlying mortgage pools within the first 12 months after the offerings vastly exceeded expected gross losses (*see infra* Section VII.B and Figure 2); and

c. a high percentage of the underlying mortgage loans were originated for distribution, as explained below (*see infra* Table 6 and accompanying allegations).

53. These factors support a finding that the Originators failed to originate the mortgages in accordance with the underwriting standards stated in the Offering Documents.

54. This conclusion is further corroborated by reports that the Originators that contributed mortgage loans to the RMBS at issue in this Complaint abandoned the underwriting standards described in the Offering Documents (*see infra* Section VII.D).

A. The Surge in Mortgage Delinquency and Defaults Shortly After the Offerings and the High OTD Practices of the Originators Demonstrate Systematic Disregard of Underwriting Standards

55. Residential mortgages are generally considered delinquent if no payment has been received for more than 30 days after payment is due. Residential mortgages where no payment has been received for more than 90 days (or three payment cycles) are generally considered to be in default.

56. The surge in delinquencies and defaults following the offerings evidence the systematic flaws in the Originators' underwriting process (*see infra* Table 5).

57. The Offering Documents reported zero or near zero delinquencies and defaults at the time of the offerings (*see infra* Table 5).

58. The pools of mortgages collateralizing the RMBS experienced delinquency and default rates up to 6.16% within the first three months, up to 13.99% at six months, and up to 23.44% at one year (*see infra* Table 5).

59. As of July 2012, approximately half (53.35%) of the mortgage collateral across all of the RMBS that U.S. Central and WesCorp purchased was in delinquency, bankruptcy, foreclosure, or was real estate owned ("REO"), which means that a bank or lending institution owns the property after a failed sale at a foreclosure auction (*see infra* Table 5).

60. Table 5 (*infra*) reflects the delinquency, foreclosure, bankruptcy, and REO rates on the RMBS as to which claims are asserted in this Complaint. The data presented in the last

five columns are from the trustee reports (dates and page references as indicated in the parentheticals). The shadowed rows reflect the group of mortgages in the pool underlying the specific tranches purchased by U.S. Central or WesCorp; however, some trustee reports include only the aggregate data. For RMBS with multiple groups, aggregate information on all the groups is included because the tranches are cross-collateralized.

Table 5
Delinquency and Default Rates for U.S. Central's and WesCorp's RMBS Purchases

CUSIP	ISSUING ENTITY	RATE AT CUT-OFF DATE FOR OFFERING	1 MONTH	3 MOS.	6 MOS.	12 MOS.	RECENT
	Alternative Loan Trust 2006-OA10 Aggregate (P.S. dated June 29, 2006)	Zero. (S-36)	0.00% (July, p.16)	.28% (Sep., p.12)	2.03% (Dec., p.12)	7.44% (June, p.12)	64.44% (July 2012, p.12)
	Alternative Loan Trust 2006-OA10 Group 1	Zero. (S-36)	0.00% (July, p.16)	.51% (Sep., p.12)	2.65% (Dec., p.12)	9.29% (June, p.12)	60.93% (July 2012, p.14)
02146QBB8 02146QBC6	Alternative Loan Trust 2006-OA10 Group 2 *Classes 2-A2 and 2-A3 in Group 2. (S-10)	Zero. (S-36)	0.00% (July, p.16)	.45% (Sep., p.12)	2.87% (Dec., p.12)	9.38% (June, p.12)	61.71% (July 2012, p.16)
02146QBD4 02146QBE2	Alternative Loan Trust 2006-OA10 Group 3 *Classes 3-A2 and 3A3 in Group 3. (S-10)	Zero. (S-36)	0.00% (July, p.16)	.07% (Sep., p.12)	2.51% (Dec., p.12)	8.31% (June, p.12)	60.54% (July 2012, p.18)
02146QBG7	Alternative Loan Trust 2006-OA10 Group 4 *Class 4-A3 in Group 4. (S-10)	Zero. (S-36)	0.00% (July, p.16)	.24% (Sep., p.12)	1.54% (Dec., p.12)	6.18% (June, p.12)	67.98% (July 2012, p.20)
	Alternative Loan Trust 2006-OA8 Aggregate (P.S. dated May 30, 2006)	Zero. (S-33)	.44% (June, p.12)	2.69% (Aug., p.12)	4.79% (Nov., p.12)	7.94% (May, p.12)	62.31% (July 2012, p.12)
02147CAC7	Alternative Loan Trust 2006-OA8 Group 1 *Class 1-A3 in Group 1 (S-9)	Zero. (S-33)	.54% (June, p.12)	2.52% (Aug., p.12)	4.97% (Nov., p.12)	7.89% (May, p.12)	56.89% (July 2012, p.14)
02147CAH6	Alternative Loan Trust 2006-OA8 Group 2 *Class 2-A5 in Group 2 (S-9)	Zero. (S-33)	.35% (June, p.12)	2.86% (Aug., p.12)	4.61% (Nov., p.12)	8.00% (May, p.12)	70.01% (July 2012, p.16)
	CHL Mortgage Pass-Through Trust 2006-OA5 Aggregate (P.S. dated February 28, 2006)	Zero. (S-36)	1.15% (Mar., p.13)	3.11% (May, p.13)	2.71% (Aug., p.13)	5.51% (Feb., p.8)	63.86% (July 2012, p.12)
126694M88	CHL Mortgage Pass-Through Trust 2006-OA5 Group 1	Zero. (S-36)	1.55% (Mar., p.15)	3.36% (May, p.15)	2.16% (Aug., p.15)	5.04% (Feb., p.8)	66.71% (July 2012, p.14)

CUSIP	ISSUING ENTITY	RATE AT CUT-OFF DATE FOR OFFERING	1 MONTH	3 MOS.	6 MOS.	12 MOS.	RECENT
126694N38	CHL Mortgage Pass-Through Trust 2006-OA5 Group 2	Zero. (S-36)	0.30% (Mar., p.17)	3.41% (May, p.17)	3.87% (Aug., p.17)	6.66% (Feb., p.8)	61.40% (July 2012, p.16)
	CHL Mortgage Pass-Through Trust 2006-OA5 Group 3	Zero. (S-36)	1.53% (Mar., p.19)	1.80% (May, p.19)	2.09% (Aug., p.19)	4.61% (Feb., p.8)	63.48% (July 2012, p.18)
	MASTR Adjustable Rate Mortgages Trust 2006-OA2 Aggregate (P.S. dated November 14, 2006)	.05% of the mortgage loans were 30 or more days delinquent. (S-36)	0.89% (Nov., p.12)	3.91% (Jan., p.11)	3.61% (Apr., p.11)	11.35% (Oct., p.11)	53.38% (July 2012, p.11)
	MASTR Adjustable Rate Mortgages Trust 2006-OA2 Group 1	.05% of the mortgage loans were 30 or more days delinquent. (S-36)	0.96% (Nov., p.13)	3.99% (Jan., p.12)	3.67% (Apr., p.12)	11.81% (Oct., p.12)	52.13% (July 2012, p.12)
	MASTR Adjustable Rate Mortgages Trust 2006-OA2 Group 2	.05% of the mortgage loans were 30 or more days delinquent. (S-36)	1.47% (Nov., p.13)	4.77% (Jan., p.12)	4.39% (Apr., p.12)	10.81% (Oct., p.12)	50.91% (July 2012, p.12)
	MASTR Adjustable Rate Mortgages Trust 2006-OA2 Group 3	.05% of the mortgage loans were 30 or more days delinquent. (S-36)	2.06% (Nov., p.14)	3.03% (Jan., p.13)	5.08% (Apr., p.13)	17.24% (Oct., p.13)	63.00% (July 2012, p.13)
55275NAP6	MASTR Adjustable Rate Mortgages Trust 2006-OA2 Group 4 *Class 4-A-2 in Group 4. (S-22-23)	.05% of the mortgage loans were 30 or more days delinquent. (S-36)	0.08% (Nov., p.14)	3.27% (Jan., p.13)	2.58% (Apr., p.13)	10.13% (Oct., p.13)	55.36% (July 2012, p.13)
	MASTR Adjustable Rate Mortgages Trust 2007-1 Aggregate (P.S. dated January 16, 2007)		1.96% (Jan., p.15)	1.38% (Mar., p.16)	1.73% (June, p.16)	7.19% (Dec., p.16)	37.93% (July 2012, p.16)
	MASTR Adjustable Rate Mortgages Trust 2007-1 Group I-1	0.06% of the mortgage loans were 30 or more days delinquent. (S-48)	1.22% (Jan., p.16)	1.13% (Mar., p.17)	1.35% (June, p.17)	6.18% (Dec., p.17)	36.42% (July 2012, p.18)
576431AE0 576431AB6	MASTR Adjustable Rate Mortgages Trust 2007-1 Group I-2 * Classes I-2A1 and I-2A4 are in Group I-2. (S-17)	0.06% of the mortgage loans were 30 or more days delinquent. (S-48)	2.37% (Jan., p.16)	1.39% (Mar., p.17)	1.96% (June, p.17)	7.94% (Dec., p.17)	41.14% (July 2012, p.18)
	MASTR Adjustable Rate Mortgages Trust 2007-1 Group 2	1.06% of the mortgage loans were 30 or more days delinquent. (S-48)	0.34% (Jan., p.17)	1.86% (Mar., p.18)	0.60% (June, p.18)	3.05% (Dec., p.18)	11.93% (July 2012, p.19)
57645RAA9	MASTR Adjustable Rate Mortgages Trust 2007-HF1 Aggregate (P.S. dated April 27, 2007)	Zero. (S-30)	4.93% (May, p.9)	6.16% (July, p.9)	11.39% (Oct., p.9)	22.96% (Apr., p.9)	49.10% (July 2012, p. 9)
	MASTR Adjustable Rate Mortgages Trust 2007-HF1 Group 1	Zero. (S-30)	5.19% (May, p.10)	6.06% (July, p.10)	12.41% (Oct, p.10)	23.54% (Apr., p.10)	51.88% (July 2012, p.10)

CUSIP	ISSUING ENTITY	RATE AT CUT-OFF DATE FOR OFFERING	1 MONTH	3 MOS.	6 MOS.	12 MOS.	RECENT
	MASTR Adjustable Rate Mortgages Trust 2007-HF1 Group 2	Zero. (S-30)	4.08% (May, p.10)	6.48% (July, p.10)	8.14% (Oct. p.10)	21.10% (Apr., p.10)	41.19% (July 2012, p.10)
576449AE2 576449AC6 576449AD4	MASTR Asset Backed Securities Trust 2006-HE4 Aggregate (P.S. dated November 15, 2006)		1.33% (Dec., p.10)	4.00% (Feb., p.10)	8.79% (May, p.10)	23.44% (Nov., p.10)	38.10% (July 2012, p.9)
	MASTR Asset Backed Securities Trust 2006-HE4 Group 1		1.00% (Dec., p.12)	2.49% (Feb., p.12)	4.95% (May, p.12)	15.80% (Nov., p.12)	25.84% (July 2012, p.10)
	MASTR Asset Backed Securities Trust 2006-HE4 Group 2		1.36% (Dec., p.12)	4.14% (Feb., p.12)	10.61% (May, p.12)	27.25% (Nov., p.12)	49.62% (July 2012, p.10)
	MASTR Asset Backed Securities Trust 2006-HE4 Group 3		1.51% (Dec., p.13)	4.89% (Feb., p.13)	8.05% (May, p.13)	21.63% (Nov., p.13)	31.77% (July 2012, p.11)
	MASTR Asset Backed Securities Trust 2006-WMC4 Aggregate (P.S. dated November 3, 2006)		3.53% (Dec., p.11)	7.53% (Feb., p.11)	13.40% (May, p.11)	26.48% (Nov., p.11)	45.82% (July 2012, p.10)
	MASTR Asset Backed Securities Trust 2006-WMC4 Group 1		1.58% (Dec., p.12)	3.88% (Feb., p12)	5.81% (May, p.13)	13.59% (Nov., p.13)	42.00% (July 2012, p.11)
57645MAE2	MASTR Asset Backed Securities Trust 2006-WMC4 Group 2 *Class A-5 in Group 2. (Section- “Offered Certificates”)		3.68% (Dec. p.12)	5.25% (Feb., p.12)	13.99% (May, p.13)	14.37% (Nov., p.13)	52.95% (July 2012, p.11)
	MASTR Asset Backed Securities Trust 2006-WMC4 Group 3		2.92% (Dec., p.13)	7.59% (Feb., p.13)	12.06% (May, p.14)	27.24% (Nov., p.14)	51.08% (July 2012, p.12)
	MASTR Asset Backed Securities Trust 2006-WMC4 Group 4		2.55% (Dec. p.13)	5.43% (Feb., p.13)	8.78% (May, p.14)	14.51% (Nov., p.14)	35.88% (July 2012, p.12)
	MASTR Asset Backed Securities Trust 2006-WMC4 Group 5		2.08% (Dec. p.14)	6.57% (Feb., p.14)	10.47% (May, p.15)	20.90% (Nov., p.15)	47.63% (July 2012, p.13)
	MASTR Asset Backed Securities Trust 2006-WMC4 Group 6		4.60% (Dec., p.14)	9.21% (Feb., p.14)	17.41% (May, p.15)	33.96% (Nov., p.15)	49.75% (July 2012, p.13)
65538DAB1	Nomura Asset Acceptance Corp. Alternative Loan Trust, Series 2006-AR4 (P.S. dated November 30, 2006)	Zero. (S-34)	0.27% (Dec. p.9)	2.69% (Feb., p.9)	7.33% (Dec., p.9)	17.63% (Nov., p.9)	40.61% (July 2012, p. 9)

CUSIP	ISSUING ENTITY	RATE AT CUT-OFF DATE FOR OFFERING	1 MONTH	3 MOS.	6 MOS.	12 MOS.	RECENT
	RALI Series 2006-QO5 Trust Aggregate (P.S. dated May 26, 2006)		1.04% (June, p.10)	2.03% (Aug., p.10)	2.31% (Nov., p.10)	6.54% (May, p.10)	45.76% (July 2012, p.11)
	RALI Series 2006-QO5 Trust Group 1	Zero. (S-49)	1.33% (June, p.11)	2.03% (Aug., p.11)	2.38% (Nov., p.11)	5.41% (May, p.11)	44.93% (July 2012, p.12)
75114HAF4	RALI Series 2006-QO5 Trust Group 2 *Class II-A-3 is in Group 2. (S-32)	Zero. (S-52)	1.03% (June, p.12)	2.06% (Aug., p.12)	2.69% (Nov., p.12)	8.06% (May, p.12)	47.37% (July 2012, p.13)
75114HAL1	RALI Series 2006-QO5 Trust Group 3 *Class III-A-5 is in Group 3. (S-32)	Zero. (S-55)	0.59% (June, p.13)	1.99% (Aug., p.13)	1.64% (Nov., p.13)	5.58% (May, p.13)	43.74% (July 2012, p.14)
	RALI Series 2006-QO7 Trust Aggregate (P.S. dated September 29, 2006)		1.53% (Oct., p.10)	2.75% (Dec., p.10)	4.14% (Mar., p.10)	10.53% (Sep., p.10)	45.26% (July 2012, p.11)
	RALI Series 2006-QO7 Trust Group 1	Zero. (S-48)	2.09% (Oct. p.11)	2.73% (Dec., p.11)	3.71% (Mar., p.11)	9.52% (Sep., p.11)	40.71% (July 2012, p.12)
	RALI Series 2006-QO7 Trust Group 2	Zero. (S-50)	1.32% (Oct., p.12)	2.58% (Dec., p.12)	4.85% (Mar., p.12)	12.12% (Sep., p.12)	45.71% (July 2012, p.13)
751150AH6	RALI Series 2006-QO7 Trust Group 3	Zero. (S-52)	0.96% (Oct., p.13)	2.94% (Dec., p.13)	4.00% (Mar., p.13)	10.19% (Sep., p.13)	52.61% (July 2012, p.14)

61. This early spike in delinquencies and defaults, which occurred almost immediately after these RMBS were purchased by U.S. Central or WesCorp, was later discovered to be indicative of the Originators' systematic disregard of their stated underwriting guidelines.

62. The phenomenon of borrower default shortly after origination of the loans is known as "Early Payment Default." Early Payment Default evidences borrower misrepresentations and other misinformation in the origination process, resulting from the systematic failure of the Originators to apply the underwriting guidelines described in the Offering Documents.

63. A November 2008 Federal Reserve Board study attributed the rise in defaults, in part, to "[d]eteriorating lending standards" and posits that "the surge in early payment defaults suggests that underwriting . . . deteriorated on dimensions that were less readily apparent to investors." Christopher J. Mayer *et al.*, *The Rise in Mortgage Defaults* 15-16 (Fed. Reserve Bd. Fin. & Econ. Discussion Series, Paper No. 2008-59).

64. In January 2011, the Financial Stability Oversight Council ("FSOC"), chaired by United States Treasury Secretary Timothy Geithner, issued a report analyzing the effects of risk retention requirements in mortgage lending on the broader economy. *See* FIN. STABILITY OVERSIGHT COUNCIL, MACROECONOMIC EFFECTS OF RISK RETENTION REQUIREMENTS (2011) ("FSOC Risk Retention Report"). The FSOC Risk Retention Report focused on stabilizing the mortgage lending industry through larger risk retention requirements in the industry that can "incent better lending decisions" and "help to mitigate some of the pro-cyclical effects securitization may have on the economy." *Id.* at 2.

65. The FSOC Risk Retention Report observed that the securitization process often incentivizes poor underwriting by shifting the risk of default from the originators to the investors, while obscuring critical information concerning the actual nature of the risk. The FSOC Risk Retention Report stated:

> The securitization process involves multiple parties with varying incentives and information, thereby breaking down the traditional direct relationship between borrower and lender. The party setting underwriting standards and making lending decisions (the originator) and the party making structuring decisions (the securitizer) are often exposed to minimal or no credit risk. By contrast, the party that is most exposed to credit risk (the investor) often has less influence over underwriting standards and may have less information about the borrower. As a result, originators and securitizers that do not retain risk can, at least in the short run, maximize their own returns by lowering underwriting standards in ways that investors may have difficulty detecting. The originate-to-distribute model, as it was conducted, exacerbated this weakness by compensating originators and securitizers based on volume, rather than on quality.

Id. at 3.

66. Indeed, originators that wrote a high percentage of their loans for distribution were more likely to disregard underwriting standards, resulting in poorly performing mortgages, in contrast to originators that originated and then held most of their loans.

67. High OTD originators profited from mortgage origination fees without bearing the risks of borrower default or insufficient collateral in the event of a default. Divorced from these risks, high OTD originators were incentivized to push loan quantity over quality.

68. Table 6 (*infra*) shows the percentage of loans originated for distribution relative to all the loans made by the Originator for the years 2005, 2006 and 2007, for those Originators in this Complaint with high OTD percentages. The data was obtained from the Home Mortgage Disclosure Act database.

Table 6
Originator "Originate-to-Distribute" Percentages

Originator	OTD % 2005	OTD% 2006	OTD % 2007
American Home Mortgage Corp.	91.9	62.4	
American Home Mortgage Investment Corp.	100	100	100
Countrywide Home Loans, Inc.	98.5	96.5	98.4
Decision One Mortgage Company	97.5	88.2	97.3
EquiFirst Corporation	85.2	91.0	93.6
Everbank	86.6	83.0	85.0
First National Bank of Nevada	88.0	79.8	89.4
Homecomings Financial Network, Inc.	97.4	97.9	99.9
IndyMac Bank, F.S.B.	81.1	87.7	82.8
LIME Financial Services, Ltd.	65.6	88.0	99.3
OwnIt Mortgage Solutions, Inc.	100		
WMC Mortgage Corp.	100	100	100

B. The Surge in Actual Versus Expected Cumulative Gross Losses is Evidence of the Originators' Systematic Disregard of Underwriting Standards

69. The actual gross losses to the mortgage pools underlying the RMBS U.S. Central and WesCorp purchased have exceeded expected gross losses so quickly and by so wide a margin (*see infra* Figure 2) that a significant portion of the mortgages could not have been underwritten as represented in the Offering Documents.

70. Every month, the RMBS trustee reports the number and outstanding balance of all loans in the mortgage pools that have defaulted. The running total of this cumulative default balance is referred to as the "gross loss".

71. When defaulted loans are foreclosed upon, the proceeds from the foreclosures are distributed to the investors and any shortfall on the defaulted loan balances is realized as a loss. The running total of this cumulative realized loss (defaulted loan balance minus recovery in foreclosure) is referred to as the "net loss".

72. "Actual loss" is the economic loss the mortgage pool experiences *in fact*. So "actual gross loss" is the *actual* cumulative sum of the balance of the loans in default for a particular security. Likewise, "actual net loss" is the *actual* cumulative realized loss on defaulted loans after foreclosure.

73. At the time a security is rated, the rating agency calculates an amount of "*expected* loss" using a model based on historical performance of similar securities. So "expected gross loss" is the *expected* cumulative sum of the balance of the loans in default for a particular security. Likewise, "expected net loss" is the *expected* cumulative realized loss on defaulted loans after foreclosure. The amount of expected net loss drives the credit ratings assigned to the various tranches of RMBS.

74. Each credit rating has a "rating factor," which can be expressed in multiples of the amount of credit enhancement over expected net loss (in equation form: CE/ENL = RF). Thus, the rating factor expresses how many times the expected net loss is covered by credit enhancement. A triple-A rated security would have a rating factor of "5," so would require credit enhancement of five times the amount of the expected net loss. A "double-A rating" would have a rating factor of "4," and thus would require credit enhancement equaling four times the expected net loss. A "single-A" rating would have a rating factor of "3" and would require credit enhancement of three times expected net loss. A "Baa" rating would require credit enhancement of 2—1.5 times expected net loss, and a "Ba" rating or lower requires some amount of credit enhancement less than 1.5 times expected net loss.

75. Accordingly, by working backwards from this equation, one can infer expected net loss in an already-issued offering. For example, assume there is a $100 million offering backed by $100 million of assets, with a triple-A rated senior tranche with a principal balance of $75 million. This means the non-senior tranches, in aggregate, have a principal balance of $25 million. The $25 million amount of the non-senior tranches in this hypothetical offering serves as the credit enhancement for the senior tranche. Therefore, on our hypothetical $100 million offering, the expected net loss would be $5 million, which is the amount of the credit enhancement on the triple-A rated senior tranche—$25 million—divided by the rating factor for triple-A rated securities—5. The following equation illustrates: $25,000,000/5 = $5,000,000.

76. Expected gross loss can be then mathematically derived by applying an "expected recovery rate" to the expected net loss (EGL = ENL/(1 – ERR).

77. A comparison of actual gross losses to expected gross losses for a particular security can be made graphically by plotting the actual versus expected loss data on a line graph. Figure 2 (*infra*) is a series of such line graphs. Figure 2 illustrates the actual gross loss (again,

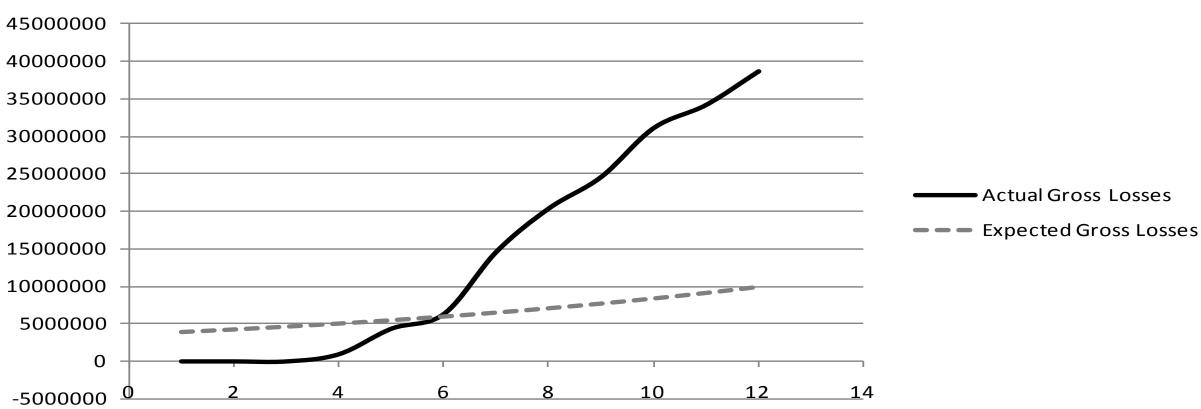
actual defaults) the pools backing the RMBS purchased by U.S. Central and WesCorp experienced *in the first twelve months* after issuance compared to the expected gross loss (again, expected defaults) for those pools during the same time period.

78. The actual gross loss data in Figure 2 (*infra*) was obtained from ABSNET, a resource for asset-backed securities related data. The expected gross losses were calculated by "grossing up" the rating-implied expected net losses using an expected recovery rate of 85%.

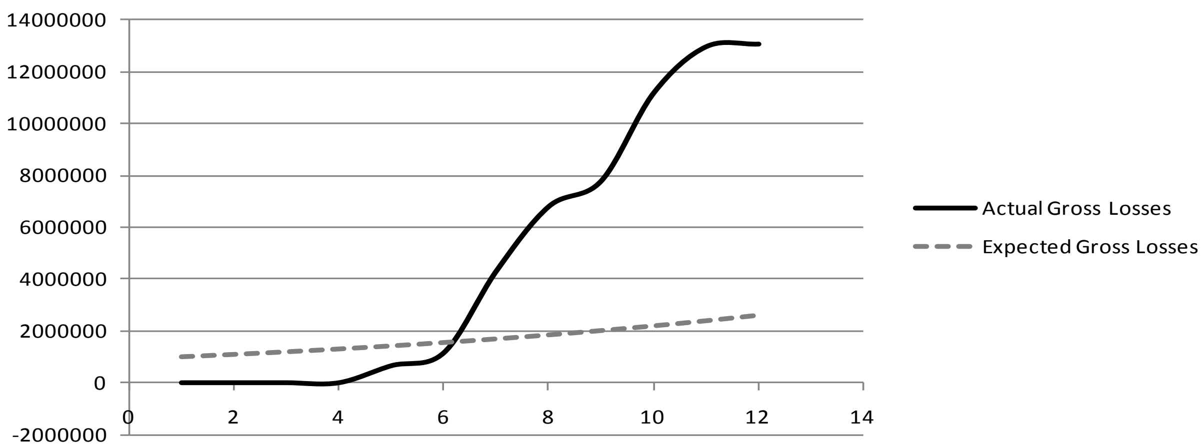
79. As the graphs show, the actual gross losses (the solid lines) far exceeded the expected gross losses (the dotted lines) for the period analyzed. That means that the *actual* balance of defaulted loans in the first twelve months following issuance far exceeded the *expected* balance of defaulted loans based on historical performance.

Figure 2
Illustration of Expected Gross Losses v. Actual Gross Losses for U.S. Central's and WesCorp's RMBS Purchases

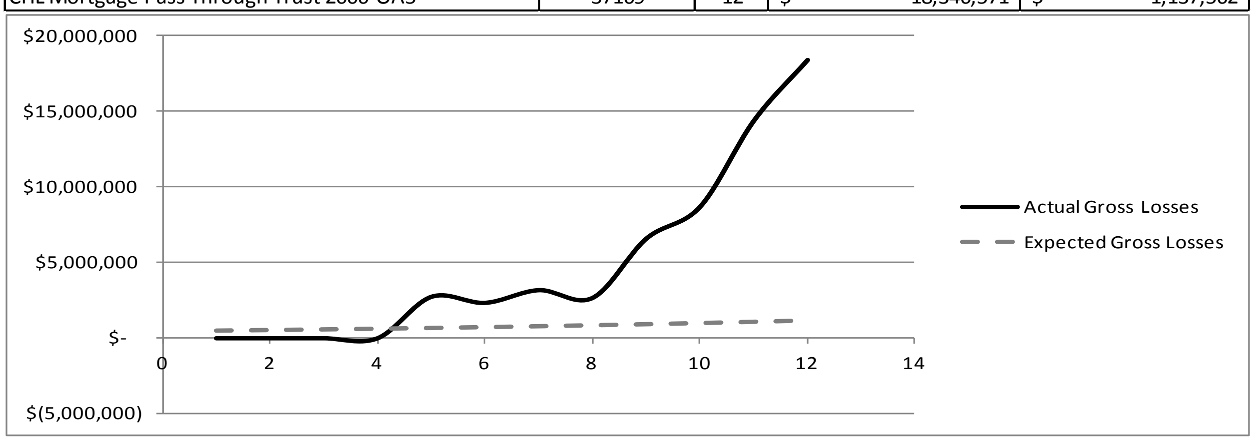
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Alternative Loan Trust 2006-OA10	38222	1	$ -	$ 3,793,025
Alternative Loan Trust 2006-OA10	38222	2	$ -	$ 4,142,932
Alternative Loan Trust 2006-OA10	38222	3	$ -	$ 4,524,384
Alternative Loan Trust 2006-OA10	38222	4	$ 958,355	$ 4,940,084
Alternative Loan Trust 2006-OA10	38222	5	$ 4,356,734	$ 5,392,939
Alternative Loan Trust 2006-OA10	38222	6	$ 6,315,733	$ 5,886,072
Alternative Loan Trust 2006-OA10	38222	7	$ 14,600,790	$ 6,422,830
Alternative Loan Trust 2006-OA10	38222	8	$ 20,380,161	$ 7,006,793
Alternative Loan Trust 2006-OA10	38222	9	$ 24,585,362	$ 7,641,784
Alternative Loan Trust 2006-OA10	38222	10	$ 31,093,635	$ 8,331,872
Alternative Loan Trust 2006-OA10	38222	11	$ 34,180,416	$ 9,081,378
Alternative Loan Trust 2006-OA10	38222	12	$ 38,652,390	$ 9,894,875



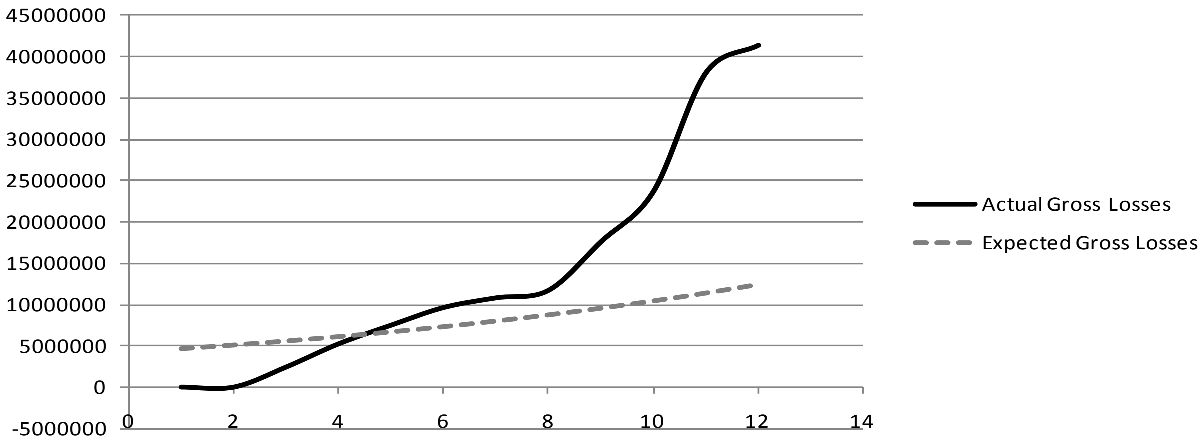
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Alternative Loan Trust 2006-OA8	38300	1	$ -	$ 1,000,316
Alternative Loan Trust 2006-OA8	38300	2	$ -	$ 1,092,596
Alternative Loan Trust 2006-OA8	38300	3	$ -	$ 1,193,194
Alternative Loan Trust 2006-OA8	38300	4	$ -	$ 1,302,825
Alternative Loan Trust 2006-OA8	38300	5	$ 656,425	$ 1,422,254
Alternative Loan Trust 2006-OA8	38300	6	$ 1,157,470	$ 1,552,305
Alternative Loan Trust 2006-OA8	38300	7	$ 4,306,780	$ 1,693,862
Alternative Loan Trust 2006-OA8	38300	8	$ 6,795,283	$ 1,847,868
Alternative Loan Trust 2006-OA8	38300	9	$ 7,781,326	$ 2,015,331
Alternative Loan Trust 2006-OA8	38300	10	$ 11,174,184	$ 2,197,325
Alternative Loan Trust 2006-OA8	38300	11	$ 12,957,349	$ 2,394,988
Alternative Loan Trust 2006-OA8	38300	12	$ 13,058,280	$ 2,609,528



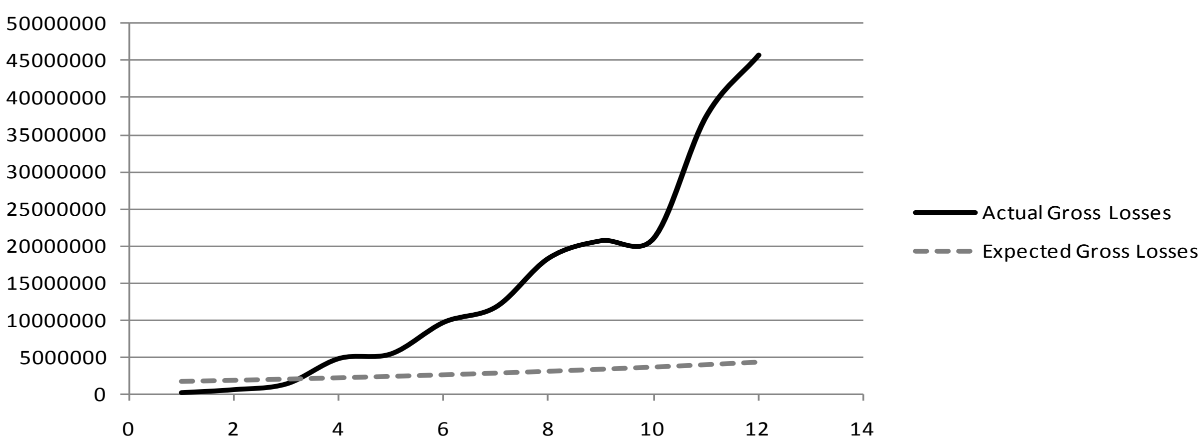
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
CHL Mortgage Pass Through Trust 2006-OA5	37169	1	$ -	$ 436,064
CHL Mortgage Pass Through Trust 2006-OA5	37169	2	$ -	$ 476,291
CHL Mortgage Pass Through Trust 2006-OA5	37169	3	$ -	$ 520,145
CHL Mortgage Pass Through Trust 2006-OA5	37169	4	$ -	$ 567,936
CHL Mortgage Pass Through Trust 2006-OA5	37169	5	$ 2,730,487	$ 619,998
CHL Mortgage Pass Through Trust 2006-OA5	37169	6	$ 2,334,269	$ 676,691
CHL Mortgage Pass Through Trust 2006-OA5	37169	7	$ 3,170,338	$ 738,399
CHL Mortgage Pass Through Trust 2006-OA5	37169	8	$ 2,660,705	$ 805,535
CHL Mortgage Pass Through Trust 2006-OA5	37169	9	$ 6,567,929	$ 878,536
CHL Mortgage Pass Through Trust 2006-OA5	37169	10	$ 8,666,877	$ 957,872
CHL Mortgage Pass Through Trust 2006-OA5	37169	11	$ 14,336,824	$ 1,044,039
CHL Mortgage Pass Through Trust 2006-OA5	37169	12	$ 18,346,571	$ 1,137,562



