

## **SETTLEMENT AGREEMENT AND CONSENT ORDER**

### **PHH MORTGAGE CORPORATION**

**WHEREAS**, PHH Mortgage Corporation (“PHH”) is a privately held New Jersey corporation with its principal place of business located in Mount Laurel, New Jersey and an assigned NMLS identifier number of 2726.

**WHEREAS**, the States of Alabama, Alaska, Arizona, Arkansas, California, Connecticut, Delaware, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Maryland, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, , North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Washington, West Virginia, Wisconsin, Wyoming, the Commonwealths of Kentucky, Massachusetts, Pennsylvania and Virginia, and the District of Columbia (individually, a “Participating State,” and collectively, the “Participating States”) have each agreed, through its respective state mortgage regulatory agency, to negotiate and enter into this Settlement Agreement and Consent Order (hereinafter referred to as the “Agreement”).

**WHEREAS**, the state mortgage regulators of the Participating States (hereinafter referred to individually as a “State Mortgage Regulator,” and collectively as the “State Mortgage Regulators”) are respective members of the Conference of State Bank Supervisors (“CSBS”) and the American Association of Residential Mortgage Regulators (“AARMR”) and have agreed to address enforcement concerns with PHH in a collective and coordinated manner, working through the Multi-State Mortgage Committee (“MMC”). The State Mortgage Regulators and PHH are collectively referred to herein as the “Parties.”

**WHEREAS**, PHH is licensed as a mortgage broker, lender, and/or servicer under the respective laws of each Participating State.

**WHEREAS**, on or about December 20, 2010, the State Mortgage Regulators, as

coordinated by the MMC, commenced a multi-state mortgage loan servicing examination (the “Multi-State Examination”) of PHH covering the period of January 1, 2008 to December 31, 2010, in order to determine PHH’s compliance with applicable State and Federal laws and regulations, financial condition, and the adequacy of policies and procedures and the control and supervision of the licensed mortgage loan servicing operations. The Multi-State Examination was conducted by the State Mortgage Regulators from the states of Arizona, Georgia, Louisiana, Massachusetts, and New York. The Multi-State Examination of PHH was conducted pursuant to their respective statutory authorities, and in accordance with the protocols established by the CSBS/AARMR Nationwide Cooperative Protocol for Mortgage Supervision as well as the Nationwide Cooperative Agreement for Mortgage Supervision. A concurrent mortgage servicing examination of PHH was conducted by the Florida Office of Financial Regulation.

**WHEREAS**, Reports of Examination and related inquiries and investigations by the State Mortgage Regulators identified practices that may otherwise violate the laws and regulations of the Participating States and related federal law, including, but not limited to, the allegations and releases that are the basis of this Agreement, which specifically include:

- 1) Lack of controls related to document execution, including, unauthorized execution, inconsistent signatures, faulty assignment, improper certification and notarization, and other related practices affecting the integrity of documents relied upon in the foreclosure process;
- 2) Deficiencies in servicing, foreclosure, loan modification, and other loss mitigation processes;
- 3) Deficiencies related to internal controls, including inadequate staffing levels and lack of independence;
- 4) Deficiencies in control and oversight of third-party providers, particularly local foreclosure counsel; and
- 5) Deficiencies in document maintenance processes, including but not limited

to, failure to retain required documents and failure to produce documents requested in tandem with the examinations.

**WHEREAS**, the State Mortgage Regulators and PHH enter into this Agreement with the understanding that the State Attorneys Generals, as plaintiffs, have entered a Consent Judgment with PHH in the United States District Court for the District of Columbia (the “Consent Judgment”) in coordination with this Agreement.

**WHEREAS**, this Agreement incorporates common terms and conditions to that of the Consent Judgment, including certain exhibits herein, which are fully integrated into this Agreement. It is further understood that the common terms used herein and in the Consent Judgment, along with similar exhibits, set forth the terms and conditions applicable to PHH and the State Mortgage Regulators, apart from and supplemented by the terms and conditions in this Agreement. To the extent that the terms and conditions contained in this Agreement conflict with any provisions of the Consent Judgment or its exhibits, the terms and conditions of this Agreement shall control.

