

# Second Report of the Monitor for the Credit Suisse RMBS Settlement

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Monitor  
for the Credit Suisse  
RMBS SETTLEMENT

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# MONITOR'S SECOND REPORT



## I. INTRODUCTION

This report, the Monitor's second pursuant to the Settlement Agreement, provides an update on Credit Suisse's efforts to comply with its obligation to provide consumer relief pursuant to that agreement, and sets forth the Monitor's assessment of Credit Suisse's compliance to date.

On January 18, 2017, Credit Suisse Securities (USA) LLC, together with its current and former U.S. subsidiaries and U.S. affiliates (collectively, "Credit Suisse"), entered into an agreement with the U.S. Department of Justice ("DOJ") to resolve claims related to Credit Suisse's alleged unlawful conduct in connection with the packaging and sale of residential mortgage-backed securities, or "RMBS," between 2005 and 2007 (the "Settlement Agreement").<sup>1</sup>

To remediate harms resulting from Credit Suisse's alleged unlawful conduct, the Settlement Agreement requires Credit Suisse to provide consumer relief to distressed borrowers and others affected by the financial crisis.<sup>2</sup> Specifically, the Settlement Agreement provides that Credit Suisse must earn \$2.8 billion in "credit" by providing various types of consumer relief in two main categories.<sup>3</sup> First, Credit Suisse must provide loan modifications to homeowners who are having difficulty making their mortgage payments or who owe more than their homes are worth.<sup>4</sup> Second, Credit Suisse must provide funding to construct, rehabilitate, or preserve affordable housing developments for low-income residents.<sup>5</sup>

The Settlement Agreement provided for Credit Suisse to engage an independent monitor to oversee and periodically report to the public on Credit Suisse's progress towards meeting its consumer relief obligation.<sup>6</sup> [Neil M. Barofsky](#) of the law firm Jenner & Block LLP was appointed to serve as the independent monitor (collectively, the "Monitor").<sup>7</sup>

On October 27, 2017, the Monitor published its initial report pursuant to the Settlement Agreement (the "Initial Report").<sup>8</sup> Among other things, the [Initial Report](#) outlines Credit Suisse's preliminary plan to fulfill its consumer relief obligation by modifying home mortgage loans and providing funding for affordable housing. For example, the Initial Report describes Credit Suisse's plan to have its mortgage servicer subsidiary, Select Portfolio Servicing, Inc. ("SPS"), complete first lien principal forgiveness and principal forbearance loan modifications that Credit Suisse will submit to the Monitor for credit. It also explains Credit Suisse's preliminary efforts to provide no-interest loans to developers of affordable rental housing.

In addition to publishing periodic reports, the Monitor has established a website with information about the Settlement Agreement ([www.creditsuisse.rbmsmonitor.com](http://www.creditsuisse.rbmsmonitor.com)). The Monitor's website answers

frequently asked questions about the agreement and provides the Monitor's contact information. The website also provides a list of resources for distressed borrowers and homeowners facing foreclosure, including contact information for free or low-cost tax and legal services, as well as information about Credit Suisse-sponsored borrower outreach events. This Report, and all previous and subsequent reports, will be posted on the Monitor's website.

## **II. ONGOING DEVELOPMENT OF ELIGIBILITY, CREDIT CALCULATION, AND TESTING PROTOCOLS**

Since the publication of the Initial Report, the Monitor has continued to work with Credit Suisse and SPS to develop agreed-upon eligibility, credit calculation, and testing protocols for first lien principal forgiveness and principal forbearance loan modifications completed by SPS.<sup>9</sup> The eligibility and credit calculation protocols establish the criteria to determine whether particular consumer relief actions are eligible for credit under the Settlement Agreement and, if so, the amount of that credit. The testing protocols establish the processes pursuant to which Credit Suisse will confirm that completed consumer relief is eligible for credit under the Settlement Agreement before submitting it to the Monitor for further review.

After extensive discussions, the Monitor and Credit Suisse are now finalizing the protocols pursuant to which Credit Suisse will determine that the principal forgiveness and principal forbearance loan modifications it submits to the Monitor for review are eligible for credit.<sup>10</sup> These protocols will be subject to further review and revision as loan modifications are submitted to the Monitor for credit and testing commences.

The next step will be for Credit Suisse to submit an initial sample of 100 completed principal forgiveness and principal forbearance loan modifications.<sup>11</sup> The Monitor will review these loan modifications to determine whether they are eligible for credit, and whether Credit Suisse's calculation of the proposed amount of the credit is correct. Given that this 100-loan sample will be the first loans that Credit Suisse will be submitting, the Monitor will also assess whether the agreed-upon testing protocols are functioning as envisioned. Credit Suisse plans to submit this initial 100-loan sample to the Monitor in March 2018.<sup>12</sup> The Monitor will report on the results of the 100-loan sample once that review concludes.