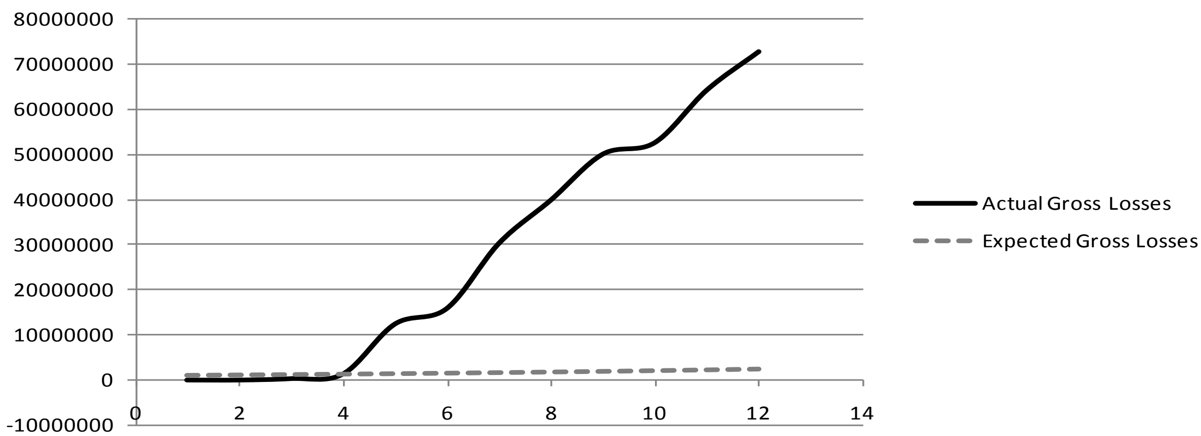
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
MASTR Adjustable Rate Mortgages Trust 2006-OA2	39369	1	$ -	$ 4,745,418
MASTR Adjustable Rate Mortgages Trust 2006-OA2	39369	2	$ -	$ 5,183,183
MASTR Adjustable Rate Mortgages Trust 2006-OA2	39369	3	$ 2,433,463	$ 5,660,414
MASTR Adjustable Rate Mortgages Trust 2006-OA2	39369	4	$ 5,239,079	$ 6,180,492
MASTR Adjustable Rate Mortgages Trust 2006-OA2	39369	5	$ 7,494,157	$ 6,747,054
MASTR Adjustable Rate Mortgages Trust 2006-OA2	39369	6	$ 9,627,388	$ 7,364,008
MASTR Adjustable Rate Mortgages Trust 2006-OA2	39369	7	$ 10,797,333	$ 8,035,541
MASTR Adjustable Rate Mortgages Trust 2006-OA2	39369	8	$ 11,708,941	$ 8,766,132
MASTR Adjustable Rate Mortgages Trust 2006-OA2	39369	9	$ 17,593,434	$ 9,560,564
MASTR Adjustable Rate Mortgages Trust 2006-OA2	39369	10	$ 23,682,127	$ 10,423,926
MASTR Adjustable Rate Mortgages Trust 2006-OA2	39369	11	$ 38,036,076	$ 11,361,625
MASTR Adjustable Rate Mortgages Trust 2006-OA2	39369	12	$ 41,362,686	$ 12,379,384



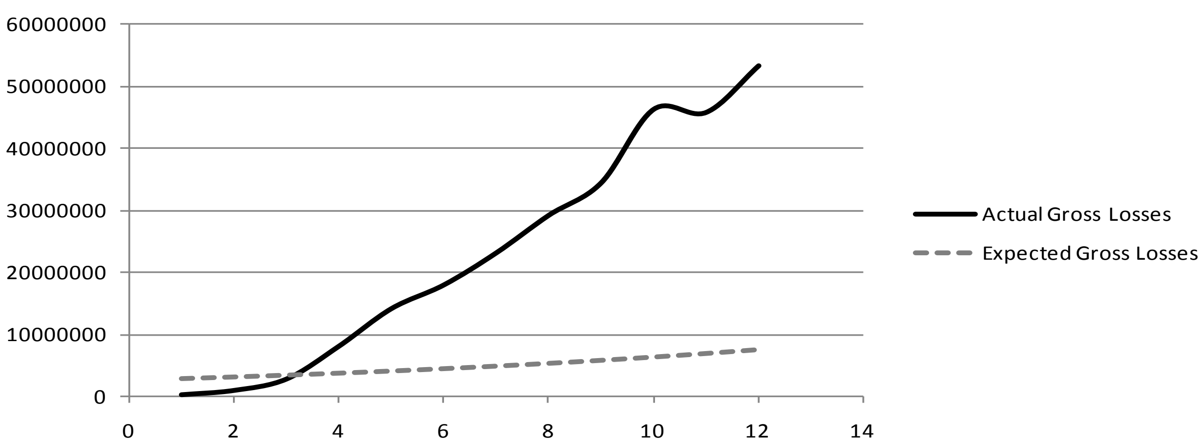
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
MASTR Adjustable Rate Mortgages Trust 2007-1	40030	1	$ 291,657	$ 1,696,281
MASTR Adjustable Rate Mortgages Trust 2007-1	40030	2	$ 698,015	$ 1,852,763
MASTR Adjustable Rate Mortgages Trust 2007-1	40030	3	$ 1,475,637	$ 2,023,353
MASTR Adjustable Rate Mortgages Trust 2007-1	40030	4	$ 4,887,779	$ 2,209,258
MASTR Adjustable Rate Mortgages Trust 2007-1	40030	5	$ 5,532,023	$ 2,411,780
MASTR Adjustable Rate Mortgages Trust 2007-1	40030	6	$ 9,773,118	$ 2,632,314
MASTR Adjustable Rate Mortgages Trust 2007-1	40030	7	$ 11,863,547	$ 2,872,358
MASTR Adjustable Rate Mortgages Trust 2007-1	40030	8	$ 18,415,018	$ 3,133,512
MASTR Adjustable Rate Mortgages Trust 2007-1	40030	9	$ 20,753,374	$ 3,417,487
MASTR Adjustable Rate Mortgages Trust 2007-1	40030	10	$ 21,085,273	$ 3,726,102
MASTR Adjustable Rate Mortgages Trust 2007-1	40030	11	$ 37,494,902	$ 4,061,289
MASTR Adjustable Rate Mortgages Trust 2007-1	40030	12	$ 45,748,642	$ 4,425,093



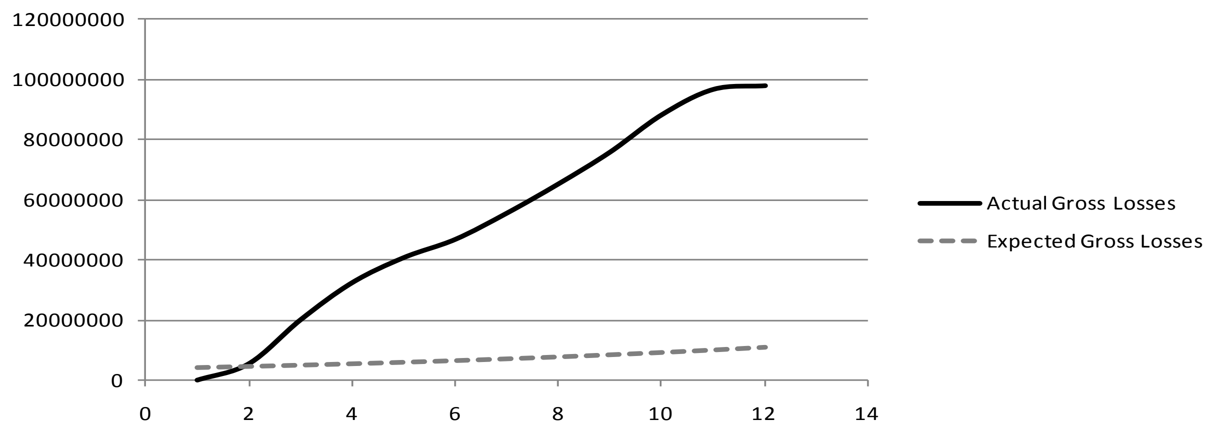
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
MASTR Adjustable Rate Mortgages Trust 2007-HF1	40918	1	$ -	$ 872,002
MASTR Adjustable Rate Mortgages Trust 2007-HF1	40918	2	$ -	$ 952,444
MASTR Adjustable Rate Mortgages Trust 2007-HF1	40918	3	$ 316,800	$ 1,040,138
MASTR Adjustable Rate Mortgages Trust 2007-HF1	40918	4	$ 1,333,920	$ 1,135,706
MASTR Adjustable Rate Mortgages Trust 2007-HF1	40918	5	$ 12,396,272	$ 1,239,816
MASTR Adjustable Rate Mortgages Trust 2007-HF1	40918	6	$ 15,850,378	$ 1,353,185
MASTR Adjustable Rate Mortgages Trust 2007-HF1	40918	7	$ 30,233,385	$ 1,476,584
MASTR Adjustable Rate Mortgages Trust 2007-HF1	40918	8	$ 39,822,564	$ 1,610,835
MASTR Adjustable Rate Mortgages Trust 2007-HF1	40918	9	$ 49,991,742	$ 1,756,817
MASTR Adjustable Rate Mortgages Trust 2007-HF1	40918	10	$ 52,541,584	$ 1,915,465
MASTR Adjustable Rate Mortgages Trust 2007-HF1	40918	11	$ 64,148,685	$ 2,087,774
MASTR Adjustable Rate Mortgages Trust 2007-HF1	40918	12	$ 72,674,296	$ 2,274,793



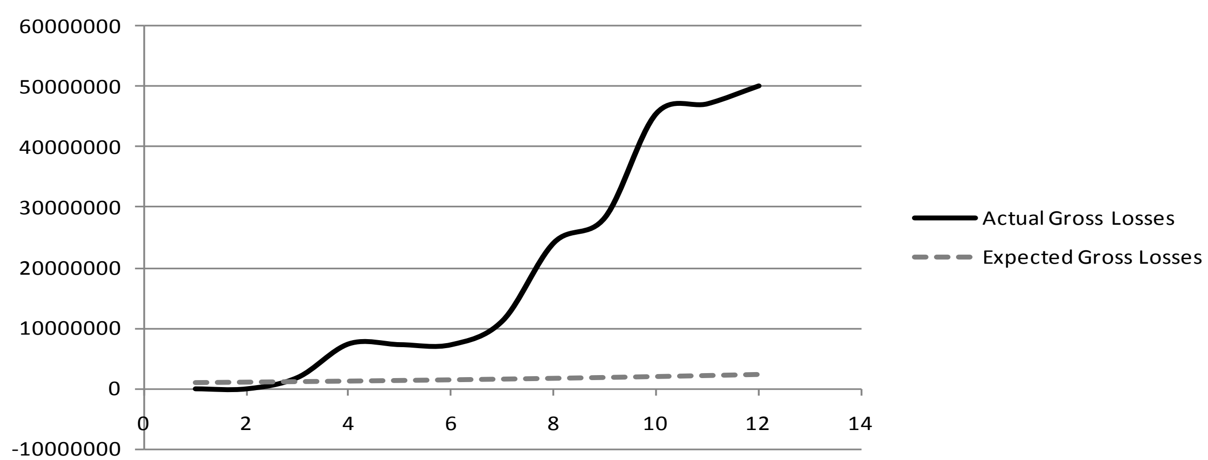
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
MASTR Asset Backed Securities Trust 2006-HE4	39528	1	$ 194,067	$ 2,891,229
MASTR Asset Backed Securities Trust 2006-HE4	39528	2	$ 895,542	$ 3,157,945
MASTR Asset Backed Securities Trust 2006-HE4	39528	3	$ 2,736,324	$ 3,448,706
MASTR Asset Backed Securities Trust 2006-HE4	39528	4	$ 8,052,605	$ 3,765,573
MASTR Asset Backed Securities Trust 2006-HE4	39528	5	$ 14,131,911	$ 4,110,761
MASTR Asset Backed Securities Trust 2006-HE4	39528	6	$ 17,969,292	$ 4,486,651
MASTR Asset Backed Securities Trust 2006-HE4	39528	7	$ 23,163,965	$ 4,895,794
MASTR Asset Backed Securities Trust 2006-HE4	39528	8	$ 29,242,014	$ 5,340,920
MASTR Asset Backed Securities Trust 2006-HE4	39528	9	$ 34,505,852	$ 5,824,941
MASTR Asset Backed Securities Trust 2006-HE4	39528	10	$ 46,397,550	$ 6,350,959
MASTR Asset Backed Securities Trust 2006-HE4	39528	11	$ 45,892,962	$ 6,922,269
MASTR Asset Backed Securities Trust 2006-HE4	39528	12	$ 53,437,126	$ 7,542,356



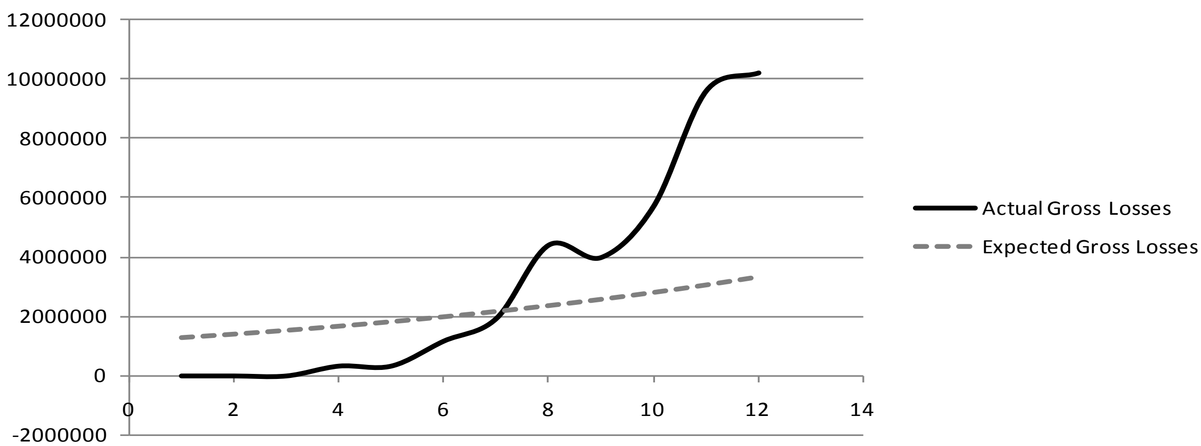
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
MASTR Asset Backed Securities Trust 2006-WMC4	39529	1	$ -	$ 4,169,881
MASTR Asset Backed Securities Trust 2006-WMC4	39529	2	$ 5,460,786	$ 4,554,553
MASTR Asset Backed Securities Trust 2006-WMC4	39529	3	$ 20,046,274	$ 4,973,904
MASTR Asset Backed Securities Trust 2006-WMC4	39529	4	$ 32,387,284	$ 5,430,906
MASTR Asset Backed Securities Trust 2006-WMC4	39529	5	$ 40,722,743	$ 5,928,754
MASTR Asset Backed Securities Trust 2006-WMC4	39529	6	$ 46,797,763	$ 6,470,882
MASTR Asset Backed Securities Trust 2006-WMC4	39529	7	$ 55,534,566	$ 7,060,970
MASTR Asset Backed Securities Trust 2006-WMC4	39529	8	$ 65,260,773	$ 7,702,953
MASTR Asset Backed Securities Trust 2006-WMC4	39529	9	$ 75,842,136	$ 8,401,034
MASTR Asset Backed Securities Trust 2006-WMC4	39529	10	$ 88,234,465	$ 9,159,685
MASTR Asset Backed Securities Trust 2006-WMC4	39529	11	$ 96,659,587	$ 9,983,658
MASTR Asset Backed Securities Trust 2006-WMC4	39529	12	$ 97,860,693	$ 10,877,980



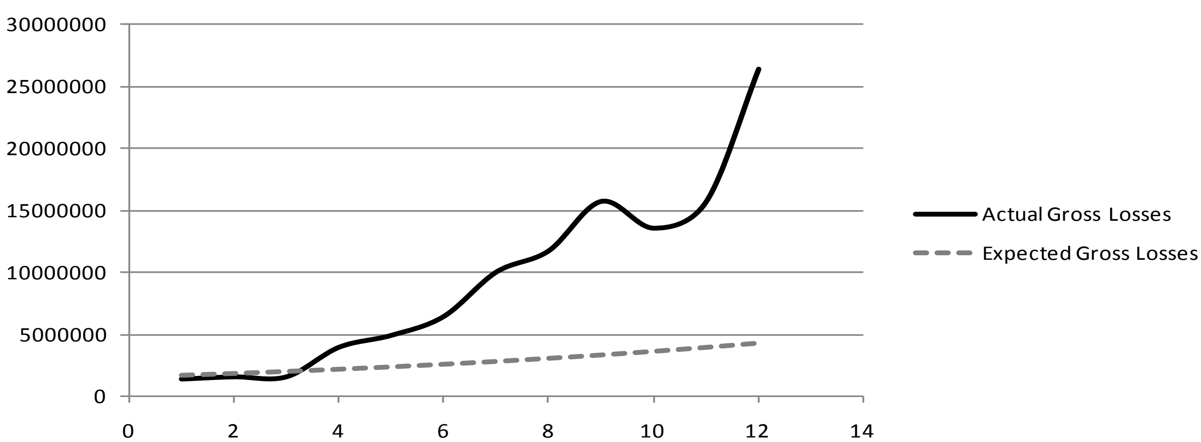
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4	39723	1	$ -	$ 881,637
Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4	39723	2	$ -	$ 962,968
Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4	39723	3	$ 1,901,772	$ 1,051,631
Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4	39723	4	$ 7,464,605	$ 1,148,255
Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4	39723	5	$ 7,310,855	$ 1,253,515
Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4	39723	6	$ 7,310,855	$ 1,368,137
Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4	39723	7	$ 11,290,671	$ 1,492,899
Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4	39723	8	$ 24,181,875	$ 1,628,633
Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4	39723	9	$ 28,385,840	$ 1,776,228
Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4	39723	10	$ 45,560,714	$ 1,936,629
Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4	39723	11	$ 47,163,113	$ 2,110,842
Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4	39723	12	$ 50,115,861	$ 2,299,928



Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
RALI Series 2006-QO5 Trust	37935	1	$ -	$ 1,267,520
RALI Series 2006-QO5 Trust	37935	2	$ -	$ 1,384,449
RALI Series 2006-QO5 Trust	37935	3	$ -	$ 1,511,919
RALI Series 2006-QO5 Trust	37935	4	$ 331,069	$ 1,650,834
RALI Series 2006-QO5 Trust	37935	5	$ 332,144	$ 1,802,165
RALI Series 2006-QO5 Trust	37935	6	$ 1,172,443	$ 1,966,956
RALI Series 2006-QO5 Trust	37935	7	$ 1,931,460	$ 2,146,325
RALI Series 2006-QO5 Trust	37935	8	$ 4,401,549	$ 2,341,469
RALI Series 2006-QO5 Trust	37935	9	$ 3,985,282	$ 2,553,665
RALI Series 2006-QO5 Trust	37935	10	$ 5,711,938	$ 2,784,272
RALI Series 2006-QO5 Trust	37935	11	$ 9,584,892	$ 3,034,735
RALI Series 2006-QO5 Trust	37935	12	$ 10,194,000	$ 3,306,583



Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
RALI Series 2006-QO7 Trust	39038	1	$ 1,361,874	$ 1,674,122
RALI Series 2006-QO7 Trust	39038	2	$ 1,540,094	$ 1,828,560
RALI Series 2006-QO7 Trust	39038	3	$ 1,544,454	$ 1,996,921
RALI Series 2006-QO7 Trust	39038	4	$ 3,925,876	$ 2,180,397
RALI Series 2006-QO7 Trust	39038	5	$ 4,889,516	$ 2,380,273
RALI Series 2006-QO7 Trust	39038	6	$ 6,419,153	$ 2,597,927
RALI Series 2006-QO7 Trust	39038	7	$ 9,996,132	$ 2,834,835
RALI Series 2006-QO7 Trust	39038	8	$ 11,711,867	$ 3,092,578
RALI Series 2006-QO7 Trust	39038	9	$ 15,695,580	$ 3,372,843
RALI Series 2006-QO7 Trust	39038	10	$ 13,535,551	$ 3,677,426
RALI Series 2006-QO7 Trust	39038	11	$ 15,666,991	$ 4,008,234
RALI Series 2006-QO7 Trust	39038	12	$ 26,364,992	$ 4,367,286



80. As indicated in Figure 2 (*supra*), actual gross losses spiked almost immediately after issuance of the RMBS. For example, in the MASTR Adjustable Rate Mortgages Trust 2007-HF1 (shown in Figure 2), actual gross losses at month 12 exceeded $72.6 million, or nearly 32 times the expected gross losses of approximately $2.27 million.

81. This dramatic spike in actual versus expected gross losses during the first twelve months following issuance is strong evidence that a significant number of the loans in those pools were underwritten in disregard of the underwriting guidelines stated in the Offering Documents.

82. In addition, credit enhancement is designed to ensure that high investment grade rated RMBS perform to that standard. The fact that the credit enhancement for U.S. Central's and WesCorp's senior tranches failed also shows that a critical number of mortgages in the pool were improperly underwritten.

C. The Collapse of the Certificates' Credit Ratings is Evidence of Systematic Disregard of Underwriting Guidelines

83. Virtually all of the RMBS U.S. Central and WesCorp purchased were rated triple-A at issuance.

84. Moody's and S&P have since downgraded the RMBS U.S. Central and WesCorp purchased to well below investment grade (*see supra* Table 4).

85. Triple-A rated product "should be able to withstand an extreme level of stress and still meet its financial obligations. A historical example of such a scenario is the Great Depression in the U.S." *Understanding Standard & Poor's Rating Definitions*, June 3, 2009, at 14. The Certificates purchased in the MASTR Asset Backed Securities Trust 2006-HE4 offering (CUSIP 576449AE2, *see supra* Table 1), the RALI Series 2006-QO5 Trust offering (CUSIP

75114HAL1, *see supra* Table 1), and the Nomura Asset Acceptance Corporation, Alternative Loan Trust 2006-AR4 offering (CUSIP 65538DAB1, *see supra* Table 2) have defaulted, meaning the Certificates have failed to pay out to RMBS investors as promised, because the income stream generated from borrower's mortgage loan payments was insufficient and credit enhancement failed to make up for the shortfall.

86. The collapse in the credit ratings of the RMBS indicates that the loans collateralizing the Certificates were the product of systematic disregard of underwriting guidelines and that these securities were impaired from the outset.

D. Revelations Subsequent to the Offerings Show That the Originators Systematically Disregarded Underwriting Standards

87. Public disclosures subsequent to the issuance of the RMBS reinforce the allegation that the Originators systematically abandoned their stated underwriting guidelines.

1. The Systematic Disregard of Underwriting Standards Was Pervasive as Revealed After the Collapse

88. Originators experienced unprecedented success during the mortgage boom. Yet, their success was illusory.

89. The Office of the Comptroller of the Currency (the "OCC"), an office within the Treasury Department, published a report in November 2008 listing the "Worst Ten" metropolitan areas with the highest rates of foreclosures and the "Worst Ten" originators with the largest numbers of foreclosures in those areas ("2008 'Worst Ten in the Worst Ten' Report"). In this report, the OCC emphasized the importance of adherence to underwriting standards in mortgage loan origination:

> The quality of the underwriting process—that is, determining through analysis of the borrower and market conditions that a borrower is highly likely to be able to repay the loan as promised—is a major determinant of subsequent loan performance. The quality of underwriting varies across lenders, a factor that is

> evident through comparisons of rates of delinquency, foreclosure, or other loan performance measures across loan originators.

90. Recently, government reports and investigations and newspaper reports have uncovered the extent of the pervasive abandonment of underwriting standards. The Permanent Subcommittee on Investigations in the United States Senate ("PSI") recently released its report detailing the causes of the financial crisis. Using Washington Mutual Bank as a case study, the PSI concluded through its investigation:

> Washington Mutual was far from the only lender that sold poor quality mortgages and mortgage backed securities that undermined U.S. financial markets. The Subcommittee investigation indicates that Washington Mutual was emblematic of a host of financial institutions that knowingly originated, sold, and securitized billions of dollars in high risk, poor quality home loans. These lenders were not the victims of the financial crisis; the high risk loans they issued became the fuel that ignited the financial crisis.

STAFF OF S. PERMANENT SUBCOMM. ON INVESTIGATIONS, 112TH CONG., WALL STREET AND THE FINANCIAL CRISIS: ANATOMY OF A FINANCIAL COLLAPSE 50 (Subcomm. Print 2011).

91. Indeed, the Financial Crisis Inquiry Commission ("FCIC") issued its final report in January 2011 that detailed, among other things, the collapse of mortgage underwriting standards and subsequent collapse of the mortgage market and wider economy. *See* FIN. CRISIS INQUIRY COMM'N, FINAL REPORT OF THE NATIONAL COMMISSION ON THE CAUSES OF THE FINANCIAL AND ECONOMIC CRISIS IN THE UNITED STATES (2011) ("FCIC Report").

92. The FCIC Report concluded that there was a "systemic breakdown in accountability and ethics" during the housing and financial crisis. "Unfortunately—as has been the case in past speculative booms and busts—we witnessed an erosion of standards of responsibility and ethics that exacerbated the financial crisis." *Id.* at xxii. The FCIC found that the current economic crisis had its genesis in the housing boom:

> [I]t was the collapse of the housing bubble—fueled by low interest rates, easy and available credit, scant regulation, and toxic mortgages—that was the spark that

> ignited a string of events, which led to a full-blown crises in the fall of 2008. Trillions of dollars in risky mortgages had become embedded throughout the financial system, as mortgage-related securities were packaged, repackaged, and sold to investors around the world.

Id. at xvi.

93. During the housing boom, mortgage lenders focused on quantity rather than quality, originating loans for borrowers who had no realistic capacity to repay the loan. The FCIC Report found "that the percentage of borrowers who defaulted on their mortgages within just a matter of months after taking a loan nearly doubled from the summer of 2006 to late 2007." *Id*. at xxii. Early Payment Default is a significant indicator of pervasive disregard for underwriting standards. The FCIC Report noted that mortgage fraud "flourished in an environment of collapsing lending standards..." *Id*.

94. In this lax lending environment, mortgage lenders went unchecked, originating mortgages for borrowers in spite of underwriting standards:

> Lenders made loans that they knew borrowers could not afford and that could cause massive losses to investors in mortgage securities. As early as September 2004, Countrywide executives recognized that many of the loans they were originating could result in "catastrophic consequences." Less than a year later, they noted that certain high-risk loans they were making could result not only in foreclosures but also in "financial and reputational catastrophe" for the firm. But they did not stop.

Id.

95. Lenders and borrowers took advantage of this climate, with borrowers willing to take on loans and lenders anxious to get those borrowers into the loans, ignoring even loosened underwriting standards. The FCIC Report observed: "Many mortgage lenders set the bar so low that lenders simply took eager borrowers' qualifications on faith, often with a willful disregard for a borrower's ability to pay." *Id*. at xxiii.

96. In an interview with the FCIC, Alphonso Jackson, the Secretary of the Department of Housing and Urban Affairs ("HUD") from 2004 to 2008, related that HUD had heard about mortgage lenders "running wild, taking applications over the Internet, not verifying people's income or their ability to have a job." *Id.* at 12-13 (internal quotation marks omitted).

97. Chairman of the Federal Reserve Board, Benjamin Bernanke, spoke to the decline of underwriting standards in his speech before the World Affairs Council of Greater Richmond on April 10, 2008:

> First, at the point of origination, underwriting standards became increasingly compromised. The best-known and most serious case is that of subprime mortgages, mortgages extended to borrowers with weaker credit histories. To a degree that increased over time, these mortgages were often poorly documented and extended with insufficient attention to the borrower's ability to repay. In retrospect, the breakdown in underwriting can be linked to the incentives that the originate-to-distribute model, as implemented in this case, created for the originators. Notably, the incentive structures often tied originator revenue to loan volume, rather than to the quality of the loans being passed up the chain. Investors normally have the right to put loans that default quickly back to the originator, which should tend to apply some discipline to the underwriting process. However, in the recent episode, some originators had little capital at stake, reducing their exposure to the risk that the loans would perform poorly.

Benjamin Bernanke, Chairman, Federal Reserve Board, Speech to the World Affairs Council of Greater Richmond, *Addressing Weaknesses in the Global Financial Markets: The Report of the President's Working Group on Financial Markets*, Apr. 10, 2008.

98. Investment banks securitized loans that were not originated in accordance with underwriting guidelines and failed to disclose this fact in RMBS offering documents. As the FCIC Report noted:

> The Commission concludes that firms securitizing mortgages failed to perform adequate due diligence on the mortgages they purchased and at times knowingly waived compliance with underwriting standards. Potential investors were not fully informed or were misled about the poor quality of the mortgages contained in some mortgage-related securities. These problems appear to have been significant.

FCIC Report at 187.

99. The lack of disclosure regarding the true underwriting practices of the Originators in the Offering Documents at issue in this Complaint put U.S. Central and WesCorp at a severe disadvantage.

100. Because investors had limited or no access to information concerning the actual quality of loans underlying the RMBS, the OTD model created a situation where the origination of low quality mortgages through poor underwriting thrived. The FSOC found:

> In the originate-to-distribute model, originators receive significant compensation upfront without retaining a material ongoing economic interest in the performance of the loan. This reduces the economic incentive of originators and securitizers to evaluate the credit quality of the underlying loans carefully. Some research indicates that securitization was associated with lower quality loans in the financial crisis. For instance, one study found that subprime borrowers with credit scores just above a threshold commonly used by securitizers to determine which loans to purchase defaulted at significantly higher rates than those with credit scores below the threshold. By lower underwriting standards, securitization may have increased the amount of credit extended, resulting in riskier and unsustainable loans that otherwise may not have been originated.

Id. at 11 (footnote omitted).

101. The FSOC reported that, as the OTD model became more pervasive in the mortgage industry, underwriting practices weakened across the industry. The FSOC Risk Retention Report found "[t]his deterioration was particularly prevalent with respect to the verification of the borrower's income, assets, and employment for residential real estate loans…" *Id*.

102. In sum, the disregard of underwriting standards was pervasive across originators. The failure to adhere to underwriting standards directly contributed to the sharp decline in the quality of mortgages that became part of mortgage pools collateralizing RMBS. The lack of adherence to underwriting standards for the loans underlying RMBS was not disclosed to investors in the offering materials. The nature of the securitization process, with the investor

several steps removed from the origination of the mortgages underlying the RMBS, made it difficult for investors to ascertain how the RMBS would perform.

103. As discussed below, facts have recently come to light that show many of the Originators that contributed to the loan pools underlying the RMBS at issue in this Complaint engaged in these underwriting practices.

2. American Home's Systematic Disregard of Underwriting Standards

104. American Home Mortgage Investment Corp. was a real estate investment trust that invested in RMBS consisting of loans originated and serviced by its subsidiaries. It was the parent of American Home Mortgage Holdings, Inc., which in turn was the parent of American Home Mortgage Corp., a retail lender of mortgage loans. Collectively, these entities are referred to herein as "American Home." American Home originated or contributed loans to the mortgage pools underlying the MASTR Adjustable Rate Mortgages Trust 2007-1 offering.

105. Edmund Andrews, an economics reporter for the New York Times, recounted his own experience using American Home as a lender. According to Andrews, he was looking to purchase a home in 2004, and his real estate agent referred him to a loan officer at American Home. The American Home loan officer began the ordeal by asking Andrews how large of a loan he needed. Andrews, who had a monthly take home pay of $2,777, advised the loan officer that he had hefty child support and alimony payments to an ex-wife. Andrews would be relying on his then-unemployed fiancée to earn enough money to meet his monthly obligations—including the mortgage. Andrews reported:

> As I quickly found out, American Home Mortgage had become one of the fastest-growing mortgage lenders in the country. One of its specialties was serving people just like me: borrowers with good credit scores who wanted to stretch their finances far beyond what our incomes could justify. In industry jargon, we were "Alt-A" customers, and we usually paid slightly higher rates for the privilege of concealing our financial weaknesses.

> I thought I knew a lot about go-go mortgages. I had already written several articles about the explosive growth of liar's loans, no-money-down loans, interest-only loans and other even more exotic mortgages. I had interviewed people with very modest incomes who had taken out big loans. Yet for all that, I was stunned at how much money people were willing to throw at me.
>
> [The American Home loan officer] called back the next morning. "Your credit scores are almost perfect," he said happily. "Based on your income, you can qualify for a mortgage of about $500,000."
>
> What about my alimony and child-support obligations? No need to mention them. What would happen when they saw the automatic withholdings in my paycheck? No need to show them. If I wanted to buy a house, [the American Home loan officer] figured, it was my job to decide whether I could afford it. His job was to make it happen.
>
> "I am here to enable dreams," he explained to me long afterward. [The American Home loan officer]'s view was that if I'd been unemployed for seven years and didn't have a dime to my name but I wanted a house, he wouldn't question my prudence. "Who am I to tell you that you shouldn't do what you want to do? I am here to sell money and to help you do what you want to do. At the end of the day, it's your signature on the mortgage—not mine."

Edmund L. Andrews, *My Personal Credit Crisis*, N.Y. TIMES, May 17, 2009, at MM46.

106. The American Home loan officer steered Andrews to a stated-income loan so that he would not have to produce paychecks or tax returns that would reveal his alimony and child support obligations. The loan officer wanted to limit disclosure of Andrews's alimony and child support payments when an existing mortgage showed up under Andrews's name. Although his ex-wife was solely responsible for that mortgage under the terms of the couple's separation agreement, the only way Andrews could explain that fact would be to produce the agreement, which would also reveal his alimony and child support obligations. According to Andrews:

> [The American Home loan officer] didn't get flustered. If Plan A didn't work, he would simply move down another step on the ladder of credibility. Instead of "stating" my income without documenting it, I would take out a "no ratio" mortgage and not state my income at all. For the price of a slightly higher interest rate, American Home would verify my assets, but that was it. Because I wasn't stating my income, I couldn't have a debt-to-income ratio, and therefore, I couldn't have too much debt. I could have had four other mortgages, and it wouldn't have mattered. American Home was practically begging me to take the money.

Id.

107. American Home ultimately approved Andrews's application. Not surprisingly, Andrews was unable to afford his monthly mortgage payments.

108. American Home's lack of adherence to underwriting guidelines was set forth in detail in a 165-page amended class action complaint filed June 4, 2008, in *In re American Home Mortgage Sec Litig*, No. 07-md-1898 (TCP) (E.D.N.Y.). Investors in American Home common/preferred stock alleged that the company misrepresented itself as a conservative lender, when, based on statements from more than 33 confidential witnesses and internal company documents, American Home in reality was a high risk lender, promoting quantity of loans over quality by targeting borrowers with poor credit, violating company underwriting guidelines, and providing incentives for employees to sell risky loans, regardless of the borrowers' creditworthiness. *See* Am. Class Action Compl., *In re American Home Mortgage Sec. Litig.*, No. 07-md-1898 (E.D.N.Y. filed June 4, 2008) ("American Home ACC").

109. According to the American Home ACC, former American Home employees recounted that underwriters were consistently bullied by sales staff when underwriters challenged questionable loans, while exceptions to American Home's underwriting guidelines were routinely applied. *See id*. at 43.

110. The American Home ACC cited to witnesses who were former American Home employees. These witnesses reported that American Home management told underwriters not to decline a loan, regardless of whether the loan application included fraud. *See id*.

111. Another former American Home employee stated that American Home routinely made exceptions to its underwriting guidelines to be able to close loans. When American Home mortgage underwriters raised concerns to the sales department about the pervasive use of exceptions to American Home's mortgage underwriting practices, the sales department contacted

American Home headquarters to get approval for the use of exceptions. Indeed, it was commonplace to overrule mortgage underwriters' objections to approving a loan to facilitate loan approval. *See id*. at 44.

112. A former American Home auditor confirmed this account that American Home mortgage underwriters were regularly overruled when they objected to loan originations. *See id*.