**WHEREAS**, PHH enters into this Agreement solely for the purpose of resolving disputes with the State Mortgage Regulators concerning the findings as described in the Reports of Examination and does not admit any wrongdoing, allegations or implications of fact and does not admit any violations of applicable laws, regulations or rules governing the conduct and operation of its servicing business. PHH acknowledges that the State Mortgage Regulators have and maintain jurisdiction over the underlying dispute and therefore have the authority to fully resolve the matter.

**WHEREAS**, PHH acknowledges that the State Mortgage Regulators are relying, in part, upon PHH’s representations and warranties stated herein in making their determinations in this matter. PHH further acknowledges that this Agreement may be revoked and the State Mortgage Regulators may pursue any and all remedies available under the law against PHH if the State Mortgage Regulators later find that PHH knowingly or willfully withheld information from the State Mortgage Regulators.

**WHEREAS**, PHH represents that it has implemented, and will continue to maintain,

procedures designed to ensure that PHH has complied with all regulatory requirements imposed by each individual State Mortgage Regulator.

**WHEREAS**, the State Mortgage Regulators have legal authority to initiate administrative actions based on the conduct described in the Reports of Examination.

**WHEREAS**, the intention of the State Mortgage Regulators in effecting this settlement is to solely resolve the violations and conduct described in the Reports of Examination. The State Mortgage Regulators reserve all of their rights, duties, and authority to enforce all statutes, rules and regulations under their respective jurisdictions against PHH regarding any mortgage loan activities and/or servicing activities outside the scope of this Agreement. Additionally, a State Mortgage Regulator may consider this Agreement and the facts set forth herein in connection with, and in deciding, any examination, action, or proceeding under the jurisdiction of that State Mortgage Regulator, if the basis of such examination, action, or proceeding is not a direct result of the specific activity identified in the Reports of Examination; and that this Agreement may, if relevant to such examination, action or proceeding, be admitted into evidence in any matter before a State Mortgage Regulator. Notwithstanding the foregoing and any other term of this Agreement, claims for conduct discovered by PHH during the course of its internal audit in June 2014 and the resulting remediation process regarding a flaw in its automated system to pay default counsel fees and costs are hereby not released and are specifically reserved by the State Mortgage Regulators.

**WHEREAS**, PHH hereby knowingly, willingly, voluntarily, and irrevocably consents to the execution of this Agreement pursuant to the authority vested in each State Mortgage Regulator and agrees that it understands all of the terms and conditions contained herein. PHH acknowledges that it has full knowledge of its rights to notice and a hearing pursuant to the laws of the respective Participating States. By voluntarily entering into this Agreement, PHH waives any right to notice and a hearing, and review of such hearing, and also herein waives all rights to any other judicial appeal concerning the terms, conditions, and related obligations set forth in this Agreement. PHH further acknowledges that it has

had an opportunity to consult with independent legal counsel in connection with its waiver of rights and with the negotiation and execution of this Agreement, and that PHH has either consulted with independent legal counsel or has knowingly elected not to do so.

**WHEREAS**, PHH represents that the person signing below is authorized to execute this Agreement and to legally bind PHH.

**WHEREAS**, in that the Parties have had the opportunity to draft, review and edit the language of this Agreement, the Parties agree that no presumption for or against any party arising out of drafting all or any part of this Agreement will be applied in any action relating to, connected to, or involving this Agreement. Accordingly, the Parties agree to waive the benefit of any State statute, providing that in cases of uncertainty, language of a contract should be interpreted most strongly against the party who caused the uncertainty to exist.

**NOW, THEREFORE**, this Agreement having been negotiated by the Parties in order to resolve the issues identified herein and in the Reports of Examination, without incurring the costs, inconvenience and delays associated with protracted administrative and judicial proceedings, it is by the State Mortgage Regulators listed below hereby **ORDERED**:

## **I. JURISDICTION**

1. That pursuant to the licensing and supervision laws of the Participating States, the Participating States have jurisdiction over PHH as described herein and may enforce the terms of this Agreement thereon unless otherwise stated in this Agreement.

## **II. APPLICABILITY**

2. That the provisions of this Agreement and any Exhibits incorporated herein shall apply to PHH's servicing activities regardless of whether the company is servicing residential mortgage loans as a servicer or subservicer.