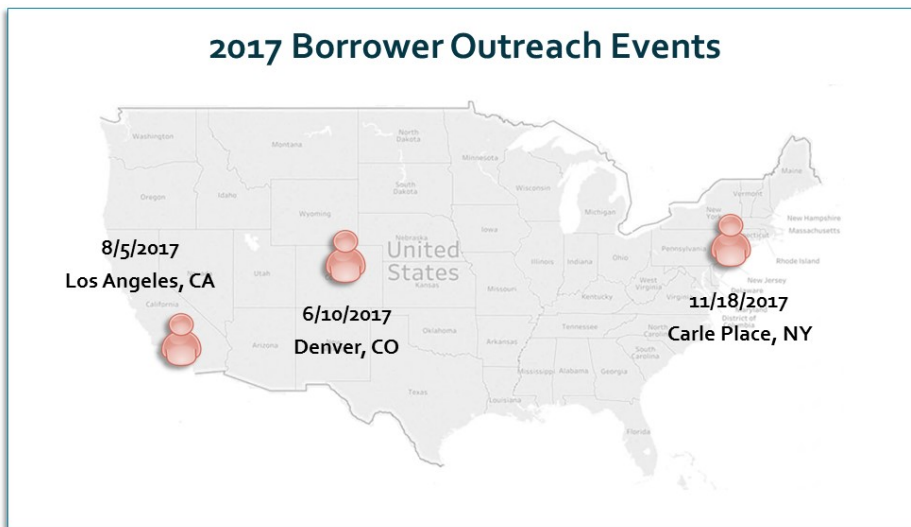
The Monitor and Credit Suisse continue to work on developing agreed-upon eligibility, credit calculation, and testing protocols for Credit Suisse's financing of affordable housing.<sup>13</sup> The Monitor will report on these protocols in a future report.



### III. BORROWER OUTREACH EVENTS

Under the Settlement Agreement, Credit Suisse must hold three borrower outreach events each year until the Monitor certifies that Credit Suisse has satisfied its consumer relief obligation.<sup>14</sup> The [Initial Report](#), at Part II.D.2.b.1, details the specific requirements for these outreach events.<sup>15</sup>

As discussed in the Initial Report, Credit Suisse designated SPS to coordinate and hold the required outreach events.<sup>16</sup> In 2017, SPS held outreach events in Denver, Colorado; Los Angeles, California; and Carle Place, New York.<sup>17</sup> The Monitor reported on the Colorado and California events in its Initial Report.<sup>18</sup>



#### A. New York Event

On November 18, 2017, the Monitor attended SPS's third borrower outreach event for the 2017 calendar year, in Carle Place, New York.<sup>19</sup> The event was held at the Homewood Suites by Hilton, 400 Westbury Avenue, Carle Place, New York, 11514, from 9:00am to 5:00pm EST.<sup>20</sup>

#### **Monitor's Observations**

The event was well-organized and ran smoothly.<sup>21</sup> As borrowers arrived, members of SPS's staff greeted the borrowers, provided them with copies of the plain language document describing the types of relief available under the Settlement Agreement, and directed them to mortgage assistance counselors for one-on-one sessions as counselors became available.<sup>22</sup> Free Wi-Fi was provided to allow borrowers to access documents or other information electronically, and a designated waiting area was set up for borrowers and stocked with beverages and snacks.<sup>23</sup>

The Monitor observed several mortgage assistance counseling sessions, and, as with prior outreach events, was impressed by SPS's commitment to customer service and professionalism.<sup>24</sup> The counselors observed were courteous and helpful, spending significant time walking borrowers through the mortgage assistance application process step-by-step, and borrowers appeared to appreciate the assistance and attention provided by the counselors.<sup>25</sup>

### **Comparison with Prior Events**

**SPS Personnel.** SPS staffed the New York event with approximately the same number of personnel as the California event, as SPS had expected similar borrower turnout at both events.<sup>26</sup> Nineteen SPS employees attended the event, including twelve mortgage assistance counselors, five senior managers, and two information technology employees.<sup>27</sup> Five of the mortgage assistance counselors also attended one or more of the prior events.<sup>28</sup> Five counselors were bilingual in Spanish and English, and SPS reported that these counselors assisted several borrowers in Spanish at the event.<sup>29</sup>