113. The parties settled the litigation on January 14, 2010, for $37.25 million.

114. American Home's lax lending practices landed it in the 2008 "Worst Ten in the Worst Ten" Report. American Home came in 8th in Las Vegas, Nevada, and 9th in both Detroit, Michigan, and Miami, Florida. *See* 2008 "Worst Ten in the Worst Ten" Report. When the OCC issued the 2009 "Worst Ten in the Worst Ten" Report, American Home again featured prominently, appearing in the top ten in six of the ten worst metropolitan areas (4th in both Fort Pierce-Port St. Lucie, Florida, and Fort Myers-Cape Coral, Florida; 7th in Vallejo-Fairfield-Napa, California; 8th in Las Vegas, Nevada; 9th in Stockton-Lodi, California; and 10th in Bakersfield, California). *See* 2009 "Worst Ten in the Worst Ten" Report.

3. Countrywide's Systematic Disregard of Underwriting Standards

115. Countrywide Home Loans, Inc. ("Countrywide") was one of the largest originators of residential mortgages in the United States during the time period at issue in this Complaint. Countrywide was the sole or primary originator of the loans in the mortgage pools underlying the Alternative Loan Trust 2006-OA8, Alternative Loan Trust 2006-OA10, CHL Mortgage Pass-Through Trust 2006-OA5, and MASTR Adjustable Rate Mortgages Trust 2006-OA2 offerings.

116. In October 2009, the House Committee on Oversight and Government Reform launched an investigation into the entire subprime mortgage industry, including Countrywide, focusing on "whether mortgage companies employed deceptive and predatory lending practices,

or improper tactics to thwart regulation, and the impact of those activities on the current crisis." Press Release, Comm. on Oversight & Government Reform, Statement of Chairman Towns on Committee Investigation Into Mortgage Crisis (Oct. 23, 2009) (internal quotation marks omitted).

117. On May 9, 2008, the New York Times noted that minimal documentation and stated income loans—Countrywide's No Income/No Assets Program and Stated Income/Stated Assets Program—have "bec[o]me known [within the mortgage industry] as 'liars' loans' because many [of the] borrowers falsified their income." Floyd Norris, *A Little Pity, Please, for Lenders*, N.Y. Times, May 9, 2008 at C1.

118. In a television special titled, "If You Had a Pulse, We Gave You a Loan" Dateline NBC reported on March 27, 2009:

> To highlight just how simple it could be to borrow money, Countrywide marketed one of its stated-income products as the "Fast and Easy loan."
>
> As manager of Countrywide's office in Alaska, Kourosh Partow pushed Fast and Easy loans and became one of the company's top producers.
>
> He said the loans were "an invitation to lie" because there was so little scrutiny of lenders. "We told them the income that you are giving us will not be verified. The asset that you are stating will not be verified."
>
> He said they joked about it: "If you had a pulse, we gave you a loan. If you fog the mirror, give you a loan."
>
> But it turned out to be no laughing matter for Partow. Countrywide fired him for processing so-called "liar loans" and federal prosecutors charged him with crimes. On April 20, 2007, he pleaded guilty to two counts of wire fraud involving loans to a real estate speculator; he spent 18 months in prison.
>
> In an interview shortly after he completed his sentence, Partow said that the practice of pushing through loans with false information was common and was known by top company officials. "It's impossible they didn't know."
>
> . . .
>
> During the criminal proceedings in federal court, Countrywide executives portrayed Partow as a rogue who violated company standards.

> But former senior account executive Bob Feinberg, who was with the company for 12 years, said the problem was not isolated. "I don't buy the rogue. I think it was infested."
>
> He lamented the decline of what he saw as a great place to work, suggesting a push to be number one in the business led Countrywide astray. He blamed Angelo Mozilo, a man he long admired, for taking the company down the wrong path. It was not just the matter of stated income loans, said Feinberg. Countrywide also became a purveyor of loans that many consumer experts contend were a bad deal for borrowers, with low introductory interest rates that later could skyrocket.
>
> In many instances, Feinberg said, that meant borrowers were getting loans that were "guaranteed to fail."

119. On June 4, 2009, the SEC sued Angelo Mozilo and other Countrywide executives, alleging securities fraud. Specifically, the SEC alleged that Mozilo and the others misled investors about the credit risks that Countrywide created with its mortgage origination business, telling investors that Countrywide was primarily involved in prime mortgage lending, when it was actually heavily involved in risky sub-prime loans with expanded underwriting guidelines. *See* Compl. for Violations of the Federal Securities Laws, *SEC v. Mozilo*, No. CV 09-3994-JFW (C.D. Cal. filed June 4, 2009). Mozilo and the other executives settled the charges with the SEC for $73 million on October 15, 2010. *See* Walter Hamilton & E. Scott Reckard, *Angelo Mozilo, Other Former Countrywide Execs Settle Fraud Charges*, L.A. Times, Oct. 16, 2010, at A1.

120. Internal Countrywide e-mails the SEC released in connection with its lawsuit show the extent to which Countrywide systematically deviated from its underwriting guidelines. For instance, in an April 13, 2006 e-mail from Mozilo to other top Countrywide executives, Mozilo stated that Countrywide was originating home mortgage loans with "serious disregard for process, compliance with guidelines and irresponsible behavior relative to meeting timelines." E-mail from Angelo Mozilo to Eric Sieracki and other Countrywide Executives (Apr. 13, 2006 7:42 PM PDT). Mozilo also wrote that he had "personally observed a serious lack of compliance

within our origination system as it relates to documentation and generally a deterioration in the quality of loans originated versus the pricing of those loan[s]." *Id.* (internal quotation marks omitted).

121. Indeed, in September 2004, Mozilo had voiced his concern over the "clear deterioration in the credit quality of loans being originated," observing that "the trend is getting worse" because of competition in the non-conforming loans market. With this in mind, Mozilo argued that Countrywide should "seriously consider securitizing and selling ([Net Interest Margin Securities]) a substantial portion of [Countrywide's] current and future sub prime [sic] residuals." E-mail from Angelo Mozilo to Stan Kurland & Keith McLaughlin, Managing Directors, Countrywide (Sept. 1, 2004 8:17 PM PDT).

122. To protect themselves against poorly underwritten loans, parties who purchase loans from an originator frequently require the originator to repurchase any loans that suffer Early Payment Default.

123. In the first quarter of 2006, HSBC Holdings plc ("HSBC"), a purchaser of Countrywide's 80/20 subprime loans, began to force Countrywide to repurchase certain loans that HSBC contended were defective under the parties' contract. In an e-mail sent on April 17, 2006, Mozilo asked, "[w]here were the breakdowns in our system that caused the HSBC debacle including the creation of the contract all the way through the massive disregard for guidelines set forth by both the contract and corporate." Email from Angelo Mozilo to Dave Sambol, former Executive Managing Director and Chief of Mortgage Banking and Capital Markets at Countrywide Financial (Apr. 17, 2006 5:55 PM PST). Mozilo continued:

> In all my years in the business I have never seen a more toxic prduct. [sic] It's not only subordinated to the first, but the first is subprime. In addition, the [FICOs] are below 600, below 500 and some below 400… With real estate values coming down . . . the product will become increasingly worse. There has [sic] to be major changes in this program, including substantial increases in the minimum [FICO].

Id.

124. Countrywide sold a product called the "Pay Option ARM." This loan was a 30-year adjustable rate mortgage that allowed the borrower to choose between various monthly payment options, including a set minimum payment. In a June 1, 2006 e-mail, Mozilo noted that most of Countrywide's Pay Option ARMs were based on stated income and admitted that "[t]here is also some evidence that the information that the borrower is providing us relative to their income does not match up with IRS records." E-mail from Angelo Mozilo to Carlos Garcia, former CFO of Countrywide Financial and Jim Furash, former President of Countrywide Bank (June 1, 2006 10:38 PM PST).

125. An internal quality control report e-mailed on June 2, 2006, showed that for stated income loans, 50.3% of loans indicated a variance of 10% or more from the stated income in the loan application. *See* E-mail from Clifford Rossi, Chief Risk Officer, Countrywide, to Jim Furash, Executive, CEO, Countrywide Bank, N.A., among others (June 2, 2006 12:28 PM PDT).

126. Countrywide, apparently, was "flying blind" on how one of its popular loan products, the Pay Option ARM loan, would perform, and admittedly, had "no way, with any reasonable certainty, to assess the real risk of holding these loans on [its] balance sheet." Email from Angelo Mozilo to Dave Sambol, Managing Director, Countrywide (Sept. 26, 2006 10:15 AM PDT). Yet such loans were securitized and passed on to unsuspecting investors such as U.S. Central and WesCorp.

127. With growing concern over the performance of Pay Option ARM loans in the waning months of 2007, Mozilo advised that he "d[id]n't want any more Pay Options originated for the Bank." Email from Angelo Mozilo, to Carlos Garcia, former Managing Director, Countrywide (Nov. 3, 2007 5:33 PM PST). In other words, if Countrywide was to continue to

originate Pay Option ARM loans, it was not to hold onto the loans. Mozilo's concerns about Pay Option ARM loans were rooted in "[Countrywide's] inability to underwrite [Pay Option ARM loans] combined with the fact that these loans [we]re inherently unsound unless they are full doc, no more than 75% LTV and no piggys." *Id*.

128. In a March 27, 2006 e-mail, Mozilo reaffirmed the need to "oversee all of the corrective processes that will be put into effect to permanently avoid the errors of both judgement [sic] and protocol that have led to the issues that we face today" and that "the people responsible for the origination process understand the necessity for adhering to the guidelines for 100% LTV sub-prime product. This is the most dangerous product in existence and there can be nothing more toxic and therefore requires that no deviation from guidelines be permitted irrespective of the circumstances." Email from Angelo Mozilo to the former Countrywide Managing Directors (Mar. 27, 2006 8:53 PM PST).

129. Yet Countrywide routinely found exceptions to its underwriting guidelines without sufficient compensating factors. In an April 14, 2005 email, Frank Aguilera, a Countrywide managing director, explained that the "spirit" of Countrywide's exception policy was not being followed. He noted a "significant concentration of similar exceptions" that "denote[d] a divisional or branch exception policy that is out side [sic] the spirit of the policy." Email from Frank Aguilera, Managing Director, Countrywide, to John McMurray, Managing Director, Countrywide (Apr. 14, 2005, 12:14 PM PDT). Aguilera continued: "The continued concentration in these same categories indicates either a) inadequate controls in place to mange [sic] rogue production units or b) general disregard for corporate program policies and guidelines." *Id*. Aguilera observed that pervasive use of the exceptions policy was an industry-wide practice:

> It appears that [Countrywide Home Loans]' loan exception policy is more loosely interpreted at [Specialty Lending Group] than at the other divisions. I understand that [Correspondent Lending Division] has decided to proceed with a similar strategy to appease their complaint customers. . . . [Specialty Lending Group] has clearly made a market in this unauthorized product by employing a strategy that Blackwell has suggested is prevalent in the industry. . .

Id.

130. Internal reports months after an initial push to rein in the excessive use of exceptions with a "zero tolerance" policy showed the use of exceptions remained excessive. Email from Frank Aguilera, Managing Director, Countrywide, to Brian Kuelbs, Managing Director, Countrywide, among others (June 12, 2006 10:13 AM PDT).

131. In February 2007, nearly a year after pressing for a reduction in the overuse of exceptions and as Countrywide claimed to be tightening lending standards, Countrywide executives found that exceptions continued to be used at an unacceptably high rate. Frank Aguilera stated that any "[g]uideline tightening should be considered purely optics with little change in overall execution unless these exceptions can be contained." Email from Frank Aguilera, Managing Director, Countrywide, to Mark Elbuam, Managing Director, Countrywide, among others (Feb. 21, 2007 4:58 PM PST).

132. John McMurray, a former Countrywide managing director, expressed his opinion in a September 2007 email that "the exception process has never worked properly". Email from John McMurray, Managing Director, to Jess Lederman, Managing Director, Countrywide (Sept. 7, 2007 10:12 AM PDT).

133. Countrywide conceded that the poor performance of loans it originated was, in many cases, due to poor underwriting. In April 2007, Countrywide noticed that its high combined loan-to-value ratio ("CLTV") stated income loans were performing worse than those of its competitors. After reviewing many of the loans that went bad, a Countrywide executive

stated that "in most cases [poor performance was] due to poor underwriting related to reserves and verification of assets to support reasonable income." Email from Russ Smith, Countrywide, to Andrew Gissinger, Managing Director, Countrywide (Apr. 11, 2007 7:58 AM PDT).

134. On October 6, 2008, 39 states announced that Countrywide agreed to pay up to $8 billion in relief to homeowners nationwide to settle lawsuits and investigations regarding Countrywide's deceptive lending practices.

135. On July 1, 2008, NBC Nightly News aired the story of a former Countrywide regional Vice President, Mark Zachary, who sued Countrywide after he was fired for questioning his supervisors about Countrywide's poor underwriting practices.

136. According to Zachary, Countrywide pressured employees to approve unqualified borrowers. Countrywide's mentality, he said, was "'what do we do to get one more deal done. It doesn't matter how you get there [i.e., how the employee closes the deal] . . . .'" NBC Nightly News, Countrywide Whistleblower Reports "Liar Loans" (July 1, 2008) ("July 1, 2008 NBC Nightly News"). Zachary also stated that the practices were not the work of a few bad apples, but rather: "It comes down, I think from the very top that you get a loan done at any cost." *Id.*

137. Zachary also told of a pattern of: 1) inflating home appraisals so buyers could borrow enough to cover closing costs, but leaving the borrower owing more than the house was truly worth; 2) employees steering borrowers who did not qualify for a conventional loan into riskier mortgages requiring little or no documentation, knowing they could not afford it; and 3) employees coaching borrowers to overstate their income in order to qualify for loans.

138. NBC News interviewed six other former Countrywide employees from different parts of the country, who confirmed Zachary's description of Countrywide's corrupt culture and practices. Some said that Countrywide employees falsified documents intended to verify borrowers' debt and income to clear loans. NBC News quoted a former loan officer: "'I've seen

supervisors stand over employees' shoulders and watch them . . . change incomes and things like that to make the loan work."' July 1, 2008 NBC Nightly News.

139. Not surprisingly, Countrywide's default rates reflected its approach to underwriting. *See* 2008 "Worst Ten in the Worst Ten" Report. Countrywide appeared on the top ten list in six of the ten markets: 4th in Las Vegas, Nevada; 8th in Sacramento, California; 9th in Stockton, California and Riverside, California; and 10th in Bakersfield, California and Miami, Florida. When the OCC issued its updated 2009 "Worst Ten in the Worst Ten" Report, Countrywide appeared on the top ten list in every market, holding 1st place in Las Vegas, Nevada; 2nd in Reno, Nevada; 3rd in Merced, California; 6th in Fort Myers-Cape Coral, Florida, Modesto, California, and Stockton-Lodi, California; 7th in Riverside-San Bernardino, California and Fort Pierce-Port St. Lucie, Florida; 8th in Vallejo-Fairfield-Napa, California; and 9th in Bakersfield, California. *See* 2009 "Worst Ten in the Worst Ten" Report.

4. First National Bank of Nevada's Systematic Disregard of Underwriting Standards

140. First National Bank of Nevada ("FNBN") originated or contributed a critical portion of loans in the mortgage pool underlying the Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4 offering. The Federal Deposit Insurance Corporation ("FDIC") wound down FNBN's operations in July 2008, among the largest bank failures of that year.

141. FNBN faces a class action suit that alleges FNBN systematically disregarded its underwriting guidelines when originating mortgages that were subsequently securitized into RMBS. *See* Consolidated Amended Class Action Complaint, *Plumber's Union Local No. 12 Pension Fund v. Nomura Asset Acceptance Corp.*, No. 08-cv-10446 (D. Mass. filed Jan. 20, 2009) ("Plumber's Union ACC").

142. According to the Plumber's Union ACC, one of FNBN's underwriters approached her Underwriting Supervisor about a loan application where the borrower—a hotel housekeeper—stated a monthly income of $5,000.

143. The mortgage underwriter informed her supervisor of her intention to deny the loan on the grounds that the unverified income of the borrower appeared to be inflated. The Underwriting Supervisor pushed back on the underwriter's decision, assuring her that the loan could be worked out. The underwriter told the Underwriting Supervisor that it was "absolutely impossible" for the application information to be true, but the Underwriting Supervisor refused to "back-down." The underwriter refused to close the loan, but the Underwriting Supervisor eventually signed the necessary forms and the loan was closed. *See id*. ¶ 92.

144. The complaint described FNBN's use of "loan scrubbing" when originating loans. *See id*. ¶ 87.

145. According to the complaint, the Warm Springs office in Las Vegas, Nevada, employed eight or nine Loan Coordinators whose primary job was to "scrub" the loan applications received from a broker. This consisted of removing any and all information for the loan application that would disqualify the borrower from FNBN's loan programs. FNBN Loan Coordinators were often fired for failing to alter the loan package information to eliminate disqualifying information. *See id*. ¶ 87.

146. FNBN originated a large number of Alt-A loans, many of which were made to borrowers who were "obviously unqualified to be able to repay them," although FNBN would make the loans pass by "creating the numbers to make things work." *See id*. ¶ 88.

147. According to an article published by Reuters, "[t]hough initially conservative in its lending outlook, First National got swept up in the residential-loan fever early last decade and billed itself in press releases as "Home of Alt-A lending", a category just a notch above

subprime." Philip Shishkin, "Bankers escape big penalties in FDIC failed bank cases," Reuters, Feb. 23, 2012. The article continued:

> First National was "extremely aggressive" and set aside normal caution and underwriting standards, according to the FDIC lawsuit filed in August in a federal court in Arizona.
>
> When the housing market softened, First National's management ignored warnings from the bank's own employees and from government regulators pointing out the inherent risks of the lending strategy, the lawsuit says.

The two executives sued by the FDIC agreed to settle the suit for $20 million each. *Id.*

148. According to a USA Today article, the OCC had identified problems with FNBN as early as 2002, finding that it was "adversely impacted by the significant concentration in high-risk mortgage products and weak risk management controls." Pallavi Gogoi, "Where were regulators when banks were failing?," USA Today, Jun. 16, 2009.

149. According to a report issued by the OIG following FNBN's failure, the bank's losses were due to "inadequate management controls over credit underwriting and administrative practices, and inadequate risk management." Office of the Inspector General, Safety And Soundness: Material Loss Review of First National Bank of Nevada and First Heritage Bank, National Association," Feb. 27, 2009, p.2. The FNBN OIG Report also stated that the OCC had noted that "[m]ortgage underwriting and credit risk management deficiencies, along with a concentration in high-risk mortgage lending activities, would likely adversely impact asset quality." *Id.* at 15.

5. Homecomings' Systematic Disregard of Underwriting Standards

150. Homecomings Financial Network, Inc. ("Homecomings") originated or contributed a substantial portion of the loans in the mortgage pools underlying the RALI Series 2006-QO5 Trust and RALI Series 2006-QO7 Trust offerings. Homecomings was a wholly-

owned subsidiary of Residential Funding Corporation, the sponsor of both RALI Series offerings.

151. Following the purchase of the Certificates in the RALI Series offerings by WesCorp and U.S. Central, public disclosures revealed that Homecomings systematically disregarded its underwriting guidelines in favor of riskier, fee-driven mortgage lending practices including subprime, Alt-A and option-ARM loans, and engaged in predatory lending.

152. The Federal Trade Commission opened an investigation into Homecomings mortgage lending and underwriting practices, closing the investigation in January 2009, after Homecomings ceased mortgage loan origination. *See* Letter from Peggy L. Twohig, Associate Dir., Div. of Fin. Practices, Bur. of Consumer Protection, Federal Trade Commission, to Andrew Sandler, Skadden, Arps (counsel for Homecomings) (Jan. 22, 2009).

153. In March 2009, the Portland Tribune reported that Homecomings lending practices allowed for the origination of shaky loans that precipitated a wave of foreclosures. The article reported:

> "In order to keep your market share, you had to be more aggressive," said Tim Boyd, who sold subprime loans in the Portland area for six years and then Alt A loans for seven years for Homecomings Financial.
>
> "The main focus was doing Alt A because that's where the money was," said Boyd, who left the industry. A loan officer arranging a $300,000 Option ARM loan could collect $10,500 in fees, he said.
>
> Lenders could unload shaky loans by selling them to investors, who often resold them in what amounted to a worldwide game of financial musical chairs. Wall Street's insatiable appetite for more loans kept the pipeline filled, even if the deals weren't always sound.
>
> "The V.P.s came down to the office beating the drums about Option ARMs," urging mortgage brokers to sell them to customers, [Bill Ridge, owner of Ridge Mortgage Services] said. "I had Wachovia march through there; I had GMAC."
> . . . .
>
> He said he knows of loan officers who'd tell title agents to keep quiet about

> Option ARM loan provisions during document-signing time.
>
> "They'd tell the title officer, 'Don't go over this; just glean through it quickly and get the thing signed."'
>
> Tim Boyd said he drew the line at selling Option ARMs because he saw how that could get people into trouble. "It made me sick," he said.

Steve Law, *Shaky Loans May Spur New Foreclosure Wave*; *Unraveling 'Alt A' Mortgages Could Keep Portland Housing Market Dismal*, PORTLAND TRIB., Mar. 5, 2009. *available at* http://www.portlandtribune.com/news/story.php?story_id=123620453702532400.

154. The Offering Documents in the RALI Series offerings indicate that the underlying pools of mortgages were primarily comprised of "payment-option, adjustable-rate mortgage loans" and/or Alt-A loans.

6. IndyMac Bank, F.S.B.'s Systematic Disregard of Underwriting Standards

155. IndyMac Bank, F.S.B. ("IndyMac") was a principal originator of the loans underlying the MASTR Adjustable Rate Mortgages Trust 2007-1 and MASTR Adjustable Rate Mortgages Trust 2006-OA2 offerings.

156. On July 11, 2008, just four months after IndyMac filed its 2007 Annual Report, federal regulators seized IndyMac in what was one of the largest bank failures in U.S. history. IndyMac filed for bankruptcy on July 31, 2008.

157. On March 4, 2009, the Office of the Inspector General of the United States Department of the Treasury ("Treasury OIG") issued Audit Report No. OIG-09-032, titled "Safety and Soundness: Material Loss Review of IndyMac Bank, FSB" (the "IndyMac OIG Report") reporting the results of Treasury OIG's review of the failure of IndyMac. The IndyMac OIG Report portrays IndyMac as a company determined to originate as many loans as possible,

as quickly as possible, without regard for the quality of the loans, the creditworthiness of the borrowers, or the value of the underlying collateral.

158. According to the IndyMac OIG Report, "[t]he primary causes of IndyMac's failure were . . . associated with its" "aggressive growth strategy" of "originating and securitizing Alt-A loans on a large scale." IndyMac OIG Report at 2. The report found, "IndyMac often made loans without verification of the borrower's income or assets, and to borrowers with poor credit histories. Appraisals obtained by IndyMac on underlying collateral were often questionable as well." *Id*.

159. IndyMac "encouraged the use of nontraditional loans," engaged in "unsound underwriting practices" and "did not perform adequate underwriting," in an effort to "produce as many loans as possible and sell them in the secondary market." *Id*. at 11, 21. The IndyMac OIG Report reviewed a sampling of loans in default and found "little, if any, review of borrower qualifications, including income, assets, and employment." *Id*. at 11.

160. IndyMac was not concerned by the poor quality of the loans or the fact that borrowers simply "could not afford to make their payments" because, "as long as it was able to sell those loans in the secondary mortgage market," IndyMac could remain profitable. *Id*. at 2-3.

161. IndyMac's "risk from its loan products. . .was not sufficiently offset by other underwriting parameters, primarily higher FICO scores and lower LTV ratios." *Id*. at 31.

162. Unprepared for the downturn in the mortgage market and the sharp decrease in demand for poorly underwritten loans, IndyMac found itself "hold[ing] $10.7 billion of loans it could not sell in the secondary market." *Id*. at 3. This proved to be a weight it could not bear, and IndyMac ultimately failed. *See id*.

163. In June 2008, the Center for Responsible Lending ("CRL") published a report entitled IndyMac: What Went Wrong? How an 'Alt-A' Leader Fueled its Growth with Unsound

and Abusive Mortgage Lending (June 30, 2008) ("CRL Report"), available at http://www.responsiblelending.org/mortgage-lending/research-analysis/indymac_what_went_wrong.pdf. The CRL Report detailed the results of the CRL's investigation into IndyMac's lending practices. CRL based its report on interviews with former IndyMac employees and reviewed numerous lawsuits filed against IndyMac. The CRL Report summarized the results of its investigation as follows:

> IndyMac's story offers a body of evidence that discredits the notion that the mortgage crisis was caused by rogue brokers or by borrowers who lied to bankroll the purchase of bigger homes or investment properties. CRL's investigation indicates many of the problems at IndyMac were spawned by top-down pressures that valued short-term growth over protecting borrowers and shareholders' interests over the long haul.

CRL Report at 1.

164. CRL reported that its investigation "uncovered substantial evidence that [IndyMac] engaged in unsound and abusive lending during the mortgage boom, routinely making loans without regard to borrowers' ability to repay [the mortgage loans]." *Id*. at 2.

165. The CRL Report stated that "IndyMac pushed through loans with fudged or falsified information or simply lowered standards so dramatically that shaky loans were easy to approve." *Id*.

166. The CRL Report noted that "[a]s IndyMac lowered standards and pushed for more volume," "the quality of [IndyMac's] loans became a running joke among its employees." *Id*. at 3.

167. Former IndyMac mortgage underwriters explained that "loans that required no documentation of the borrowers' wages" were "[a] big problem" because "these loans allowed outside mortgage brokers and in-house sales staffers to inflate applicants' [financial information] . . . and make them look like better credit risks." *Id*. at 8. These "shoddily documented loans

were known inside the company as 'Disneyland loans' – in honor of a mortgage issued to a Disneyland cashier whose loan application claimed an income of $90,000 a year." *Id*. at 3.

168. The CRL also found evidence that: (1) managers pressured underwriters to approve shaky loans in disregard of IndyMac's underwriting guidelines; and (2) managers overruled underwriters' decisions to deny loans that were based upon falsified paperwork and inflated appraisals. For instance, Wesley E. Miller, who worked as a mortgage underwriter for IndyMac in California from 2005 to 2007, told the CRL:

> [W]hen he rejected a loan, sales managers screamed at him and then went up the line to a senior vice president and got it okayed. "There's a lot of pressure when you're doing a deal and you know it's wrong from the get-go – that the guy can't afford it," Miller told CRL. "And then they pressure you to approve it."
>
> The refrain from managers, Miller recalls, was simple: "Find a way to make this work."

Id. at 9 (footnote omitted).

169. Likewise, Audrey Streater, a former IndyMac mortgage underwriting team leader, stated: "I would reject a loan and the insanity would begin. It would go to upper management and the next thing you know it's going to closing." *Id*. at 1, 3. Streater also said the "prevailing attitude" at IndyMac was that underwriting was "window dressing – a procedural annoyance that was tolerated because loans needed an underwriter's stamp of approval if they were going to be sold to investors." *Id*. at 8.

170. Scott Montilla, who was an IndyMac mortgage loan underwriter in Arizona during the same time period, told the CRL that IndyMac management would override his decision to reject loans about 50% of the time. *See id*. at 9. According to Montilla:

> "I would tell them: 'If you want to approve this, let another underwriter do it, I won't touch it – I'm not putting my name on it,'" Montilla says. "There were some loans that were just blatantly overstated. . . . Some of these loans are very questionable. They're not going to perform."

Id. at 10.

171. Montilla and another IndyMac mortgage underwriter told the CRL that borrowers did not know their stated incomes were being inflated as part of the application process. *See id*. at 14.

172. On July 2, 2010, the FDIC sued certain former officers of IndyMac's Homebuilder Division ("HBD"), alleging that IndyMac disregarded its underwriting practices, among other things, and approved loans to borrowers who were not creditworthy or for projects with insufficient collateral. *See* Compl. ¶ 6, *FDIC v. Van Dellen*, No. 2:10-cv-04915-DSF (C.D. Cal. filed July 2, 2010). This case is set for trial in September 2012.

173. IndyMac currently faces a class action lawsuit alleging disregard of underwriting standards that adversely affected the value of the purchased RMBS. *See* Class Action Compl., *In re IndyMac Mortgage-Backed Sec. Litig*., No. 09-4583 (S.D.N.Y. filed May 14, 2009). On June 21, 2010, the class action suit survived a motion to dismiss.

174. IndyMac's failure to abide by its underwriting standards left investors holding severely downgraded junk securities. As a result of IndyMac's systematic disregard of its underwriting standards, the OCC included IndyMac in the OCC's 2008 "Worst Ten in the Worst Ten" Report. IndyMac ranked 10th in Las Vegas, Nevada in both 2008 and 2009, while coming in at 10th in Merced, California, Riverside-San Bernardino, California, and Modesto, California in 2009. *See* 2008 "Worst Ten in the Worst Ten" Report; 2009 "Worst Ten in the Worst Ten" Report.

7. OwnIt Mortgage Solutions, Inc.'s Systematic Disregard of Underwriting Standards

175. OwnIt Mortgage Solutions, Inc. ("OwnIt") was a California-based company that specialized in the origination of mortgages for individuals who earned less than $100,000

annually, and had less than $100,000 in personal assets. OwnIt was created by William Dallas in 2003 out of a small mortgage company that Mr. Dallas purchased that same year. OwnIt originated or contributed loans in the mortgage pool underlying the MASTR Asset Backed Securities Trust 2006-HE4 offering.

176. Investors asked OwnIt to buy back over $100 million in loans, which had gone bad almost immediately, a problem directly attributable to OwnIt's disregard of its underwriting guidelines. As a result, OwnIt filed for bankruptcy in 2006.

177. Moreover, according to a report by the New York Times, OwnIt issued a majority of the loans in what turned out to be one of the worst mortgage securitizations in history. *See* Floyd Norris, *Color-Blind Merrill in a Sea of Red Flags*, N.Y. TIMES, May 16, 2008. Because of the bad loans, Moody's predicted that "so many of the mortgages will have gone bad that 60 percent of the money lent will not be paid back." *Id*. OwnIt's origination practices resulted in the securitization's poor performance.

178. OwnIt's systematic disregard of its own underwriting standards is confirmed by independent government analyses of OwnIt's underwriting standards and the quality of its loans. According to the OCC's 2010 "Worst Ten in the Worst Ten Report," OwnIt ranked among only twenty-one companies that "in various combinations occupy the Worst Ten slots in the Worst Ten metro areas." John C. Dugan, Comptroller of the Currency, Appendix B: Activities of National Banks Related to Subprime Lending, remarks before the FCIC, Washington, DC (Apr. 8, 2010), available at http://www.occ.treas.gov/ftp/release/2010-39d.pdf.

8. Silver State Mortgage Company's Systematic Disregard of Underwriting Standards

179. Silver State Financial Services, Inc., d/b/a Silver State Mortgage Company ("Silver State"), was a national wholesale and residential mortgage lender headquartered in Las

Vegas, Nevada. Silver State ceased operations in February 2007 amid the turmoil of the subprime mortgage crisis. The details of Silver State's mortgage lending practices slowly emerged after it ceased operations. Silver State originated or contributed a critical portion of loans in the mortgage pools underlying the MASTR Adjustable Rate Mortgages Trust 2007-HF1 and Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4 offerings.

180. A former Silver State employee recounted his experiences as a loan officer with Silver State in a May 9, 2008 This American Life story on NPR entitled "The Giant Pool of Money." Mike Garner, the former Silver State employee, related how Silver State did not adequately assess whether the income of borrowers under Silver State's "stated income" product was reasonable compared to the borrowers' line of work:

> Garner: The next guideline lower is just stated income, stated assets. Then you state what you make and state what's in your bank account. They call and make sure you work where you say you work. Then an accountant has to say for your field it is possible to make what you said you make. But they don't say what you make, they just say it's possible that they could make that.

Alex Blumberg & Adam Davidson, *The Giant Pool of Money* (National Public Radio broadcast May 9, 2008), *transcript available at* http://www.thisamericanlife.org/sites/default/files/355_transcript.pdf.

181. Alex Blumberg, one of the NPR interviewers, commented on how easy it could have been to simply provide a W-2. Garner responded by describing the means by which loan officers would determine whether the income was reasonable for the occupation:

> Blumberg: It's just so funny that instead of just asking people to prove what they make, there's this theater in place of you have to find an accountant sitting right in front of me who could very easily provide a W2, but we're not asking for a W2 form, but we do want this accountant to say yeah, what they're saying is plausible in some universe.
>
> Garner: Yeah, and loan officers would have an accountant they could call up and say "Can you write a statement saying a truck driver can make this much money?" Then the next one, came along, and it was no income, verified assets. So you don't

> have to tell the people what you do for a living. You don't have to tell the people what you do for work. All you have to do is state you have a certain amount of money in your bank account. And then, the next one, is just no income, no asset. You don't have to state anything. Just have to have a credit score and a pulse.

Id.

182. Garner recounted how his boss at Silver State despised these types of loan products that permitted such wanton disregard of underwriting standards. Garner concluded:

> Garner: Yeah. And my boss was in the business for 25 years. He hated those loans. He hated them and used to rant and say, "It makes me sick to my stomach the kind of loans that we do." He fought the owners and sales force tooth and neck about these guidelines. He got [the] same answer. Nope, other people are offering it. We're going to offer them too. We're going to get more market share this way. House prices are booming, everything's gonna [sic] be good. And . . . the company was just rolling in the cash. The owners and the production staff were just raking it in.

Id.

183. Instead, Silver State, like many other originators, focused on keeping up with the competition, sacrificing adherence to underwriting guidelines. This quixotic quest for higher profits and more market share ultimately failed as Silver State ceased operations in 2007, no longer maintaining any share of the mortgage market.

9. WMC Mortgage Corp.'s Systematic Disregard of Underwriting Standards

184. In 2004, when General Electric ("GE") purchased it from a private equity firm, WMC Mortgage Corp. ("WMC") was the sixth-largest subprime lender in the country. WMC specialized in nonprime loans and jumbo loans of up to $1 million. On September 20, 2007, GE closed WMC. WMC originated all the loans in the MASTR Asset Backed Securities Trust 2006-WMC4 offering.

185. On January 20, 2012, the Huffington Post reported that the FBI and the Department of Justice are investigating possible fraud at WMC.

186. Another article published that same day on iwatchnews.org elaborated on the investigation. According to the article, "the government is asking whether WMC used falsified paperwork, overstated borrowers' income and other tactics to push through questionable loans" with the probe focused on whether "senior managers condoned improper practices that enabled fraudulent loans to be sold to investors." The article reports:

> The FBI's San Francisco office indicated that it has been looking into WMC's business practices for nearly two years, according to one of the people who has knowledge of the investigation. The bureau has examined individual WMC loan files and has begun contacting former employees about how the lender handled the sale of mortgages to investors, this person said.

See Michael Hudson, "Feds investigating possible fraud at GE's former subprime unit," iwatchnews.org, Jan. 20, 2012.

187. In another iwatchnews.org article, Hudson provided a lengthy report on GE's purchase of WMC and the practices of WMC's sales staff to push through loans at any cost. According to the article, several ex-employees claim that many WMC sales staff "embraced fraud as a tool for pushing through loans that borrowers couldn't afford" and that WMC ignored reports of loans supported by falsified documents and inflated incomes. The article continues:

> Dave Riedel, a former compliance manager at WMC, says sales reps intent on putting up big numbers used falsified paperwork, bogus income documentation and other tricks to get loans approved and sold off to Wall Street investors. One WMC official, Riedel claims, went so far as to declare: "Fraud pays."
> . . . .
>
> [Riedel] supervised a quality-control team of a dozen or more people who watched over WMC's lending in a broad area of Southern California where salespeople were pushing subprime loans as well as "Alt-A" mortgages, another type of risky home loan.
>
> The team, Riedel says, found many examples of fraud committed by in-house staffers or the independent mortgage brokers who helped bring in customers to the lender. These included faking proofs of loan applicants' employment and faking verifications that would-be home buyers had been faithfully paying rent for years rather than, say, living with their parents.