### **III. MORTGAGE SERVICING STANDARDS**

3. That PHH shall comply with all mortgage servicing standards set forth in “Exhibit A”, (“Servicing Standards”) which are attached and incorporated herein, as well as all servicing standards prescribed by Federal law and regulation. PHH shall implement the Servicing Standards no later than January 1, 2018, or as otherwise stated in Exhibit A, (the “Implementation Date”).

### **IV. CONSUMER RELIEF**

4. *Payments to Foreclosed and Referred Borrowers.* In accordance with written instructions from the Executive Committee, established in Paragraph 8, and for the purposes set forth in “Exhibit B”, which is attached and incorporated herein, and as also provided for in Exhibit B of the Consent Judgment, PHH shall transfer to the Settlement Administrator appointed under Exhibit B thirty-one million, four hundred and fifty-six thousand, two hundred and ten dollars (\$31,456,210) (the “Borrower Payment Amount”) to enable the Settlement Administrator to provide cash payments to (a) borrowers whose loans were serviced by PHH at the time the foreclosure was completed and whose homes were sold or taken in a foreclosure between and including January 1, 2009, and December 31, 2012 or (b) all other borrowers whose loans were serviced by PHH and were referred to foreclosure during that same time period and not accounted for in (a) above; who submit claims allegedly arising from the Covered Conduct (as that term is defined in Exhibit C attached to the Consent Judgment); and who otherwise meet criteria set forth by the Executive Committee; and to pay the reasonable costs and expenses of a Settlement Administrator, including taxes and fees for tax counsel, if any. PHH shall also pay or cause to be paid any additional amounts necessary to pay claims, if any, of borrowers whose data is provided to the Settlement Administrator by PHH after PHH warrants that the data is complete and accurate pursuant to Paragraph 3 of Exhibit B. The Borrower Payment Amount and any other funds provided to the Settlement Administrator for these purposes shall be administered in accordance with the terms set forth in Exhibit B. PHH shall pay

the Borrower Payment Amount by electronic funds transfer, pursuant to written instructions to be provided by the Executive Committee into an account established in accordance with this Paragraph 6, within seven (7) days of receiving notice that the account has been established or within seven (7) days of the Effective Date of this Agreement, whichever is later. After PHH have made the required payments, PHH shall no longer have any property right, title, interest or other legal claim in any funds. The account established by this Paragraph 6 is intended to be a Qualified Settlement Fund within the meaning of Treasury Regulation Section 1.468B-1 of the U.S. Internal Revenue Code of 1986, as amended.

## **V. SERVICING STANDARDS COMPLIANCE TESTING AND REPORTING**

5. *Internal and/or External Compliance Testing.* PHH shall ensure that the Internal Audit Department of its parent company conducts transactional testing and compliance/controls testing, either internally and/or by retaining the services of a third-party firm, to assess PHH's compliance with the Servicing Standards set forth in Exhibit A. The testing shall be conducted in the ordinary course of PHH's business consistent with industry standards and PHH's internal testing schedule, which shall be based on an assessment of high risk areas and emerging trends.

6. *PHH Internal Audit.* PHH's Internal Audit Department shall conduct audits of PHH's servicing functions, including PHH's compliance with the Servicing Standards. PHH shall include the Servicing Standards in its annual risk assessment, which forms the basis for its annual audit plan, and shall conduct audits in accordance with its annual risk assessment and annual audit plan.

7. *Corrective Action Activity.* In the event any deficiencies are identified through testing or audits, PHH shall perform a root cause analysis and determine whether corrective action activity, including a plan for remediation of any consumer harm, is necessary.

8. *Executive Committee.* An executive committee comprised of representatives of the government signatories to this Agreement and the Consent Judgment (“Executive Committee”) shall serve as the point of contact between PHH and the government signatories and shall receive reports and communications from PHH.

9. *Reports.* PHH shall cause to be submitted to the State Mortgage Regulators on the Executive Committee on a quarterly basis (1) any PHH Internal Audit reports conducted on PHH’s compliance with the Servicing Standards during the preceding quarter; (2) any internal or external transactional testing results and compliance/controls testing results conducted; and (3) any root-cause analysis or plan for corrective action activity developed or performed by PHH during the preceding quarter (collectively, “Reports”). PHH shall submit Reports on the 20th day of the month following the end of each quarter, beginning on the 20th day of the month following the end of the first full quarter of 2018. The recipients of the Reports shall maintain the confidentiality of the Reports in accordance with each respective states’ laws.