**Wait Time.** The Carle Place event was the most well-attended outreach event to date, with 148 borrowers in attendance.<sup>30</sup> Because of the high turnout, borrowers waited longer to see a mortgage assistance counselor as compared to prior events, with most borrowers appearing to wait approximately thirty minutes before speaking with a counselor.<sup>31</sup> The Monitor did not, however, observe any borrowers complaining about the wait time.<sup>32</sup>

**Same-Day Decisions.** SPS was able to obtain same-day, on-site decisions for five borrower accounts at the event.<sup>33</sup> All five of these accounts were offered trial modifications.<sup>34</sup>

**Non-Profit Organizations' Attendance.** Representatives from two non-profit organizations, Neighborhood Housing Services of Queens CDC, Inc. and Neighborhood Housing Services of New York City, Inc., attended the event.<sup>35</sup> These representatives helped borrowers complete their mortgage assistance applications and provided general financial counseling.<sup>36</sup> Additionally, the representatives informed SPS's mortgage assistance counselors about the New York State Mortgage Assistance Program, a program that provides eligible New York homeowners who are at risk of foreclosure with zero-interest rate mortgage loans of up to \$40,000.<sup>37</sup> SPS's mortgage assistance counselors were therefore able to consider whether any of the borrowers with whom they met might qualify for the program, and inform borrowers of the program's benefits.<sup>38</sup>

The representatives from the non-profit organizations had positive feedback on the Carle Place event, and specifically praised SPS for

its outreach efforts, noting that the turnout at the event was much higher than that of outreach events sponsored by other mortgage servicers.<sup>39</sup>

### **Event Metrics**

**Number of Invitees and Attendees.** SPS sent invitations to 4,763 borrowers.<sup>40</sup> 82 borrowers RSVP'd for the event.<sup>41</sup> 148 borrowers attended the event to discuss a total of 149 accounts, resulting in an approximate 3% return rate on attendance.<sup>42</sup> This compares to an approximate 3% return rate from the California event, a 2.5% return rate from the Colorado event, and a 1% return rate from prior events arranged by the HOPE NOW Alliance and Department of Treasury.<sup>43</sup>

At the Monitor's request, SPS asked borrowers upon arrival how they heard about the event.<sup>44</sup> The majority of borrowers said that the letters they received via regular mail had prompted them to attend the event.<sup>45</sup>

**Outcome.** According to SPS, as of January 30, 2018, 67 accounts with borrowers in attendance were still being evaluated for potential mortgage assistance.<sup>46</sup> The borrowers on 61 of these accounts were still collecting the documentation necessary for SPS's review of their accounts.<sup>47</sup>

<b>Outcome</b>	<b>Number of Borrower Accounts</b>
Pending Decision (All Documents Received)	6
Pending Documents	61
Mortgage Assistance Offered	52
No Mortgage Assistance Offered	27
Did Not Request Mortgage Assistance	3

**Types of Mortgage Assistance Offered.** As of January 30, 2018, 52 borrower accounts (35%) had been offered some type of mortgage assistance option, including 21 accounts (15%) that were offered a trial loan modification and one account that was offered a permanent loan modification.<sup>48</sup> SPS will update the Monitor with additional results as decisions on additional accounts are made.

Mortgage Assistance Offered	Number of Borrower Accounts
Trial Loan Modification	21
Permanent Loan Modification	1
Payment Deferral	4
Repayment Plan	26

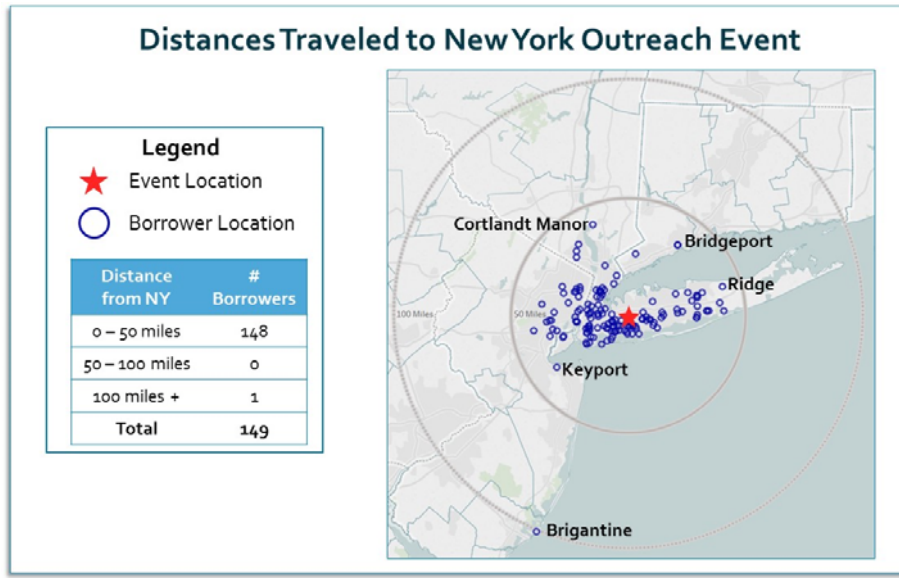
Loan-to-Value Ratio. The majority of accounts with borrowers in attendance had a loan-to-value ratio below 100% (based on the most recent property value in SPS's system, which may not have been recently recalculated).<sup>49</sup> The loan-to-value ratios were distributed as follows.<sup>50</sup>