Some employees also fabricated borrowers' incomes by creating bogus W-2 tax forms, he says. Some, he says, did it old-school, cutting and pasting numbers from one photocopy to another. Others, he says, had software on their computers that allowed them to create W-2s from scratch.

. . . .

'Business as usual'

While Dave Riedel was fighting battles inside WMC's California headquarters, Gail Roman was losing battles on the other side of the country.

Roman worked as a loan auditor at WMC's regional offices in Orangeburg, N.Y. She and other colleagues in quality control, she says, dug up persuasive evidence of inflated borrower incomes and other deceptions on loan applications.

It did little good. Management ignored their reports and approved the loans anyway, she says.

"They didn't want to hear what you found," Roman told iWatch News. "Even if you had enough documentation to show that there was fraud or questionable activity."

If GE made any progress against fraud at WMC, Roman says, she didn't notice it. Fraud was as bad at WMC in 2006 as it was when she started at the lender in 2004, she says.

"I didn't really see much of a change," Roman says.

Victor Argueta, the former risk analyst, says he didn't see much change either.

Meetings would be held. Executives from GE would agree fraud was a problem and something needed to be done. "But the next month it was business as usual," Argueta says.

. . . .

Argueta says one top sales staffer escaped punishment even though it was common knowledge he was using his computer to create fake documents to bolster applicants' chances of getting approved.

> "Bank statements, W-2s, you name it, pretty much anything that goes into a file," Argueta says. "Anything to make the loan look better than what was the real story."
>
> In one instance, Argueta says, he sniffed out salespeople who were putting down fake jobs on borrowers' loan applications — even listing their own cell phone numbers so they could pose as the borrowers' supervisors and "confirm" that the borrowers were working at the made-up employers.
>
> Management gave him a pat on the back for pointing out the problem, he says, but did nothing about the salespeople he accused of using devious methods to make borrowers appear gainfully employed.
>
> Nightmare loans
>
> Roman and Argueta weren't alone in their concerns, according to other ex-employees who spoke on the condition they remain anonymous, because they still work in banking and fear being blackballed within the industry.
>
> "It was ugly," one former fraud investigator at WMC recalls. "I would have nightmares about some of the things I'd find in a file. I'd wake up in the middle of the night going, 'Oh my God, how did this happen?' "
>
> A former manager who worked for WMC in California claims that company officials transferred and essentially demoted her after she complained about fraud, including the handiwork of a sales rep who used an X-Acto knife to create bogus documents, cutting numbers from one piece of paper and pasting them onto another, then running the mock-up through a photocopier.
> . . . .
>
> By early 2006, Dave Riedel had begun to rebuild his career inside WMC.
>
> He helped put together a presentation in May 2006 aimed at giving GE officials a sense of how serious WMC's fraud problems were. Riedel says an audit of soured loans that investors had asked WMC to repurchase indicated that 78 percent of them had been fraudulent; nearly four out of five of the loan applications backing these mortgages had contained misrepresentations about borrowers' incomes or employment.

See Michael Hudson, "Fraud and folly: The untold story of General Electric's subprime debacle," iwatchnews.org, Jan. 6, 2012.

188. On the radio program "This American Life," broadcast May 9, 2008, reporter Alex Blumberg interviewed a WMC sales manager who made over a million dollars a year by making loans to "people [who] didn't have a pot to piss in." Blumberg reported that the manager "didn't worry about whether the loans were good. That's someone else's problem."

189. In June 2008, the Washington State Department of Financial Institutions filed a "Statement of Charges and Notice of Intention to Enter an Order to Revoke License, Prohibit From Industry, Impose Fine, Order Restitution and Collect Investigation Fees" against WMC and its owners. The Statement of Charges stemmed from an investigation that found WMC had originated loans with unlicensed or unregistered mortgage brokers, understated amounts of finance charges on multiple loans, understated amounts of payments made to escrow companies, understated annual percentage rates by almost 5%, and committed numerous other violations of Washington State deceptive and unfair practices laws. In July 2009, WMC entered a consent order under which it agreed to pay fines, restitution and the costs of the investigation to settle the matter.

190. WMC's lack of underwriting landed it fourth in the Comptroller of the Currency's 2009 "Worst Ten of the Worst Ten" list.

VIII. THE OFFERING DOCUMENTS CONTAINED UNTRUE STATEMENTS OF MATERIAL FACT

191. The Offering Documents included material untrue statements or omitted facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading.

192. For purposes of Section 11 liability, the prospectus supplements are part of and included in the registration statements of the offerings pursuant to 17 C.F.R. §§ 230.158,

230.430B (2008); *see also* Securities Offering Reform, 70 Fed. Reg. 44722-01, 44768-69 (Aug. 3, 2005).

A. Offering Documents Misrepresented Weighted Average LTV Ratios

193. The Offering Documents included detailed representations regarding the weighted average LTV ratios for the pools underlying the RMBS.

194. The LTV ratio is the ratio of a mortgage loan's original principal balance to the appraised value of the mortgaged property. For instance, if a borrower borrows $130,000 to purchase a house estimated to be worth $150,000, the LTV ratio is $130,000/$150,000 or 87%.

195. A "weighted average" is an average in which each value to be averaged is assigned a weight that determines the relative importance of each value to the average. A weighted average can be contrasted with a straight arithmetic mean in which each of the values to be averaged contributes equally to the average. In the context of LTVs, the higher the balance of the loan(s) secured by the property, the more "weight" it is given in relation to the average. To calculate the weighted average LTV ratio, each loan's LTV ratio is multiplied by the loan balance, and the sum of those numbers is divided by the total loan balance of the pool. The weighted average LTV ratio is a factor in describing the risk of a particular RMBS.

196. The NCUA Board commissioned a forensic review that calculated LTV ratios for the loans underlying the RMBS at issue in this Complaint. The forensic review used a retrospective automated valuation model ("AVM") to estimate the value of the property generally using data regarding comparable property values, comparable sales, and home price indices at the time of loan origination. Retrospective AVMs insert these data points into an algorithm that generates the estimated property value. The AVM in the forensic review uses stringent criteria in determining an estimated property value (for instance, properties used as "comparables" must truly resemble the subject property) and thus enhancing accuracy.

197. The forensic review demonstrated that the Offering Documents for the RMBS listed in the table below materially understated the LTV ratios, and thus the risks, of the mortgage pools. The appraised values given to the mortgaged properties were significantly higher than what the properties were actually worth at the time of origination.

198. The Offering Documents contained aggregated loan-by-loan statistics about the weighted average LTV ratios for the pools underlying the RMBS. The forensic review found that on average, the actual weighted average LTV ratio was 19.43% higher than the weighted average LTV ratio reported in the Offering Documents for the RMBS listed in the table below. The chart below shows the difference between the weighted average LTV ratios represented in the Offering Documents, and the actual weighted average LTV ratios as revealed by the forensic review.

Untrue Statements in the Offering Documents About Weighted Average LTV Ratios

ISSUING ENTITY	Represented Weighted Average LTV Ratio	Actual Weighted Average LTV Ratio	Actual Weighted Average LTV ___% Higher than Represented
Alternative Loan Trust 2006-OA8 (Group 1)	75.31%	128.52%	70.65%
Alternative Loan Trust 2006-OA8 (Group 2)	74.49%	86.4%	15.99%
Alternative Loan Trust 2006-OA10 (Group 2)	75.19%	90.32%	20.12%
Alternative Loan Trust 2006-OA10 (Group 3)	75.31%	84.24%	11.86%
Alternative Loan Trust 2006-OA10 (Group 4)	74.65%	83.41%	11.73%
MASTR Adjustable Rate Mortgages Trust 2006-OA2 (Group 4)	74.88%	83.46%	11.46%
MASTR Adjustable Rate Mortgages Trust 2007-1 (Group I-2)	75.89%	97.09%	27.94%
MASTR Adjustable Rate Mortgages Trust 2007-HF1 (All Groups)	73.4%	88.12%	20.05%

ISSUING ENTITY	Represented Weighted Average LTV Ratio	Actual Weighted Average LTV Ratio	Actual Weighted Average LTV ___% Higher than Represented
MASTR Asset Backed Securities Trust 2006-HE4 (All Groups)	85.54%	92.21%	7.8%
Nomura Asset Acceptance Corporation, Alternative Loan Trust, Series 2006-AR4 (All Groups)	76.38%	84.64%	10.81%
RALI Series 2006-QO5 Trust (Group 2)	75.31%	85.87%	14.02%
RALI Series 2006-QO5 Trust (Group 3)	74.95%	83.29%	11.13%
RALI Series 2006-QO7 Trust (Group 3)	74.59%	88.81%	19.06%

199. The discrepancy between the represented weighted average LTV and the ratios calculated using the retroactive AVM provides additional evidence that the Originators' systematically disregarded underwriting standards contrary to representations in the Offering Documents.

B. Other Untrue Statements in the Offering Documents

200. Statements in the Offering Documents concerning the following subjects were material and untrue at the time they were made: (1) the Originators' evaluation of the borrower's likelihood and capacity to repay the loan through application of the stated underwriting standards, including the calculation and use of an accurate "debt-to-income" ratio and the frequency and use of exceptions to those standards; (2) adherence to stated underwriting standards for reduced documentation programs; and (3) the accurate calculation of the "loan-to-value" ratio for the mortgaged property and the accuracy of appraisals.

201. The following chart lists which originators contributed loans to each RMBS. Under SEC's Regulation AB, the Offering Documents must disclose the originators that contributed more than 10% of the loans underlying the RMBS, and the Offering Documents must include underwriting guidelines for the originators that contributed more than 20% of the

loans underlying the RMBS. *See* 17 C.F.R. § 229.1110 (2005). For the RMBS listed below, the Offering Documents included only those underwriting guidelines for the Originators that contributed more than 20% of the loans to the RMBS.

List of Originators Supplying Loans for Each RMBS at Issue

CUSIP(S)	ISSUING ENTITY	TRANCHE	ORIGINATOR(S)
02147CAC7 02147CAH6	Alternative Loan Trust 2006-OA8	1-A-3 2-A-5	Countrywide Home Loans (100%)
02146QBB8 02146QBC6 02146QBD4 02146QBE2 02146QBG7	Alternative Loan Trust 2006-OA10	2-A-2 2-A-3 3-A-2 3-A-3 4-A-3	Countrywide Home Loans (84.14% Group 2) (84.85% Group 3) (100% Group 4) Countrywide Bank, N.A. (15.86% Group 2) (15.15% Group 3)
126694M88 126694N38	CHL Mortgage Pass-Through Trust 2006-OA5	1-A-3 2-A-3	Countrywide Home Loans (100%)
55275NAP6	MASTR Adjustable Rate Mortgages Trust 2006-OA2	4-A-2	Countrywide Home Loans (47.51%) IndyMac (37.47%)
576431AE0 576431AB6	MASTR Adjustable Rate Mortgages Trust 2007-1	I-2A4 I-2A1	American Home (78.27%) IndyMac (16.16%)
57645RAA9	MASTR Adjustable Rate Mortgages Trust 2007-HF1	A-1	UBS Home Finance (28.61%) Silver State (14.78%) EverBank (10.89%)
576449AC6 576449AD4 576449AE2	MASTR Asset Backed Securities Trust 2006-HE4	A-3 A-4 M-1	First NLC Financial Services, LLC (19.99%) Meritage Mortgage Corp. (19.99%) Decision One Mortgage Corp. (17.57%) EquiFirst Corp. (14.84%) OwnIt (11.54%)
57645MAE2	MASTR Asset Backed Securities Trust 2006-WMC4	A-5	WMC Mortgage Corp. (100%)
65538DAB1	Nomura Asset Acceptance Corporation, Alternative Loan Trust, Series 2006-AR4	A-1B	FNBN (24.81%) Silver State (13.69%)
75114HAF4 75114HAL1	RALI Series 2006-QO5 Trust	II-A-3 III-A-5	Homecomings Financial Network, Inc. (38.1% Group 2) (40.5% Group 3)
751150AH6	RALI Series 2006-QO7 Trust	III-A-2	Homecomings Financial Network, Inc. (38.1% Group 3)

202. Examples of material untrue statements and/or omissions of fact in the Offering Documents of the RMBS listed above follow.

1. Untrue Statements Concerning Evaluation of the Borrower's Capacity and Likelihood To Repay the Mortgage Loan

203. The Alternative Loan Trust 2006-OA10 Prospectus Supplement stated:

> All of the Mortgage Loans will have been originated or acquired by Countrywide Home Loans and Countrywide Bank in accordance with their respective credit, appraisal and underwriting processes. Countrywide Bank's underwriting procedures are identical in all material respects to Countrywide Home Loans' underwriting procedures, discussed below, but differ in some minor details.

Alternative Loan Trust 2006-OA10 Prospectus Supplement at S-87; *see* Alternative Loan Trust 2006-OA8 Prospectus Supplement at S-59; CHL Mortgage Pass-Through Trust 2006-OA5 Prospectus Supplement at S-71; Alternative Loan Trust 2006-OA10 Registration Statement, Feb. 7, 2006, at S-52; Alternative Loan Trust 2006-OA8 Registration Statement, Feb. 7, 2006, at S-52.

204. The Alternative Loan Trust 2006-OA10 Prospectus Supplement stated:

> As part of its evaluation of potential borrowers, Countrywide Home Loans generally requires a description of income. If required by its underwriting guidelines, Countrywide Home Loans obtains employment verification providing current and historical income information and/or a telephonic employment confirmation. Such employment verification may be obtained, either through analysis of the prospective borrower's recent pay stub and/or W-2 forms for the most recent two years, relevant portions of the most recent two years' tax returns, or from the prospective borrower's employer, wherein the employer reports the length of employment and current salary with that organization. Self-employed prospective borrowers generally are required to submit relevant portions of their federal tax returns for the past two years.

Alternative Loan Trust 2006-OA10 Prospectus Supplement at S-87-88; *see* Alternative Loan Trust 2006-OA8 Prospectus Supplement at S-59-60; CHL Mortgage Pass-Through Trust 2006-OA5 Prospectus Supplement at S-71-72; Alternative Loan Trust 2006-OA10 Registration Statement, Feb. 7, 2006, at S-52; Alternative Loan Trust 2006-OA8 Registration Statement, Feb. 7, 2006, at S-52.

205. The Alternative Loan Trust 2006-OA10 Prospectus Supplement stated:

> Countrywide Home Loans' underwriting standards are applied by or on behalf of Countrywide Home Loans to evaluate the prospective borrower's credit standing and repayment ability and the value and adequacy of the mortgaged property as collateral. Under those standards, a prospective borrower must generally demonstrate that the ratio of the borrower's monthly housing expenses (including principal and interest on the proposed mortgage loan and, as applicable, the related monthly portion of property taxes, hazard insurance and mortgage insurance) to the borrower's monthly gross income and the ratio of total monthly debt to the monthly gross income (the "debt-to-income" ratios) are within acceptable limits. The maximum acceptable debt-to-income ratio, which is determined on a loan-by-loan basis varies depending on a number of underwriting criteria, including the Loan-to-Value Ratio, loan purpose, loan amount and credit history of the borrower. In addition to meeting the debt-to-income ratio guidelines, each prospective borrower is required to have sufficient cash resources to pay the down payment and closing costs. Exceptions to Countrywide Home Loans' underwriting guidelines may be made if compensating factors are demonstrated by a prospective borrower.

Alternative Loan Trust 2006-OA10 Prospectus Supplement at S-88; *see* Alternative Loan Trust 2006-OA8 at S-60; CHL Mortgage Pass-Through Trust 2006-OA5 Prospectus Supplement at S-72; Alternative Loan Trust 2006-OA10 Registration Statement, Feb. 7, 2006, at S-53; Alternative Loan Trust 2006-OA8 Registration Statement, Feb. 7, 2006, at S-53.

206. The Alternative Loan Trust 2006-OA10 Prospectus Supplement states:

> Periodically the data used by Countrywide Home Loans to complete the underwriting analysis may be obtained by a third party, particularly for mortgage loans originated through a loan correspondent or mortgage broker. In those instances, the initial determination as to whether a mortgage loan complies with Countrywide Home Loans' underwriting guidelines may be made by an independent company hired to perform underwriting services on behalf of Countrywide Home Loans, the loan correspondent or mortgage broker. In addition, Countrywide Home Loans may acquire mortgage loans from approved correspondent lenders under a program pursuant to which Countrywide Home Loans delegates to the correspondent the obligation to underwrite the mortgage loans to Countrywide Home Loans' standards. Under these circumstances, the underwriting of a mortgage loan may not have been reviewed by Countrywide Home Loans before acquisition of the mortgage loan and the correspondent represents that Countrywide Home Loans' underwriting standards have been met. After purchasing mortgage loans under those circumstances, Countrywide Home Loans conducts a quality control review of a sample of the mortgage loans. The number of loans reviewed in the quality control process varies based on a variety of factors, including Countrywide Home Loans' prior experience with the correspondent lender and the results of the quality control review process itself.

Alternative Loan Trust 2006-OA10 Prospectus Supplement at S-88; *see* Alternative Loan Trust 2006-OA8 Prospectus Supplement at S-60; CHL Mortgage Pass-Through Trust 2006-OA5 Prospectus Supplement at S-72; Alternative Loan Trust 2006-OA10 Registration Statement, Feb. 7, 2006, at S-53; Alternative Loan Trust 2006-OA8 Registration Statement, Feb. 7, 2006, at S-53.

207. The Alternative Loan Trust 2006-OA10 Prospectus Supplement stated:

> For all mortgage loans originated or acquired by Countrywide Home Loans, Countrywide Home Loans obtains a credit report relating to the applicant from a credit reporting company. The credit report typically contains information relating to such matters as credit history with local and national merchants and lenders, installment debt payments and any record of defaults, bankruptcy, dispossession, suits or judgments. All adverse information in the credit report is required to be explained by the prospective borrower to the satisfaction of the lending officer.

Alternative Loan Trust 2006-OA10 Prospectus Supplement at S-89; *see* Alternative Loan Trust 2006-OA8 Prospectus Supplement at S-60; CHL Mortgage Pass-Through Trust 2006-OA5 Prospectus Supplement at S-71; Alternative Loan Trust 2006-OA10 Registration Statement, Feb. 7, 2006, at S-54; Alternative Loan Trust 2006-OA8 Registration Statement, Feb. 7, 2006, at S-54.

208. The MASTR Adjustable Rate Mortgages Trust 2007-HF1 Prospectus Supplement stated:

> The Loans have been purchased by the sponsor from the originators, and were originated generally in accordance with the underwriting criteria described in the following section pertaining to UBS Home Finance.

MASTR Adjustable Rate Mortgages Trust 2007-HF1 Prospectus Supplement at S-34.

209. The MASTR Adjustable Rate Mortgages Trust 2007-HF1 Prospectus Supplement stated:

> UBS Home Finance's specifications for underwriting a loan include an analysis of the borrower's credit history, housing and credit payment histories, liabilities,

> income, assets and sources of funds, ability to repay the mortgage loan and the adequacy of the mortgaged property as collateral. All individuals involved in the production of mortgages are required to exercise common sense and responsible judgment in their underwriting and recommendations. Traditional underwriting decisions are made by individuals authorized to consider compensating factors that would allow mortgage loans to be originated that do not otherwise meet UBS Home Finance's guidelines.

MASTR Adjustable Rate Mortgages Trust 2007-HF1 Prospectus Supplement at S-34; *see* MASTR Adjustable Rate Mortgages Trust 2007-HF1 Free Writing Prospectus, Apr. 11, 2007, at the "Underwriting Standards" section.

210. The MASTR Adjustable Rate Mortgages Trust 2007-HF1 Prospectus Supplement states:

> UBS Home Finance examines the borrower's current and past credit history through the review of a credit bureau report. Acceptable scoring models are Experian's Fair Isaac (FICO) score, Equifax's Beacon score, and Trans Union's Empirica score. A single "representative" credit risk score is selected from the scores reported on the submitted report(s). UBS Home Finance selects the middle credit score when three scores are reported. A credit score may not be available for a borrower due to insufficient credit information on file with the credit repositories. In these situations, UBS Home Finance will consider borrowers with no credit score provided alternative credit demonstrating a good credit history is obtained such as telephone bills, gas and/or electric utility bills, cable television bills, auto insurance bills (if paid monthly), etc. In addition to credit score, other information regarding a borrower's credit quality is considered in the loan approval process, such as the number and degree of any late mortgage or rent payments within the preceding 12-month period, the age of any foreclosure action against any property owned by the borrower, the age of any bankruptcy action, the number of seasoned tradelines reflected on the credit report and any outstanding judgments, liens, charge-offs or collections.

MASTR Adjustable Rate Mortgages Trust 2007-HF1 Prospectus Supplement at S-35; *see* MASTR Adjustable Rate Mortgages Trust 2007-HF1 Free Writing Prospectus, Apr. 11, 2007, at the "Underwriting Standards" section.

211. The MASTR Adjustable Rate Mortgages Trust 2007-HF1 Prospectus Supplement stated:

> Requests beyond stated product standards, or situations that fall below minimum requirements may be considered on an "exception basis." Exceptions warrant a greater degree of review and approval, and must include compensating factors for the exceptions, which are clearly documented in the file. The granting of exception requests are managed carefully to ensure the integrity of the originations from, not only, a fair lending perspective, but, also a salability and securitization perspective.

MASTR Adjustable Rate Mortgages Trust 2007-HF1 Prospectus Supplement at S-36; *see* MASTR Adjustable Rate Mortgages Trust 2007-HF1 Free Writing Prospectus, Apr. 11, 2007, at the "Underwriting Standards" section.

212. The MASTR Adjustable Rate Mortgages Trust 2007-1 Prospectus Supplement stated:

> American Home's underwriting philosophy is to weigh all risk factors inherent in the loan file, giving consideration to the individual transaction, borrower profile, the level of documentation provided and the property used to collateralize the debt. These standards are applied in accordance with applicable federal and state laws and regulations. Exceptions to the underwriting standards may be permitted where compensating factors are present. In the case of investment properties and two- to four-unit dwellings, income derived from the mortgaged property may have been considered for underwriting purposes, in addition to the income of the mortgagor from other sources. With respect to second homes and vacation properties, no income derived from the property will have been considered for underwriting purposes. Because each loan is different, American Home expects and encourages underwriters to use professional judgment based on their experience in making a lending decision.

MASTR Adjustable Rate Mortgages Trust 2007-1 Prospectus Supplement at S-58.

213. The MASTR Adjustable Rate Mortgages Trust 2007-1 Prospectus Supplement stated: "American Home underwrites a borrower's creditworthiness based solely on information that American Home believes is indicative of the applicant's willingness and ability to pay the debt they would be incurring." MASTR Adjustable Rate Mortgages Trust 2007-1 Prospectus Supplement at S-58.

214. The MASTR Adjustable Rate Mortgages Trust 2007-1 Prospectus Supplement stated:

> IndyMac Bank has two principal underwriting methods designed to be responsive to the needs of its mortgage loan customers: traditional underwriting and e-MITS (Electronic Mortgage Information and Transaction System) underwriting. E-MITS is an automated, internet-based underwriting and risk-based pricing system. IndyMac Bank believes that e-MITS generally enables it to estimate expected credit loss, interest rate risk and prepayment risk more objectively than traditional underwriting and also provides consistent underwriting decisions. IndyMac Bank has procedures to override an e-MITS decision to allow for compensating factors.

MASTR Adjustable Rate Mortgages Trust 2007-1 Prospectus Supplement at S-60.

215. The MASTR Adjustable Rate Mortgages Trust 2006-OA2 Prospectus Supplement stated:

> Countrywide Home Loans' underwriting standards are applied by or on behalf of Countrywide Home Loans to evaluate the prospective borrower's credit standing and repayment ability and the value and adequacy of the mortgaged property as collateral. Under those standards, a prospective borrower must generally demonstrate that the ratio of the borrower's monthly housing expenses (including principal and interest on the proposed mortgage loan and, as applicable, the related monthly portion of property taxes, hazard insurance and mortgage insurance) to the borrower's monthly gross income and the ratio of total monthly debt to the monthly gross income (the "debt-to-income" ratios) are within acceptable limits.

MASTR Adjustable Rate Mortgages Trust 2006-OA2 Prospectus Supplement at S-44; *see* MASTR Adjustable Rate Mortgages Trust 2006-OA2 Free Writing Prospectus, Oct. 23, 2006, at the "Underwriting Standards" section.

216. The MASTR Adjustable Rate Mortgages Trust 2006-OA2 Prospectus Supplement stated:

> The maximum acceptable debt-to-income ratio, which is determined on a loan-by-loan basis varies depending on a number of underwriting criteria, including the Loan-to-Value Ratio, loan purpose, loan amount and credit history of the borrower. In addition to meeting the debt-to-income ratio guidelines, each prospective borrower is required to have sufficient cash resources to pay the down payment and closing costs. Exceptions to Countrywide Home Loans' underwriting guidelines may be made if compensating factors are demonstrated by a prospective borrower.

MASTR Adjustable Rate Mortgages Trust 2006-OA2 Prospectus Supplement at S-44; *see* MASTR Adjustable Rate Mortgages Trust 2006-OA2 Free Writing Prospectus, Oct. 23, 2006, at the "Underwriting Standards" section.

217. The MASTR Asset Backed Securities Trust 2006-HE4 Prospectus Supplement stated:

> First NLC's underwriting guidelines are designed to evaluate a borrower's credit history, his or her capacity, willingness and ability to repay the loan and the value and adequacy of the collateral.

MASTR Asset Backed Securities Trust 2006-HE4 Prospectus Supplement at S-41; *see* MASTR Asset Backed Securities Trust 2006-HE4 Free Writing Prospectus, Nov. 14, 2006, at "The Originators" section.

218. The MASTR Asset Backed Securities Trust 2006-HE4 Prospectus Supplement stated:

> Each borrower must complete a mortgage loan application that includes information with respect to the applicant's liabilities, income, credit history, employment history and other personal information. First NLC also requires independent documentation as part of its underwriting process. As part of this process, First NLC will pull its own tri merged credit bureau from one of its approved vendors. First NLC also requires an appraisal, a title commitment, and other income-verification materials. The credit report contains information relating to such matters as credit history with local and national merchants and lenders, installment debt payments and any record of defaults, bankruptcies, repossessions or judgments. Derogatory credit items are disregarded if they are included in the overall credit score. All serious derogatory credit items, such as bankruptcies or foreclosures, must be satisfactorily addressed by the applicant.

MASTR Asset Backed Securities Trust 2006-HE4 Prospectus Supplement at S-42; MASTR Asset Backed Securities Trust 2006-HE4 Free Writing Prospectus, Nov. 14, 2006, at "The Originators" section.

219. The MASTR Asset Backed Securities Trust 2006-HE4 Prospectus Supplement stated:

First NLC may make exceptions and upgrades to its underwriting guidelines on a case-by-case basis where compensating factors exist. For example, it may determine that an applicant warrants one of the following exceptions:

- a debt-to-income ratio exception;
- a pricing exception;
- a loan-to-ratio exception; or
- an exception from certain requirements of a particular category.

An exception may be allowed if the application reflects certain factors, including:

- a low loan-to-value ratio;
- a maximum of one 30-day late payment on all mortgage loans during the last 12 months;
- stable employment
- ownership of the current residence of five or more years; or

Accordingly and certain applicants may qualify in a more favorable risk category than would apply in the absence of such compensation factors. All exceptions and upgrades are subject to the approval of a senior officer or an assistant chief credit officer.

MASTR Asset Backed Securities Trust 2006-HE4 Prospectus Supplement at S-42-43; MASTR Asset Backed Securities Trust 2006-HE4 Free Writing Prospectus, Nov. 14, 2006, at "The Originators" section.

220. The MASTR Asset Backed Securities Trust 2006-HE4 Prospectus Supplement stated:

All of the mortgage loans were underwritten and originated by Meritage, generally in accordance with the underwriting criteria described herein. Meritage's underwriting standards are primarily intended to assess the ability and willingness of the borrower to repay the debt and to evaluate the adequacy of the mortgaged property as collateral for the mortgage loan. All of the mortgage loans were underwritten with a view toward the resale thereof in the secondary mortgage market. Meritage considers, among other things, a mortgagor's credit history, repayment ability and debt service-to-income ratio ("Debt Ratio"), as well as the value, type and use of the mortgaged property.

MASTR Asset Backed Securities Trust 2006-HE4 Prospectus Supplement at S-48; MASTR Asset Backed Securities Trust 2006-HE4 Free Writing Prospectus, Nov. 14, 2006, at "The Originators" section.

221. The MASTR Asset Backed Securities Trust 2006-HE4 Prospectus Supplement stated:

> All of the mortgage loans were originated in accordance with Meritage's Meriscore® Program ("Meriscore®"). Within Meriscore® there are two documentation programs, the Full Documentation Program (the "Full Documentation Program"), and, the Stated Program (the "Stated Program"). While each underwriting program is intended to assess the risk of default, Meriscore® makes use of credit bureau risk scores (the "Credit Bureau Risk Score"). The Credit Bureau Risk Score is a statistical ranking of likely future credit performance developed by Fair, Isaac & Company ("Fair, Isaac") and the three national credit repositories-Equifax, Trans Union and First American (formerly Experian which was formerly TRW).

MASTR Asset Backed Securities Trust 2006-HE4 Prospectus Supplement at S-48; MASTR Asset Backed Securities Trust 2006-HE4 Free Writing Prospectus, Nov. 14, 2006, at "The Originators" section.

222. The MASTR Asset Backed Securities Trust 2006-WMC4 Prospectus Supplement stated:

> The mortgage loans have been either (i) originated generally in accordance with the underwriting guidelines established by WMC (collectively, the "Underwriting Guidelines") or (ii) purchased by WMC after re-underwriting the mortgage loans generally in accordance with the Underwriting Guidelines. WMC also originates certain other mortgage loans that are underwritten to the guidelines of specific investors, however, such mortgage loans are not included among those sold to the trust as described herein. The Underwriting Guidelines are primarily intended to (a) determine that the borrower has the ability to repay the mortgage loan in accordance with its terms and (b) determine that the related mortgaged property will provide sufficient value to recover the investment if the borrower defaults. On a case-by-case basis WMC may determine that, based upon compensating factors, a prospective mortgagor not strictly qualifying under the underwriting risk category or other guidelines described below warrants an underwriting exception. Compensating factors may include, but are not limited to, low debt-to-income ratio ("Debt Ratio"), good mortgage payment history, an abundance of cash reserves, excess disposable income, stable employment and time in residence at the applicant's current address. It is expected that a substantial number of the mortgage loans to be included in the trust will represent such underwriting exceptions.

MASTR Asset Backed Securities Trust 2006-WMC4 Prospectus Supplement at "The Originator" section; *see* MASTR Asset Backed Securities Trust 2006-WMC4 Free Writing Prospectus, Nov. 1, 2006, at "The Originator" section.

223. The MASTR Asset Backed Securities Trust 2006-WMC4 Prospectus Supplement stated:

> Under the Underwriting Guidelines, WMC verifies the loan applicant's eligible sources of income for all products, calculates the amount of income from eligible sources indicated on the loan application, reviews the credit and mortgage payment history of the applicant and calculates the Debt Ratio to determine the applicant's ability to repay the loan, and reviews the mortgaged property for compliance with the Underwriting Guidelines. The Underwriting Guidelines are applied in accordance with a procedure which complies with applicable federal and state laws and regulations and requires, among other things, (1) an appraisal of the mortgaged property which conforms to Uniform Standards of Professional Appraisal Practice and (2) an audit of such appraisal by a WMC-approved appraiser or by WMC's in-house collateral auditors (who may be licensed appraisers) and such audit may in certain circumstances consist of a second appraisal, a field review, a desk review or an automated valuation model.

MASTR Asset Backed Securities Trust 2006-WMC4 Prospectus Supplement at "The Originator" section; *see* MASTR Asset Backed Securities Trust 2006-WMC4 Free Writing Prospectus, Nov. 1, 2006, at "The Originator" section.

224. The Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4 Prospectus Supplement stated:

> All of the mortgage loans have been originated either under FNBN's "full" or "alternative" underwriting guidelines (i.e., the underwriting guidelines applicable to the mortgage loans typically are less stringent than the underwriting guidelines established by Fannie Mae or Freddie Mac primarily with respect to the income and/or asset documentation which borrower is required to provide). To the extent the programs reflect underwriting guidelines different from those of Fannie Mae and Freddie Mac, the performance of the mortgage loans there under may reflect relatively higher delinquency rates and/or credit losses. In addition, FNBN may make certain exceptions to the underwriting guidelines described herein if, in FNBN's discretion, compensating factors are demonstrated by a prospective borrower.

Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4 Prospectus Supplement at S-48.

225. The Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4 Prospectus Supplement stated:

> In addition to its originations, FNBN also requires mortgage loans from approved correspondent lenders under a program pursuant to which correspondent agrees to originate the mortgage loans in accordance with the underwriting guidelines of FNBN. . . . FNBN generally conducts a quality control review of a sample of these mortgage loans within 45 (sic) after the origination or purchase of such mortgage loan. The number of loans reviewed in the quality control process varies based on a variety of factors, including FNBN's prior experience with the correspondent lender and the results of the quality control review process itself.

Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4 Prospectus Supplement at S-48.

226. The Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4 Prospectus Supplement stated:

> FNBN's underwriting guidelines are primarily intended to evaluate the prospective borrower's credit standing and ability to repay the loan, as well as the value and adequacy of the proposed Mortgaged Property as collateral. A prospective borrower applying for a mortgage loan is required to complete an application, which elicits pertinent information about the prospective borrower including, depending upon the loan program, the prospective borrower's financial condition (assets, liabilities, income and expenses), the property being financed and the type of loan desired.

Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4 Prospectus Supplement at S-49.

227. The Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4 Prospectus Supplement stated:

> Based on the data provided in the application and certain verifications (if required), a determination will have been made that the borrower's monthly income (if required to be stated or verified) should be sufficient to enable the borrower to meet its monthly obligations on the mortgage loan and other expenses related to the Mortgaged Property (such as property taxes, standard hazard

> insurance and other fixed obligations other than housing expenses). Generally, scheduled payments on a mortgage loan during the first year of its term plus taxes and insurance and other fixed obligations equal no more than a specified percentage of the prospective borrower's gross income. The percentage applied varies on a case-by-case basis depending on a number of underwriting criteria including, but not limited to, the loan-to-value ratio of the mortgage loan or the amount of liquid assets available to the borrower after origination.

Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4 Prospectus Supplement at S-49; *see* Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4 Registration Statement, Feb. 28, 2006, at the "Underwriting Standards of the Sponsor" section.

228. The Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4 Prospectus Supplement stated:

> FNBN's underwriting guidelines are applied in a standard procedure that is intended to comply with applicable federal and state laws and regulations. However, the application of FNBN's underwriting guidelines does not imply that each specific criterion was satisfied individually. FNBN will have considered a mortgage loan to be originated in accordance with a given set of underwriting guidelines if, based on an overall qualitative evaluation, in FNBN's discretion such mortgage loan is in substantial compliance with such underwriting guidelines or if the borrower can document compensating factors. A mortgage loan may be considered to comply with a set of underwriting guidelines, even if one or more specific criteria included in such underwriting guidelines were not satisfied, if other factors compensated for the criteria that were not satisfied or the mortgage loan is considered to be in substantial compliance with the underwriting guidelines.

Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4 Prospectus Supplement at S-49-50.