10. *Auditing Period.* The auditing and reporting period shall be for three years, commencing on January 1, 2018.

## **VI. ADMINISTRATIVE PENALTY**

11. *Administrative Penalty.* That PHH shall pay an administrative penalty of eight million, eight hundred and twenty-three thousand, five hundred and fifteen dollars (\$8,823,515). Each Participating State will receive a payment of one hundred and fifty nine thousand, nine hundred and sixty seven dollars (\$159,967), with each Participating State that also took part in an examination (Arizona, Georgia, Florida, Louisiana, and Massachusetts) receiving an additional one hundred and sixty five thousand, thirty three dollars (\$165,033). PHH shall pay this administrative penalty by the means designated by each Participating State within fifteen (15) calendar days following the Effective Date of this Agreement.



12. That in the event that PHH fails to submit any administrative penalty set forth in this Agreement, in the amounts specified herein and in accordance with the applicable deadline, or if any transfer of any monetary amount required under this Agreement is voided by a Court Order, including a Bankruptcy Court Order, PHH agrees not to object to a Participating State submitting a claim, nor attempt to defend or defeat such authorized claim, for any unpaid amounts against any surety bond that PHH may maintain in such Participating State as a condition of maintaining a license under the jurisdiction of that State Mortgage Regulator.

## **VII. ENFORCEMENT**

13. *General Enforcement Authority and Enforcement Relative to the Mortgage Servicing Standards, Consumer Relief, and Administrative Penalty:* That the terms of this Agreement including all Exhibits attached and incorporated herein shall be enforced in accordance with the provisions, terms and authorities provided herein and under the respective laws and regulations of each Participating State.

14. *No Restriction on Existing Examination and Investigative Authority.* That this Agreement shall in no way preclude any State Mortgage Regulator from exercising its examination or investigative authority authorized under the laws of the corresponding Participating State in the instance a determination is made wherein PHH is found not to be adhering to the requirements of the Agreement, other than inadvertent and isolated errors that are promptly corrected by PHH, or involving any unrelated matter not subject to the terms of this Agreement.

15. That, notwithstanding any other relief to the contrary, if PHH fails to comply with the terms and conditions of this Agreement, the State Mortgage Regulators may pursue any action allowed by law concerning the conduct and compliance violations stated in the Report of Examination, such action including, but not limited to, suspension or revocation of a license issued by the State Mortgage Regulators to PHH, imposition of a civil money penalty against PHH, or any other remedy allowed by law. The Parties agree that the failure

of PHH to comply with any term or condition of this Agreement with respect to a particular State shall be treated as a violation of an Order of the State and may be enforced as such. Moreover, PHH acknowledges and agrees that this Agreement is only binding on the State Mortgage Regulators and not any other Local, State or Federal Agency, Department or Office.

16. *Sharing of Information and Cooperation.* That the State Mortgage Regulators may collectively or individually request and receive any information or documents in the possession of the Executive Committee or the MMC. This Agreement shall not limit PHH's obligations, as a licensee of the State Mortgage Regulators, to cooperate with any examination or investigation, including but not limited to, any obligation to timely provide requested information or documents to any State Mortgage Regulator.

### **VIII. RELEASE**

17. That certain claims and remedies are released as provided for in the Release attached hereto as Exhibit C. That certain claims and remedies are not released, as provided in Part III of Exhibit C. The releases contained in Exhibit C shall become effective upon payment of the Borrower Payment Amount identified in Section IV and the Administrative Penalty identified in Section VI.

### **IX. GENERAL PROVISIONS**

18. *Effectiveness.* That this Agreement shall become effective upon execution by all of the named State Mortgage Regulators (the "Effective Date").

19. *Public Record.* That this Agreement shall become public upon the Effective Date.

20. *Binding Nature.* That the terms of this Agreement (including the Servicing Standards attached as Exhibit A) are binding on PHH. This Agreement (including the Servicing Standards attached as Exhibit A) does not bind any successors or assigns, future purchasers of all or substantially all of the assets of PHH Corporation or PHH, or successors-in-interest of PHH Corporation or PHH. Notwithstanding the foregoing, in the event of the sale of

PHH's servicing or sub-servicing platform, PHH shall work with the State Mortgage Regulators to ensure an orderly transition of serviced loans to any new servicer or sub-servicer of such loans. The provisions of this Agreement shall remain effective and enforceable except to the extent that, and until such time as, any provisions of this Agreement shall have been modified, terminated, suspended, or set aside, in writing by mutual agreement of the State Mortgage Regulators collectively and PHH.