Loan-to-Value Ratio	Number of Borrower Accounts
< 80%	58
80% - 100%	20
> 100%	63
Second Lien	7
Unknown: No Property Valuation Conducted by SPS as of the Date of the Event	1

Delinquency Status. The majority of accounts with borrowers in attendance were classified as delinquent by SPS (*i.e.*, they were 30 or more days past due on their mortgage loan payments).<sup>51</sup> Delinquency statuses were distributed as follows.<sup>52</sup>

Delinquency Status	Number of Borrower Accounts
Current	4
30-90 Days	23
120 + Days	122

Distance Traveled. Borrowers traveled from as far away as Brigantine, New Jersey (approximately 100 miles) to attend the event.<sup>53</sup> Most borrowers, however, traveled less than 50 miles to attend.<sup>54</sup> Below is a map showing distances traveled by borrowers to attend the event.<sup>55</sup>



Cost. SPS calculated that the event cost \$25,750.46, which includes costs for travel and lodging of SPS personnel, renting the event space, food, and overtime pay for hourly employees.<sup>56</sup>

## B. Upcoming Florida Event

SPS intends to hold its first borrower outreach event for 2018 in Jacksonville, Florida on March 10, 2018.<sup>57</sup> The Monitor intends to attend the event and will report on it in a future report.

## IV. CONCLUSIONS

Based on the information submitted to the Monitor and the work described in this and in prior reports, and subject to the Monitor's final determination and certification that Credit Suisse's consumer relief efforts comply with the requirements of the Settlement Agreement, the Monitor concludes:

- Credit Suisse is in compliance with the consumer relief requirements of the Settlement Agreement for the period from January 18, 2017, through the date of this Report.
- To date, Credit Suisse has provided the Monitor with all documents and information the Monitor has requested for the purpose of determining whether Credit Suisse has

satisfied its consumer relief obligation, as required by the Settlement Agreement.

- Credit Suisse has held all three of the required borrower outreach events for 2017, and those events have complied with the parameters set forth in the Settlement Agreement.







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## ENDNOTES FOR MONITOR'S SECOND REPORT

<sup>1</sup> Settlement Agreement between the United States and Credit Suisse Securities (USA) LLC ¶¶ A-24, Jan. 18, 2017 (hereinafter "Credit Suisse Settlement Agreement").

<sup>2</sup> Credit Suisse Settlement Agreement ¶ 2; Settlement Agreement between the United States and Credit Suisse Securities (USA) LLC, Annex 2 – Consumer Relief, at 2-6, Jan. 18, 2017 (hereinafter "Credit Suisse Annex 2").

<sup>3</sup> Credit Suisse Annex 2 at 2-6; Credit Suisse Settlement Agreement ¶ 2.

<sup>4</sup> Credit Suisse Annex 2 at 2-4 (Menu Items 1.A-1.F).

<sup>5</sup> Credit Suisse Annex 2 at 5-6 (Menu Item 2).

<sup>6</sup> Credit Suisse Annex 2 at 7; Credit Suisse Settlement Agreement ¶ 2.

<sup>7</sup> Credit Suisse Settlement Agreement ¶ 2.

<sup>8</sup> Monitor for the Credit Suisse RMBS Settlement, Initial Report of the Monitor for the Credit Suisse RMBS Settlement, Oct. 27, 2017 (hereinafter "Monitor's Initial Report"), *available at* [www.creditsuisse.rmbsmonitor.com/reports](http://www.creditsuisse.rmbsmonitor.com/reports) (last visited Feb. 10, 2018).