229. The Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4 Prospectus Supplement stated:

> The underwriting standards applicable to the Mortgage Loans typically differ from, and are, with respect to a substantial number of Mortgage Loans, generally less stringent than, the underwriting standards established by Fannie Mae or Freddie Mac primarily with respect to original principal balances, loan-to-value ratios, borrower income, credit score, required documentation, interest rates,

> borrower occupancy of the mortgaged property, and/or property types. To the extent the programs reflect underwriting standards different from those of Fannie Mae and Freddie Mac, the performance of the Mortgage Loans thereunder may reflect higher delinquency rates and/or credit losses. In addition, certain exceptions to the underwriting standards described in this prospectus supplement are made in the event that compensating factors are demonstrated by a prospective borrower.

Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4 Prospectus Supplement at S-51.

230. The RALI Series 2006-QO7 Trust Prospectus Supplement stated:

> All of the mortgage loans in the mortgage pool were originated in accordance with the underwriting criteria of Residential Funding described under "--The Program" in this prospectus supplement. Residential Funding will review each mortgage loan for compliance with its underwriting standards prior to purchase as described under "The Trusts--Underwriting Policies--Automated Underwriting" in the prospectus.

RALI Series 2006-QO7 Trust Prospectus Supplement at S-58; *see* RALI Series 2006-QO5 Trust Prospectus Supplement at S-63; RALI Series 2006-QO7 Trust Registration Statement, Jan. 23, 2006, at S-44; RALI Series 2006-QO5 Trust Registration Statement, Jan. 23, 2006, at S-44.

231. The RALI Series 2006-QO7 Trust Prospectus Supplement stated:

> The applicable underwriting standards include a set of specific criteria by which the underwriting evaluation is made. However, the application of the underwriting standards does not imply that each specific criterion was satisfied individually. Rather, a mortgage loan will be considered to be originated in accordance with the underwriting standards described above if, based on an overall qualitative evaluation, the loan is in substantial compliance with the underwriting standards. For example, a mortgage loan may be considered to comply with the underwriting standards described above, even if one or more specific criteria included in the underwriting standards were not satisfied, if other factors positively compensated for the criteria that were not satisfied.

RALI Series 2006-QO7 Trust Prospectus Supplement at S-58; *see* RALI Series 2006-QO5 Trust Prospectus Supplement at S-63; RALI Series 2006-QO7 Trust Registration Statement, Jan. 23, 2006, at S-44; RALI Series 2006-QO5 Trust Registration Statement, Jan. 23, 2006, at S-44.

232. The RALI Series 2006-QO7 Trust Prospectus Supplement stated:

> In accordance with the Seller Guide, the Expanded Criteria Program Seller is required to review an application designed to provide to the original lender pertinent credit information concerning the mortgagor. As part of the description of the mortgagor's financial condition, each mortgagor is required to furnish information, which may have been supplied solely in the application, regarding its assets, liabilities, income (except as described below), credit history and employment history, and to furnish an authorization to apply for a credit report which summarizes the borrower's credit history with local merchants and lenders and any record of bankruptcy. The mortgagor may also be required to authorize verifications of deposits at financial institutions where the mortgagor had demand or savings accounts.

RALI Series 2006-QO7 Trust Prospectus Supplement at S-56; *see* RALI Series 2006-QO5 Trust Prospectus Supplement at S-61; RALI Series 2006-QO7 Trust Registration Statement, Jan. 23, 2006, at S-43; RALI Series 2006-QO5 Trust Registration Statement, Jan. 23, 2006, at S-43.

233. The RALI Series 2006-QO7 Trust Prospectus Supplement stated:

> Based on the data provided in the application and certain verifications, if required, a determination is made by the original lender that the mortgagor's monthly income, if required to be stated, will be sufficient to enable the mortgagor to meet its monthly obligations on the mortgage loan and other expenses related to the property, including property taxes, utility costs, standard hazard insurance and other fixed obligations. Generally, scheduled payments on a mortgage loan during the first year of its term plus taxes and insurance and all scheduled payments on obligations that extend beyond ten months, including those mentioned above and other fixed obligations, must equal no more than specified percentages of the prospective mortgagor's gross income. The originator may also consider the amount of liquid assets available to the mortgagor after origination.

RALI Series 2006-QO7 Trust Prospectus Supplement at S-57; *see* RALI Series 2006-QO5 Trust Prospectus Supplement at S-61-62; RALI Series 2006-QO7 Trust Registration Statement, Jan. 23, 2006, at S-43; RALI Series 2006-QO5 Trust Registration Statement, Jan. 23, 2006, at S-43.

234. The RALI Series 2006-QO7 Trust Prospectus Supplement stated:

> Prior to assigning the mortgage loans to the depositor, Residential Funding will have reviewed the underwriting information provided by the mortgage collateral sellers for the mortgage loans and, in those cases, determined that the mortgage loans were generally originated in accordance with or in a manner generally consistent with the underwriting standards described in the Seller Guide. With regard to a material portion of these mortgage loans, this review of underwriting information by Residential Funding was performed using an automated

> underwriting system. Any determination described above using an automated underwriting system will only be based on the information entered into the system and the information the system is programmed to review.

RALI Series 2006-QO7 Trust Prospectus Supplement at S-57; *see* RALI Series 2006-QO5 Trust Prospectus Supplement at S-62; RALI Series 2006-QO7 Trust Registration Statement, Jan. 23, 2006, at S-44; RALI Series 2006-QO5 Trust Registration Statement, Jan. 23, 2006, at S-44.

235. UNTRUE STATEMENTS AND OMITTED INFORMATION: The preceding statements were material at the time they were made, because the quality of the loans in the mortgage pool directly affects the riskiness of the RMBS investment, and the quality of the loans is dependent upon the underwriting process employed. The preceding statements were untrue at the time they were made because, as alleged herein, the Originators did not adhere to the stated underwriting guidelines, did not effectively evaluate the borrowers' ability or likelihood to repay the loans, did not properly evaluate whether the borrower's debt-to-income ratio supported a conclusion that the borrower had the means to meet his/her monthly obligations, and did not ensure that adequate compensating factors justified the granting of exceptions to guidelines. Rather, as alleged herein, the Originators systematically disregarded the stated underwriting guidelines in order to increase the volume of mortgages originated (*see supra* Section VII.D). Further evidence of the fact that the loans in the pools collateralizing the Certificates at issue are the product of a systematic disregard of underwriting guidelines is found in, among other things, the surge in delinquencies and defaults shortly after the offerings (*see supra* Table 5), the rate at which actual gross losses exceeded expected gross losses within the first year after the offerings (*see supra* Figure 2), the collapse of the credit ratings (*see supra* Table 4), and the fact that the Originators were engaged in high OTD lending (*see supra* Table 6).

2. Untrue Statements Concerning Reduced Documentation Programs

236. The Alternative Loan Trust 2006-OA10 Prospectus Supplement stated:

> The nature of the information that a borrower is required to disclose and whether the information is verified depends, in part, on the documentation program used in the origination process. In general under the Full Documentation Loan Program (the "Full Documentation Program"), each prospective borrower is required to complete an application which includes information with respect to the applicant's assets, liabilities, income, credit history, employment history and other personal information. Self-employed individuals are generally required to submit their two most recent federal income tax returns. Under the Full Documentation Program, the underwriters verify the information contained in the application relating to employment, income, assets or mortgages.

Alternative Loan Trust 2006-OA10 Prospectus Supplement at S-89; *see* Alternative Loan Trust 2006-OA8 Prospectus Supplement at S-60-61; Alternative Loan Trust 2006-OA10 Registration Statement, Feb. 7, 2006, at S-53-54; Alternative Loan Trust 2006-OA8 Registration Statement, Feb. 7, 2006, at S-53-54.

237. The Alternative Loan Trust 2006-OA10 Prospectus Supplement continued:

> In connection with the Standard Underwriting Guidelines, Countrywide Home Loans originates or acquires mortgage loans under the Full Documentation Program, the Alternative Documentation Program, the Reduced Documentation Program, the CLUES Plus Documentation Program or the Streamlined Documentation Program.
>
> The Alternative Documentation Program permits a borrower to provide W 2 forms instead of tax returns covering the most recent two years, permits bank statements in lieu of verification of deposits and permits alternative methods of employment verification.
>
> Under the Reduced Documentation Program, some underwriting documentation concerning income, employment and asset verification is waived. Countrywide Home Loans obtains from a prospective borrower either a verification of deposit or bank statements for the two-month period immediately before the date of the mortgage loan application or verbal verification of employment. Since information relating to a prospective borrower's income and employment is not verified, the borrower's debt-to-income ratios are calculated based on the information provided by the borrower in the mortgage loan application. The maximum Loan-to-Value Ratio ranges up to 95%.
>
> The CLUES Plus Documentation Program permits the verification of employment by alternative means, if necessary, including verbal verification of employment or reviewing paycheck stubs covering the pay period immediately prior to the date of the mortgage loan application. To verify the borrower's assets and the sufficiency of the borrower's funds for closing, Countrywide Home Loans obtains deposit or

> bank account statements from each prospective borrower for the month immediately prior to the date of the mortgage loan application. Under the CLUES Plus Documentation Program, the maximum Loan-to-Value Ratio is 75% and property values may be based on appraisals comprising only interior and exterior inspections. Cash-out refinances and investor properties are not permitted under the CLUES Plus Documentation Program.
>
> The Streamlined Documentation Program is available for borrowers who are refinancing an existing mortgage loan that was originated or acquired by Countrywide Home Loans provided that, among other things, the mortgage loan has not been more than 30 days delinquent in payment during the previous twelve-month period. Under the Streamlined Documentation Program, appraisals are obtained only if the loan amount of the loan being refinanced had a Loan-to-Value Ratio at the time of origination in excess of 80% or if the loan amount of the new loan being originated is greater than $650,000. In addition, under the Streamlined Documentation Program, a credit report is obtained but only a limited credit review is conducted, no income or asset verification is required, and telephonic verification of employment is permitted. The maximum Loan-to-Value Ratio under the Streamlined Documentation Program ranges up to 95%.

Alternative Loan Trust 2006-OA10 Prospectus Supplement at S-90; *see* Alternative Loan Trust 2006-OA8 Prospectus Supplement at S-62; MASTR Adjustable Rate Mortgages Trust 2006-OA2 Prospectus Supplement at S-46; Alternative Loan Trust 2006-OA10 Registration Statement, Feb. 7, 2006, at S-55; Alternative Loan Trust 2006-OA8 Registration Statement, Feb. 7, 2006, at S-55; MASTR Adjustable Rate Mortgages Trust 2006-OA2 Free Writing Prospectus, Oct. 23, 2006, at the "Underwriting Standards" section.

238. The MASTR Adjustable Rate Mortgages Trust 2006-OA2 Prospectus Supplement stated:

> In connection with the Expanded Underwriting Guidelines, Countrywide Home Loans originates or acquires mortgage loans under the Full Documentation Program, the Alternative Documentation Program, the Reduced Documentation Loan Program, the No Income/No Asset Documentation Program and the Stated Income/Stated Asset Documentation Program. Neither the No Income/No Asset Documentation Program nor the Stated Income/Stated Asset Documentation Program is available under the Standard Underwriting Guidelines.
>
> The same documentation and verification requirements apply to mortgage loans documented under the Alternative Documentation Program regardless of whether the loan has been underwritten under the Expanded Underwriting Guidelines or

> the Standard Underwriting Guidelines. However, under the Alternative Documentation Program, mortgage loans that have been underwritten pursuant to the Expanded Underwriting Guidelines may have higher loan balances and Loan-to-Value Ratios than those permitted under the Standard Underwriting Guidelines.
>
> Similarly, the same documentation and verification requirements apply to mortgage loans documented under the Reduced Documentation Program regardless of whether the loan has been underwritten under the Expanded Underwriting Guidelines or the Standard Underwriting Guidelines. However, under the Reduced Documentation Program, higher loan balances and Loan-to-Value Ratios are permitted for mortgage loans underwritten pursuant to the Expanded Underwriting Guidelines than those permitted under the Standard Underwriting Guidelines. The maximum Loan-to-Value Ratio, including secondary financing, ranges up to 90%. The borrower is not required to disclose any income information for some mortgage loans originated under the Reduced Documentation Program, and accordingly debt-to-income ratios are not calculated or included in the underwriting analysis. The maximum Loan-to-Value Ratio, including secondary financing, for those mortgage loans ranges up to 85%.
>
> Under the No Income/No Asset Documentation Program, no documentation relating to a prospective borrower's income, employment or assets is required and therefore debt-to-income ratios are not calculated or included in the underwriting analysis, or if the documentation or calculations are included in a mortgage loan file, they are not taken into account for purposes of the underwriting analysis. This program is limited to borrowers with excellent credit histories. Under the No Income/No Asset Documentation Program, the maximum Loan-to-Value Ratio, including secondary financing, ranges up to 95%. Mortgage loans originated under the No Income/No Asset Documentation Program are generally eligible for sale to Fannie Mae or Freddie Mac.
>
> Under the Stated Income/Stated Asset Documentation Program, the mortgage loan application is reviewed to determine that the stated income is reasonable for the borrower's employment and that the stated assets are consistent with the borrower's income. The Stated Income/Stated Asset Documentation Program permits maximum Loan-to-Value Ratios up to 90%. Mortgage loans originated under the Stated Income/Stated Asset Documentation Program are generally eligible for sale to Fannie Mae or Freddie Mac.

MASTR Adjustable Rate Mortgages Trust 2006-OA2 Prospectus Supplement at S-47-48; *see* MASTR Adjustable Rate Mortgages Trust 2006-OA2 Free Writing Prospectus, Oct. 23, 2006, at the "Underwriting Standards" section.

239. The MASTR Adjustable Rate Mortgages Trust 2006-OA2 Prospectus Supplement further represented:

IndyMac Bank purchases loans that have been originated under one of seven documentation programs: Full/Alternate, FastForward, Limited, Stated Income, No Ratio, No Income/No Asset and No Doc. In general, documentation types that provide for less than full documentation of employment, income and liquid assets require higher credit quality and have lower loan-to-value ratios and loan amount limits.

Under the Full/Alternate Documentation Program, the prospective borrower's employment, income and assets are verified through written documentation such as tax returns, pay stubs or W-2 forms. Generally, a two-year history of employment or continuous source of income is required to demonstrate adequacy and continuance of income. Borrowers applying under the Full/Alternate Documentation Program may, based on certain loan characteristics and higher credit quality, qualify for IndyMac Bank's FastForward program and be entitled to income and asset documentation relief. Borrowers who qualify for FastForward must state their income, provide a signed Internal Revenue Service Form 4506 (authorizing IndyMac Bank to obtain copies of their tax returns), and state their assets. IndyMac Bank does not require any verification of income or assets under this program.

The Limited Documentation Program is similar to the Full/Alternate Documentation Program except that borrowers generally must document income and employment for one year (rather than two, as required by the Full/Alternate Documentation Program). Borrowers under the Limited Documentation Program may use bank statements to verify their income and employment. If applicable, written verification of a borrower's assets is required under this program.

The Stated Income Documentation Program requires prospective borrowers to provide information regarding their assets and income. Information regarding a borrower's assets, if applicable, is verified through written communications. Information regarding income is not verified and employment verification may not be written.

The No Ratio Program requires prospective borrowers to provide information regarding their assets, which is then verified through written communications. The No Ratio Program does not require prospective borrowers to provide information regarding their income, but verification of employment may not be written.

Under the No Income/No Asset Documentation Program and the No Doc Documentation Program, emphasis is placed on the credit score of the prospective borrower and on the value and adequacy of the mortgaged property as collateral, rather than on the income and the assets of the prospective borrower. Prospective borrowers are not required to provide information regarding their assets or income under either program, although under the No Income/No Asset Documentation Program, employment is orally verified.

MASTR Adjustable Rate Mortgages Trust 2006-OA2 Prospectus Supplement at S-49; *see also* MASTR Adjustable Rate Mortgages Trust 2007-1 at S-60-61; MASTR Adjustable Rate Mortgages Trust 2006-OA2 Free Writing Prospectus, Oct. 23, 2006, at the "Underwriting Standards" section.

240. The MASTR Adjustable Rate Mortgages Trust 2007-1 Prospectus Supplement stated with respect to American Home's documentation requirements:

> Non-conforming loans are generally documented to the requirements of Fannie Mae and Freddie Mac, in that the borrower provides the same information on the loan application along with documentation to verify the accuracy of the information on the application such as income, assets, other liabilities, etc. Certain non-conforming stated income or stated asset products allow for less verification documentation than Fannie Mae or Freddie Mac require. Certain non-conforming Alt-A products also allow for less verification documentation than Fannie Mae or Freddie Mac require. For these Alt-A products, the borrower may not be required to verify employment income, assets required to close or both. For some other Alt-A products, the borrower is not required to provide any information regarding employment income, assets required to close or both. Alt-A products with less verification documentation generally have other compensating factors such as higher credit score or lower loan-to-value requirements.

MASTR Adjustable Rate Mortgages Trust 2007-1 Prospectus Supplement at S-58.

241. The MASTR Adjustable Rate Mortgages Trust 2007-HF1 Prospectus Supplement stated:

> UBS Home Finance offers the following six different loan documentation options to meet a borrower's financing needs: Full/Alternative Documentation, ExpressDoc, Stated Income/Verified Assets (Reduced Doc), Stated Income/Stated Assets (SISA), No Income/Verified Assets (No Ratio), and No Income/No Assets (No Doc).
>
> Under the Full/Alternative Documentation processing option, the prospective borrower's income/employment, assets, and certain payment histories are evaluated. Mortgage loans that have been processed using Full/Alternative documentation as defined by Fannie Mae and Freddie Mac are eligible for origination by UBS Home Finance. At the underwriter's discretion, additional documentation may be requested to substantiate the borrower's income/employment, assets, and/or payment history. Borrowers who qualify for the Full/Alternative Documentation processing option must state, in writing, their income (via Fannie Mae/Freddie Mac forms or tax returns and pay stubs) and

> assets (via Fannie Mae/Freddie Mac forms or two months of bank statements). Employment is verified verbally. Mortgage/Rent history of at least one year is also verified.
>
> Under the Express Doc processing option, the loan must contain a minimum of 12 months of employment/income verification and one-month asset verification. Borrowers who qualify for Express Doc must have their income/employment, assets, and mortgage/rental history verified.
>
> Under the Stated Income/Verified Assets (Reduced Doc) processing option, income as stated and acknowledged by the borrower on the Uniform Residential Loan Application (1003) and the Underwriting Transmittal (1008) is used to qualify the borrower. Verification of income is not required if the borrower is an eligible self-employed or salaried borrower. Assets are verified using the borrower's bank statements for the most recent two months.
>
> Under the Stated Income/Stated Assets (SISA) processing option, verification of income or assets is not required. The borrower's qualifying ratios are calculated on the basis of income as stated on the loan application. The income stated must be reasonable for the position and must be validated using online sources that provide employee compensation data. Employment for wage earners and self-employed borrowers must be stated and verified, usually with a verbal verification completed by the fulfillment center (or via a third party for self-employed borrowers).
>
> Under the No Income/Verified Assets (No Ratio) processing option, it is not necessary to calculate the borrower's debt-to-income ratios. The borrower's income is not disclosed anywhere within the loan application or the credit file. The borrower's employment must be stated and verified with a verbal verification completed by the processor (or via a third party for self-employed borrowers). Assets and liabilities are verified according to full or alternative documentation option guidelines.
>
> Under the No Income/No Assets (No Doc) processing option, the borrower's income, employment, and assets are not disclosed anywhere within the loan application or the credit file. This option does not require the calculation of the borrower's debt-to-income ratios. The application must be complete with respect to liabilities, schedule of REO, and all other required documentation and must be executed by all borrowers. The borrower's employment and assets are not verified.

MASTR Adjustable Rate Mortgages Trust 2007-HF1 Prospectus Supplement at S-35-36; *see* MASTR Adjustable Rate Mortgages Trust 2007-HF1 Free Writing Prospectus, Apr. 11, 2007, at the "Underwriting Standards" section.

242. The MASTR Asset Backed Securities Trust 2006-HE4 Prospectus Supplement stated:

> *Verification of Income.* First NLC's underwriting guidelines require verification of the borrower's income. First NLC has two primary levels of income documentation requirements, referred to as "full documentation" and "stated income documentation" programs. Under each of these programs, First NLC reviews the loan applicant's source of income, calculate the amount of income from sources indicated on the loan application or similar documentation and calculate debt-to-income ratios to determine the applicant's ability to repay the loan. Under the full documentation program, applicants are required to submit income verification for the previous two calendar years as well as year-to-date information. Under the stated income documentation program, First NLC evaluates applicants based upon income as stated in the mortgage loan application. Under both programs, First NLC generally verifies by telephone employment and/or proof of business existence and income, and self-employed applicants may be required to submit a business license, verification of the source of funds, if any, required to be paid by the applicant at closing is generally required under both documentation programs in the form of a standard verification of deposit, bank statements or other acceptable documentation. First NLC verifies twelve months' mortgage payment or rental history with the related lender or landlord. First NLC also offers bank statement loans and "No-Doc" loans at a maximum LTV of 80%.

MASTR Asset Backed Securities Trust 2006-HE4 Prospectus Supplement at S-43; *see* MASTR Asset Backed Securities Trust 2006-HE4 Free Writing Prospectus, Nov. 14, 2006, at "The Originators" section.

243. The MASTR Asset Backed Securities Trust 2006-HE4 Prospectus Supplement represented:

> Meritage's underwriters verify the income of each applicant under various documentation programs as follows: under the Full Documentation Program, applicants are generally required to submit verification of stable income for the periods of two years preceding the application; and under the Stated Program, applicants are qualified based on monthly income as stated on the mortgage application. For all Meriscore® mortgage loans, bank statements for 12 or 24 months qualify as Full Documentation. In all cases, the income stated must be reasonable and customary for the applicant's line of work. Although the income is not verified under the Stated Program, a preclosing audit generally will confirm the borrower's employment or, if self employed, that the business exists. Verification may be made through phone contact to the place of business,

> obtaining a valid business license, CPA/Enrolled Agent letter or through Dun and Bradstreet Information Services.

MASTR Asset Backed Securities Trust 2006-HE4 Prospectus Supplement at S-49; *see* MASTR Asset Backed Securities Trust 2006-HE4 Free Writing Prospectus, Nov. 14, 2006, at "The Originators" section.

244. The MASTR Asset Backed Securities Trust 2006-WMC4 Prospectus Supplement stated:

> The Underwriting Guidelines require that the documentation accompanying each mortgage loan application include, among other things, a tri-merge credit report on the related applicant from a credit reporting company aggregator. The report typically contains information relating to such matters as credit history with local and national merchants and lenders, installment debt payments and any record of defaults, bankruptcy, repossession, suits or judgments. In most instances, WMC obtains a tri-merge credit score independent from the mortgage loan application from a credit reporting company aggregator. In the case of purchase money mortgage loans, WMC generally validates the source of funds for the down payment. In the case of mortgage loans originated under the Full Documentation category, the Underwriting Guidelines require documentation of income (which may consist of (1) a verification of employment form covering a specified time period which varies with LTV, (2) two most recent pay stubs and two years of tax returns or W-2s, (3) verification of deposits and/or (4) bank statements) and telephonic verification. Under the Full-Alternative Documentation category, only 24 months of bank statements are required (depending upon the LTV) and telephonic verification of employment, under the Limited Documentation category only 12 months of bank statements (or a W-2 for the most current year and a current pay stub) are required, and under the Lite Documentation category only six months of bank statements (or a current pay stub covering the six month period) are required. For mortgage loans originated under the Stated Income/Verified Assets (Streamlined) Documentation category, WMC requires verification of funds equal to two months of principal, interest, taxes and insurance, sourced and seasoned for at least sixty days. In the case of mortgage loans originated under the Stated Income Documentation and Stated Income/Verified Assets (Streamlined) Documentation categories, the Underwriting Guidelines require (1) that income be stated on the application, accompanied by proof of self employment in the case of self-employed individuals, (2) that a WMC pre-funding auditor conduct telephonic verification of employment, or in the case of self-employed individuals, telephonic verification of business line and (3) that stated income be consistent with type of work listed on the application.

MASTR Asset Backed Securities Trust 2006-WMC4 Prospectus Supplement at "The Originator" section; *see* MASTR Asset Backed Securities Trust 2006-WMC4 Free Writing Prospectus, Nov. 1, 2006, at "The Originator" section.

245. The Nomura Asset Acceptance Corporation, Alternative Loan Trust, Series 2006-AR4 Prospectus Supplement stated:

> In addition to the "full/alternate" underwriting guidelines, FNBN also originates or purchases loans that have been originated under certain limited documentation programs designed to streamline the loan underwriting process. These "stated income," "no ratio," "no income/no assets," "stated income/stated assets," "no documentation with assets," "no documentation" and "lite documentation" programs may not require income, employment or asset verifications. Generally, in order to be eligible for a limited or no documentation program, the mortgaged property must have a loan-to-value ratio that supports the amount of the mortgage loan and the prospective borrower must have a credit history that demonstrates an established ability to repay indebtedness in a timely fashion.
>
> Under the full/alternate documentation program, the prospective borrower's employment, income and assets are verified through written or telephonic communication. Alternative methods of employment and income verification generally include using copies of federal withholding forms (IRS W-2) or pay stubs. Alternative methods of asset verification generally include using copies of the borrower's recent bank statements. All loans may be submitted under the full/alternate documentation program.
>
> Under the stated income documentation and the no ratio programs, more emphasis is placed on a prospective borrower's credit score and on the value and adequacy of the mortgaged property as collateral and other assets of the prospective borrower rather than on income underwriting. The stated income documentation program requires prospective borrowers to provide information regarding their assets and income. Information regarding assets is verified through written communications or bank statements.
> Information regarding income is not verified. The no ratio program requires prospective borrowers to provide information regarding their assets, which is then verified through written communications or bank statements. The no ratio program does not require prospective borrowers to provide information regarding their income. In both the stated income and no ratio programs, the employment history is verified through written or telephonic communication.
>
> Under the no income/no assets program, emphasis is placed on the credit score of the prospective borrower and on the value and adequacy of the mortgaged property as collateral. Income and assets are not stated on the prospective

> borrower's application. Disclosure of employment is required and verified through written or telephonic communication.
>
> Under the stated income/stated assets program, emphasis is placed on the credit score of the prospective borrower and on the value and adequacy of the mortgaged property as collateral. Income is stated on the prospective borrower's application but is not verified. Assets are also stated on the application but are not verified. Employment is verified through written or telephonic communication.
>
> Under the no documentation with assets and no documentation programs, emphasis is placed on the credit score of the prospective borrower and on the value and adequacy of the mortgaged property as collateral. Under the no documentation with assets program, a prospective borrower's assets are stated and verified through written communication or bank statements. A prospective borrower is not required to provide information regarding income or employment. Under the no documentation with assets program, a prospective borrower's income and employment are not stated or verified but assets are verified. Under the no documentation program, a prospective borrower's income, assets and employment are not stated or verified.
>
> The lite documentation programs are loan programs for prospective borrowers to obtain mortgage loans that FNBN has determined to be of sub-prime quality. Under these programs, prospective borrowers are generally qualified based on verification of adequate cash flows by means of personal or business bank statements for the previous twelve or twenty-four months.

Nomura Asset Acceptance Corporation, Alternative Loan Trust, Series 2006-AR4 Prospectus Supplement at S-50-51.

246. The RALI Series 2006-QO7 Trust Prospectus Supplement stated:

> Certain of the mortgage loans have been originated under "reduced documentation" or "no stated income" programs, which require less documentation and verification than do traditional "full documentation" programs. Generally, under a "reduced documentation" program, no verification of a mortgagor's stated income is undertaken by the originator. Under a "no stated income" program, certain borrowers with acceptable payment histories will not be required to provide any information regarding income and no other investigation regarding the borrower's income will be undertaken. Under a "no income/no asset" program, no verification of a mortgagor's income or assets is undertaken by the originator. The underwriting for those mortgage loans may be based primarily or entirely on an appraisal of the mortgaged property and the LTV ratio at origination.

RALI Series 2006-QO7 Trust Prospectus Supplement at S-57; *see* RALI Series 2006-QO5 Trust Prospectus Supplement at S-62; RALI Series 2006-QO7 Trust Registration Statement, Jan. 23, 2006, at S-43; RALI Series 2006-QO5 Trust Registration Statement, Jan. 23, 2006, at S-43.

247. The RALI Series 2006-QO7 Trust base Prospectus stated:

> In most cases, under a traditional "full documentation" program, each mortgagor will have been required to complete an application designed to provide to the original lender pertinent credit information concerning the mortgagor. As part of the description of the mortgagor's financial condition, the mortgagor will have furnished information, which may be supplied solely in the application, with respect to its assets, liabilities, income (except as described below), credit history, employment history and personal information, and furnished an authorization to apply for a credit report that summarizes the borrower's credit history with local merchants and lenders and any record of bankruptcy. The mortgagor may also have been required to authorize verifications of deposits at financial institutions where the mortgagor had demand or savings accounts. In the case of investment properties and two- to four-unit dwellings, income derived from the mortgaged property may have been considered for underwriting purposes, in addition to the income of the mortgagor from other sources. With respect to mortgaged property consisting of vacation or second homes, no income derived from the property will have been considered for underwriting purposes. In the case of certain borrowers with acceptable payment histories, no income will be required to be stated, or verified, in connection with the loan application.
>
> If specified in the accompanying prospectus supplement, a mortgage pool may include mortgage loans that have been underwritten pursuant to a streamlined documentation refinancing program. Such program permits some mortgage loans to be refinanced with only limited verification or updating of the underwriting information that was obtained at the time that the original mortgage loan was originated. For example, a new appraisal of a mortgaged property may not be required if the related original mortgage loan was originated up to 24 months prior to the refinancing. In addition, a mortgagor's income may not be verified, although continued employment is required to be verified. In certain circumstances, a mortgagor may be permitted to borrow up to 100% of the outstanding principal amount of the original mortgage loan. Each mortgage loan underwritten pursuant to this program will be treated as having been underwritten pursuant to the same underwriting documentation program as the mortgage loan that it refinanced, including for purposes of the disclosure in the accompanying prospectus supplement.
>
> If specified in the accompanying prospectus supplement, some mortgage loans may have been originated under "limited documentation," "stated documentation" or "no documentation" programs that require less documentation and verification than do traditional "full documentation" programs. Under a limited

> documentation, stated documentation or no documentation program, minimal investigation into the mortgagor's credit history and income profile is undertaken by the originator and the underwriting may be based primarily or entirely on an appraisal of the mortgaged property and the LTV ratio at origination.

RALI Series 2006-QO7 Trust Prospectus, August 8, 2006, at 12-13; RALI Series 2006-QO5 Trust Prospectus, Mar. 3, 2006, at S-12-13.

248. UNTRUE STATEMENTS AND OMITTED INFORMATION: The preceding statements were material at the time they were made, because the quality of the loans in the mortgage pool directly affects the riskiness of the RMBS investment, and the quality of the loans is dependent upon the underwriting process employed. The preceding statements were untrue at the time they were made, because regardless of the documentation program purportedly employed, the Originators systematically disregarded their underwriting guidelines in order to increase the volume of mortgages originated, emphasizing quantity of loans rather than the quality of those loans (*see supra* Section VII.D). Further evidence of the fact that the loans in the pools collateralizing the Certificates at issue are the product of a systematic disregard of underwriting guidelines is found in, among other things, the surge in delinquencies and defaults shortly after the offerings (*see supra* Table 5), the huge discrepancy between expected and actual gross losses (*see supra* Figure 2), the collapse of the credit ratings (*see supra* Table 4), and the fact that the Originators were engaged in high OTD lending (*see supra* Table 6).

3. Untrue Statements Concerning Loan-to-Value Ratios

249. The Alternative Loan Trust 2006-OA10 Prospectus Supplement stated:

> Countrywide Home Loans' Standard Underwriting Guidelines for mortgage loans with non-conforming original principal balances generally allow Loan-to-Value Ratios at origination of up to 95% for purchase money or rate and term refinance mortgage loans with original principal balances of up to $400,000, up to 90% for mortgage loans with original principal balances of up to $650,000, up to 75% for mortgage loans with original principal balances of up to $1,000,000, up to 65% for mortgage loans with original principal balances of up to $1,500,000, and up to 60% for mortgage loans with original principal balances of up to $2,000,000.

> For cash-out refinance mortgage loans, Countrywide Home Loans' Standard Underwriting Guidelines for mortgage loans with non-conforming original principal balances generally allow Loan-to-Value Ratios at origination of up to 75% and original principal balances ranging up to $650,000. The maximum "cash-out" amount permitted is $200,000 and is based in part on the original Loan-to-Value Ratio of the related mortgage loan. As used in this prospectus supplement, a refinance mortgage loan is classified as a cash-out refinance mortgage loan by Countrywide Home Loans if the borrower retains an amount greater than the lesser of 2% of the entire amount of the proceeds from the refinancing of the existing loan, or $2,000.
>
> Countrywide Home Loans' Standard Underwriting Guidelines for conforming balance mortgage loans generally allow Loan-to-Value Ratios at origination on owner occupied properties of up to 95% on 1 unit properties with principal balances up to $417,000 ($625,500 in Alaska and Hawaii) and 2 unit properties with principal balances up to $533,850 ($800,775 in Alaska and Hawaii) and up to 80% on 3 unit properties with principal balances of up to $645,300 ($967,950 in Alaska and Hawaii) and 4 unit properties with principal balances of up to $801,950 ($1,202,925 in Alaska and Hawaii). On second homes, Countrywide Home Loans' Standard Underwriting Guidelines for conforming balance mortgage loans generally allow Loan-to-Value Ratios at origination of up to 95% on 1 unit properties with principal balances up to $417,000 ($625,500 in Alaska and Hawaii). Countrywide Home Loans' Standard Underwriting Guidelines for conforming balance mortgage loans generally allow Loan-to-Value Ratios at origination on investment properties of up to 90% on 1 unit properties with principal balances up to $417,000 ($625,500 in Alaska and Hawaii) and 2 unit properties with principal balances up to $533,850 ($800,775 in Alaska and Hawaii) and up to 75% on 3 unit properties with principal balances of up to $645,300 ($967,950 in Alaska and Hawaii) and 4 unit properties with principal balances of up to $801,950 ($1,202,925 in Alaska and Hawaii).

Alternative Loan Trust 2006-OA10 Prospectus Supplement at S-89-90; *see also* Alternative Loan Trust 2006-OA8 Prospectus Supplement at S-61-62; MASTR Adjustable Rate Mortgages Trust 2006-OA2 at S-45; Alternative Loan Trust 2006-OA10 Registration Statement, Feb. 7, 2006, at S-54-55; Alternative Loan Trust 2006-OA8 Registration Statement, Feb. 7, 2006, at S-54-55; MASTR Adjustable Rate Mortgages Trust 2006-OA2 Free Writing Prospectus, Oct. 23, 2006, at the "Underwriting Standards" section.