21. *Standing and Choice of Law.* That each State Mortgage Regulator has standing to enforce this Agreement in the judicial or administrative process otherwise authorized under the laws and regulations of the corresponding Participating State. Upon entry, this Agreement shall be deemed a final order of each respective State Mortgage Regulator unless adoption of a subsequent order is necessary under the laws of the corresponding Participating State. In the event of any disagreement between any State Mortgage Regulator and PHH regarding the enforceability or interpretation of this Agreement and compliance therewith, the courts or administrative agency authorized under the laws of the corresponding Participating State shall have exclusive jurisdiction over the dispute, and the laws of the Participating State shall govern the interpretation, construction, and enforceability of this Agreement.

22. *Adoption of Subsequent Orders to Incorporate Terms.* That a State Mortgage Regulator, if deemed necessary under the laws and regulations of the corresponding Participating State, may issue a separate administrative order to adopt and incorporate the terms and conditions of this Agreement. A State Mortgage Regulator may *sua sponte* issue such subsequent order without the review and approval of PHH provided the subsequent order does not amend, alter, or otherwise change the terms of the Agreement. In the event a subsequent order amends, alters, or otherwise changes the terms of the Agreement, the terms of the Agreement, as set forth herein, will control.

23. *Privilege.* That this Agreement shall not constitute a waiver of any applicable attorney-client or work product privilege, confidentiality, or any other protection applicable to any negotiations relative to this Agreement.

24. *Titles.* That the titles used to identify the paragraphs of this Agreement are for the convenience of reference only and do not control the interpretation of this Agreement.

25. *Final Agreement.* That this Agreement is the final written expression and the complete and exclusive statement of all the agreements, conditions, promises, representations, and covenants between the Parties with respect to the subject matter hereof, and supersedes all prior or contemporaneous agreements, negotiations, representations, understandings, and discussions between and among the Parties, their respective representatives, and any other person or entity, with respect to the subject matter covered herein, excepting therefrom any proceeding or action if such proceeding or action is based upon facts not presently known to a State Mortgage Regulator or which were knowingly concealed from a State Mortgage Regulator by PHH. The Parties further acknowledge and agree that nothing contained in this Agreement shall operate to limit a State Mortgage Regulator's ability to assist any other Local, State or Federal Agency, Department or Office with any investigation or prosecution, whether administrative, civil or criminal, initiated by any such Agency, Department or Office against PHH or any other person based upon any of the activities alleged in these matters or otherwise.

26. *Waiver.* That the waiver of any provision of this Agreement shall not operate to waive any other provision set forth herein, and any waiver, amendment and/or change to the terms of this Agreement must be in writing signed by the Parties.

27. *No Private Right of Action Created.* That this Agreement does not create any private rights or remedies against PHH (or any of its affiliates or subsidiaries), create any liability for PHH (or any of its affiliates or subsidiaries) or limit defenses of PHH (or any of its affiliates or subsidiaries) for any person or entity not a party to this Agreement.

28. *Costs.* That except as otherwise agreed to in this Agreement, each party to this Agreement will bear its own costs and attorneys' fees associated with this enforcement action.

29. *Counterparts.* That this Agreement may be executed in separate counterparts, by facsimile or by PDF. A copy of the signed Agreement will be given the same effect as the

originally signed Agreement.

30. That nothing in this Agreement shall relieve PHH of its obligation to comply with applicable State and Federal law.

It is so **ORDERED**.

**IN WITNESS WHEREOF**, in consideration of the foregoing, including the recital paragraphs, and with the Parties intending to be legally bound, do hereby execute this Agreement this 29<sup>th</sup> day of December, 2017.

**PHH MORTGAGE CORPORATION**

By: \_\_\_\_\_  
Robert Crowl  
President and CEO

12/29/17  
Date

**PHH MORTGAGE CORPORATION  
SETTLEMENT AGREEMENT AND CONSENT ORDER**

**CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT**

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JAN LYNN OWEN  
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11/1/17  
DATE