<sup>9</sup> Monitor Call with Credit Suisse, Feb. 9, 2018; Monitor Call with SPS, Feb. 7, 2018; Monitor Call with Credit Suisse, Feb. 5, 2018; Monitor Call with SPS, Jan. 31, 2018; Monitor Call with SPS, Jan. 24, 2018; Monitor Call with Credit Suisse and SPS, Jan. 23, 2018; Monitor Calls with SPS, Jan. 17, 2018; Monitor Call with SPS, Jan. 16, 2018; Monitor Call with SPS, Jan. 10, 2018; Monitor Call with SPS, Jan. 3, 2018; Monitor Call with Credit Suisse, Dec. 22, 2017; Monitor Call with SPS, Dec. 20, 2017; Monitor Call with Credit Suisse, Dec. 15, 2017; Monitor Call with SPS, Dec. 15, 2017; Monitor Call with SPS, Dec. 13, 2017; Monitor Call with SPS, Dec. 6, 2017; Monitor Call with SPS, Dec. 4, 2017; Monitor Call with SPS, Nov. 29, 2017; Monitor Call with SPS, Nov. 16, 2017; Monitor Call with SPS, Nov. 15, 2017; Monitor Calls with SPS, Nov. 8, 2017; Monitor Call with SPS, Nov. 1, 2017.

<sup>10</sup> Monitor Call with Credit Suisse, Feb. 9, 2018; Monitor Call with SPS, Feb. 7, 2018; Monitor Call with Credit Suisse, Feb. 5, 2018; Monitor Call with SPS, Nov. 29, 2017.

<sup>11</sup> Monitor Call with Credit Suisse, Feb. 9, 2018; Monitor Call with SPS, Feb. 7, 2018; Monitor Call with Credit Suisse, Feb. 5, 2018.

<sup>12</sup> Monitor Call with Credit Suisse, Feb. 9, 2018; Monitor Call with SPS, Feb. 7, 2018; Monitor Call with Credit Suisse, Feb. 5, 2018.

<sup>13</sup> *E.g.*, Monitor Call with Credit Suisse, Nov. 3, 2017.

<sup>14</sup> Credit Suisse Annex 2 at 6.

<sup>15</sup> Monitor's Initial Report at 59-60.

<sup>16</sup> Monitor On-Site Meeting with Credit Suisse, Jan. 31, 2017.

<sup>17</sup> SPS New York Borrower Outreach Event, Nov. 18, 2017; SPS California Borrower Outreach Event, Aug. 5, 2017; SPS Colorado Borrower Outreach Event, June 10, 2017.

<sup>18</sup> Monitor's Initial Report at 60-69.

<sup>19</sup> SPS New York Borrower Outreach Event, Nov. 18, 2017.

<sup>20</sup> SPS New York Borrower Outreach Event, Nov. 18, 2017.

<sup>21</sup> SPS New York Borrower Outreach Event, Nov. 18, 2017.

<sup>22</sup> SPS New York Borrower Outreach Event, Nov. 18, 2017.

<sup>23</sup> SPS New York Borrower Outreach Event, Nov. 18, 2017.

<sup>24</sup> SPS New York Borrower Outreach Event, Nov. 18, 2017.

<sup>25</sup> SPS New York Borrower Outreach Event, Nov. 18, 2017.

<sup>26</sup> SPS New York Borrower Outreach Event, Nov. 18, 2017.

<sup>27</sup> SPS New York Borrower Outreach Event, Nov. 18, 2017.

<sup>28</sup> SPS New York Borrower Outreach Event, Nov. 18, 2017.

- <sup>29</sup> SPS New York Borrower Outreach Event, Nov. 18, 2017.
- <sup>30</sup> SPS New York Borrower Outreach Event, Nov. 18, 2017.
- <sup>31</sup> SPS New York Borrower Outreach Event, Nov. 18, 2017.
- <sup>32</sup> SPS New York Borrower Outreach Event, Nov. 18, 2017.
- <sup>33</sup> SPS New York Borrower Outreach Event, Nov. 18, 2017.
- <sup>34</sup> SPS New York Borrower Outreach Event, Nov. 18, 2017.
- <sup>35</sup> SPS New York Borrower Outreach Event, Nov. 18, 2017.
- <sup>36</sup> SPS New York Borrower Outreach Event, Nov. 18, 2017.
- <sup>37</sup> *See* New York State Mortgage Assistance Program, Center for New York City Neighborhoods, Inc., <http://nysmap.org/> (last visited Feb. 10, 2018).
- <sup>38</sup> SPS New York Borrower Outreach Event, Nov. 18, 2017.
- <sup>39</sup> SPS New York Borrower Outreach Event, Nov. 18, 2017.
- <sup>40</sup> SPS New York Borrower Outreach Event, Nov. 18, 2017.
- <sup>41</sup> SPS New York Borrower Outreach Event, Nov. 18, 2017.
- <sup>42</sup> SPS New York Borrower Outreach Event, Nov. 18, 2017.
- <sup>43</sup> SPS California Borrower Outreach Event, Aug. 5, 2017; SPS Colorado Borrower Outreach Event, June 10, 2017; Monitor Call with SPS, Mar. 16, 2017; Monitor On-Site Meeting with Credit Suisse, Jan. 31, 2017.
- <sup>44</sup> SPS New York Borrower Outreach Event, Nov. 18, 2017.
- <sup>45</sup> SPS New York Borrower Outreach Event, Nov. 18, 2017.
- <sup>46</sup> Monitor Call with SPS, Jan. 31, 2018; SPS New York Borrower Outreach Event, Nov. 18, 2017.
- <sup>47</sup> Monitor Call with SPS, Jan. 31, 2018; SPS New York Borrower Outreach Event, Nov. 18, 2017.
- <sup>48</sup> Monitor Call with SPS, Jan. 31, 2018; SPS New York Borrower Outreach Event, Nov. 18, 2017.
- <sup>49</sup> SPS New York Borrower Outreach Event, Nov. 18, 2017.
- <sup>50</sup> SPS New York Borrower Outreach Event, Nov. 18, 2017.
- <sup>51</sup> SPS New York Borrower Outreach Event, Nov. 18, 2017.
- <sup>52</sup> SPS New York Borrower Outreach Event, Nov. 18, 2017.
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- <sup>54</sup> SPS New York Borrower Outreach Event, Nov. 18, 2017.
- <sup>55</sup> SPS New York Borrower Outreach Event, Nov. 18, 2017.
- <sup>56</sup> SPS New York Borrower Outreach Event, Nov. 18, 2017.
- <sup>57</sup> Monitor Call with SPS, Jan. 31, 2018.