250. The Alternative Loan Trust 2006-OA10 Prospectus Supplement stated:

> Countrywide Home Loans' Expanded Underwriting Guidelines for mortgage loans with non-conforming original principal balances generally allow Loan-to-Value Ratios at origination of up to 95% for purchase money or rate and term refinance mortgage loans with original principal balances of up to $400,000, up to 90% for mortgage loans with original principal balances of up to $650,000, up to 80% for mortgage loans with original principal balances of up to $1,000,000, up to 75% for mortgage loans with original principal balances of up to $1,500,000 and up to 70% for mortgage loans with original principal balances of up to $3,000,000. Under certain circumstances, however, Countrywide Home Loans' Expanded Underwriting Guidelines allow for Loan-to-Value Ratios of up to 100% for purchase money mortgage loans with original principal balances of up to $375,000.
>
> For cash-out refinance mortgage loans, Countrywide Home Loans' Expanded Underwriting Guidelines for mortgage loans with non-conforming original principal balances generally allow Loan-to-Value Ratios at origination of up to 90% and original principal balances ranging up to $1,500,000. The maximum "cash-out" amount permitted is $400,000 and is based in part on the original Loan-to-Value Ratio of the related mortgage loan.
>
> Countrywide Home Loans' Expanded Underwriting Guidelines for conforming balance mortgage loans generally allow Loan-to-Value Ratios at origination on owner occupied properties of up to 100% on 1 unit properties with principal balances up to $417,000 ($625,500 in Alaska and Hawaii) and 2 unit properties with principal balances up to $533,850 ($800,775 in Alaska and Hawaii) and up to 85% on 3 unit properties with principal balances of up to $645,300 ($967,950 in Alaska and Hawaii) and 4 unit properties with principal balances of up to $801,950 ($1,202,925 in Alaska and Hawaii). On second homes, Countrywide Home Loans' Expanded Underwriting Guidelines for conforming balance mortgage loans generally allow Loan-to-Value Ratios at origination of up to 95% on 1 unit properties with principal balances up to $417,000 ($625,500 in Alaska and Hawaii). Countrywide Home Loans' Expanded Underwriting Guidelines for conforming balance mortgage loans generally allow Loan-to-Value Ratios at origination on investment properties of up to 90% on 1 unit properties with principal balances up to $417,000 ($625,500 in Alaska and Hawaii) and 2 unit properties with principal balances up to $533,850 ($800,775 in Alaska and Hawaii) and up to 85% on 3 unit properties with principal balances of up to $645,300 ($967,950 in Alaska and Hawaii) and 4 unit properties with principal balances of up to $801,950 ($1,202,925 in Alaska and Hawaii).

Alternative Loan Trust 2006-OA10 Prospectus Supplement at S-91; *see also* Alternative Loan Trust 2006-OA8 Prospectus Supplement at S-63; MASTR Adjustable Rate Mortgages Trust 2006-OA2 at S-46-47; CHL Mortgage Pass-Through Trust 2006-OA5 Prospectus Supplement at S-73; Alternative Loan Trust 2006-OA10 Registration Statement, Feb. 7, 2006, at S-56;

Alternative Loan Trust 2006-OA8 Registration Statement, Feb. 7, 2006, at S-56; MASTR Adjustable Rate Mortgages Trust 2006-OA2 Free Writing Prospectus, Oct. 23, 2006, at the "Underwriting Standards" section.

251. The MASTR Adjustable Rate Mortgages Trust 2007-1 Prospectus Supplement stated:

> The appraiser's value conclusion is used to calculate the ratio (loan-to-value) of the loan amount to the value of the property. For loans made to purchase a property, this ratio is based on the lower of the sales price of the property and the appraised value. American Home sets various maximum loan-to-value ratios based on the loan amount, property type, loan purpose and occupancy of the subject property securing the loan. In general, American Home requires lower loan-to-value ratios for those loans that are perceived to have a higher risk, such as high loan amounts, loans in which additional cash is being taken out on a refinance transaction, loans on second homes or loans on investment properties. A lower loan-to-value ratio requires a borrower to have more equity in the property, which is a significant additional incentive to the borrower to avoid default on the loan.

MASTR Adjustable Rate Mortgages Trust 2007-1 Prospectus Supplement at S-59.

252. The MASTR Adjustable Rate Mortgages Trust 2007-1 Prospectus Supplement stated with respect to IndyMac's loan-to-value requirements:

> Maximum loan-to-value and combined loan-to-value ratios and loan amounts are established according to the occupancy type, loan purpose, property type, FICO credit score, number of previous late mortgage payments, and the age of any bankruptcy or foreclosure actions.

MASTR Adjustable Rate Mortgages Trust 2007-1 Prospectus Supplement at S-61; *see also* MASTR Adjustable Rate Mortgages Trust 2006-OA2 at S-49; MASTR Adjustable Rate Mortgages Trust 2006-OA2 Free Writing Prospectus, Oct. 23, 2006, at the "Underwriting Standards" section.

253. The MASTR Asset Backed Securities Trust 2006-HE4 Prospectus Supplement stated:

> Maximum loan amounts and LTV ratios are dependent on the Credit Bureau Risk Score category. Reductions are made based on the type of income verification, occupancy and property type. All mortgages must be included in the Credit Bureau Risk Score. If a mortgage is not included in the Credit Bureau Risk Score the following rules on late payments apply for any unreported mortgages: 625 and higher, a maximum of one 30-day late payment in the past 12 months and for 575 to 624, a maximum of three 30-day late payments in the past 12 months, 525 to 574, a maximum of four 30-day and one 60 day late payments in the past 12 months. For mortgage loans with an LTV greater than 95%, all bankruptcies and foreclosures must generally be discharged for at least 24 months. Multiple bankruptcies or foreclosures are not allowed. Applicants must have a minimum credit score of 575 and have an enhanced credit profile.

MASTR Asset Backed Securities Trust 2006-HE4 Prospectus Supplement at S-50; *see* MASTR Asset Backed Securities Trust 2006-HE4 Free Writing Prospectus, Nov. 14, 2006, at "The Originators" section.

254. The MASTR Asset Backed Securities Trust 2006-WMC4 Prospectus Supplement stated:

> The Underwriting Guidelines are less stringent than the standards generally acceptable to Fannie Mae and Freddie Mac with regard to the mortgagor's credit standing, Debt Ratios, documentation programs, and in certain other respects. Mortgagors who qualify under the Underwriting Guidelines may have payment histories and Debt Ratios that would not satisfy Fannie Mae and Freddie Mac underwriting guidelines and may have a record of major derogatory credit items such as outstanding judgments or prior bankruptcies. The Underwriting Guidelines establish the maximum permitted LTV for each loan type based upon these and other risk factors.

MASTR Asset Backed Securities Trust 2006-WMC4 Prospectus Supplement at "The Originator" section; *see* MASTR Asset Backed Securities Trust 2006-WMC4 Free Writing Prospectus, Nov. 1, 2006, at "The Originator" section.

255. UNTRUE STATEMENTS AND OMITTED INFORMATION: The preceding statements were material at the time they were made because the riskiness of the RMBS investment is directly dependent on the quality of the underwriting process and adequate assessment and limits on loan-to-value ratios (in addition to accurate appraisals) is key to that

process. The preceding statements were untrue at the time they were made because the Originators did not adhere to the maximum loan-to-value ratios as represented in the offering document, encouraged inflated appraisals and frequently granted loans with high loan-to-value ratios with no meaningful assessment of the borrower's ability to repay the loan based on the borrower's credit profile (*see supra* Section VII.D). Further evidence of the fact that the loans in the pools collateralizing the Certificates at issue are the product of a systematic disregard of underwriting guidelines is found in, among other things, the surge in delinquencies and defaults shortly after the offerings (*see supra* Table 5), the huge discrepancy between expected and actual gross losses (*see supra* Figure 2), the collapse of the credit ratings (*see supra* Table 4), and the fact that the Originators were engaged in high OTD lending (*see supra* Table 6).

IX. THE CLAIMS ARE TIMELY

256. For actions brought by the NCUA Board as Liquidating Agent, the FCU Act extends the statute of limitations for at least three years from the date of the appointment of the NCUA Board as Liquidating Agent. *See* 12 U.S.C. § 1787(b)(14)(B)(i).

257. The NCUA Board placed U.S. Central and WesCorp into conservatorship and appointed itself as conservator on March 20, 2009. On October 1, 2010, the NCUA Board placed U.S. Central and WesCorp into liquidation and appointed itself Liquidating Agent.

258. Actions brought under Sections 11 and 12(a)(2) of the Securities Act must be:

> brought within one year after the discovery of the untrue statement or the omission, or after such discovery should have been made by the exercise of reasonable diligence . . . . In no event shall any such action be brought to enforce a liability created under section 77k or 77l(a)(1) of this title more than three years after the security was bona fide offered to the public, or under section 77l(a)(2) of this title more than three years after the sale.

15 U.S.C. § 77m.

259. Actions brought under Section 17-12a509 of the Kansas Blue Sky Law must be brought within "within the earlier of two years after discovery of the facts constituting the violation or five years after the violation." Kan. Stat. Ann. § 17-12a509(j).

260. Actions brought under Section 25501 of the California Corporate Securities Law must be brought within "five years after the act or transaction constituting the violation or the expiration of two years after the discovery by the plaintiff of the facts constituting the violation, whichever shall first expire." Cal. Corp. Code § 25506(b).

261. As the Federal Reserve Board noted in November 2008, the "deteriorating lending standards" and "the surge in early payment defaults suggests that underwriting . . . deteriorated on dimensions that were less readily apparent to investors." Mayer et al., *The Rise in Mortgage Defaults* 15-16; *see also* FSOC Risk Retention Report at 9.

262. The FSOC explained that the origination and securitization process contains inherent "information asymmetries" that put investors at a disadvantage regarding critical information concerning the quality and performance of RMBS. The FSOC Risk Retention Report described the information disadvantage for investors of RMBS:

> One important informational friction highlighted during the recent financial crisis has aspects of a "lemons" problem that exists between the issuer and investor. An originator has more information about the ability of a borrower to repay than an investor, because the originator is the party making the loan. Because the investor is several steps removed from the borrower, the investor may receive less robust loan performance information. Additionally, the large number of assets and the disclosures provided to investors may not include sufficient information on the quality of the underlying financial assets for investors to undertake full due diligence on each asset that backs the security.

FSOC Risk Retention Report at 9 (footnote omitted).

263. Accordingly, U.S. Central and WesCorp did not discover and could not have discovered the material untrue statements and/or misleading omissions in the Offering Documents more than one year prior to March 20, 2009, the date on which the NCUA Board

placed U.S. Central and WesCorp into conservatorship. A reasonably diligent investor would not have known even to begin investigating misrepresentations in the Offering Documents until at least the date the Certificates were downgraded to a credit rating below investment grade. *See supra* Table 4.

264. In addition, U.S. Central, WesCorp and/or the NCUA Board as their Liquidating Agent is or was a member of putative classes in the cases listed below. Therefore, the NCUA Board's claims are subject to legal tolling of the statute of limitations and statute of repose under the doctrine announced in *American Pipe & Construction Co. v. Utah*, 414 U.S. 538 (1974) ("American Pipe") and its progeny.

Table 7
Purchases Subject to Tolling Under American Pipe

CUSIP	ISSUING ENTITY	PURCHASER	TRADE DATE	AMERICAN PIPE TOLLING COMMENCEMENT DATE
02147CAC7	Alternative Loan Trust 2006-OA8	WesCorp	24-May-06	*Luther v. Countrywide,* No. BC380698 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 14, 2007** Removed to No. 12-5125 (C.D.C.A) *Washington v. Countrywide,* No. BC392571 (Cal. Super. Ct. L.A. County) Complaint **Filed: June 12, 2008** consolidated into *Luther v. Countrywide,* No. BC380698 (Cal. Super. Ct. L.A. County - Removed to No. 12-5125 (C.D.C.A)) *Maine v. Countrywide,* No. 10-302 (C.D.C.A.) Complaint **Filed: January 14, 2010** *Western Conference of Teamsters v. Countrywide,* No. BC449726 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 17, 2010** Removed to No. 12-5122 (C.D.C.A)

CUSIP	ISSUING ENTITY	PURCHASER	TRADE DATE	AMERICAN PIPE TOLLING COMMENCEMENT DATE
02147CAH6	Alternative Loan Trust 2006-OA8	WesCorp	24-May-06	*Luther v. Countrywide,* No. BC380698 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 14, 2007** Removed to No. 12-5125 (C.D.C.A) *Washington v. Countrywide,* No. BC392571 (Cal. Super. Ct. L.A. County) Complaint **Filed: June 12, 2008** consolidated into *Luther v. Countrywide,* No. BC380698 (Cal. Super. Ct. L.A. County - Removed to No. 12-5125 (C.D.C.A)) *Maine v. Countrywide,* No. 10-302 (C.D.C.A.) Complaint **Filed: January 14, 2010** *Western Conference of Teamsters v. Countrywide,* No. BC449726 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 17, 2010** Removed to No. 12-5122 (C.D.C.A.)
75114HAF4	RALI Series 2006-QO5 Trust	WesCorp	19-May-06	*New Jersey Carpenters v. RALI,* No. 08-602727 (New York State Sup. Ct.) Complaint **Filed: September 22, 2008** Removed to No. 08-8781 (S.D.N.Y.)
75114HAL1	RALI Series 2006-QO5 Trust	WesCorp	19-May-06	*New Jersey Carpenters v. RALI,* No. 08-602727 (New York State Sup. Ct.) Complaint **Filed: September 22, 2008** Removed to No. 08-8781 (S.D.N.Y.)

CUSIP	ISSUING ENTITY	PURCHASER	TRADE DATE	AMERICAN PIPE TOLLING COMMENCEMENT DATE
751150AH6	RALI Series 2006-QO7 Trust	US Central	5-Oct-06	*New Jersey Carpenters v. RALI,* No. 08-602727 (New York State Sup. Ct.) Complaint **Filed: September 22, 2008** Removed to No. 08-8781 (S.D.N.Y.)
02146QBB8	Alternative Loan Trust 2006-OA10	WesCorp	13-Sep-06	*Luther v. Countrywide,* No. BC380698 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 14, 2007** Removed to No. 12-5125 (C.D.C.A) *Washington v. Countrywide,* No. BC392571 (Cal. Super. Ct. L.A. County) Complaint **Filed: June 12, 2008** consolidated into *Luther v. Countrywide,* No. BC380698 (Cal. Super. Ct. L.A. County - Removed to No. 12-5125 (C.D.C.A)) *Maine v. Countrywide,* No. 10-302 (C.D.C.A.) Complaint **Filed: January 14, 2010** *Western Conference of Teamsters v. Countrywide,* No. BC449726 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 17, 2010** Removed to No. 12-5122 (C.D.C.A.)

CUSIP	ISSUING ENTITY	PURCHASER	TRADE DATE	AMERICAN PIPE TOLLING COMMENCEMENT DATE
02146QBC6	Alternative Loan Trust 2006-OA10	WesCorp	18-Jul-06	*Luther v. Countrywide,* No. BC380698 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 14, 2007** Removed to No. 12-5125 (C.D.C.A) *Washington v. Countrywide,* No. BC392571 (Cal. Super. Ct. L.A. County) Complaint **Filed: June 12, 2008** consolidated into *Luther v. Countrywide,* No. BC380698 (Cal. Super. Ct. L.A. County - Removed to No. 12-5125 (C.D.C.A)) *Maine v. Countrywide,* No. 10-302 (C.D.C.A.) Complaint **Filed: January 14, 2010** *Western Conference of Teamsters v. Countrywide,* No. BC449726 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 17, 2010** Removed to No. 12-5122 (C.D.C.A.)
02146QBD4	Alternative Loan Trust 2006-OA10	US Central	22-Aug-06	*Luther v. Countrywide,* No. BC380698 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 14, 2007** Removed to No. 12-5125 (C.D.C.A) *Washington v. Countrywide,* No. BC392571 (Cal. Super. Ct. L.A. County) Complaint **Filed: June 12, 2008** consolidated into *Luther v. Countrywide,* No. BC380698 (Cal. Super. Ct. L.A. County - Removed to No. 12-5125 (C.D.C.A)) *Maine v. Countrywide,* No. 10-302 (C.D.C.A.) Complaint **Filed: January 14, 2010** *Western Conference of Teamsters v. Countrywide,* No. BC449726 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 17, 2010** Removed to No. 12-5122 (C.D.C.A.)

CUSIP	ISSUING ENTITY	PURCHASER	TRADE DATE	AMERICAN PIPE TOLLING COMMENCEMENT DATE
02146QBE2	Alternative Loan Trust 2006-OA10	WesCorp	18-Jul-06	*Luther v. Countrywide,* No. BC380698 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 14, 2007** Removed to No. 12-5125 (C.D.C.A) *Washington v. Countrywide,* No. BC392571 (Cal. Super. Ct. L.A. County) Complaint **Filed: June 12, 2008** consolidated into *Luther v. Countrywide,* No. BC380698 (Cal. Super. Ct. L.A. County - Removed to No. 12-5125 (C.D.C.A)) *Maine v. Countrywide,* No. 10-302 (C.D.C.A.) Complaint **Filed: January 14, 2010** *Western Conference of Teamsters v. Countrywide,* No. BC449726 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 17, 2010** Removed to No. 12-5122 (C.D.C.A.)
02146QBG7	Alternative Loan Trust 2006-OA10	WesCorp	7-Jul-06	*Luther v. Countrywide,* No. BC380698 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 14, 2007** Removed to No. 12-5125 (C.D.C.A) *Washington v. Countrywide,* No. BC392571 (Cal. Super. Ct. L.A. County) Complaint **Filed: June 12, 2008** consolidated into *Luther v. Countrywide,* No. BC380698 (Cal. Super. Ct. L.A. County - Removed to No. 12-5125 (C.D.C.A)) *Maine v. Countrywide,* No. 10-302 (C.D.C.A.) Complaint **Filed: January 14, 2010** *Western Conference of Teamsters v. Countrywide,* No. BC449726 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 17, 2010** Removed to No. 12-5122 (C.D.C.A.)

CUSIP	ISSUING ENTITY	PURCHASER	TRADE DATE	AMERICAN PIPE TOLLING COMMENCEMENT DATE
02146QBG7	Alternative Loan Trust 2006-OA10	WesCorp	9-Jan-07	*Luther v. Countrywide,* No. BC380698 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 14, 2007** Removed to No. 12-5125 (C.D.C.A) *Washington v. Countrywide,* No. BC392571 (Cal. Super. Ct. L.A. County) Complaint **Filed: June 12, 2008** consolidated into *Luther v. Countrywide,* No. BC380698 (Cal. Super. Ct. L.A. County - Removed to No. 12-5125 (C.D.C.A)) *Maine v. Countrywide,* No. 10-302 (C.D.C.A.) Complaint **Filed: January 14, 2010** *Western Conference of Teamsters v. Countrywide,* No. BC449726 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 17, 2010** Removed to No. 12-5122 (C.D.C.A.)
65538DAB1	Nomura Asset Acceptance Corporation, Alternative Loan Trust, Series 2006-AR4	WesCorp	17-Nov-06	*Plumbers Union Local 12 v. Nomura,* No. 08-0544 (Commonwealth of M.A.) Complaint **Filed: January 31, 2008** Removed to No. 08-10446 (Dist. of M.A.)

265. With respect to those RMBS purchases for which the NCUA Board asserts claims under Section 11 of the Securities Act (Counts One through Six), the earliest date they were bona fide offered to the public was May 26, 2006, or not more than three years prior to March 20, 2009. Accordingly, the NCUA Board's Section 11 claims are not time-barred.

266. With respect to those RMBS purchases for which the NCUA Board asserts claims under Section 12(a)(2) of the Securities Act (Counts Seven and Eight), the earliest sale was May

19, 2006, or not more than three years prior to March 20, 2009. Accordingly, the NCUA Board's Section 12(a)(2) claims are not time-barred.

267. With respect to those RMBS purchases for which the NCUA Board asserts claims under state law (Counts Nine and Ten), the earliest purchase date/offering date with respect to those claims was March 3, 2006 or not more than five years prior to March 20, 2009. Accordingly, the NCUA Board's state law claims are not time-barred.

X. CLAIMS FOR RELIEF

COUNT ONE
Section 11 of the Securities Act of 1933
(Alternative Loan Trust 2006-OA8, Alternative Loan Trust 2006-OA10)

268. The NCUA Board realleges paragraphs 1 through 267 of this Complaint, as though fully set forth here, except those paragraphs specific to offerings other than the Alternative Loan Trust 2006-OA8 and Alternative Loan Trust 2006-OA10 offerings.

269. The NCUA Board brings this cause of action pursuant to Section 11 of the Securities Act, with respect to WesCorp's purchases of the Alternative Loan Trust 2006-OA8, Alternative Loan Trust 2006-OA10 Certificates against Defendant UBS, as the underwriter.

270. The NCUA Board expressly disclaims and disavows any allegation that could be construed as alleging fraud.

271. At the time the registration statement became effective, it (including the prospectus and any prospectus supplements) contained untrue statements and omitted facts that were necessary to make the statements made not misleading, as alleged above.

272. The untrue statements and omitted facts were material because a reasonably prudent investor deciding whether to purchase the Certificates would have viewed them as important and as substantially altering the total mix of information available, as alleged above.

273. WesCorp purchased the Certificates pursuant to and traceable to a defective registration statement, as alleged above.

274. At the time WesCorp purchased the Certificates, it did not know of the untrue statements and omissions contained in the registration statement.

275. Defendant UBS's conduct as alleged above violated Section 11.

276. WesCorp and the NCUA Board sustained damages as a result of Defendant UBS's violations of Section 11.

WHEREFORE, the NCUA Board requests the Court to enter judgment in its favor against Defendant UBS, awarding all damages, in an amount to be proven at trial, costs, and such other relief as the Court deems appropriate and just.

COUNT TWO
Section 11 of the Securities Act of 1933
(Nomura Asset Acceptance Corporation,
Alternative Loan Trust, Series 2006-AR4)

277. The NCUA Board realleges paragraphs 1 through 267 of this Complaint, as though fully set forth here, except those paragraphs specific to offerings other than the Nomura Asset Acceptance Corporation, Alternative Loan Trust, Series 2006-AR4 offering.

278. The NCUA Board brings this cause of action pursuant to Section 11 of the Securities Act, with respect to WesCorp's purchases of the Nomura Asset Acceptance Corporation, Alternative Loan Trust, Series 2006-AR4 Certificates against Defendant UBS, as the underwriter.

279. The NCUA Board expressly disclaims and disavows any allegation that could be construed as alleging fraud.

280. At the time the registration statement became effective, it (including the prospectus and any prospectus supplements) contained untrue statements and omitted facts that were necessary to make the statements made not misleading, as alleged above.

281. The untrue statements and omitted facts were material because a reasonably prudent investor deciding whether to purchase the Certificates would have viewed them as important and as substantially altering the total mix of information available, as alleged above.

282. WesCorp purchased the Certificates pursuant to and traceable to a defective registration statement, as alleged above.

283. At the time WesCorp purchased the Certificates it did not know of the untrue statements and omissions contained in the registration statement.

284. Defendant UBS's conduct as alleged above violated Section 11.

285. WesCorp and the NCUA Board sustained damages as a result of Defendant UBS's violations of Section 11.

WHEREFORE, the NCUA Board requests the Court to enter judgment in its favor against Defendant UBS, awarding all damages, in an amount to be proven at trial, costs, and such other relief as the Court deems appropriate and just.

COUNT THREE
Section 11 of the Securities Act of 1933
(RALI Series 2006-QO5 Trust)

286. The NCUA Board realleges paragraphs 1 through 267 of this Complaint, as though fully set forth here, except those paragraphs specific to offerings other than the RALI Series 2006-QO5 Trust offering.

287. The NCUA Board brings this cause of action pursuant to Section 11 of the Securities Act, with respect to WesCorp's purchases of the RALI Series 2006-QO5 Trust Certificates against Defendant UBS, as the underwriter.

288. The NCUA Board expressly disclaims and disavows any allegation that could be construed as alleging fraud.

289. At the time the registration statement became effective, it (including the prospectus and any prospectus supplements) contained untrue statements and omitted facts that were necessary to make the statements made not misleading, as alleged above.

290. The untrue statements and omitted facts were material because a reasonably prudent investor deciding whether to purchase the Certificates would have viewed them as important and as substantially altering the total mix of information available, as alleged above.

291. WesCorp purchased the Certificates pursuant to and traceable to a defective registration statement, as alleged above.

292. At the time WesCorp purchased the Certificates, it did not know of the untrue statements and omissions contained in the registration statement.

293. Defendant UBS's conduct as alleged above violated Section 11.

294. WesCorp and the NCUA Board sustained damages as a result of Defendant UBS's violations of Section 11.

WHEREFORE, the NCUA Board requests the Court to enter judgment in its favor against Defendant UBS, awarding all damages, in an amount to be proven at trial, costs, and such other relief as the Court deems appropriate and just.

COUNT FOUR
Section 11 of the Securities Act of 1933
(MASTR Adjustable Rate Mortgages Trust 2006-OA2, MASTR Adjustable Rate Mortgages Trust 2007-1, MASTR Adjustable Rate Mortgages Trust 2007-HF1, MASTR Asset Backed Securities Trust 2006-HE4, MASTR Asset Backed Securities Trust 2006-WMC4)

295. The NCUA Board realleges paragraphs 1 through 267 of this Complaint, as though fully set forth here, except those paragraphs specific to offerings other than the MASTR

Adjustable Rate Mortgages Trust 2006-OA2, MASTR Adjustable Rate Mortgages Trust 2007-1, MASTR Adjustable Rate Mortgages Trust 2007-HF1, MASTR Asset Backed Securities Trust 2006-HE4 and MASTR Asset Backed Securities Trust 2006-WMC4 offerings.

296. The NCUA Board brings this cause of action pursuant to Section 11 of the Securities Act, with respect to U.S. Central's purchases of the MASTR Adjustable Rate Mortgages Trust 2006-OA2, MASTR Adjustable Rate Mortgages Trust 2007-1, MASTR Adjustable Rate Mortgages Trust 2007-HF1, MASTR Asset Backed Securities Trust 2006-HE4 and MASTR Asset Backed Securities Trust 2006-WMC4 Certificates against Defendant UBS, as the underwriter, and against Defendant Mortgage Asset Securitization Transactions, Inc., as the issuer.

297. The NCUA Board expressly disclaims and disavows any allegation that could be construed as alleging fraud.

298. At the time the registration statement became effective, it (including the prospectus and any prospectus supplements) contained untrue statements and omitted facts that were necessary to make the statements made not misleading, as alleged above.

299. The untrue statements and omitted facts were material because a reasonably prudent investor deciding whether to purchase the Certificates would have viewed them as important and as substantially altering the total mix of information available, as alleged above.

300. U.S. Central purchased the Certificates pursuant to and traceable to a defective registration statement, as alleged.

301. At the time U.S. Central purchased the Certificates, it did not know of the untrue statements and omissions contained in the registration statement.

302. Defendant UBS's and Defendant Mortgage Asset Securitization Transactions, Inc.'s conduct as alleged above violated Section 11.

303. U.S. Central and the NCUA Board sustained damages as a result of Defendant UBS's and Defendant Mortgage Asset Securitization Transactions, Inc.'s violations of Section 11.

WHEREFORE, the NCUA Board requests the Court to enter judgment in its favor against Defendant UBS and Defendant Mortgage Asset Securitization Transactions, Inc., jointly and severally, awarding all damages, in an amount to be proven at trial, costs, and such other relief as the Court deems appropriate and just.

COUNT FIVE
Section 11 of the Securities Act of 1933
(RALI Series 2006-QO7 Trust)

304. The NCUA Board realleges paragraphs 1 through 267 of this Complaint, as though fully set forth here, except those paragraphs specific to offerings other than the RALI Series 2006-QO7 Trust offering.

305. The NCUA Board brings this cause of action pursuant to Section 11 of the Securities Act, with respect to U.S. Central's purchases of the RALI Series 2006-QO7 Trust Certificates against Defendant UBS, as the underwriter.

306. The NCUA Board expressly disclaims and disavows any allegation that could be construed as alleging fraud.

307. At the time the registration statement became effective, it (including the prospectus and any prospectus supplements) contained untrue statements and omitted facts that were necessary to make the statements made not misleading, as alleged above.

308. The untrue statements and omitted facts were material because a reasonably prudent investor deciding whether to purchase the Certificates would have viewed them as important and as substantially altering the total mix of information available, as alleged above.

309. U.S. Central purchased the Certificates pursuant to and traceable to a defective registration statement, as alleged above.

310. At the time U.S. Central purchased the Certificates, it did not know of the untrue statements and omissions contained in the registration statement.

311. Defendant UBS's conduct as alleged above violated Section 11.

312. U.S. Central and the NCUA Board sustained damages as a result of Defendant UBS's violations of Section 11.

WHEREFORE, the NCUA Board requests the Court to enter judgment in its favor against Defendant UBS, awarding all damages, in an amount to be proven at trial, costs, and such other relief as the Court deems appropriate and just.

COUNT SIX
Section 11 of the Securities Act of 1933
(Alternative Loan Trust 2006-OA10)

313. The NCUA Board realleges paragraphs 1 through 267 of this Complaint, as though fully set forth here, except those paragraphs specific to offerings other than the Alternative Loan Trust 2006-OA10 offering.

314. The NCUA Board brings this cause of action pursuant to Section 11 of the Securities Act, with respect to U.S. Central's purchases of the Alternative Loan Trust 2006-OA10 Certificates against Defendant UBS, as the underwriter.

315. The NCUA Board expressly disclaims and disavows any allegation that could be construed as alleging fraud.

316. At the time the registration statement became effective, it (including the prospectus and any prospectus supplements) contained untrue statements and omitted facts that were necessary to make the statements made not misleading, as alleged above.

317. The untrue statements and omitted facts were material because a reasonably prudent investor deciding whether to purchase the Certificates would have viewed them as important and as substantially altering the total mix of information available, as alleged above.

318. U.S. Central purchased the Certificates pursuant to and traceable to a defective registration statement, as alleged above.

319. At the time U.S. Central purchased the Certificates, it did not know of the untrue statements and omissions contained in the registration statement.

320. Defendant UBS's conduct as alleged above violated Section 11.

321. U.S. Central and the NCUA Board sustained damages as a result of Defendant UBS's violations of Section 11.

WHEREFORE, the NCUA Board requests the Court to enter judgment in its favor against Defendant UBS, awarding all damages, in an amount to be proven at trial, costs, and such other relief as the Court deems appropriate and just.

COUNT SEVEN
Section 12(a)(2) of the Securities Act of 1933
(Alternative Loan Trust 2006-OA8, RALI Series 2006-QO5 Trust)

322. The NCUA Board realleges paragraphs 1 through 267 of this Complaint, as though fully set forth here, except those paragraphs specific to offerings other than Alternative Loan Trust 2006-OA8 and RALI Series 2006-QO5 Trust offerings.

323. The NCUA Board brings this cause of action pursuant to Section 12(a)(2) of the Securities Act, with respect to WesCorp's purchases of the Alternative Loan Trust 2006-OA8 and RALI Series 2006-QO5 Trust Certificates against Defendant UBS as the underwriter and seller of those Certificates.

324. The NCUA Board expressly disclaims and disavows any allegation that could be construed as alleging fraud.

325. Defendant UBS offered to sell and sold the securities to WesCorp through one or more instrumentalities of interstate commerce (i.e., telephone, faxes, mails, e-mail or other means of electronic communication).

326. Defendant UBS Securities offered to sell and sold the securities, for its own financial gain, to WesCorp by means of a prospectus and/or prospectus supplements, as alleged above, and/or oral communications related to the prospectuses and/or prospectus supplements.

327. The prospectuses and/or prospectus supplements contained untrue statements and omitted facts that were necessary to make the statements made not misleading, as alleged above.

328. The untrue statements and omitted facts were material because a reasonably prudent investor deciding whether to purchase the Certificates would have viewed them as important and as substantially altering the total mix of information available, as alleged above.

329. WesCorp purchased the Certificates on the initial offering pursuant to the prospectus and/or prospectus supplements.

330. At the time WesCorp purchased the Certificates, it did not know of the untrue statements and omissions contained in the prospectuses and/or prospectus supplements.

331. Defendant UBS's conduct as alleged above violated Section 12(a)(2).

332. WesCorp and the NCUA Board sustained damages as a result of Defendant UBS's violations of Section 12(a)(2).

333. Under Section 12(a)(2), the NCUA Board is entitled to rescind and recover the consideration WesCorp paid for the Certificates, minus principal and interest received.

WHEREFORE, the NCUA Board requests the Court to enter judgment in its favor against Defendant UBS, awarding rescission or a rescissory measure of damages, or in the alternative compensatory damages, in an amount to be proven at trial; costs, and such other relief as the Court deems appropriate and just.

<u>COUNT EIGHT</u>

Section 12(a)(2) of the Securities Act of 1933

(MASTR Adjustable Rate Mortgages Trust 2006-OA2, MASTR Adjustable Rate Mortgages Trust 2007-1, MASTR Adjustable Rate Mortgages Trust 2007-HF1, MASTR Asset Backed Securities Trust 2006-HE4, MASTR Asset Backed Securities Trust 2006-WMC4, RALI Series 2006-QO7 Trust)

334. The NCUA Board realleges paragraphs 1 through 267 of this Complaint, as though fully set forth here, except those paragraphs specific to offerings other than MASTR Adjustable Rate Mortgages Trust 2006-OA2, MASTR Adjustable Rate Mortgages Trust 2007-1, MASTR Adjustable Rate Mortgages Trust 2007-HF1, MASTR Asset Backed Securities Trust 2006-HE4, MASTR Asset Backed Securities Trust 2006-WMC4 and the RALI Series 2006-QO7 Trust offerings.

335. The NCUA Board brings this cause of action pursuant to Section 12(a)(2) of the Securities Act of 1933, with respect to U.S. Central's purchases of the MASTR Adjustable Rate Mortgages Trust 2006-OA2, MASTR Adjustable Rate Mortgages Trust 2007-1, MASTR Adjustable Rate Mortgages Trust 2007-HF1, MASTR Asset Backed Securities Trust 2006-HE4, MASTR Asset Backed Securities Trust 2006-WMC4 and RALI Series 2006-QO7 Trust Certificates against Defendant UBS as the underwriter and seller of those Certificates.

336. The NCUA Board expressly disclaims and disavows any allegation that could be construed as alleging fraud.

337. Defendant UBS offered to sell and sold the securities to U.S. Central through one or more instrumentalities of interstate commerce (i.e., telephone, faxes, mails, e-mail or other means of electronic communication).

338. Defendant UBS offered to sell and sold the securities, for its own financial gain, to U.S. Central by means of a prospectuses and/or prospectus supplements, as alleged above, and/or oral communications related to the prospectuses and/or prospectus supplements.

339. The prospectuses and/or prospectus supplements contained untrue statements and omitted facts that were necessary to make the statements made not misleading, as alleged above.

340. The untrue statements and omitted facts were material because a reasonably prudent investor deciding whether to purchase the Certificates would have viewed them as important and as substantially altering the total mix of information available, as alleged above.

341. U.S. Central purchased the Certificates on the initial offering pursuant to the prospectus and/or prospectus supplements.

342. At the time U.S. Central purchased the Certificates it did not know of the untrue statements and omissions contained in the prospectuses and/or prospectus supplements.

343. Defendant UBS's conduct as alleged above violated Section 12(a)(2).

344. U.S. Central and the NCUA Board sustained damages as a result of Defendant UBS's violations of Section 12(a)(2).

345. Under Section 12(a)(2), the NCUA Board is entitled to rescind and recover the consideration U.S. Central paid for the Certificates, minus principal and interest received.

WHEREFORE, the NCUA Board requests the Court to enter judgment in its favor against Defendant UBS, awarding rescission or a rescissory measure of damages, or in the alternative compensatory damages, in an amount to be proven at trial; costs, and such other relief as the Court deems appropriate and just.

COUNT NINE
Violation of the California Corporate Securities Law of 1968
Cal. Corp. Code §§ 25401 and 25501
(Alternative Loan Trust 2006-OA8, Alternative Loan Trust 2006-OA10, CHL Mortgage Pass-Through Trust 2006-OA5, RALI Series 2006-QO5 Trust)

346. The NCUA Board realleges paragraphs 1 through 267 of this Complaint, as though fully set forth here, except those paragraphs specific to offerings other than the

Alternative Loan Trust 2006-OA8, Alternative Loan Trust 2006-OA10, CHL Mortgage Pass-Through Trust 2006-OA5, and RALI Series 2006-QO5 Trust offerings.

347. The NCUA Board brings this cause of action pursuant to Sections 25401 and 25501 of the California Corporate Securities Law of 1968, with respect to WesCorp's purchases of the Alternative Loan Trust 2006-OA8, Alternative Loan Trust 2006-OA10, CHL Mortgage Pass-Through Trust 2006-OA5, and RALI Series 2006-QO5 Trust Certificates against Defendant UBS as the seller of those Certificates.

348. Defendant UBS offered to sell and sold the securities to WesCorp by means of written and/or oral communications that included untrue statements of material fact and/or omissions of material facts that were necessary to make the statements made not misleading, as alleged above.

349. The untrue statements and omitted facts were material because a reasonably prudent investor deciding whether to purchase the Certificates would have viewed them as important and as substantially altering the total mix of information available, as alleged above.

350. At the time WesCorp purchased the certificates, it did not know of the untrue statements and omissions contained in the prospectuses and/or prospectus supplements.

351. Defendant UBS sold the Certificates to WesCorp in California.

352. Defendant UBS's sales of the Certificates violated Cal. Corp. Code § 25401.

353. WesCorp and the NCUA Board sustained damages as a result of Defendant UBS's violations of Cal. Corp. Code § 25401.

WHEREFORE, the NCUA Board requests the Court to enter judgment in its favor against Defendant UBS, awarding rescission or a rescissory measure of damages, or in the alternative compensatory damages, in an amount to be proven at trial; costs, and such other relief as the Court deems appropriate and just.

COUNT TEN

Violation of the Kansas Uniform Securities Act
Kan. Stat. Ann. § 17-12a509
(MASTR Adjustable Rate Mortgages Trust 2006-OA2, MASTR Adjustable Rate Mortgages Trust 2007-1, MASTR Adjustable Rate Mortgages Trust 2007-HF1, MASTR Asset Backed Securities Trust 2006-HE4, MASTR Asset Backed Securities Trust 2006-WMC4, RALI Series 2006-QO7 Trust)

354. The NCUA Board realleges paragraphs 1 through 267 of this Complaint, as though fully set forth here, except those paragraphs specific to offerings other than the MASTR Adjustable Rate Mortgages Trust 2006-OA2, MASTR Adjustable Rate Mortgages Trust 2007-1, MASTR Adjustable Rate Mortgages Trust 2007-HF1, MASTR Asset Backed Securities Trust 2006-HE4, MASTR Asset Backed Securities Trust 2006-WMC4 and RALI Series 2006-QO7 Trust offerings.

355. The NCUA Board brings this cause of action pursuant to Section 17-12a509 of the Kansas Uniform Securities Act, with respect to U.S. Central's purchases of the MASTR Adjustable Rate Mortgages Trust 2006-OA2, MASTR Adjustable Rate Mortgages Trust 2007-1, MASTR Adjustable Rate Mortgages Trust 2007-HF1, MASTR Asset Backed Securities Trust 2006-HE4, MASTR Asset Backed Securities Trust 2006-WMC4 and the RALI Series 2006-QO7 Trust Certificates against Defendant UBS as the seller of those Certificates.

356. Defendant UBS offered to sell and sold the securities to U.S. Central by means of written and/or oral communications which included untrue statements of material fact and/or omissions of material facts that were necessary to make the statements made not misleading, as alleged above.

357. The untrue statements and omitted facts were material because a reasonably prudent investor deciding whether to purchase the certificates would have viewed them as important and as substantially altering the total mix of information available, as alleged above.

358. Defendant UBS sold the Certificates to U.S. Central in Kansas.

359. U.S. Central did not know of these untruths and omissions.

360. If U.S. Central had known about these untruths and omissions, it would not have purchased the securities from Defendant UBS.

361. Defendant UBS's sales of the Certificates violated Kan. Stat. Ann. § 17-12a509(b).

362. U.S. Central and the NCUA Board sustained damages as a result of Defendant UBS's violations of Kan. Stat. Ann. § 17-12a509(b).

WHEREFORE, the NCUA Board requests the Court to enter judgment in its favor against Defendant UBS, awarding rescission or a rescissory measure of damages, or in the alternative compensatory damages, in an amount to be proven at trial; costs, and such other relief as the Court deems appropriate and just.

Jury Demand and Designation of Place of Trial

Plaintiff hereby demands a trial by jury of all issues properly triable. Pursuant to Local Rule 40.2(a), Plaintiff hereby designates Kansas City, Kansas as the place of trial of this action.

NATIONAL CREDIT UNION
ADMINISTRATION BOARD,
as liquidating agent of U.S. Central Federal
Credit Union and of Western Corporate
Federal Credit Union

By: /s/ Norman E. Siegel

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APPENDIX A

Table 1

CUSIP	ISSUING ENTITY	DEPOSITOR DEFENDANT	PURCHASER	TRADE DATE	PRICE PAID
02147CAC7	Alternative Loan Trust 2006-OA8	-	WesCorp	24-May-06	$14,000,000
02147CAH6	Alternative Loan Trust 2006-OA8	-	WesCorp	24-May-06	$12,536,000
55275NAP6	MASTR Adjustable Rate Mortgages Trust 2006-OA2	Mortgage Asset Securitization Transactions, Inc.	U.S. Central	30-Oct-06	$119,247,000
576431AE0	MASTR Adjustable Rate Mortgages Trust 2007-1	Mortgage Asset Securitization Transactions, Inc.	U.S. Central	13-Feb-07	$204,639,000
57645RAA9	MASTR Adjustable Rate Mortgages Trust 2007-HF1	Mortgage Asset Securitization Transactions, Inc.	U.S. Central	16-Apr-07	$150,000,000
576449AC6	MASTR Asset Backed Securities Trust 2006-HE4	Mortgage Asset Securitization Transactions, Inc.	U.S. Central	15-Nov-06	$50,000,000
576449AD4	MASTR Asset Backed Securities Trust 2006-HE4	Mortgage Asset Securitization Transactions, Inc.	U.S. Central	15-Nov-06	$33,877,000
576449AE2	MASTR Asset Backed Securities Trust 2006-HE4	Mortgage Asset Securitization Transactions, Inc.	U.S. Central	15-Nov-06	$22,205,000
57645MAE2	MASTR Asset Backed Securities Trust 2006-WMC4	Mortgage Asset Securitization Transactions, Inc.	U.S. Central	3-Nov-06	$50,000,000
75114HAF4	RALI Series 2006-QO5 Trust	-	WesCorp	19-May-06	$19,542,000
75114HAL1	RALI Series 2006-QO5 Trust	-	WesCorp	19-May-06	$8,112,000
751150AH6	RALI Series 2006-QO7 Trust	-	U.S. Central	5-Oct-06	$40,000,000

Table 2

CUSIP	ISSUING ENTITY	UNDERWRITER/ (SELLER)	DEPOSITOR DEFENDANT	PURCHASER	TRADE DATE	PRICE PAID
02146QBB8	Alternative Loan Trust 2006-OA10	-	-	WesCorp	13-Sep-06	$76,486,507
02146QBC6	Alternative Loan Trust 2006-OA10	UBS	-	WesCorp	18-Jul-06	$30,466,428
02146QBD4	Alternative Loan Trust 2006-OA10	-	-	U.S. Central	22-Aug-06	$74,852,000
02146QBE2	Alternative Loan Trust 2006-OA10	UBS	-	WesCorp	18-Jul-06	$33,205,502
02146QBG7	Alternative Loan Trust 2006-OA10	UBS	-	WesCorp	7-Jul-06	$49,899,534
02146QBG7	Alternative Loan Trust 2006-OA10	-	-	WesCorp	9-Jan-07	$39,193,353
126694M88	CHL Mortgage Pass-Through Trust 2006-OA5	UBS	-	WesCorp	3-Mar-06	$33,946,843
126694N38	CHL Mortgage Pass-Through Trust 2006-OA5	UBS	-	WesCorp	3-Mar-06	$27,367,597
576431AB6	MASTR Adjustable Rate Mortgages Trust 2007-1	UBS	Mortgage Asset Securitization Transactions, Inc.	U.S. Central	1-Mar-07	$45,210,000
65538DAB1	Nomura Asset Acceptance Corporation, Alternative Loan Trust, Series 2006-AR4	-	-	WesCorp	17-Nov-06	$12,778,000

Table 3
Credit Rating System

Moody's	S&P	Definitions	Grade Type
Aaa	AAA	**Prime (Maximum Safety)**	**INVESTMENT GRADE**
Aa1 Aa2 Aa3	AA+ AA AA-	**High Grade, High Quality**	
A1 A2 A3	A+ A A-	**Upper Medium Grade**	
Baa1 Baa2 Baa3	BBB+ BBB BBB-	**Medium Grade**	
Ba2 Ba3	BB BB-	**Non-Investment Grade, or Speculative**	**SPECULATIVE GRADE**
B1 B2 B3	B+ B B-	**Highly Speculative, or Substantial Risk**	
Caa2 Caa3	CCC+	**In Poor Standing**	
Ca	CCC CCC-	**Extremely Speculative**	
C	-	**May be in Default**	
-	D	**Default**	

Table 4

Credit Ratings for U.S. Central's and WesCorp's RMBS Purchases

CUSIP	ISSUING ENTITY	PURCHASER	ORIGINAL RATING S&P	ORIGINAL RATING MOODY'S	First Downgrade Below Investment Grade S&P	First Downgrade Below Investment Grade MOODY'S	RECENT RATING S&P	RECENT RATING MOODY'S
02146QBB8	Alternative Loan Trust 2006-OA10	WesCorp	AAA	Aaa	CCC 9-1-2009	Ca 2-19-2009	D 5-25-2012	C 11-23-2010
02146QBC6	Alternative Loan Trust 2006-OA10	WesCorp	AAA	Aaa	B 10-14-2008	Ba3 9-3-2008	D 6-21-2011	C 11-23-2010
02146QBD4	Alternative Loan Trust 2006-OA10	U.S. Central	AAA	Aaa	CCC 9-1-2009	Ca 2-19-2009	D 5-25-2012	C 11-23-2010
02146QBE2	Alternative Loan Trust 2006-OA10	WesCorp	AAA	Aaa	B 10-14-2008	Ba3 9-3-2008	D 6-21-2011	C 11-23-2010
02146QBG7	Alternative Loan Trust 2006-OA10	WesCorp	AAA	Aaa	B 10-14-2008	Ba3 9-3-2008	D 6-21-2011	C 11-23-2010
02147CAC7	Alternative Loan Trust 2006-OA8	WesCorp	AAA	Aaa	CCC 9-2-2009	Ba3 9-3-2008	D 3-22-2012	C 12-9-2010
02147CAH6	Alternative Loan Trust 2006-OA8	WesCorp	AAA	Aaa	CCC 9-2-2009	Ba3 9-3-2008	D 3-22-2012	C 12-9-2010
126694M88	CHL Mortgage Pass-Through Trust 2006-OA5	WesCorp	AAA	Aaa	CCC 8-19-2009	Ba3 9-22-2008	D 2-22-2012	C 12-5-2010
126694N38	CHL Mortgage Pass-Through Trust 2006-OA5	WesCorp	AAA	Aaa	CCC 8-19-2009	Ba3 9-22-2008	D 2-22-2012	C 12-5-2010
55275NAP6	MASTR Adjustable Rate Mortgages Trust 2006-OA2	U.S. Central	AAA	Aaa	N/A	N/A	AA- 1-12-2012	Aa3 11-23-2008
576431AE0	MASTR Adjustable Rate Mortgages Trust 2007-1	U.S. Central	AAA	Aaa	N/A	N/A	AA+ 11-08-2010	Aa3 11-23-2008
576431AB6	MASTR Adjustable Rate Mortgages Trust 2007-1	U.S. Central	AAA	Aaa	N/A	B3 2-20-2009	BBB 5-3-2010	Caa1 12-21-2010
57645RAA9	MASTR Adjustable Rate Mortgages Trust 2007-HF1	U.S. Central	AAA	Aaa	BB 9-24-2008	Caa2 1-30-2009	CCC 7-24-2009	Caa3 8-6-2010
576449AC6	MASTR Asset Backed Securities Trust 2006-HE4	U.S. Central	AAA	Aaa	BB 9-16-2008	B2 10-15-2008	CCC 8-4-2009	Ca 5-5-2010
576449AD4	MASTR Asset Backed Securities Trust 2006-HE4	U.S. Central	AAA	Aaa	B 9-16-2008	B3 10-15-2008	CCC 8-4-2009	Ca 5-5-2010

CUSIP	ISSUING ENTITY	PURCHASER	ORIGINAL RATING S&P	ORIGINAL RATING MOODY'S	First Downgrade Below Investment Grade S&P	First Downgrade Below Investment Grade MOODY'S	RECENT RATING S&P	RECENT RATING MOODY'S
576449AE2	MASTR Asset Backed Securities Trust 2006-HE4	U.S. Central	AA+	Aa1	BB 4-7-2008	Ba2 4-17-2008	D 2-24-2010	C 10-15-2008
57645MAE2	MASTR Asset Backed Securities Trust 2006-WMC4	U.S. Central	AAA	Aaa	BB 4-3-2008	Caa2 10-15-2008	CCC 8-4-2009	Ca 3-20-2009
65538DAB1	Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4	WesCorp	AAA	Aaa	B 8-20-2008	Ca 2-4-2009	D 8-19-2009	C 9-2-2010
75114HAF4	RALI Series 2006-QO5 Trust	WesCorp	AAA	Aaa	CCC 4-15-2009	Ba2 9-3-2008	D 3-23-2010	withdrawn 1-5-2012
75114HAL1	RALI Series 2006-QO5 Trust	WesCorp	AAA	Aaa	CCC 4-15-2009	Ba2 9-3-2008	D 3-23-2010	withdrawn 1-5-2012
751150AH6	RALI Series 2006-QO7 Trust	U.S. Central	AAA	Aaa	BB 10-20-2008	Ca 2-20-2009	D 12-17-2010	Ca 2-20-2009

Table 5
Delinquency and Default Rates for U.S. Central's and WesCorp's RMBS Purchases

CUSIP	ISSUING ENTITY	RATE AT CUT-OFF DATE FOR OFFERING	1 MONTH	3 MOS.	6 MOS.	12 MOS.	RECENT
	Alternative Loan Trust 2006-OA10 Aggregate (P.S. dated June 29, 2006)	Zero. (S-36)	0.00% (July, p.16)	.28% (Sep., p.12)	2.03% (Dec., p.12)	7.44% (June, p.12)	64.44% (July 2012, p.12)
	Alternative Loan Trust 2006-OA10 Group 1	Zero. (S-36)	0.00% (July, p.16)	.51% (Sep., p.12)	2.65% (Dec., p.12)	9.29% (June, p.12)	60.93% (July 2012, p.14)
02146QBB8 02146QBC6	Alternative Loan Trust 2006-OA10 Group 2 *Classes 2-A2 and 2-A3 in Group 2. (S-10)	Zero. (S-36)	0.00% (July, p.16)	.45% (Sep., p.12)	2.87% (Dec., p.12)	9.38% (June, p.12)	61.71% (July 2012, p.16)
02146QBD4 02146QBE2	Alternative Loan Trust 2006-OA10 Group 3 *Classes 3-A2 and 3A3 in Group 3. (S-10)	Zero. (S-36)	0.00% (July, p.16)	.07% (Sep., p.12)	2.51% (Dec., p.12)	8.31% (June, p.12)	60.54% (July 2012, p.18)
02146QBG7	Alternative Loan Trust 2006-OA10 Group 4 *Class 4-A3 in Group 4. (S-10)	Zero. (S-36)	0.00% (July, p.16)	.24% (Sep., p.12)	1.54% (Dec., p.12)	6.18% (June, p.12)	67.98% (July 2012, p.20)
	Alternative Loan Trust 2006-OA8 Aggregate (P.S. dated May 30, 2006)	Zero. (S-33)	.44% (June, p.12)	2.69% (Aug., p.12)	4.79% (Nov., p.12)	7.94% (May, p.12)	62.31% (July 2012, p.12)

CUSIP	ISSUING ENTITY	RATE AT CUT-OFF DATE FOR OFFERING	1 MONTH	3 MOS.	6 MOS.	12 MOS.	RECENT
02147CAC7	Alternative Loan Trust 2006-OA8 Group 1 *Class 1-A3 in Group 1 (S-9)	Zero. (S-33)	.54% (June, p.12)	2.52% (Aug., p.12)	4.97% (Nov., p.12)	7.89% (May, p.12)	56.89% (July 2012, p.14)
02147CAH6	Alternative Loan Trust 2006-OA8 Group 2 *Class 2-A5 in Group 2 (S-9)	Zero. (S-33)	.35% (June, p.12)	2.86% (Aug., p.12)	4.61% (Nov., p.12)	8.00% (May, p.12)	70.01% (July 2012, p.16)
	CHL Mortgage Pass-Through Trust 2006-OA5 Aggregate (P.S. dated February 28, 2006)	Zero. (S-36)	1.15% (Mar., p.13)	3.11% (May, p.13)	2.71% (Aug., p.13)	5.51% (Feb., p.8)	63.86% (July 2012, p.12)
126694M88	CHL Mortgage Pass-Through Trust 2006-OA5 Group 1	Zero. (S-36)	1.55% (Mar., p.15)	3.36% (May, p.15)	2.16% (Aug., p.15)	5.04% (Feb., p.8)	66.71% (July 2012, p.14)
126694N38	CHL Mortgage Pass-Through Trust 2006-OA5 Group 2	Zero. (S-36)	0.30% (Mar., p.17)	3.41% (May, p.17)	3.87% (Aug., p.17)	6.66% (Feb., p.8)	61.40% (July 2012, p.16)
	CHL Mortgage Pass-Through Trust 2006-OA5 Group 3	Zero. (S-36)	1.53% (Mar., p.19)	1.80% (May, p.19)	2.09% (Aug., p.19)	4.61% (Feb., p.8)	63.48% (July 2012, p.18)
	MASTR Adjustable Rate Mortgages Trust 2006-OA2 Aggregate (P.S. dated November 14, 2006)	.05% of the mortgage loans were 30 or more days delinquent. (S-36)	0.89% (Nov., p.12)	3.91% (Jan., p.11)	3.61% (Apr., p.11)	11.35% (Oct., p.11)	53.38% (July 2012, p.11)
	MASTR Adjustable Rate Mortgages Trust 2006-OA2 Group 1	.05% of the mortgage loans were 30 or more days delinquent. (S-36)	0.96% (Nov., p.13)	3.99% (Jan., p.12)	3.67% (Apr., p.12)	11.81% (Oct., p.12)	52.13% (July 2012, p.12)
	MASTR Adjustable Rate Mortgages Trust 2006-OA2 Group 2	.05% of the mortgage loans were 30 or more days delinquent. (S-36)	1.47% (Nov., p.13)	4.77% (Jan., p.12)	4.39% (Apr., p.12)	10.81% (Oct., p.12)	50.91% (July 2012, p.12)
	MASTR Adjustable Rate Mortgages Trust 2006-OA2 Group 3	.05% of the mortgage loans were 30 or more days delinquent. (S-36)	2.06% (Nov., p.14)	3.03% (Jan., p.13)	5.08% (Apr., p.13)	17.24% (Oct., p.13)	63.00% (July 2012, p.13)
55275NAP6	MASTR Adjustable Rate Mortgages Trust 2006-OA2 Group 4 *Class 4-A-2 in Group 4. (S-22-23)	.05% of the mortgage loans were 30 or more days delinquent. (S-36)	0.08% (Nov., p.14)	3.27% (Jan., p.13)	2.58% (Apr., p.13)	10.13% (Oct., p.13)	55.36% (July 2012, p.13)
	MASTR Adjustable Rate Mortgages Trust 2007-1 Aggregate (P.S. dated January 16, 2007)		1.96% (Jan., p.15)	1.38% (Mar., p.16)	1.73% (June, p.16)	7.19% (Dec., p.16)	37.93% (July 2012, p.16)
	MASTR Adjustable Rate Mortgages Trust 2007-1 Group I-1	0.06% of the mortgage loans were 30 or more days delinquent. (S-48)	1.22% (Jan., p.16)	1.13% (Mar., p.17)	1.35% (June, p.17)	6.18% (Dec., p.17)	36.42% (July 2012, p.18)

CUSIP	ISSUING ENTITY	RATE AT CUT-OFF DATE FOR OFFERING	1 MONTH	3 MOS.	6 MOS.	12 MOS.	RECENT
576431AE0 576431AB6	MASTR Adjustable Rate Mortgages Trust 2007-1 Group I-2 * Classes I-2A1 and I-2A4 are in Group I-2. (S-17)	0.06% of the mortgage loans were 30 or more days delinquent. (S-48)	2.37% (Jan., p.16)	1.39% (Mar., p.17)	1.96% (June, p.17)	7.94% (Dec., p.17)	41.14% (July 2012, p.18)
	MASTR Adjustable Rate Mortgages Trust 2007-1 Group 2	1.06% of the mortgage loans were 30 or more days delinquent. (S-48)	0.34% (Jan., p.17)	1.86% (Mar., p.18)	0.60% (June, p.18)	3.05% (Dec., p.18)	11.93% (July 2012, p.19)
57645RAA9	MASTR Adjustable Rate Mortgages Trust 2007-HF1 Aggregate (P.S. dated April 27, 2007)	Zero. (S-30)	4.93% (May, p.9)	6.16% (July, p.9)	11.39% (Oct., p.9)	22.96% (Apr., p.9)	49.10% (July 2012, p. 9)
	MASTR Adjustable Rate Mortgages Trust 2007-HF1 Group 1	Zero. (S-30)	5.19% (May, p.10)	6.06% (July, p.10)	12.41% (Oct, p.10)	23.54% (Apr., p.10)	51.88% (July 2012, p.10)
	MASTR Adjustable Rate Mortgages Trust 2007-HF1 Group 2	Zero. (S-30)	4.08% (May, p.10)	6.48% (July, p.10)	8.14% (Oct. p.10)	21.10% (Apr., p.10)	41.19% (July 2012, p.10)
576449AE2 576449AC6 576449AD4	MASTR Asset Backed Securities Trust 2006-HE4 Aggregate (P.S. dated November 15, 2006)		1.33% (Dec., p.10)	4.00% (Feb., p.10)	8.79% (May, p.10)	23.44% (Nov., p.10)	38.10% (July 2012, p.9)
	MASTR Asset Backed Securities Trust 2006-HE4 Group 1		1.00% (Dec., p.12)	2.49% (Feb., p.12)	4.95% (May, p.12)	15.80% (Nov., p.12)	25.84% (July 2012, p.10)
	MASTR Asset Backed Securities Trust 2006-HE4 Group 2		1.36% (Dec., p.12)	4.14% (Feb., p.12)	10.61% (May, p.12)	27.25% (Nov., p.12)	49.62% (July 2012, p.10)
	MASTR Asset Backed Securities Trust 2006-HE4 Group 3		1.51% (Dec., p.13)	4.89% (Feb., p.13)	8.05% (May, p.13)	21.63% (Nov., p.13)	31.77% (July 2012, p.11)
	MASTR Asset Backed Securities Trust 2006-WMC4 Aggregate (P.S. dated November 3, 2006)		3.53% (Dec., p.11)	7.53% (Feb., p.11)	13.40% (May, p.11)	26.48% (Nov., p.11)	45.82% (July 2012, p.10)
	MASTR Asset Backed Securities Trust 2006-WMC4 Group 1		1.58% (Dec., p.12)	3.88% (Feb., p12)	5.81% (May, p.13)	13.59% (Nov., p.13)	42.00% (July 2012, p.11)
57645MAE2	MASTR Asset Backed Securities Trust 2006-WMC4 Group 2 *Class A-5 in Group 2. (Section-“Offered Certificates”)		3.68% (Dec. p.12)	5.25% (Feb., p.12)	13.99% (May, p.13)	14.37% (Nov., p.13)	52.95% (July 2012, p.11)
	MASTR Asset Backed Securities Trust 2006-WMC4 Group 3		2.92% (Dec., p.13)	7.59% (Feb., p.13)	12.06% (May, p.14)	27.24% (Nov., p.14)	51.08% (July 2012, p.12)

CUSIP	ISSUING ENTITY	RATE AT CUT-OFF DATE FOR OFFERING	1 MONTH	3 MOS.	6 MOS.	12 MOS.	RECENT
	MASTR Asset Backed Securities Trust 2006-WMC4 Group 4		2.55% (Dec. p.13)	5.43% (Feb., p.13)	8.78% (May, p.14)	14.51% (Nov., p.14)	35.88% (July 2012, p.12)
	MASTR Asset Backed Securities Trust 2006-WMC4 Group 5		2.08% (Dec. p.14)	6.57% (Feb., p.14)	10.47% (May, p.15)	20.90% (Nov., p.15)	47.63% (July 2012, p.13)
	MASTR Asset Backed Securities Trust 2006-WMC4 Group 6		4.60% (Dec., p.14)	9.21% (Feb., p.14)	17.41% (May, p.15)	33.96% (Nov., p.15)	49.75% (July 2012, p.13)
65538DAB1	Nomura Asset Acceptance Corp. Alternative Loan Trust, Series 2006-AR4 (P.S. dated November 30, 2006)	Zero. (S-34)	0.27% (Dec. p.9)	2.69% (Feb., p.9)	7.33% (Dec., p.9)	17.63% (Nov., p.9)	40.61% (July 2012, p. 9)
	RALI Series 2006-QO5 Trust Aggregate (P.S. dated May 26, 2006)		1.04% (June, p.10)	2.03% (Aug., p.10)	2.31% (Nov., p.10)	6.54% (May, p.10)	45.76% (July 2012, p.11)
	RALI Series 2006-QO5 Trust Group 1	Zero. (S-49)	1.33% (June, p.11)	2.03% (Aug., p.11)	2.38% (Nov., p.11)	5.41% (May, p.11)	44.93% (July 2012, p.12)
75114HAF4	RALI Series 2006-QO5 Trust Group 2 *Class II-A-3 is in Group 2. (S-32)	Zero. (S-52)	1.03% (June, p.12)	2.06% (Aug., p.12)	2.69% (Nov., p.12)	8.06% (May, p.12)	47.37% (July 2012, p.13)
75114HAL1	RALI Series 2006-QO5 Trust Group 3 *Class III-A-5 is in Group 3. (S-32)	Zero. (S-55)	0.59% (June, p.13)	1.99% (Aug., p.13)	1.64% (Nov., p.13)	5.58% (May, p.13)	43.74% (July 2012, p.14)
	RALI Series 2006-QO7 Trust Aggregate (P.S. dated September 29, 2006)		1.53% (Oct., p.10)	2.75% (Dec., p.10)	4.14% (Mar., p.10)	10.53% (Sep., p.10)	45.26% (July 2012, p.11)
	RALI Series 2006-QO7 Trust Group 1	Zero. (S-48)	2.09% (Oct. p.11)	2.73% (Dec., p.11)	3.71% (Mar., p.11)	9.52% (Sep., p.11)	40.71% (July 2012, p.12)
	RALI Series 2006-QO7 Trust Group 2	Zero. (S-50)	1.32% (Oct., p.12)	2.58% (Dec., p.12)	4.85% (Mar., p.12)	12.12% (Sep., p.12)	45.71% (July 2012, p.13)
751150AH6	RALI Series 2006-QO7 Trust Group 3	Zero. (S-52)	0.96% (Oct., p.13)	2.94% (Dec., p.13)	4.00% (Mar., p.13)	10.19% (Sep., p.13)	52.61% (July 2012, p.14)

Table 6
Originator "Originate-to-Distribute" Percentages

Originator	OTD % 2005	OTD% 2006	OTD % 2007
American Home Mortgage Corp.	91.9	62.4	
American Home Mortgage Investment Corp.	100	100	100
Countrywide Home Loans, Inc.	98.5	96.5	98.4
Decision One Mortgage Company	97.5	88.2	97.3
EquiFirst Corporation	85.2	91.0	93.6
Everbank	86.6	83.0	85.0
First National Bank of Nevada	88.0	79.8	89.4
Homecomings Financial Network, Inc.	97.4	97.9	99.9
IndyMac Bank, F.S.B.	81.1	87.7	82.8
LIME Financial Services, Ltd.	65.6	88.0	99.3
OwnIt Mortgage Solutions, Inc.	100		
WMC Mortgage Corp.	100	100	100

Table 7
Purchases Subject to Tolling Under American Pipe

CUSIP	ISSUING ENTITY	PURCAHSER	TRADE DATE	AMERICAN PIPE TOLLING COMMENCEMENT DATE
02147CAC7	Alternative Loan Trust 2006-OA8	WesCorp	24-May-06	*Luther v. Countrywide,* No. BC380698 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 14, 2007** Removed to No. 12-5125 (C.D.C.A) *Washington v. Countrywide,* No. BC392571 (Cal. Super. Ct. L.A. County) Complaint **Filed: June 12, 2008** consolidated into *Luther v. Countrywide,* No. BC380698 (Cal. Super. Ct. L.A. County - Removed to No. 12-5125 (C.D.C.A)) *Maine v. Countrywide,* No. 10-302 (C.D.C.A.) Complaint **Filed: January 14, 2010** *Western Conference of Teamsters v. Countrywide,* No. BC449726 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 17, 2010** Removed to No. 12-5122 (C.D.C.A)

CUSIP	ISSUING ENTITY	PURCAHSER	TRADE DATE	AMERICAN PIPE TOLLING COMMENCEMENT DATE
02147CAH6	Alternative Loan Trust 2006-OA8	WesCorp	24-May-06	*Luther v. Countrywide,* No. BC380698 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 14, 2007** Removed to No. 12-5125 (C.D.C.A) *Washington v. Countrywide,* No. BC392571 (Cal. Super. Ct. L.A. County) Complaint **Filed: June 12, 2008** consolidated into *Luther v. Countrywide,* No. BC380698 (Cal. Super. Ct. L.A. County - Removed to No. 12-5125 (C.D.C.A)) *Maine v. Countrywide,* No. 10-302 (C.D.C.A.) Complaint **Filed: January 14, 2010** *Western Conference of Teamsters v. Countrywide,* No. BC449726 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 17, 2010** Removed to No. 12-5122 (C.D.C.A.)
75114HAF4	RALI Series 2006-QO5 Trust	WesCorp	19-May-06	*New Jersey Carpenters v. RALI,* No. 08-602727 (New York State Sup. Ct.) Complaint **Filed: September 22, 2008** Removed to No. 08-8781 (S.D.N.Y.)
75114HAL1	RALI Series 2006-QO5 Trust	WesCorp	19-May-06	*New Jersey Carpenters v. RALI,* No. 08-602727 (New York State Sup. Ct.) Complaint **Filed: September 22, 2008** Removed to No. 08-8781 (S.D.N.Y.)

CUSIP	ISSUING ENTITY	PURCAHSER	TRADE DATE	AMERICAN PIPE TOLLING COMMENCEMENT DATE
751150AH6	RALI Series 2006-QO7 Trust	US Central	5-Oct-06	*New Jersey Carpenters v. RALI,* No. 08-602727 (New York State Sup. Ct.) Complaint **Filed: September 22, 2008** Removed to No. 08-8781 (S.D.N.Y.)
02146QBB8	Alternative Loan Trust 2006-OA10	WesCorp	13-Sep-06	*Luther v. Countrywide,* No. BC380698 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 14, 2007** Removed to No. 12-5125 (C.D.C.A) *Washington v. Countrywide,* No. BC392571 (Cal. Super. Ct. L.A. County) Complaint **Filed: June 12, 2008** consolidated into *Luther v. Countrywide,* No. BC380698 (Cal. Super. Ct. L.A. County - Removed to No. 12-5125 (C.D.C.A)) *Maine v. Countrywide,* No. 10-302 (C.D.C.A.) Complaint **Filed: January 14, 2010** *Western Conference of Teamsters v. Countrywide,* No. BC449726 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 17, 2010** Removed to No. 12-5122 (C.D.C.A.)

CUSIP	ISSUING ENTITY	PURCAHSER	TRADE DATE	AMERICAN PIPE TOLLING COMMENCEMENT DATE
02146QBC6	Alternative Loan Trust 2006-OA10	WesCorp	18-Jul-06	*Luther v. Countrywide,* No. BC380698 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 14, 2007** Removed to No. 12-5125 (C.D.C.A) *Washington v. Countrywide,* No. BC392571 (Cal. Super. Ct. L.A. County) Complaint **Filed: June 12, 2008** consolidated into *Luther v. Countrywide,* No. BC380698 (Cal. Super. Ct. L.A. County - Removed to No. 12-5125 (C.D.C.A)) *Maine v. Countrywide,* No. 10-302 (C.D.C.A.) Complaint **Filed: January 14, 2010** *Western Conference of Teamsters v. Countrywide,* No. BC449726 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 17, 2010** Removed to No. 12-5122 (C.D.C.A.)
02146QBD4	Alternative Loan Trust 2006-OA10	US Central	22-Aug-06	*Luther v. Countrywide,* No. BC380698 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 14, 2007** Removed to No. 12-5125 (C.D.C.A) *Washington v. Countrywide,* No. BC392571 (Cal. Super. Ct. L.A. County) Complaint **Filed: June 12, 2008** consolidated into *Luther v. Countrywide,* No. BC380698 (Cal. Super. Ct. L.A. County - Removed to No. 12-5125 (C.D.C.A)) *Maine v. Countrywide,* No. 10-302 (C.D.C.A.) Complaint **Filed: January 14, 2010** *Western Conference of Teamsters v. Countrywide,* No. BC449726 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 17, 2010** Removed to No. 12-5122 (C.D.C.A.)

CUSIP	ISSUING ENTITY	PURCAHSER	TRADE DATE	AMERICAN PIPE TOLLING COMMENCEMENT DATE
02146QBE2	Alternative Loan Trust 2006-OA10	WesCorp	18-Jul-06	*Luther v. Countrywide,* No. BC380698 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 14, 2007** Removed to No. 12-5125 (C.D.C.A) *Washington v. Countrywide,* No. BC392571 (Cal. Super. Ct. L.A. County) Complaint **Filed: June 12, 2008** consolidated into *Luther v. Countrywide,* No. BC380698 (Cal. Super. Ct. L.A. County - Removed to No. 12-5125 (C.D.C.A)) *Maine v. Countrywide,* No. 10-302 (C.D.C.A.) Complaint **Filed: January 14, 2010** *Western Conference of Teamsters v. Countrywide,* No. BC449726 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 17, 2010** Removed to No. 12-5122 (C.D.C.A.)
02146QBG7	Alternative Loan Trust 2006-OA10	WesCorp	7-Jul-06	*Luther v. Countrywide,* No. BC380698 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 14, 2007** Removed to No. 12-5125 (C.D.C.A) *Washington v. Countrywide,* No. BC392571 (Cal. Super. Ct. L.A. County) Complaint **Filed: June 12, 2008** consolidated into *Luther v. Countrywide,* No. BC380698 (Cal. Super. Ct. L.A. County - Removed to No. 12-5125 (C.D.C.A)) *Maine v. Countrywide,* No. 10-302 (C.D.C.A.) Complaint **Filed: January 14, 2010** *Western Conference of Teamsters v. Countrywide,* No. BC449726 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 17, 2010** Removed to No. 12-5122 (C.D.C.A.)

CUSIP	ISSUING ENTITY	PURCAHSER	TRADE DATE	AMERICAN PIPE TOLLING COMMENCEMENT DATE
02146QBG7	Alternative Loan Trust 2006-OA10	WesCorp	9-Jan-07	*Luther v. Countrywide,* No. BC380698 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 14, 2007** Removed to No. 12-5125 (C.D.C.A) *Washington v. Countrywide,* No. BC392571 (Cal. Super. Ct. L.A. County) Complaint **Filed: June 12, 2008** consolidated into *Luther v. Countrywide,* No. BC380698 (Cal. Super. Ct. L.A. County - Removed to No. 12-5125 (C.D.C.A)) *Maine v. Countrywide,* No. 10-302 (C.D.C.A.) Complaint **Filed: January 14, 2010** *Western Conference of Teamsters v. Countrywide,* No. BC449726 (Cal. Super. Ct. L.A. County) Complaint **Filed: November 17, 2010** Removed to No. 12-5122 (C.D.C.A.)
65538DAB1	Nomura Asset Acceptance Corporation, Alternative Loan Trust, Series 2006-AR4	WesCorp	17-Nov-06	*Plumbers Union Local 12 v. Nomura,* No. 08-0544 (Commonwealth of M.A.) Complaint **Filed: January 31, 2008** Removed to No. 08-10446 (Dist. of M.A.)