## GLOSSARY



A list of terms used throughout the Monitor's reports appears below.

**Adjustable-Rate Mortgage:** Mortgage loan in which the interest rate changes over the course of the loan. Adjustable-rate mortgages generally have a lower initial rate than a borrower could obtain on a fixed-rate mortgage, but expose borrowers to the risk that interest rates will increase in the future.

**Affordable Housing:** Housing is typically considered "affordable" if it consumes no more than 30% of a household's income. The federal government incentivizes development of affordable housing by, among other things, awarding tax credits that can be sold to private investors who use the credits to reduce their federal tax liabilities.

**Bankruptcy:** Legal proceeding involving a person or business that is unable to satisfy its liabilities. In a bankruptcy proceeding, an individual's unsecured debts, such as credit card debt, medical bills, and unsecured mortgage debt, may be extinguished.

**Capitalization:** Method of modifying a mortgage loan in which missed payments and other outstanding costs are added to the borrower's outstanding principal loan balance, and thus spread out over the remaining term of the loan.

**Compensating Factors:** A borrower who otherwise may not qualify for a loan due to insufficient credit score or income, for example, may have "compensating factors" that outweigh the shortcoming and warrant issuance of the loan. Some common compensating factors are low non-housing debt, strong career growth potential, additional income sources, exceptional credit history, or projected significant cash reserve after purchasing the home.

**Credit Suisse:** Credit Suisse Securities (USA) LLC, together with its current and former U.S. subsidiaries and U.S. affiliates. Credit Suisse is one of the parties to the Settlement Agreement.

**Debt-to-Income Ratio:** Ratio between a borrower's total monthly debts and his or her gross monthly income. For purposes of the Settlement Agreement, this ratio compares the borrower's monthly mortgage payments and related housing expenses (such as property taxes, and homeowners and mortgage insurance) to his or her gross monthly income.

**The Department of Justice ("DOJ"):** Principal federal law enforcement agency of the United States, with the authority to seek both civil and criminal penalties for violations of federal law. DOJ is one of the parties to the Settlement Agreement.

**Due Diligence:** Appropriate level of attention or care a reasonable person should take before entering into an agreement or a transaction with another party. In finance, often refers to the process by which one company conducts an investigation or review of an asset before buying the asset from another company.

**Earned Principal Forgiveness:** Method of modifying a mortgage loan in which a portion of the unpaid principal balance of the loan is forgiven over time, provided the borrower remains current on the modified loan.

**Equal Credit Opportunity Act ("ECOA"):** Federal law, codified at 15 U.S.C. § 1691(a), that generally prohibits creditors from discriminating against credit applicants with respect to any aspect of a credit transaction. For example, the ECOA prohibits creditors from discriminating against credit applications on the basis of race, color, religion, national origin, sex or marital status, or age (provided the applicant has the capacity to contract), or because all or part of the applicant's income derives from any public assistance program.

**Fair Housing Act ("FHA"):** Federal law, codified at 42 U.S.C. § 3605(a), that makes it unlawful for any person or other entity who engages in residential real estate-related transactions to discriminate against any person in such transactions because of race, color, religion, sex, handicap, familial status, or national origin.