APPENDIX B

Figure 1

Illustration of the Securitization Process

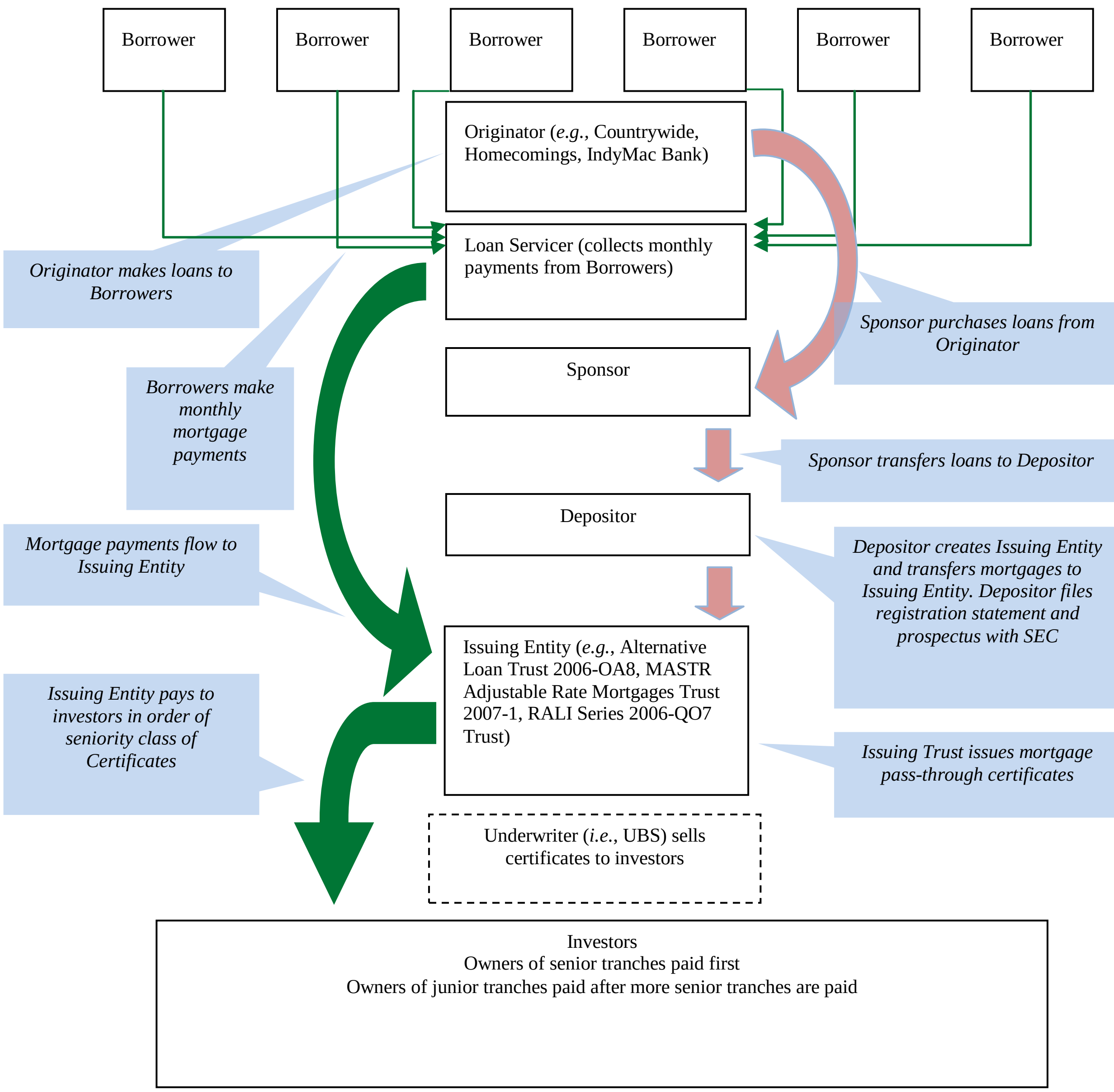
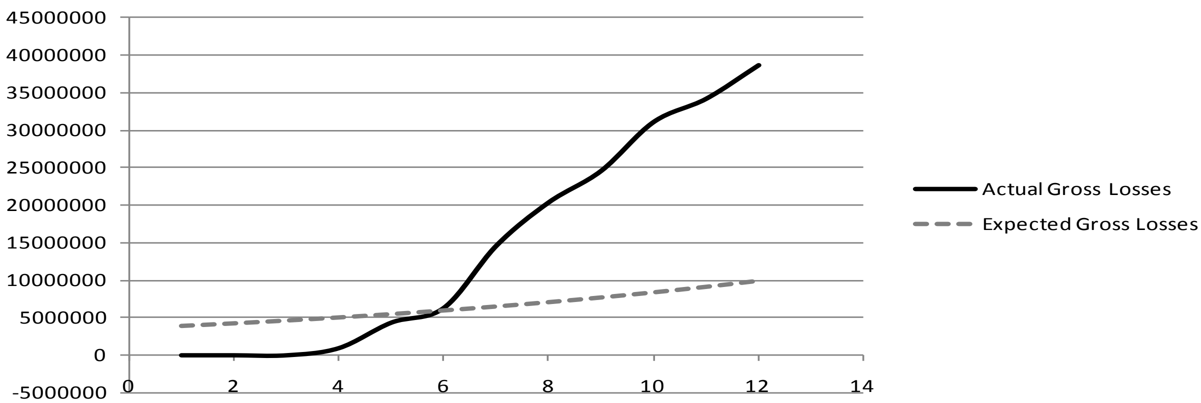


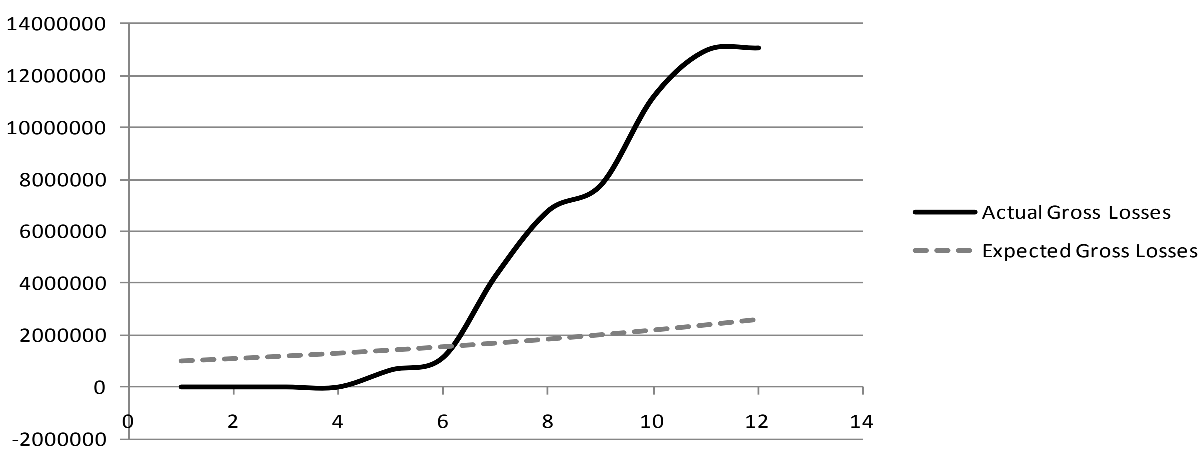
Figure 2

Illustration of Expected Gross Losses v. Actual Gross Losses for U.S. Central's and WesCorp's RMBS Purchases

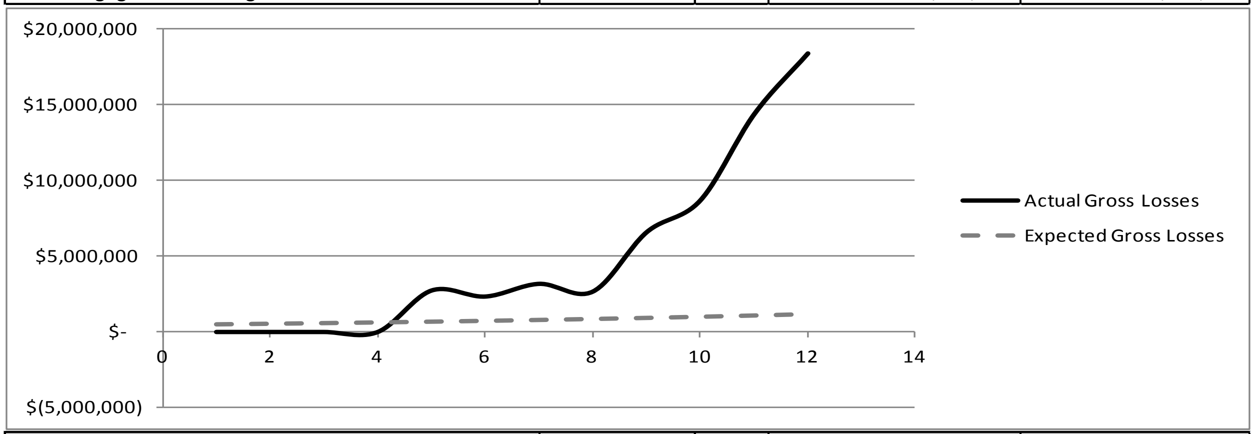
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Alternative Loan Trust 2006-OA10	38222	1	$ -	$ 3,793,025
Alternative Loan Trust 2006-OA10	38222	2	$ -	$ 4,142,932
Alternative Loan Trust 2006-OA10	38222	3	$ -	$ 4,524,384
Alternative Loan Trust 2006-OA10	38222	4	$ 958,355	$ 4,940,084
Alternative Loan Trust 2006-OA10	38222	5	$ 4,356,734	$ 5,392,939
Alternative Loan Trust 2006-OA10	38222	6	$ 6,315,733	$ 5,886,072
Alternative Loan Trust 2006-OA10	38222	7	$ 14,600,790	$ 6,422,830
Alternative Loan Trust 2006-OA10	38222	8	$ 20,380,161	$ 7,006,793
Alternative Loan Trust 2006-OA10	38222	9	$ 24,585,362	$ 7,641,784
Alternative Loan Trust 2006-OA10	38222	10	$ 31,093,635	$ 8,331,872
Alternative Loan Trust 2006-OA10	38222	11	$ 34,180,416	$ 9,081,378
Alternative Loan Trust 2006-OA10	38222	12	$ 38,652,390	$ 9,894,875



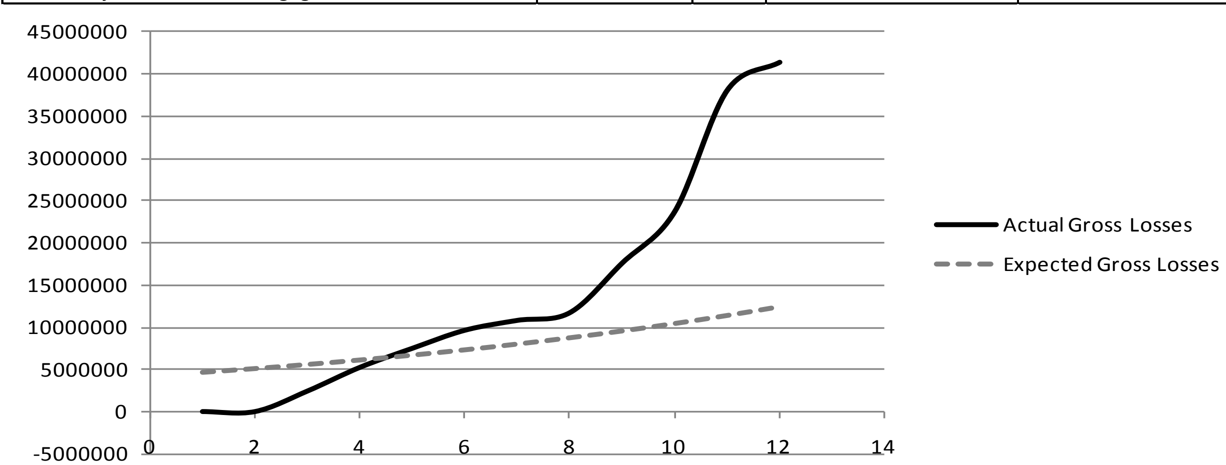
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Alternative Loan Trust 2006-OA8	38300	1	$ -	$ 1,000,316
Alternative Loan Trust 2006-OA8	38300	2	$ -	$ 1,092,596
Alternative Loan Trust 2006-OA8	38300	3	$ -	$ 1,193,194
Alternative Loan Trust 2006-OA8	38300	4	$ -	$ 1,302,825
Alternative Loan Trust 2006-OA8	38300	5	$ 656,425	$ 1,422,254
Alternative Loan Trust 2006-OA8	38300	6	$ 1,157,470	$ 1,552,305
Alternative Loan Trust 2006-OA8	38300	7	$ 4,306,780	$ 1,693,862
Alternative Loan Trust 2006-OA8	38300	8	$ 6,795,283	$ 1,847,868
Alternative Loan Trust 2006-OA8	38300	9	$ 7,781,326	$ 2,015,331
Alternative Loan Trust 2006-OA8	38300	10	$ 11,174,184	$ 2,197,325
Alternative Loan Trust 2006-OA8	38300	11	$ 12,957,349	$ 2,394,988
Alternative Loan Trust 2006-OA8	38300	12	$ 13,058,280	$ 2,609,528



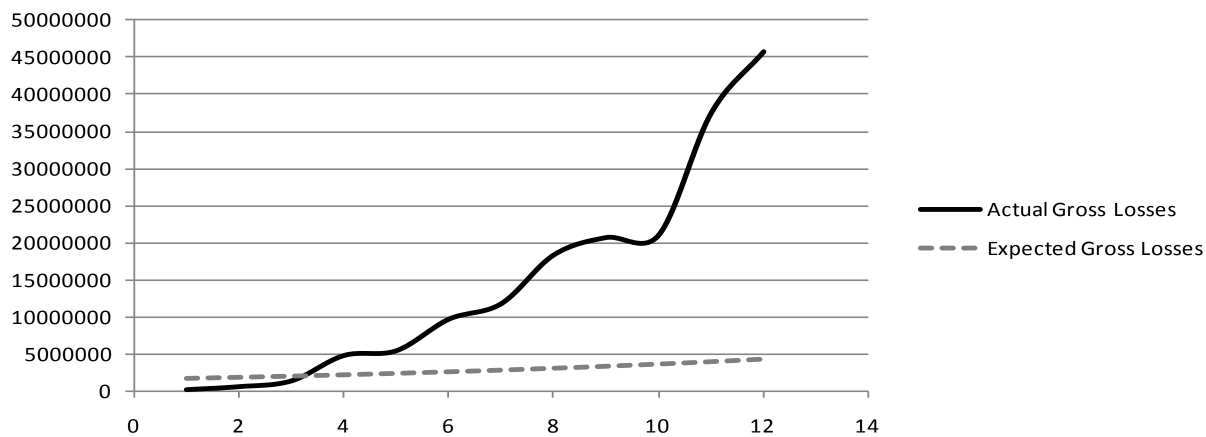
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
CHL Mortgage Pass Through Trust 2006-OA5	37169	1	$ -	$ 436,064
CHL Mortgage Pass Through Trust 2006-OA5	37169	2	$ -	$ 476,291
CHL Mortgage Pass Through Trust 2006-OA5	37169	3	$ -	$ 520,145
CHL Mortgage Pass Through Trust 2006-OA5	37169	4	$ -	$ 567,936
CHL Mortgage Pass Through Trust 2006-OA5	37169	5	$ 2,730,487	$ 619,998
CHL Mortgage Pass Through Trust 2006-OA5	37169	6	$ 2,334,269	$ 676,691
CHL Mortgage Pass Through Trust 2006-OA5	37169	7	$ 3,170,338	$ 738,399
CHL Mortgage Pass Through Trust 2006-OA5	37169	8	$ 2,660,705	$ 805,535
CHL Mortgage Pass Through Trust 2006-OA5	37169	9	$ 6,567,929	$ 878,536
CHL Mortgage Pass Through Trust 2006-OA5	37169	10	$ 8,666,877	$ 957,872
CHL Mortgage Pass Through Trust 2006-OA5	37169	11	$ 14,336,824	$ 1,044,039
CHL Mortgage Pass Through Trust 2006-OA5	37169	12	$ 18,346,571	$ 1,137,562



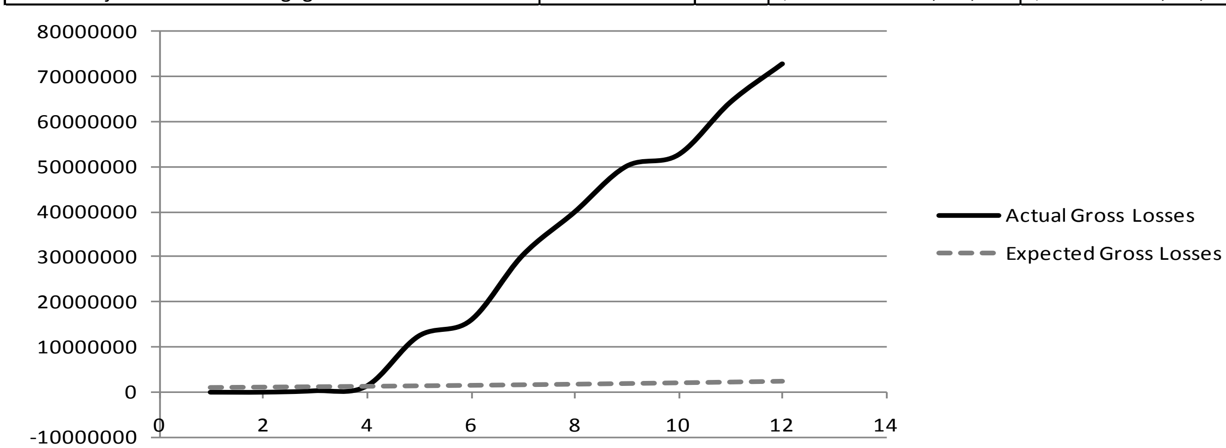
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
MASTR Adjustable Rate Mortgages Trust 2006-OA2	39369	1	$ -	$ 4,745,418
MASTR Adjustable Rate Mortgages Trust 2006-OA2	39369	2	$ -	$ 5,183,183
MASTR Adjustable Rate Mortgages Trust 2006-OA2	39369	3	$ 2,433,463	$ 5,660,414
MASTR Adjustable Rate Mortgages Trust 2006-OA2	39369	4	$ 5,239,079	$ 6,180,492
MASTR Adjustable Rate Mortgages Trust 2006-OA2	39369	5	$ 7,494,157	$ 6,747,054
MASTR Adjustable Rate Mortgages Trust 2006-OA2	39369	6	$ 9,627,388	$ 7,364,008
MASTR Adjustable Rate Mortgages Trust 2006-OA2	39369	7	$ 10,797,333	$ 8,035,541
MASTR Adjustable Rate Mortgages Trust 2006-OA2	39369	8	$ 11,708,941	$ 8,766,132
MASTR Adjustable Rate Mortgages Trust 2006-OA2	39369	9	$ 17,593,434	$ 9,560,564
MASTR Adjustable Rate Mortgages Trust 2006-OA2	39369	10	$ 23,682,127	$ 10,423,926
MASTR Adjustable Rate Mortgages Trust 2006-OA2	39369	11	$ 38,036,076	$ 11,361,625
MASTR Adjustable Rate Mortgages Trust 2006-OA2	39369	12	$ 41,362,686	$ 12,379,384



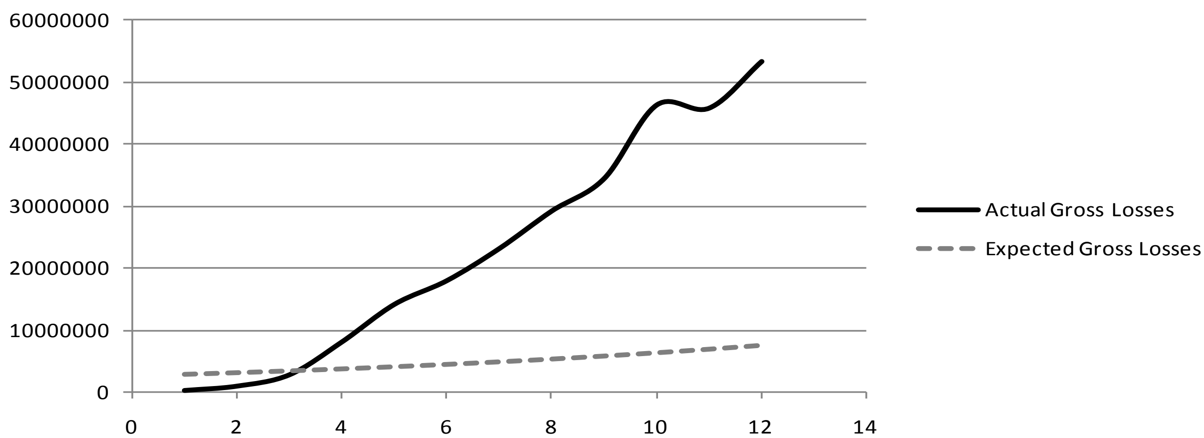
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
MASTR Adjustable Rate Mortgages Trust 2007-1	40030	1	$ 291,657	$ 1,696,281
MASTR Adjustable Rate Mortgages Trust 2007-1	40030	2	$ 698,015	$ 1,852,763
MASTR Adjustable Rate Mortgages Trust 2007-1	40030	3	$ 1,475,637	$ 2,023,353
MASTR Adjustable Rate Mortgages Trust 2007-1	40030	4	$ 4,887,779	$ 2,209,258
MASTR Adjustable Rate Mortgages Trust 2007-1	40030	5	$ 5,532,023	$ 2,411,780
MASTR Adjustable Rate Mortgages Trust 2007-1	40030	6	$ 9,773,118	$ 2,632,314
MASTR Adjustable Rate Mortgages Trust 2007-1	40030	7	$ 11,863,547	$ 2,872,358
MASTR Adjustable Rate Mortgages Trust 2007-1	40030	8	$ 18,415,018	$ 3,133,512
MASTR Adjustable Rate Mortgages Trust 2007-1	40030	9	$ 20,753,374	$ 3,417,487
MASTR Adjustable Rate Mortgages Trust 2007-1	40030	10	$ 21,085,273	$ 3,726,102
MASTR Adjustable Rate Mortgages Trust 2007-1	40030	11	$ 37,494,902	$ 4,061,289
MASTR Adjustable Rate Mortgages Trust 2007-1	40030	12	$ 45,748,642	$ 4,425,093



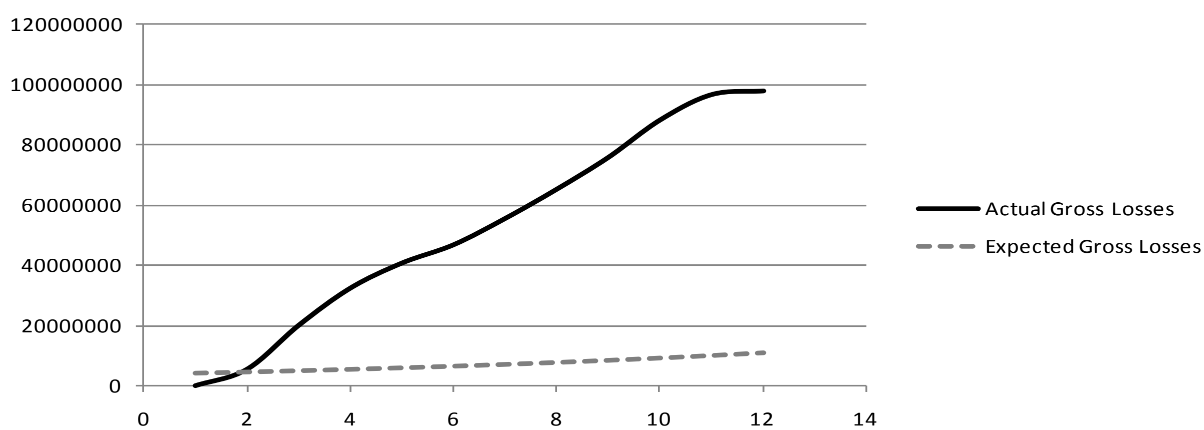
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
MASTR Adjustable Rate Mortgages Trust 2007-HF1	40918	1	$ -	$ 872,002
MASTR Adjustable Rate Mortgages Trust 2007-HF1	40918	2	$ -	$ 952,444
MASTR Adjustable Rate Mortgages Trust 2007-HF1	40918	3	$ 316,800	$ 1,040,138
MASTR Adjustable Rate Mortgages Trust 2007-HF1	40918	4	$ 1,333,920	$ 1,135,706
MASTR Adjustable Rate Mortgages Trust 2007-HF1	40918	5	$ 12,396,272	$ 1,239,816
MASTR Adjustable Rate Mortgages Trust 2007-HF1	40918	6	$ 15,850,378	$ 1,353,185
MASTR Adjustable Rate Mortgages Trust 2007-HF1	40918	7	$ 30,233,385	$ 1,476,584
MASTR Adjustable Rate Mortgages Trust 2007-HF1	40918	8	$ 39,822,564	$ 1,610,835
MASTR Adjustable Rate Mortgages Trust 2007-HF1	40918	9	$ 49,991,742	$ 1,756,817
MASTR Adjustable Rate Mortgages Trust 2007-HF1	40918	10	$ 52,541,584	$ 1,915,465
MASTR Adjustable Rate Mortgages Trust 2007-HF1	40918	11	$ 64,148,685	$ 2,087,774
MASTR Adjustable Rate Mortgages Trust 2007-HF1	40918	12	$ 72,674,296	$ 2,274,793



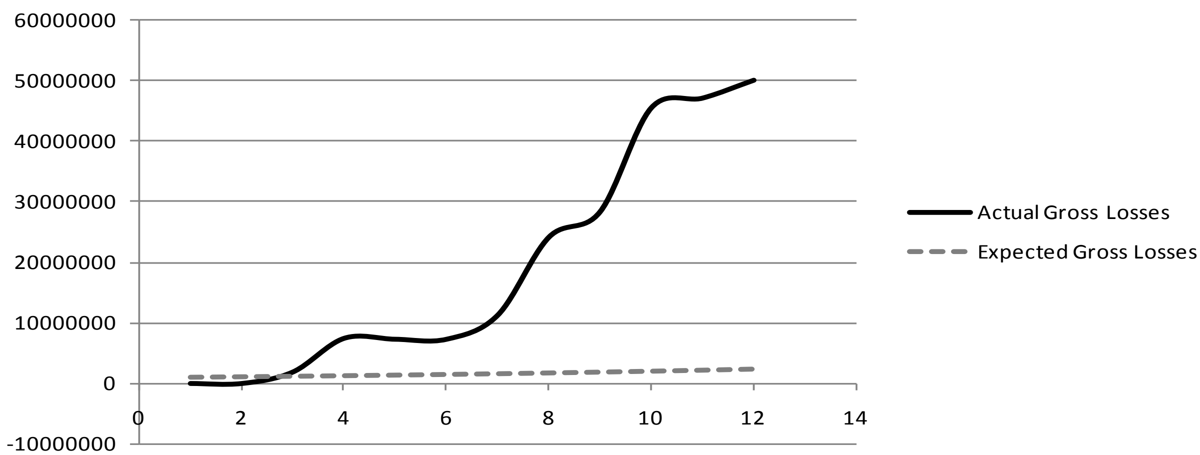
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
MASTR Asset Backed Securities Trust 2006-HE4	39528	1	$ 194,067	$ 2,891,229
MASTR Asset Backed Securities Trust 2006-HE4	39528	2	$ 895,542	$ 3,157,945
MASTR Asset Backed Securities Trust 2006-HE4	39528	3	$ 2,736,324	$ 3,448,706
MASTR Asset Backed Securities Trust 2006-HE4	39528	4	$ 8,052,605	$ 3,765,573
MASTR Asset Backed Securities Trust 2006-HE4	39528	5	$ 14,131,911	$ 4,110,761
MASTR Asset Backed Securities Trust 2006-HE4	39528	6	$ 17,969,292	$ 4,486,651
MASTR Asset Backed Securities Trust 2006-HE4	39528	7	$ 23,163,965	$ 4,895,794
MASTR Asset Backed Securities Trust 2006-HE4	39528	8	$ 29,242,014	$ 5,340,920
MASTR Asset Backed Securities Trust 2006-HE4	39528	9	$ 34,505,852	$ 5,824,941
MASTR Asset Backed Securities Trust 2006-HE4	39528	10	$ 46,397,550	$ 6,350,959
MASTR Asset Backed Securities Trust 2006-HE4	39528	11	$ 45,892,962	$ 6,922,269
MASTR Asset Backed Securities Trust 2006-HE4	39528	12	$ 53,437,126	$ 7,542,356



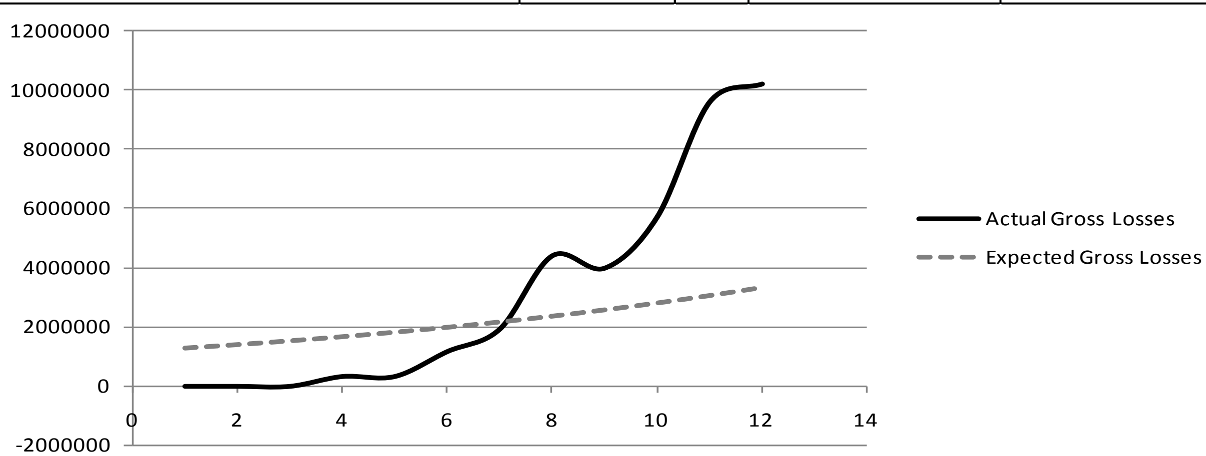
Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
MASTR Asset Backed Securities Trust 2006-WMC4	39529	1	$ -	$ 4,169,881
MASTR Asset Backed Securities Trust 2006-WMC4	39529	2	$ 5,460,786	$ 4,554,553
MASTR Asset Backed Securities Trust 2006-WMC4	39529	3	$ 20,046,274	$ 4,973,904
MASTR Asset Backed Securities Trust 2006-WMC4	39529	4	$ 32,387,284	$ 5,430,906
MASTR Asset Backed Securities Trust 2006-WMC4	39529	5	$ 40,722,743	$ 5,928,754
MASTR Asset Backed Securities Trust 2006-WMC4	39529	6	$ 46,797,763	$ 6,470,882
MASTR Asset Backed Securities Trust 2006-WMC4	39529	7	$ 55,534,566	$ 7,060,970
MASTR Asset Backed Securities Trust 2006-WMC4	39529	8	$ 65,260,773	$ 7,702,953
MASTR Asset Backed Securities Trust 2006-WMC4	39529	9	$ 75,842,136	$ 8,401,034
MASTR Asset Backed Securities Trust 2006-WMC4	39529	10	$ 88,234,465	$ 9,159,685
MASTR Asset Backed Securities Trust 2006-WMC4	39529	11	$ 96,659,587	$ 9,983,658
MASTR Asset Backed Securities Trust 2006-WMC4	39529	12	$ 97,860,693	$ 10,877,980



Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4	39723	1	$ -	$ 881,637
Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4	39723	2	$ -	$ 962,968
Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4	39723	3	$ 1,901,772	$ 1,051,631
Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4	39723	4	$ 7,464,605	$ 1,148,255
Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4	39723	5	$ 7,310,855	$ 1,253,515
Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4	39723	6	$ 7,310,855	$ 1,368,137
Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4	39723	7	$ 11,290,671	$ 1,492,899
Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4	39723	8	$ 24,181,875	$ 1,628,633
Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4	39723	9	$ 28,385,840	$ 1,776,228
Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4	39723	10	$ 45,560,714	$ 1,936,629
Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4	39723	11	$ 47,163,113	$ 2,110,842
Nomura Asset Acceptance Corp., Alternative Loan Trust, Series 2006-AR4	39723	12	$ 50,115,861	$ 2,299,928



Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
RALI Series 2006-QO5 Trust	37935	1	$ -	$ 1,267,520
RALI Series 2006-QO5 Trust	37935	2	$ -	$ 1,384,449
RALI Series 2006-QO5 Trust	37935	3	$ -	$ 1,511,919
RALI Series 2006-QO5 Trust	37935	4	$ 331,069	$ 1,650,834
RALI Series 2006-QO5 Trust	37935	5	$ 332,144	$ 1,802,165
RALI Series 2006-QO5 Trust	37935	6	$ 1,172,443	$ 1,966,956
RALI Series 2006-QO5 Trust	37935	7	$ 1,931,460	$ 2,146,325
RALI Series 2006-QO5 Trust	37935	8	$ 4,401,549	$ 2,341,469
RALI Series 2006-QO5 Trust	37935	9	$ 3,985,282	$ 2,553,665
RALI Series 2006-QO5 Trust	37935	10	$ 5,711,938	$ 2,784,272
RALI Series 2006-QO5 Trust	37935	11	$ 9,584,892	$ 3,034,735
RALI Series 2006-QO5 Trust	37935	12	$ 10,194,000	$ 3,306,583



Issuing Entity	ABSNet Deal Id	Month	Actual Gross Losses	Expected Gross Losses
RALI Series 2006-QO7 Trust	39038	1	$ 1,361,874	$ 1,674,122
RALI Series 2006-QO7 Trust	39038	2	$ 1,540,094	$ 1,828,560
RALI Series 2006-QO7 Trust	39038	3	$ 1,544,454	$ 1,996,921
RALI Series 2006-QO7 Trust	39038	4	$ 3,925,876	$ 2,180,397
RALI Series 2006-QO7 Trust	39038	5	$ 4,889,516	$ 2,380,273
RALI Series 2006-QO7 Trust	39038	6	$ 6,419,153	$ 2,597,927
RALI Series 2006-QO7 Trust	39038	7	$ 9,996,132	$ 2,834,835
RALI Series 2006-QO7 Trust	39038	8	$ 11,711,867	$ 3,092,578
RALI Series 2006-QO7 Trust	39038	9	$ 15,695,580	$ 3,372,843
RALI Series 2006-QO7 Trust	39038	10	$ 13,535,551	$ 3,677,426
RALI Series 2006-QO7 Trust	39038	11	$ 15,666,991	$ 4,008,234
RALI Series 2006-QO7 Trust	39038	12	$ 26,364,992	$ 4,367,286