**First Lien:** Lien that has priority over all other liens or claims on a property, other than a tax lien or certain other liens pursuant to state law (*i.e.*, mechanic's lien), in the event of borrower default.

**Fixed-Rate Mortgage:** Mortgage loan with an interest rate that does not change over the course of the loan.

**Foreclosure:** Legal process in which a borrower who has failed to make timely payments on a mortgage loan loses ownership of the home. It is not automatic, but must be initiated by the lender, and it may or may not require the lender to seek a court's approval. It may transfer ownership of the home to the lender or may allow the lender to auction the home and keep all proceeds up to the amount owed to the lender.

**Held-for-Sale:** Under U.S. Generally Accepted Accounting Principles ("U.S. GAAP"), an accounting treatment for mortgage loans the owner of which is looking to sell to another entity.

**Held-for-Investment:** Under U.S. Generally Accepted Accounting Principles (“U.S. GAAP”), an accounting treatment for mortgage loans the owner of which intends to hold onto for at least the foreseeable future.

**Home Affordable Modification Program (“HAMP”):** Loan modification program of the U.S. Department of the Treasury and U.S. Department of Housing and Urban Development, intended to help struggling homeowners reduce monthly mortgage payments to affordable, sustainable levels and prevent avoidable foreclosures. Part of the broader “Making Home Affordable” initiative, created by the federal government in 2009 as part of the Treasury Department’s Troubled Asset Relief Program. Under HAMP, loan owners, servicers, and borrowers receive federal funds as incentive payments for performing loan modifications permitted by the program.

**Immediate Principal Forgiveness:** Method of modifying a mortgage loan in which a portion of the principal balance of the loan is written off the moment the loan modification becomes permanent.

**Imminent Default:** Condition in which it is reasonably foreseeable that a borrower will not be able to make his or her next mortgage payment, typically due to a hardship such as job loss, reduced hours, death of a spouse, unexpected illness, etc. Loans in imminent default may be eligible for a loan modification.

**Internal Review Group:** Internal Credit Suisse group composed of senior Credit Suisse personnel from various groups, including the CEO of Credit Suisse Global Markets, the General Counsel for Credit Suisse Global Markets and Credit Suisse Holdings (USA) Inc., and additional personnel from the Legal, Compliance, Product Control, and Internal Audit groups, among others. The Internal Review Group will review Credit Suisse’s consumer relief activities to confirm that they meet the requirements of the Settlement Agreement before submitting that consumer relief to the Monitor for credit.

**Junior Lien:** Lien that is not a first or second lien. A junior lien is lower in priority than either a first or second lien in the event of borrower default.

**Lien:** Interest in property held by a creditor to secure payment of a debt. A mortgage is a type of lien.

**Loan-to-Value Ratio:** Ratio between the amount owed on a mortgage loan and the value of the home securing the loan. Where a borrower’s loan-to-value ratio is greater than 100%, the amount the borrower owes on his or her mortgage exceeds the value of the home. Where the loan-to-value ratio is less than 100%, the value of the home exceeds the amount the borrower owes on his or her mortgage.

**Low-Income Housing Tax Credit (“LIHTC”):** Federal tax credit awarded to certain affordable rental housing projects. Once awarded, project developers sell the tax credits to private investors, who use the tax credits to reduce their federal tax liabilities. To receive the tax credit, an affordable rental housing project must meet certain requirements. For example, the project must set aside at least 40 percent of the residential units for renters earning no more than 60 percent of the area’s median income (the 40/60 test) or 20 percent of the residential units for renters earning 50 percent or less of the area’s median income (the 20/50 test). These units are subject to rent restrictions to ensure that the rent is affordable, which the project must maintain for at least 30 years.

**Monitor:** Neil M. Barofsky of the law firm Jenner & Block LLP, appointed as independent monitor to oversee and periodically report to the public on Credit Suisse’s progress toward meeting its total consumer relief obligation under the Settlement Agreement.

**Mortgage:** When a person borrows money to buy a home, the bank receives an interest in the home called a mortgage. If the borrower does not repay the loan in a timely fashion, the mortgage gives the bank the right to obtain ownership of the home. The mortgage is said to “secure” repayment of the loan, and commonly that loan is called a “mortgage loan.”

**Mortgage Servicer:** Company that serves an administrative function on behalf of lenders and owners of debt. Servicers typically do not originate or own the loans they service and are hired by owners of loans. A servicer’s main duties are collecting payments, distributing those payments to the parties entitled to receive them, communicating with borrowers, and maintaining records. Servicers may also decide when to modify the terms of distressed loans in order to avoid foreclosure.

**Non-Performing Loan:** Loan on which the borrower has not made a payment in 90 days or more.

**Origination:** Process by which a loan is made. The lender that makes the loan is known as the originator of the loan. The originator may deal with borrowers directly or may contract brokers to find potential borrowers and evaluate loan applications.

**Primary Mortgage Market Survey ("PMMS"):** Survey conducted by the Federal Home Loan Mortgage Corporation of mortgage lenders across the United States to determine the average 30-year fixed-rate mortgage rate, which is then reported on a weekly basis.

**Principal Forbearance:** Method of modifying a mortgage loan in which the borrower's repayment of a portion of the principal is deferred until the end of the term of the loan. The principal forbearance amount is sometimes referred to as a "non-interest bearing balloon."

**Principal Forgiveness:** Method of modifying a mortgage loan in which the borrower's unpaid principal balance is permanently reduced.

**Rating Agency:** In order for a debt security to be sold to a wide group of investors, a security generally receives a rating from a "rating agency." A rating agency is not part of the federal government, but instead is a company that analyzes the security to determine the risk that investors owning the security may suffer a loss. Investors frequently consider credit ratings when making investment decisions.

**Residential Mortgage-Backed Security ("RMBS"):** Type of debt security involving a collection of mortgage loans. An investor who owns an RMBS has the right to receive a portion of the monthly payments made under the mortgage loans. RMBS can be freely traded among investors. The process by which loans are packaged into these securities is called "securitization."

**RMBS Trust:** Mortgage loans included in an RMBS are formally owned by a trust. The trust is set up during the securitization process for the purpose of holding the mortgage loans and administering payments in a particular RMBS. Each month, the mortgage servicer for the loans in the RMBS trust collects monthly payments from borrowers, and then remits those payments to the trust. The "trustee" for the trust is in charge of aggregating these monthly payments and then distributing them to investors in the RMBS.

**Screenshot:** Picture of whatever appears on the screen of a computer at that moment in time.

**Second Lien:** Lien that has priority over all other liens or claims on a property, other than the first lien, a tax lien, or certain other liens pursuant to state law (*i.e.*, mechanic's lien), in the event of borrower default. An example of a second lien is a home equity line of credit on an already-mortgaged home.

**Securitization:** Process of taking a group of assets that generate a regular stream of payments, like a collection of residential mortgage loans, and transforming them into a security through financial engineering. An example of securitization is a residential mortgage-backed security ("RMBS"), which is a type of security that is backed by a collection of home mortgage loans.

**Select Portfolio Servicing, Inc. ("SPS"):** A mortgage servicer owned by Credit Suisse.

**Settlement Agreement:** Agreement of January 18, 2017, between Credit Suisse and DOJ, resolving potential claims relating to Credit Suisse's alleged unlawful conduct in connection with the packaging and sale of residential mortgage-backed securities, or "RMBS," between 2005 and 2007.

**SPS Compliance Group:** Internal SPS group responsible for performing audit and compliance functions across SPS's business in the ordinary course. Among other things, this group is responsible for ensuring that SPS is compliant with all relevant laws and regulations, as well as internal policies and procedures.

**SPS Quality Control Group:** Internal SPS group responsible for confirming that the business decisions made by other SPS groups were made correctly. For example, in the ordinary course of its business, the Quality Control group re-evaluates all loan modification applications to confirm the accuracy of the decision previously made by SPS's loan resolution department.

**Subprime Mortgage:** Borrowers with the best credit histories can borrow money from banks at the so-called prime rate. Subprime mortgages carry interest rates higher than the prime rate, and are generally offered to prospective borrowers who have poor credit histories and to whom lending is therefore riskier.

**Underwater:** A homeowner is said to be "underwater" when the amount owed on a mortgage loan is greater than the current market value of the home. Many homeowners found themselves underwater after home values fell significantly during the 2008 financial crisis.

**Underwriting Guidelines:** Guidelines used by originators of mortgage loans to decide whether a borrower should be given a loan to buy a home. The guidelines are intended to ensure, among other things, that a borrower has enough income to cover his or her monthly mortgage payment, and that in the event the borrower fails to repay the loan, the value of the property on which a mortgage is given is greater than the amount borrowed.

**Unpaid Principal Balance (“UPB”):** Amount owed on a loan at any given time, and on which interest accrues until it is repaid.

**Unsecured Mortgage Debt:** Mortgage loan that was previously secured by a lien on a home (*i.e.*, at the time of origination), but now the lien no longer exists. This type of debt would result, for example, after foreclosure and sale of a borrower’s home if the proceeds are insufficient to repay the loan in full. The unpaid portion of the loan then becomes unsecured mortgage debt. Unsecured mortgage debt is even lower in priority than a junior lien, as the property that originally served as collateral for the loan can no longer be seized in satisfaction of the debt.

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